

Boral



In response to the market downturn,
we are focused on lifting performance in the short-term
and better positioning Boral for the long-term



Boral Limited Annual Review 2009



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Annual Review**

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**Our 2009 Sustainability Report can
be found on the reverse side of this
Annual Review.**

The Annual Review includes a
concise report containing abbreviated
financial statements. Detailed financial
statements are available in the
separate 2009 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: Boral Transport vehicle driving
on the Hume Highway near Berrima in New
South Wales. During the year, Blue Circle
Southern Cement and Boral Transport
acquired a competitive advantage by winning
and successfully supplying cement and fly
ash to three major Hume Highway projects
simultaneously. The projects required a large
scale logistics feat with an average lead
distance of 360km. The distance travelled by
the fleet was equal to circumnavigating the
earth 120 times.

**The Annual General Meeting of Boral Limited will be
held at the City Recital Hall, Angel Place, Sydney
on Wednesday 28 October 2009 at 10.30am.**

Financial calendar*

Ex dividend share trading commences	24 August 2009
Record date for final dividend	28 August 2009
Final dividend payable	28 September 2009
Annual General Meeting	28 October 2009
Half year	31 December 2009
Half year profit announcement	10 February 2010
Ex dividend share trading commences	17 February 2010
Record date for interim dividend	23 February 2010
Interim dividend payable	23 March 2010
Year end	30 June 2010

* Timing of events is subject to change.

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CEO and Managing Director
Rod Pearse
Chief Financial Officer
Ken Barton
Company Secretary
Margaret Taylor
Auditor
KPMG

Boral is an integrated, resource-based manufacturing company supplying products and materials into building and construction markets in Australia, the USA and Asia.

With the global recession presenting significant market challenges, Boral's businesses are responding with comprehensive cost, price and capital management initiatives to lift Boral's performance in the short-term and to strengthen Boral's position for the long-term.

In 2008/09, the US housing market collapsed, the Australian housing and commercial construction markets declined significantly and Asian markets were impacted by the global downturn. Boral's businesses delivered record cost reductions and price increases, which helped to offset the significant impacts of volume declines and cost increases on Boral's results.

Key financial results for 2008/09:

- Net reported profit after tax down 42% to \$142 million
- Underlying profit after tax down 47% to \$131 million
- Sales revenue down 6% to \$4.9 billion
- EBITDA¹ down 22% to \$539 million
 - Australian EBITDA down from \$657 million to \$573 million
 - USA EBITDA down from A\$11 million profit to A\$61 million loss
 - Asia EBITDA² up from A\$16 million to A\$30 million
- EBITDA¹ to sales margin of 11.1%
- Underlying earnings per share down 46% to 22.2 cents
- Full year fully franked dividend of 13.0 cents

¹ Earnings before interest, tax, depreciation and amortisation (EBITDA) excluding significant items.

² Includes EBITDA from construction materials in Asia and Boral's equity share of after tax and financing profits from the LBGA joint venture.

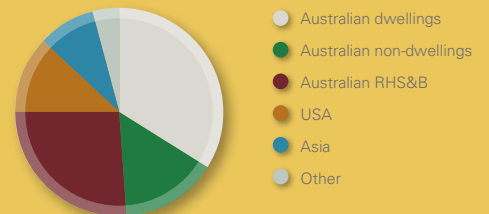
Responding to the Global Economic Downturn

We are responding comprehensively to the market downturn, which intensified in 2009.

Boral is exposed to a number of market segments in the building and construction industries across a number of geographies. With the exception of the Australian infrastructure market segment¹, which remained strong, Boral's major markets deteriorated significantly during the year.

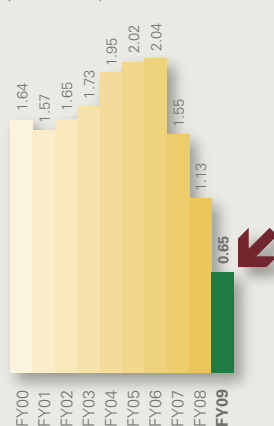
While we remain confident in the long-term strength of Boral's markets, in the short-term we have made some tough decisions to strengthen returns through the downturn and to position the Company well for an economic recovery.

Share of revenue 2009²



US housing market at a 50 year low

US housing starts (millions)



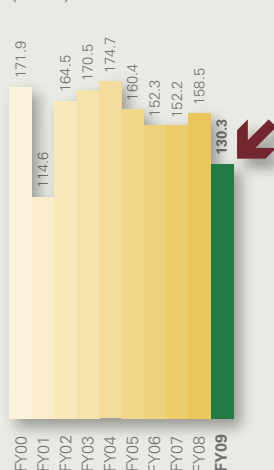
As the largest brick and roof tile manufacturer in the USA, traditionally around 20% of Boral's revenues and earnings are derived from US housing and construction markets. With a 68% decline in housing activity from peak levels in FY2006, including a 42% year-on-year decline in FY2009, revenues have nearly halved since FY2006. The US business delivered a significant loss in FY2009.

Response

- Despite the collapse in market volumes, prices and market share have held. Average brick prices increased by 1% in FY2009.
- US\$94 million of cost reductions and performance enhancement programs with US\$59 million already delivered.
- Boral's underlying US labour force is down by around 1,700 full-time equivalent employees (or over 50%) since the peak in FY2006.
- Rolling plant closures and mothballing to match production and sales and to manage inventories; brick plant utilisation averaged 30% of capacity and concrete roof tile plant utilisation averaged 16% in FY2009.

Australian housing market at the bottom of a five year downturn

Australian housing starts ('000)



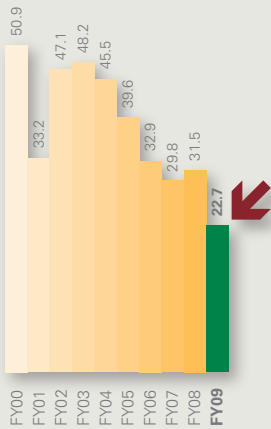
In recent years, the Australian housing market has reflected a "two speed" dual economy, where resource intensive states have grown, Victoria has been strong due to good affordability and planning, but NSW has declined due largely to poor affordability. However, in FY2009, the global recession led to a significant decline in housing activity in most states, including Queensland and Western Australia. Overall, Australian dwelling activity was 18% lower in FY2009.

Response

- Disciplined pricing outcomes with cement and concrete prices up 7%, quarry products up 5%, and bricks, roof tiles, timber and plasterboard prices up 3-4% in FY2009.
- An inventory build in the first half of FY2009 was largely reversed in the second half as production output was slowed through temporary and extended plant shutdowns and slowdowns. In WA, Midland Brick's Kiln 4 has been mothballed and Kiln 8 production suspended.
- Accelerated step change and performance enhancement programs in Building Products delivered \$38 million of benefits in FY2009.
- Australian full-time equivalent employees reduced by around 500 or 5% in FY2009 due to cost and production rationalisation programs.
- Capital expenditure has been significantly reduced. Construction of the new WA masonry plant was slowed but is now continuing.

NSW housing activity the lowest in more than 40 years

NSW housing starts ('000)



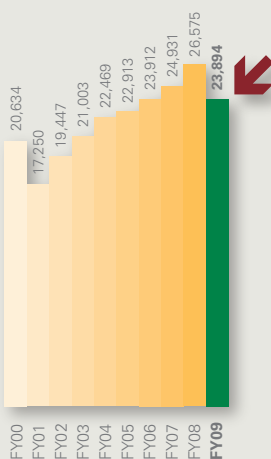
Around 40% of Boral's Australian revenues are traditionally derived in NSW and Boral has a large integrated asset base in NSW representing around 50% of Boral's Australian assets. The significant and protracted downturn in NSW over the past six years has had a substantial impact on Boral. The NSW housing market was down a further 28% in FY2009, with activity levels around 52% below underlying demand.

Response

- In NSW, Boral's plants are operating between around 50% and 80% of capacity. The Gloucester parquetry plant has been closed and production suspended at several NSW operations, including the Walcha timber mill, Galong lime kiln and Kempsey brick plant. Rolling plant shutdowns have impacted most other operations.
- With production volumes low to match sales and manage inventory, manufacturing costs per unit of production have increased, requiring cost reduction programs in all businesses.
- While the Berrima cement works is operating well and benefited from the Hume Highway construction projects in FY2009, production volumes have been lowered to match demand.
- Quarry End Use earnings, which are typically around \$40-\$50 million p.a., are expected to reduce to around \$25-\$30 million in FY2010, reflecting the slowdown in residential and commercial property markets, particularly in NSW.

Australian concrete volumes down 10% (and 18% down in second half)

Australian concrete volumes ('000 cubic metres)



Typically, 40% of concrete demand is driven by dwelling, 35% by RHS&B infrastructure¹ and 25% by non-dwellings construction activity. Dwelling starts were down around 18% and non-dwelling value of work approved was down 25%, while RHS&B activity was 25% stronger in FY2009. This resulted in a 10% reduction in concrete demand in FY2009 with volumes in the second half of the year down 18% on the prior corresponding period.

Response

- Despite volume pressures, a strong focus on disciplined pricing behaviour saw cement and concrete prices lift by 7% in FY2009.
- Due to Boral's strong focus on lifting margins through price increases, some temporary market share loss was experienced during the year.
- Australian Construction Materials delivered \$76 million of step change and cost reduction benefits in FY2009 from a range of initiatives including reductions in overtime, labour hire, and administration costs, and improvements in logistics and concrete mix designs.
- A significant step change program is underway in Blue Circle Southern Cement with early indications of a possible 10% compressible cost reduction over FY2010 and FY2011.
- Boral's Asphalt business performed strongly, benefiting from strong infrastructure volumes.

¹ Boral's Australian infrastructure activity is predominantly Road, Highways, Subdivisions and Bridges (RHS&B).

² Includes Boral's equity accounted share of joint venture revenues from MonierLifetile (USA) and LBG (Asia).

Sources:

- US housing starts seasonally adjusted data from US Census.
- Australian and NSW housing starts from Australian Bureau of Statistics (ABS) to Mar-09; estimate for Jun-09 quarter based on Mar-09 quarter approvals.
- Australian concrete volumes from ABS.
- Non-dwelling value of work approved from ABS to Mar-09; estimate for Jun-09 quarter based on BIS Shrapnel value of work commenced forecast (as at Jun-09).
- RHS&B value of work done from ABS to Mar-09; Jun-09 quarter based on BIS Shrapnel forecast (as at Jul-09).



Ken Moss

All of Boral's major markets deteriorated significantly during the year, particularly in the second half of the year, with the exception of the Australian roads and infrastructure market segment, which remained strong. US housing activity slumped to around 650,000 starts, a 42% decline on the prior year; Australian housing activity was down by 18% to 130,000 starts; the value of non-dwelling activity in Australia was down 1% and approvals were down 25%; and in Asia, the global recession slowed activity in domestic building and construction markets.

In 2008/09, Boral delivered a reported profit after tax of \$142 million, which was 42% below the prior year. The reported profit included a number of significant items which had a net favourable impact of \$11 million. Excluding those significant items, Boral's underlying profit after tax of \$131 million was 47% lower than the prior year. This reduced profit reflects significant downturns in activity in Boral's housing and commercial construction markets underpinned by the global recession.

The significant items that delivered a net benefit of \$11 million in 2008/09 included a \$27 million after tax profit arising from the sale of Boral's 17.6% shareholding in Adelaide Brighton Limited and a \$64 million favourable reduction in tax provisions. These favourable significant items were largely offset by \$63 million of after tax impairment charges and a \$17 million after tax expense in relation to contractual obligations to purchase fly ash in Florida where market conditions are limiting product sales. The impairment charges were taken in relation to US construction materials, an Australian precast concrete panels business, idle US and Australian brick production assets, and land and capitalised project costs in Australia and Asia.

For the year ended 30 June 2009, sales revenue of \$4.9 billion was 6% lower than the prior year and Boral's underlying EBITDA (earnings before interest, tax, depreciation and amortisation) was down 22% to \$539 million.

Responding to significant market challenges

To help mitigate the impacts of the severe decline in US markets and the downturns in Australia and Asia, extensive cost reduction programs, disciplined price management, capacity rationalisation and substantial lowering of capital expenditure continued throughout the business.

Step change cost reductions and "performance enhancement programs" (PEP) delivered \$195 million of benefits during the year. This was the largest cost down/PEP program of the past 10 years. Employee numbers at 30 June 2009 of 14,766 were 7% lower compared with 15,928 employees in the prior year. Across most operations we are also using a lot less contract labour, with total full-time equivalent contractors reducing from around 7,000 to around 5,700 during the year. Overall, Boral's total number of full-time employees and contractors reduced by 2,460 or about 11% in FY2009.

A comprehensive focus on managing the business for cash through the downturn helped to support Boral's solid balance sheet. Cash flow from operations, lower capital expenditure, proceeds from the divestment of Boral's 17.6% stake in Adelaide Brighton and a 16% appreciation of the AUD/USD exchange rate at 30 June 2009 compared to 31 December 2008 resulted in Boral's net debt of \$1,514 million at 30 June 2009 being \$670 million lower than the net debt of \$2,184 million at 31 December 2008. Gearing (debt/equity) decreased from 79% at 31 December 2008 to 55% at 30 June 2009.

Shareholder returns

A fully franked final dividend of 5.5 cents per share takes the full year fully franked dividend to 13.0 cents. The final dividend represents a pay-out ratio of 58% of underlying after tax earnings, which is in line with an average of around 60% of earnings over the past nine years. As a result of the significant market related earnings decline, the full year dividend of 13.0 cents is substantially lower than the 34.0 cent dividend which has been paid out of earnings over the past four years.

For the half year dividend, shares issued under Boral's Dividend Reinvestment Plan (DRP) were issued at a 2.5% discount to the market price and the take-up of the DRP lifted from around 30% to 41%. This initiative assisted in preserving cash in the period. The 2.5% DRP discount will also apply to Boral's final dividend.

Boral's total shareholder return (TSR) from share price appreciation and dividends was around 16% per annum over the nine and a half years since demerger to 31 August 2009. Boral's TSR performance is above average, ranking in the second quartile of ASX 100 companies over the period.

Corporate governance and remuneration

Following Boral's 2008 Annual General Meeting, the Board undertook a fundamental review of executive remuneration practices in Boral, which was carried out with the assistance of an independent adviser, Ernst & Young. The review process was concluded with a comprehensive stakeholder engagement program, involving members of the Remuneration Committee and other Board members meeting with representatives of retail and institutional investors and governance advisory firms. We have worked hard to balance the needs and expectations of our shareholders and the broader community with the need to appropriately remunerate our people in a competitive marketplace. Our remuneration policies and practices are focused on linking performance and reward while taking into

consideration the particular challenges that a cyclical company like Boral presents.

In addition to the specific actions taken by the Board as a result of the formal remuneration review, a number of remuneration restraint initiatives were implemented during the year in response to shareholder concerns and the difficult market conditions impacting Boral's profitability. These restraint initiatives include: a salary "freeze" for the CEO, Management Committee and other senior executives from September 2008 through to September 2010; the CEO and Management Committee voluntarily forgoing their short term incentive entitlements for 2008/09; and a "freeze" on Directors' fees from July 2008 through to July 2010. These actions demonstrate a shared commitment of the Board and Management to lead by example.

This year's Remuneration Report (on pages 43 to 59 of Boral's Annual Review) provides further detail of our approach to remuneration, the improvements that have been made following the review and remuneration outcomes in 2009.

Boral's Directors are committed to ensuring that Boral's policies and practices reflect a high standard of corporate governance. On pages 31 to 37, we report on our corporate governance activities in accordance with the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.

Boral's Board and CEO succession

In 2008/09, there were a number of announcements and steps taken in relation to Board and CEO succession.

In September 2008, Paul Rayner was appointed as a non-executive Director of Boral Limited. His appointment was confirmed by shareholders at the 2008 Annual General Meeting.

In June 2009, Rod Pearse announced his intention to retire at the end of December 2009, when his second five year contract comes to an end. Rod joined Boral in 1994 and has been Managing Director and CEO since the demerger of the Company in January 2000. While Rod still has several months in the job, on behalf of the Board, I congratulate Rod for his achievements as Boral's CEO and I thank him for the way he has led the Company in good times and in challenging times. Rod is a natural leader with strong personal values that have permeated throughout the organisation and in his dealings with customers, shareholders and others.

While he may not be retiring at a point in the cycle when Boral's earnings are strong, Rod has successfully reshaped Boral into a focused building and construction materials company that has performed well through the cycle. Rod has delivered strong improvements in pricing and in the underlying performance of the business as well as continuous improvements in safety and sustainability outcomes. On the growth side, around \$2.5 billion has been invested in growth initiatives over the past decade, which has seen Boral's production capacity, resource positions and distribution networks strengthen as well as stepouts into new markets and geographies. Of note has been Boral's move into construction materials in the USA, growth in plasterboard throughout Asia, and numerous bolt-on acquisitions in Australia that have secured Boral's leading market positions. The Quarry End Use business was established early in Rod's tenure; it has contributed an average annual profit of almost \$40 million over the past nine years. Boral is very well positioned to deliver superior performance as markets recover.

Following Rod's decision to retire, I made a decision that I would seek re-election as Boral's Chairman to provide continuity during the change of CEO. Assuming I have shareholders' support, I intend to stay on as Chairman until May 2010. In July 2009, we announced that Dr Bob Every had been appointed Deputy Chairman of the Board with the intention of Bob becoming Chairman when I retire in May 2010.

We also announced that John Cloney, who joined the Board in 1998, will retire as a Director at this year's Annual General Meeting. Together with the Board, I acknowledge the significant contribution that John has made to Boral, including his valued contribution as Chair of the Remuneration Committee.

The Board is continuing to progress the appointment of a new CEO and Managing Director to take over from Rod from 1 January 2010. We intend to make an announcement prior to Boral's Annual General Meeting, which is scheduled for 28 October 2009.

Boral's people

Apart from Boral's CEO, the remaining 11 senior executives on Boral's Management Committee have an average tenure of 11 years with Boral, ranging from one to 21 years. This is a capable team of executives with a good blend of internal and external experience. During the year, there was some renewal on the Management Committee with the appointment of Margaret Taylor as Boral's new General Counsel and Company Secretary and the internal appointments of three new Executive General Managers, Nick Clark, Warren Davison and Mike Beardsell. Nick is running Boral's Clay & Concrete Products division, Warren is heading up Construction Related Businesses, and Mike Beardsell is running the Cement division. These three appointments followed the resignation of two long-serving EGMs earlier in the year.

I thank Boral's CEO, management team and all of Boral's employees for their hard work and contribution over the past year. It has not been an easy time for any of our businesses and when the focus is on reducing costs as far as possible, it is commendable to see morale remaining strong and safety performance continuing to strengthen.



Ken Moss, CHAIRMAN



Rod Pearse

Last year I said that in 2007/08 and looking forward it was *not business as usual*. I said that several extraordinary external factors had coincided to create a particularly challenging business environment. In 2008/09, those external market challenges intensified, with the global recession having a significant impact on Boral's US and Australian markets, and in Asia.

The synchronised downturn in market activity has required a comprehensive response to lift performance in the short-term and to position the Company well for an inevitable recovery and for long-term growth.

Market challenges intensify in 2009

In January 2009, we foreshadowed to the market that our second half earnings would be well down on the first half as a result of an anticipated deterioration in market activity in the USA and Australia. This is precisely what happened.

Fortunately, the Australian infrastructure market (predominantly roads, highways and bridges) remained strong during the year, supported by government spending. Activity in Boral's other major markets deteriorated significantly. The market downturn was particularly severe in the second half of the year.

Boral's reported sales revenue of \$4.9 billion for the year ended 30 June 2009 was 6% lower than last year. Boral's underlying profit after tax (PAT) of \$131 million, before significant items, was 47% below last year's underlying PAT of \$247 million but was 9% above Boral's January guidance.

Australia

Australian dwellings were down by around 18% to an estimated 130,000 starts in 2008/09. Dwelling starts in the first half were running at around 144,000 per annum, and in the second half activity declined to around 116,000 starts on an annualised basis. This compares with BIS Shrapnel's forecast of underlying demand of 183,000 starts per annum for the past three years.

Non-dwelling approvals, which indicate the level of forthcoming commercial construction, were down by around 25% with project cancellations and deferrals increasing as weaker business confidence

was coupled with funding constraints and increased borrowing costs.

Approvals for the construction of dwellings and non-dwellings were down in all states during the year. In Boral's largest state market, New South Wales, approvals for dwellings were down 26% and non-dwellings value of work approved was down by around 28%. Housing activity in New South Wales remained the lowest it has been in more than 40 years.

In Australia, Boral's production output has been slowed to match sales demand and to reduce inventory. We have suspended production at several operations, including the Walcha timber mill, our lime kiln at Galong, Midland Brick's Kiln 8 and the Kempsey brick plant, and we have continued a program of temporary and extended plant shutdowns and slowdowns.

Boral's Australian Building Products revenue of \$1.3 billion was down 6% and EBITDA of \$98 million was down 41% due to significantly weaker market conditions and reduction of inventories, particularly in the June half. Higher manufacturing costs resulting from plant slowdowns and shutdowns had a significant adverse impact on profits. Construction Materials revenue was down 5% to \$2.8 billion, reflecting lower volumes and lower Quarry End Use (QEU) revenues offsetting benefits from price increases and higher asphalt volumes. Construction Materials EBITDA was down 3% or \$14 million on last year to \$475 million including QEU earnings of \$47 million which were \$7 million lower year-on-year.

USA

In the USA, housing activity continued its dramatic decline. Housing starts were down 42% to 650,000 starts in 2008/09. In the first half of the year, housing activity was at an annualised rate of around 765,000 starts while in the second half it deteriorated to around 535,000 starts per annum. Over the past 50 years, US housing starts have averaged 1.5 million starts per annum and underlying housing activity is estimated to be around 1.8 million starts per annum.

We operated our concrete roof tile plants at around 20% of capacity in the first half of the year and lowered this to 12% in the second half. Similarly, capacity utilisation in our brick plants averaged 30% during the year with second half utilisation around 20%. At year end, eight of Boral's 23 brick plants were mothballed and a further six temporarily closed until market demand recovers.

We are operating at record low volumes in the USA and are well below the break-even point. With revenue down 33% on the prior year to US\$406 million, the US business reported an EBITDA loss of US\$45 million (or A\$61 million in Australian dollars), which compares to a US\$10 million (or A\$11 million) profit in the prior year.

The US business moved from a position of profitability to reporting a loss once the market had fallen below around 1.1 million housing starts. Through a significant cost reduction program, we have reduced the break-even point of the business; it should return to an EBIT profit when the market exceeds around 900,000 to 950,000 housing starts per annum.

Asia

In Asia, Boral's key market exposures are in South Korea, Thailand, Indonesia and China. The global economic downturn impacted Asian construction activity from the September 2008 quarter. Various governments in Asia, notably China, have announced major stimulus packages to counter the economic downturn which should be favourable for future construction.

Pleasingly, revenues from Asia increased by 15% to A\$219 million, reflecting significant price increases that were necessary to recover input cost increases. EBITDA from operations in Asia increased to \$30 million from \$16 million last year reflecting significant operational improvements and price gains in construction materials despite lower volumes and difficult market conditions. Results from Boral's 50%-owned plasterboard joint venture, LBGA, were weaker in the first half but pricing improvements and a significant cost reduction program offset lower volumes and cost pressures during the second half.

Responding to the downturn by lifting short-term performance

Our response to the significant synchronised downturns in Boral's markets has been to substantially decrease production to match sales and to manage inventories, together with a disciplined approach to pricing, widespread and rigorous cost reduction initiatives, a focus on improving cash flow and substantial constraints on capital expenditure.

The \$195 million of cost reduction benefits delivered during the year represent a record 4.5% reduction in compressible costs. These benefits are being delivered through a range of initiatives including: reductions in overtime and labour hire; streamlining of management and administration functions; improvements in logistics, concrete and asphalt mix designs, and quarry yields; increased use of alternative fuels and materials; and rationalisation of transport depots and distribution branches.

In the USA, we have rolled out a comprehensive US\$94 million cost reduction program which delivered US\$49 million of benefits in 2008/09. Further incremental benefits in excess of US\$24 million have been targeted for 2009/10 (including Boral's 50% share of MonierLifetile). The size of these additional savings will be dependent on market activity levels but will be based on a further reduction in the workforce, improved manufacturing processes and lower procurement costs.

A disciplined approach to price management has also been critically important in lifting performance through the downturn. Prices increased in most businesses in 2008/09 with \$165 million of benefits delivered from price improvements, the largest year-on-year price lift in at least 10 years. Our pricing focus in the first half of 2009/10 will be to gain full traction from previously announced price increases and where possible implement new price increases. For example, concrete, quarry and cement price increases that were announced effective 1 April 2009 are continuing to be realised. Price increases of 6% have been announced for bricks and pavers in New South Wales and Queensland to take effect from 1 October 2009 and a similar increase was implemented in Victoria effective 1 July 2009.

With increased focus on cash management, managing working capital and reducing capital spending has been a priority. While operating cash flow decreased by \$163 million to \$419 million over the year, cash flow of \$278 million in the June half nearly doubled the cash flow of \$141 million delivered in the December half.

Capital expenditure has continued to be significantly wound back, with growth and acquisition capital expenditure reduced by 76% to \$77 million. Stay-in-business capital of \$163 million was \$6 million lower and remained at around 62% of depreciation levels. Several new growth investments have been delayed until markets and cash flows recover. We are, however, continuing to monitor and assess growth opportunities that will create shareholder wealth through the cycle.

Boral's balance sheet is in a relatively strong position at the bottom of the cycle with gearing (debt/equity) of 55%, well within Boral's target range of 40%-70%. Boral's liquidity is strong and should continue to sustain us well through the downturn; we have around \$820 million of undrawn committed facilities at 30 June 2009 and no material refinancing requirements until August 2011.

Outlook for 2009/10

While forecasting remains particularly difficult in the current economic climate and Boral's businesses have developed plans that allow for a range of market outcomes, we expect that 2009/10 will be another year of challenging market conditions.

In Australia, Boral's Building Products businesses are currently producing at a rate to supply housing starts of around 120,000. However, the Housing Industry Association is forecasting a lift to around 145,000 starts in 2009/10 and BIS Shrapnel is forecasting a more significant rebound to 160,000 starts. Lower interest rates combined with improvements to the First Home Owners Grant have significantly improved affordability and flow through is expected from the social and defence housing component of the Federal Government Stimulus Package. Finance approvals for new dwelling construction have risen which will eventually flow through to building activity. Boral's production levels will lift to match sales increases as they eventuate and our Australian Building Products earnings are expected to lift in 2009/10 on the back of stronger volumes and improved pricing.

On the other hand, Construction Materials activity and earnings in Australia are expected to decline in 2009/10 due to the decline in non-dwellings and softer infrastructure activity. We anticipate QEU earnings to fall in 2009/10 to around \$25 million to \$30 million due to the downturn in the property sector and to be less heavily weighted to the second half than in previous years.

In the USA, it remains unclear when a turnaround in housing activity will occur. Many economists are forecasting a recovery to begin from late calendar year 2009. We expect US housing starts in the December 2009 half to be similar to June 2009 half starts, with a recovery occurring in the June 2010 half. Overall, we anticipate a broadly similar level of housing activity in 2009/10 as was experienced in 2008/09. Continued benefits from significant cost reduction programs across the entire business and increased second half sales and production volumes will reduce losses in the US in 2009/10, particularly in the June half.

In Asia, domestic building activity remains sensitive to the effect of the global recession, however, plasterboard volumes and profits will be more resilient as product penetration continues and a strong focus on better pricing outcomes and cost reduction programs is expected to support margins. In Construction Materials in Asia we expect some volume and earnings pressures.

Across Boral's businesses, performance enhancement programs and step change initiatives of 4% of compressible costs have been targeted for 2009/10. Interest expense will be lower because of reduced debt levels. Capital expenditure will be further reduced and working capital will continue to be managed tightly.

Current market conditions are expected to broadly continue during the first half of 2009/10. Second half activity levels are expected to be stronger than in the December 2009 half but are difficult to forecast at this point in time.

We will provide a trading update at Boral's Annual General Meeting on 28 October 2009.

Positioning the Company well for the long-term

Despite the current depressed levels of demand, we have long-term confidence in Boral's markets. We support the view of Harvard University's Joint Centre for Housing Studies that underlying demand for new housing in the USA is around 1.8 million starts per annum. In Australia, according to BIS Shrapnel, underlying demand over the past three years has been around 183,000 starts per annum and over the next five years will be around 169,000 per annum, reflecting a reduction in net overseas migration.

Over the past 10 years, we have positioned the Company well to supply the market through the peaks and the troughs of the building cycles and to deliver strong returns when the market is operating at underlying demand and long-term average levels. We have invested in low cost modern capacity in higher growth markets and we have closed higher cost older capacity at the bottom of the cycle. We have grown Boral's distribution networks and stepped out into new markets and new geographies. A decade ago, Boral was operating in five countries; today, Boral has operations in 10 countries and a distribution presence in a further three. We have strong, cost-competitive resource positions that have strengthened Boral's competitive advantage over the past decade.

Over the past year, we have significantly reduced capital expenditure until markets recover. We are, however, moving forward with several capital projects. We are rebuilding the Artarmon concrete batching plant for around \$12 million, which is critical to supply Sydney, North Sydney and Chatswood business districts; the Artarmon plant is expected to be completed in the June 2010 quarter and is benefiting from the Federal Government's Investment Allowance. In Western Australia, the construction of our previously announced new \$44 million masonry plant to replace two existing plants was slowed but is now continuing; market growth and cost reduction benefits together with cash flows from the sale of the Jandakot and Cannington sites will result in strong investment returns. In Asia, LBGA is building a new US\$48 million plasterboard plant at Baoshan in Shanghai, China, and a new US\$43 million production line at Saraburi in Thailand, which are expected to be in operation by June 2010 and September 2010 respectively. These investments are being funded by the JV and are important to retaining LBGA's leading position in Asia and to supplying the strong underlying growth in plasterboard in the region.

Delivering our objectives through the cycle

When I took over as Boral's CEO and Managing Director nearly 10 years ago, following the demerger of the Company from Boral Energy (now Origin Energy), our goal was to reshape Boral into a focused building and construction materials company operating in Australia and increasingly offshore. This increased focus has made Boral more exposed to the cyclical highs and lows of the building industry but considerable shareholder value has been created as a result of the increased focus.

Over the past decade, we have had four financial objectives and, through the cycle, performance against objectives has been solid.

Our first objective is to deliver returns that exceed Boral's weighted average cost of capital through the cycle. Since demerger, Boral's EBIT return on funds employed has averaged 12.7%, which is above Boral's weighted average cost of capital.

Our second objective has been to deliver better financial returns than the competition in comparable markets. Pleasingly, Boral's financial returns continue to compare well with competitors in like markets across most businesses, and in some businesses

where there was a performance gap it has closed as Boral has outperformed in areas such as cost and price management.

Boral's third objective has been to deliver superior total shareholder returns (TSR) for our shareholders. Despite extraordinarily challenging conditions and Boral's share price deteriorating in recent years as a result of the market driven earnings decline, Boral's TSR from share price appreciation and dividends was around 16% per annum over the nine and a half years since demerger to 31 August 2009. Boral's TSR performance is above average, ranking in the second quartile of ASX 100 companies over the period.

Finally, Boral's fourth and overarching objective is to deliver superior returns in a "sustainable way"; this means in a financial, human resources, environmental and social sense. From a cost, price and capital perspective, Boral is positioned well to deliver strong sustainable returns. Boral's non-financial sustainability measures have continued to improve over time, including safety. In 2008/09, a lost time injury frequency rate for employees of 1.8 was delivered versus 2.5 in the prior year and 9.0 in 1999/00 and 1998/99; contractor safety management has also improved significantly. This improved safety performance was better than our targeted performance improvement; however, it was tragically overshadowed by the death of an employee in Indonesia who was fatally injured in a heavy vehicle accident involving two concrete agitators in November 2008. This employee fatality was a tragic reminder of the risks we need to manage every single day and the importance of continuing to focus our efforts on ensuring a safe workplace for all of Boral's people. Further details about Boral's safety performance and environmental and social impacts can be found in Boral's 2009 Sustainability Report, which forms part of this Annual Review.

Boral's fifth changing of the guard

After 10 years as Boral's CEO and Managing Director, I will retire at the end of December 2009. I have had a personal goal of wanting to hand the business over in better shape at the end of my tenure than when I started. Over Boral's 63 year history, I believe that my four predecessors have done this.

I am confident that the underlying performance of the business has strengthened considerably over the past decade. This has better positioned Boral to weather the most severe downturn that we have witnessed in our careers. It also means that as markets recover, Boral's financial returns will dramatically lift.

I thank Boral's Management Committee and all of Boral's employees for their hard work, their persistence and their support during my time as CEO. I also thank the Chairman Ken Moss and the whole Board for their support and their invaluable counsel.

It has been a pleasure and a privilege to lead Boral over the last decade. I will hand over the reins to Boral's next CEO in coming months. I wish my successor the very best of success with Boral's future.



Rod Pearse, CEO AND MANAGING DIRECTOR

Management Committee

Rod Pearse 1

CEO AND MANAGING DIRECTOR

Biography on p.30.

John Douglas 2

EXECUTIVE GENERAL MANAGER, AUSTRALIAN CONSTRUCTION MATERIALS

John is 47 and has been in his current position since 2004. 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.

Mike Beardsell 3

EXECUTIVE GENERAL MANAGER, CEMENT

Mike is 51 and was appointed Executive General Manager of Cement in April 2009. Mike joined Boral in 2001 and has been National General Manager of Blue Circle Southern Cement since 2004. Before joining Boral, Mike worked as an independent consultant and has held senior roles in Iron Ore Co of Canada, Peak Hill Resources and North Forest Products, Tasmania, where he was the Chief Executive. Mike holds a PhD in industrial forestry operations and a Master of Science.

Warren Davison 4

EXECUTIVE GENERAL MANAGER, CONSTRUCTION RELATED BUSINESSES

Warren is 56 and was appointed Executive General Manager of Construction Related Businesses in April 2009. Warren joined Boral from Alcan in 1998 as General Manager of Boral Formwork & Scaffolding and became General Manager of Boral's Construction Related Businesses in 2003. Warren came to Boral with a strong background in sales and manufacturing management in Australia and New Zealand. Warren has a Master of Science (Hons) degree and postgraduate business qualifications.

Nick Clark 5

EXECUTIVE GENERAL MANAGER, CLAY & CONCRETE PRODUCTS

Nick is 46 and was appointed Executive General Manager of Clay & Concrete Products in February 2009. Nick joined Boral as General Manager, Bricks East in 2003. Prior to joining Boral he held a number of positions at Rio Tinto, Pacific Dunlop and Mayne/Toll Logistics including marketing, sales, operational and general management roles. He has a mechanical engineering degree from Melbourne University and an MBA from Harvard Business School.

Bryan Tisher 6

EXECUTIVE GENERAL MANAGER, TIMBER

Bryan is 46 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, and 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, engineering design and construction in a variety of locations including Australia, USA, Africa and Indonesia. He holds a civil engineering degree (First Class Honours) from Monash University and an MBA from Harvard Business School.

Ross Batstone 7

EXECUTIVE GENERAL MANAGER, PLASTERBOARD

Ross is 61 and was Boral's Divisional General Manager, Plasterboard Australia from 1996-2000 before becoming Executive General Manager of the Plasterboard division. He was 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 8

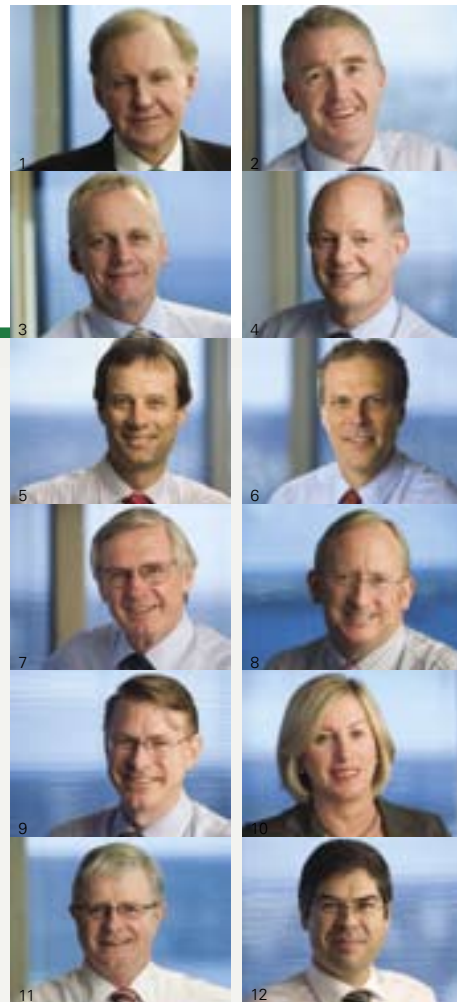
PRESIDENT, BORAL USA

Emery is 53 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 National General Manager of Blue Circle Southern Cement from 1998 to 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 9

CHIEF FINANCIAL OFFICER

Ken is 43 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.



Margaret Taylor 10

GENERAL COUNSEL AND COMPANY SECRETARY

Margaret is 49 and was appointed General Counsel and Company Secretary of Boral Limited in November 2008. Prior to joining Boral, Margaret was Regional Counsel Australia/Asia with BHP Billiton, and prior to that she was a partner with law firm Minter Ellison for many years, specialising in corporate and securities law. Margaret holds law and arts degrees from the University of Queensland.

Robin Town 11

GENERAL MANAGER, HUMAN RESOURCES

Robin is 57 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 12

GENERAL MANAGER, CORPORATE DEVELOPMENT

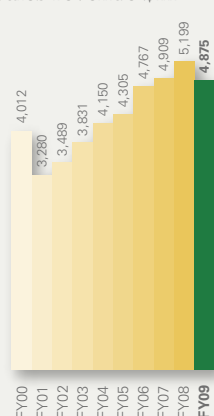
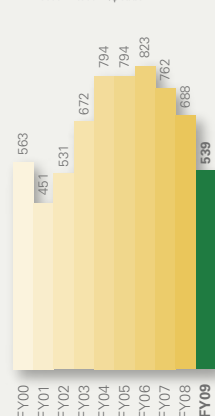
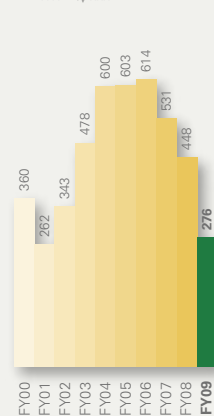
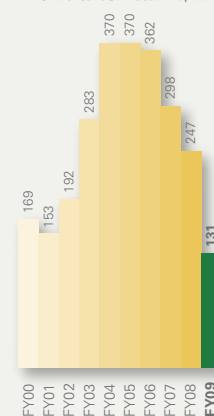
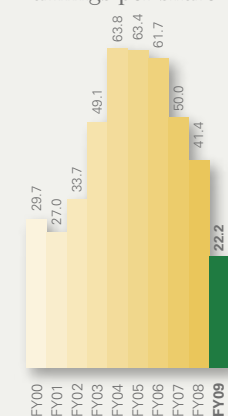
Andrew is 45 and is General Manager, Corporate Development. He was previously National General Manager, Quarry End Use from 2003-2007 and General Manager, Business Development for Australian Construction Materials (2000-2003). Prior to joining Boral, he held marketing, business development and financial 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.

Summary of Results

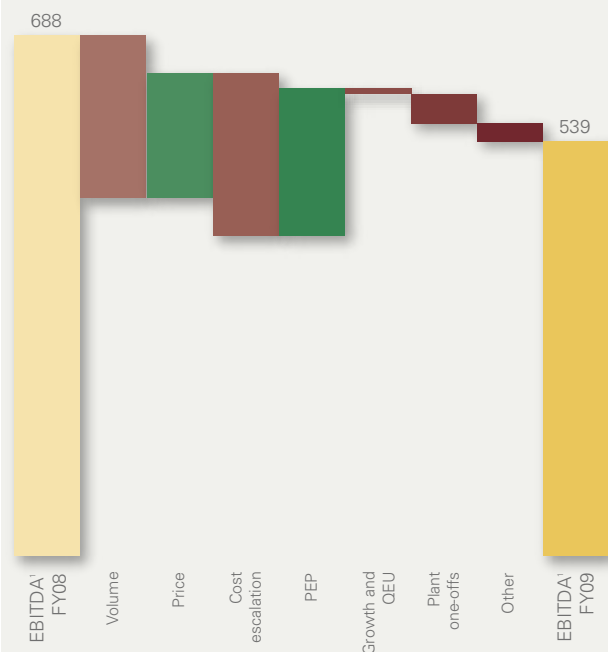
A\$ million unless stated

YEAR ENDED 30 JUNE	2009	2008	% change
Revenue	4,875	5,199	(6)
EBITDA ¹	539	688	(22)
EBIT ¹	276	448	(38)
Net interest ¹	(127)	(112)	14
Profit before tax ¹	149	336	(56)
Tax ¹	(17)	(90)	(81)
Minority interest	–	1	–
Underlying profit after tax	131	247	(47)
Net significant items	11	(4)	
Profit after tax	142	243	(42)
Cash flow from operating activities	419	582	(28)
Gross assets	5,491	5,895	(7)
Funds employed	4,268	4,425	(4)
Liabilities	2,738	2,985	(8)
Net debt	1,514	1,515	–
Growth and acquisition capital expenditure	77	327	(76)
Stay-in-business capital expenditure	163	169	(4)
Depreciation	263	240	10
Employees	14,766	15,928	(7)
Sales per employee, \$ million	0.330	0.326	1
Net tangible asset backing, \$ per share	4.12	4.41	(7)
EBITDA margin on sales ¹ , %	11.1	13.2	(16)
EBIT margin on sales ¹ , %	5.7	8.6	(34)
EBIT return on funds employed ¹ , %	6.5	10.1	(36)
Return on equity ¹ , %	4.8	8.5	(44)
Gearing			
Net debt/equity, %	55	52	6
Net debt/net debt + equity, %	35	34	4
Interest cover ¹ , times	2.2	4.0	(46)
Underlying earnings per share ¹ , ¢	22.2	41.4	(46)
Dividend per share, ¢	13.0	34.0	(62)
Safety: (per million hours worked)			
Lost time injury frequency rate	1.8	2.5	(28)
Recordable injury frequency rate	26.1	26.7	(2)

Sales revenue \$m

EBITDA¹ \$mEBIT¹ \$mProfit after tax¹ \$mEarnings per share¹ ¢

EBITDA variance analysis (\$ million)



Volume

Substantially lower volumes, which were experienced in all businesses except Asphalt, reduced Boral's EBITDA by around \$215 million in FY2009. The adverse impact of lower volumes was particularly pronounced in the second half of the year.

Price

Disciplined price management across Boral's businesses has lifted performance through the downturn. Price increases delivered \$165 million of benefits in FY2009, the largest year-on-year price lift in at least 10 years.

Costs and PEP

Cost savings of \$195 million were delivered from Performance Enhancement Programs (PEP) and other cost reduction initiatives, which was a record 4.5% of compressible costs. Taken together, price and PEP outcomes were \$360 million which substantially exceeded cost escalation of \$215 million (around 5% of compressible costs).

Growth and QEU

Reflecting the market downturn, there were no benefits delivered from growth initiatives in FY2009 and earnings from Quarry End Use (QEU) activities were down \$7 million on the prior year, as a result of slower property markets.

Plant one-offs and other

Plant slowdowns and shutdowns cost around \$46 million, of which about half was in the USA. Transitioning costs for the new Plasterboard plant at Pinkenba in Queensland also impacted the result. Other costs included a \$14 million foreign exchange variation on the prior year.

Announcements to the ASX

19 August 2009

Boral announces an after tax profit of \$142 million for the year ended 30 June 2009, a 42% or \$101 million decrease on the reported PAT for the year ended 30 June 2008.

27 July 2009

Boral announces that Dr Bob Every has been appointed Deputy Chairman of Boral and that Dr Ken Moss intends to retire as Chairman and from the Board in May 2010, at which time Dr Every will assume Chairmanship of Boral.

15 June 2009

Boral announces its response to the ACF/ACJP Report on Corporate Climate Risk Disclosure. Boral strongly refutes the allegations made by the ACF and the ACJP.

6 May 2009

Boral announces that it has sold its entire stake in Adelaide Brighton Limited being 107.8 million shares for a price of \$210 million or \$1.95 per share.

6 April 2009

The Chairman of Boral, Dr Ken Moss, advises that Boral has commenced an executive search process to consider suitable internal and external candidates to replace Boral's current CEO and Managing Director, Mr Rod Pearse.

6 March 2009

Boral announces the resignation of Phil Jobe from Boral and the separation of Boral's Cement division into two operating divisions – Cement and Construction Related Businesses. Mike Beardsell is appointed as EGM of the new Cement division and Warren Davison was appointed as EGM of Construction Related Businesses.

11 February 2009

Boral announces a profit after tax of \$75 million for the half year ended 31 December 2008, 44% below the \$132 million for the half year to December 2007.

28 January 2009

Boral advises that due to deterioration in market conditions in the USA, Australia and Asia it is revising its full year guidance for its FY2009 result from \$200 million to \$120 profit after tax.

19 January 2009

Boral Timber announces it has achieved Chain of Custody certification for its hardwood product range. This achievement builds on the previously awarded Chain of Custody Certification for Boral Plywood and Boral Sawmillers Exports.

15 December 2008

Boral announces its initial response to the Federal Government's Carbon Pollution Reduction Scheme White Paper. Boral is pleased that cement is recognised as an EITE industry and will receive transitional assistance but is concerned by the stated conclusion of the safety price cap in 2015.

17 November 2008

Boral announces Margaret Taylor has been appointed Company Secretary of Boral Limited following the resignation of Michael Scobie.

7 November 2008

Boral announces Mr Nick Clark will replace Keith Mitchelhill as EGM of the Clay & Concrete Products division of Boral.

5 September 2008

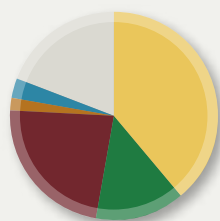
Boral announces that Mr Paul Rayner has been appointed as a non-executive Director of Boral Limited.

Boral announces that Ms Elizabeth Alexander will retire as a non-executive Director of Boral Limited.

Summary of Reporting Groups

Construction Materials, Australia

Share of FY2009 external revenue

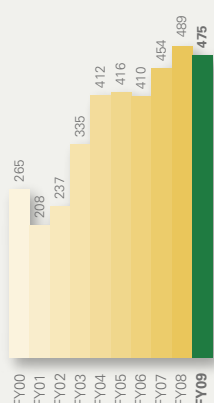
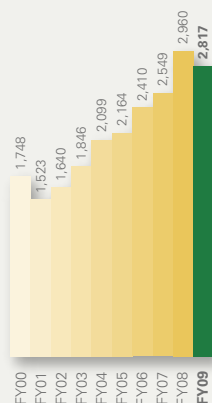


- Concrete
- Quarries
- Asphalt
- Transport
- QUE
- Cement division*

* Cement division includes Blue Circle (excluding internal sales to Boral businesses) and Construction Related Businesses of De Martin & Gasparini and Formwork & Scaffolding

Revenue, \$m

EBITDA¹, \$m



Year ended 30 June

A\$ million unless stated

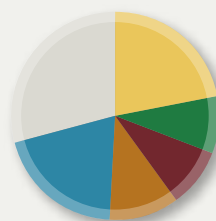
	2009	2008	% change
Sales revenue	2,817	2,960	(5)
EBITDA ¹	475	489	(3)
EBIT ¹	330	351	(6)
Capital expenditure ²	140	180	(23)
Funds employed ²	2,240	2,310	(3)
EBITDA ¹ return on sales, %	16.9	16.5	
EBIT ¹ return on sales, %	11.7	11.9	
EBIT ¹ return on funds employed, %	14.7	15.2	
Employees, number	5,544	5,798	(4)
Revenue per employee	0.508	0.511	-

Performance

- Revenues down as lower Quarry End Use (QEU) revenues offset increased asphalt volumes (due to strong infrastructure activity) and pricing gains in concrete, quarry, cement and lime.
- Boral's concrete volumes down 12%, reflecting lower dwellings and non-dwellings activity and some temporary market share loss predominantly due to Boral's strong focus on lifting margins through price increases.
- EBIT from QEU of \$47 million versus \$54 million in prior year.
- \$92 million of PEP cost reductions contributing to an EBITDA margin lift to 16.9%.

Building Products, Australia

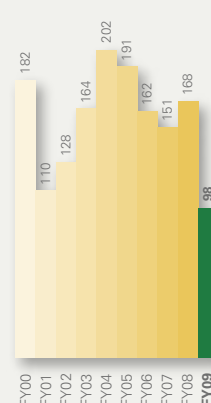
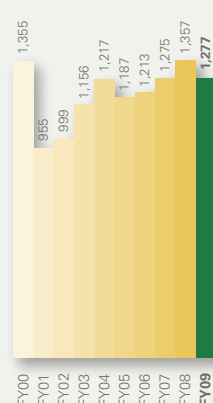
Share of FY2009 external revenue



- Bricks
- Roofing
- Masonry
- Windows
- Timber
- Australian Plasterboard

Revenue, \$m

EBITDA¹, \$m



Year ended 30 June

A\$ million unless stated

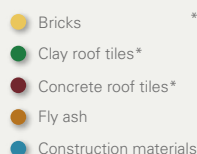
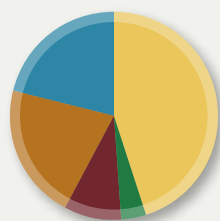
	2009	2008	% change
Sales revenue	1,277	1,357	(6)
EBITDA ¹	98	168	(41)
EBIT ¹	40	114	(65)
Capital expenditure ²	64	125	(48)
Funds employed ²	1,188	1,178	1
EBITDA ¹ return on sales, %	7.7	12.4	
EBIT ¹ return on sales, %	3.1	8.4	
EBIT ¹ return on funds employed, %	3.4	9.7	
Employees, number	3,814	4,080	(7)
Revenue per employee	0.335	0.333	1

Performance

- Revenues steady in the first half but 12% down in the second half due to lower housing related volumes, particularly in Western Australia and Queensland, more than offsetting price increases across all businesses.
- Earnings were significantly lower due to extensive temporary plant slowdowns and shutdowns to run down inventories and to match weaker sales demand.
- Stronger pricing outcomes across all building products and \$38 million of PEP cost reductions were delivered.

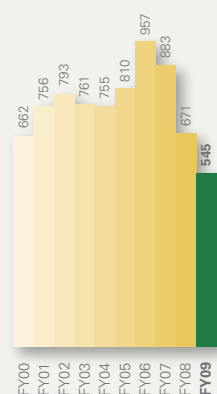
USA

Share of FY2009 external revenue

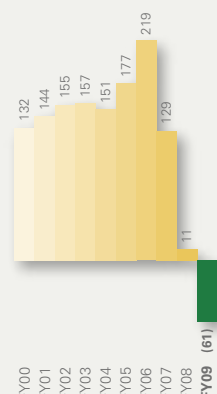


* MonierLifetile and Trinidad JVs are equity accounted – Boral's share of revenue does not appear in consolidated accounts but is included in the revenue pie chart.

Revenue, \$m



EBITDA¹, \$m



Year ended 30 June	2009	2008	% change
<i>US\$ million</i>			
Sales revenue	406	607	(33)
EBITDA ¹	(45)	10	(545)
EBIT ¹	(81)	(25)	(230)
<i>A\$ million</i>			
Sales revenue	545	671	(19)
EBITDA ¹	(61)	11	(640)
EBIT ¹	(109)	(27)	(301)
Capital expenditure ²	27	180	(85)
Funds employed ²	812	789	3
EBITDA ¹ return on sales, %	(11.1)	1.7	
EBIT ¹ return on sales, %	(20.0)	(4.0)	
EBIT ¹ return on funds employed, %	(13.4)	(3.4)	
Employees, number	1,592	2,208	(28)
Revenue per employee	0.342	0.304	13

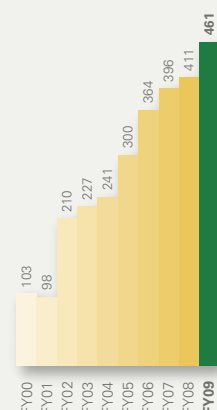
Performance

- 33% revenues decline and earnings loss reflects unprecedented fall in US market; housing starts down 42% to around 650,000 versus 1.13 million starts in FY2008.
- US\$39 million of PEP cost reductions plus US\$10 million from MonierLifetile (50% share). Full-time equivalent employees down 28% or 616 people.
- Average capacity utilisation of 30% in bricks and 16% in concrete roof tiles in FY2009, to match record low sales demand and manage inventory.
- Prices held despite collapse in market volumes.

Asia

Includes Boral's Asian plasterboard joint venture with Lafarge³, LGBA, and Boral's Indonesian and Thailand construction materials businesses.

Revenue, \$m



EBIT¹, \$m



Year ended 30 June	2009	2008	% change
<i>A\$ million unless stated</i>			
Sales revenue	219	191	15
EBITDA ¹	30	16	87
EBIT ¹	19	7	189
Funds employed	297	285	
Return on funds employed, %	6.4	2.3	

Performance

- Improved Construction Materials earnings offset weaker earnings from LGBA.
- In Indonesia, improved concrete prices restored margins despite volumes down 8%, and in Thailand, margins and profits improved due to significant operational improvements and lower costs despite concrete prices down 5% and volumes down 21%.
- Plasterboard sales volumes down 6% due to global recession impacting from December 2008 quarter, but stronger pricing and cost reductions offset lower volume impacts in the June half.
- New plasterboard plants commissioned in Chengdu (central west of China) and Rajasthan (India) in FY2009 and investments underway in Baoshan (China) and Saraburi (Thailand).

1 Excluding significant items; FY05 results onwards restated to reflect transition to A-IFRS accounting standards.

2 Capital expenditure and funds employed include acquisitions.

3 Boral's profits from the Asian Plasterboard joint venture, LGBA, are equity accounted and are after financing and tax. Boral's share of revenue from LGBA does not appear in Boral's consolidated accounts; however, Boral's share of LGBA revenue is included in the revenue bar chart for Asia from FY01 onwards.

Review of Operating Divisions

Australian Construction Materials



John Douglas

Australian Construction Materials (ACM) produced solid profit and cash flow outcomes in challenging economic conditions. This performance was achieved by leveraging our national integrated positions and capabilities in supplying product and contracting services to the large scale infrastructure projects around Australia while at the same time ensuring appropriate pricing outcomes and closely managing costs, working capital and capital expenditure.

In 2008/09, revenue from ACM (excluding Quarry End Use) held steady on the prior year. Performance was underpinned by strong infrastructure activity, effective price management and disciplined cost reduction programs. Ongoing engineering construction projects, supported by government stimulus expenditure late in the year, partially offset significant weakness in residential and non-dwelling sectors. Solid underlying profitability combined with focused working capital management and reduced capital spending generated strong cash flow.

Boral's involvement in large government-funded infrastructure projects during the year, many of which are ongoing, included the Ipswich Motorway and the Gateway Bridge in Queensland, the Ballina Bypass and the F3 widening in New South Wales, the Deer Park Bypass in Victoria and the Perth to Bunbury Highway in Western Australia. Other privately-funded or public-private partnership projects include the Airport Link and the North-South Bypass Tunnel toll road in Queensland, the Cadia Gold Mine

development in New South Wales, the Prominent ZHill Copper and Gold Mine in South Australia and the Boddington Gold Mine in Western Australia. Our integrated national Quarry, Concrete and Asphalt networks position us well in the supply of product and in contracting to these major infrastructure developments.

Revenues from the combined Concrete and Quarries businesses of \$1.4 billion were 5% below last year and EBITDA was marginally lower. Concrete volumes were down 12% due to the drop-off in residential and non-dwelling activity and Quarry volumes were 7% lower with lower concrete pull-through volumes partly offset by higher asphalt pull-through and from our participation in infrastructure projects. The impact of concrete and quarry volume declines and increased costs were largely offset by strong pricing outcomes, effective cost reduction programs and improved production efficiencies. Prices increased by 7% for delivered concrete and by 5% for quarry products.

Asphalt performed strongly during the year, achieving an 11% lift in revenue. The solid result was driven by infrastructure activity such as the Gateway Bridge project in Brisbane and the Sturt Highway upgrade in South Australia. Margins remained robust due to strong pricing and cost management outcomes.

Boral's Quarry End Use (QEU) business contributed \$47 million of EBIT compared with \$54 million in the prior year. QEU earnings came from George's Fair (Moorebank), the Southern Employment Lands (Greystanes), the sale and leaseback of eight sites and from the Deer Park Western Landfill operation.

For ACM's safety and environmental outcomes for 2008/09 refer to page s30 of Boral's 2009 Sustainability Report.

Outlook

Despite the Federal Government stimulus funding, softening infrastructure activity and the continuing decline in non-dwelling activity will offset an expected improvement in residential activity in 2009/10. Cost reduction programs will remain a key focus as activity reduces from the high levels of recent years. Concrete and quarry price increases that were announced effective 1 April 2009 will continue to flow through in 2009/10. QEU forecast earnings of around \$25-30 million but will be weighted less heavily to the second half than in previous years.

John Douglas, EXECUTIVE GENERAL MANAGER

The Australian Construction Materials (ACM) division employs around 4,230 employees and 2,600 contractors in quarry, concrete, asphalt, transport and land development activities throughout Australia. With around 400 operating sites, ACM has a regional focus to serve Boral's local markets.

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 250 premix concrete plants produces a wide range of mixes in metropolitan and country areas.

Asphalt

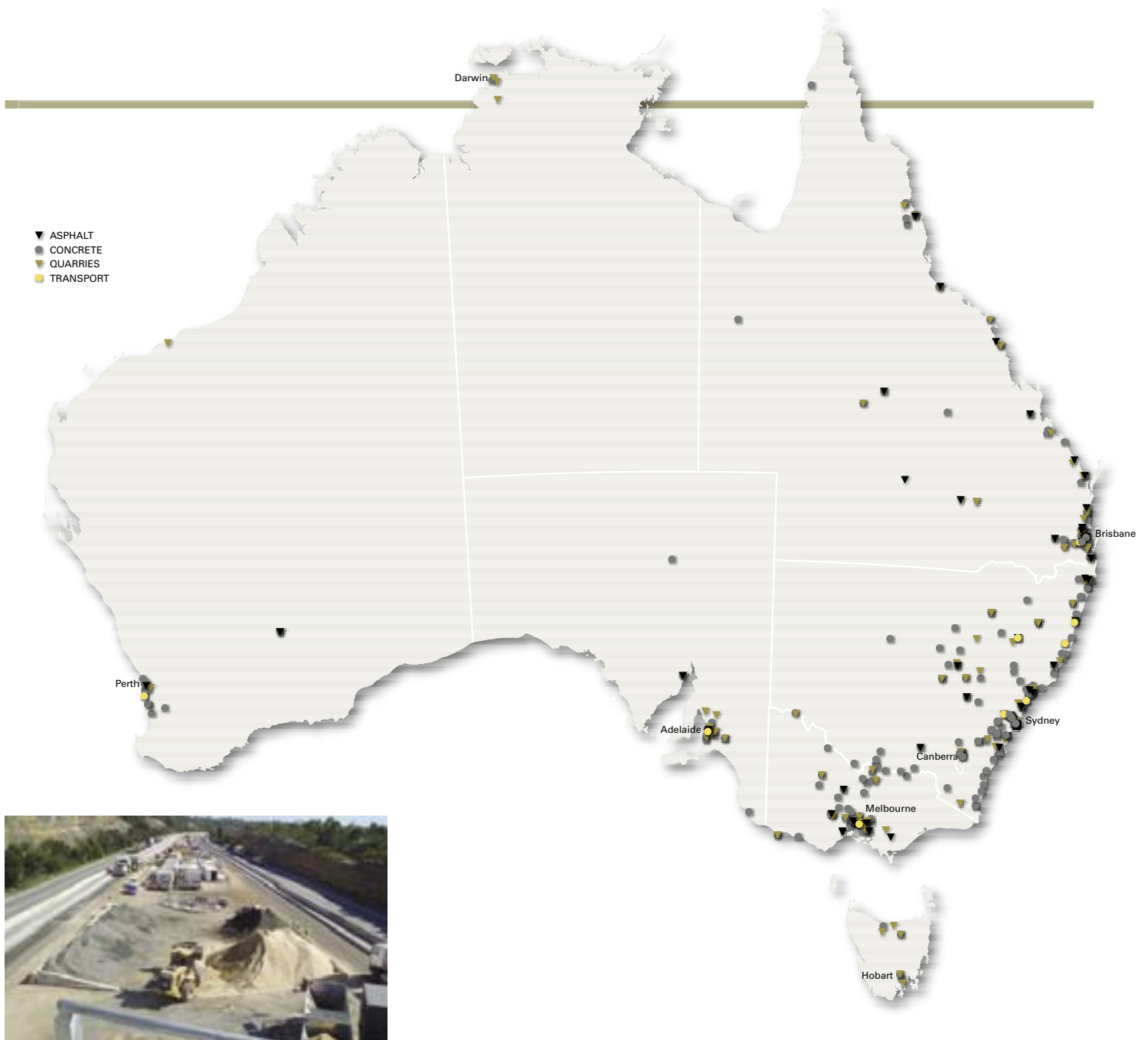
Boral is a national supplier of asphalt with around 50 plants producing asphalt and other materials for the surfacing and maintenance of road networks.

Transport

The company-owned fleet totals around 350 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 500 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. Boral's Western Landfill operation at Deer Park in Victoria is also a part of the QEU business.



Large scale infrastructure projects have been a key source of revenue for ACM. ACM has significant capacity and capability to meet the demands of such projects due to our strong contracting and production capabilities and resource position nationally. This segment is forecast to soften but will remain at strong levels, partly funded by Federal Government stimulus spending. Amongst a range of projects, Boral is currently supplying the F3 widening in NSW (pictured).

ACM's Asphalt business has gone from strength to strength in recent years, building on our comprehensive national presence, our solid track record working with Australia's major contracting companies and our quality production and contracting capabilities. Our significant investment in production facilities and capability in recent years in all our state operations has enabled our Asphalt business to meet the current high level of infrastructure activity.

Cost reduction programs have been implemented in all ACM businesses and are vital to maintaining profitability in the face of challenging market conditions. Particular focus has been on reducing spend on labour hire, logistics and administration costs, as well as improving concrete and asphalt mix designs, rationalising transport depots and improving quarry yields. These programs have been very successful to date and will continue to underpin profitability going forward.

The rebuilding of Boral's Artarmon concrete plant has commenced, involving investment of around \$12 million. The Artarmon plant is strategically positioned to supply Sydney, North Sydney and Chatswood CBDs and is expected to be completed in the June 2010 quarter. The new plant is positioned well for Sydney's future Barangaroo development and has been designed with improved truck access as well as increased capacity and storage.



Cement



Mike Beardsell

Typically, around 40% of cement demand is driven by the housing sector, 35% by infrastructure and 25% by non-dwelling construction activity. For Boral's Blue Circle Southern Cement (BCSC) business we are disproportionately exposed to East Coast markets, particularly New South Wales, because of our large cement manufacturing assets at Berrima in New South Wales and Waurin Ponds in Victoria. The immediate focus of the Cement division is to realign our cost base and supply network with reduced market demand while maintaining capability to respond quickly to improving market conditions.

During the year, Cement volumes were down 9% on last year, with strong sales to the Hume Highway upgrade projects moderating the impact of weakening demand from the premixed concrete industry, particularly in the second half of the year. Average cement prices increased by 7% as suppliers sought to recover soaring input costs at the peak of the resources boom.

The Cement division operates across 13 operating sites in Australia and 95 in Asia, and employs approximately 4,200 people (including 3,460 in Asia)

Blue Circle Southern Cement (BCSC)

Blue Circle has 13 operating and four distribution sites. Major operations are in the Southern Highlands of NSW at Berrima where the dry process cement capacity is 1.4 million tonnes p.a. At Maldon, up to 300k tonnes p.a. of off-white and grey cement can be produced and there is a bagging and dry mix facility. 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 dry process kiln has a capacity of 800k tonnes p.a. 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.

Lime volumes fell by 29% as demand from the steel industry contracted but continuing focus on pricing delivered a 12% improvement year-on-year. In mid January 2009, production at the quicklime facility at Galong in New South Wales was temporarily suspended due to reduced demand from the steel sector.

EBITDA from BCSC was weaker, with reduced volumes and a steep rise in energy and imported clinker costs (to supply Sunstate) adversely impacting the result.

In Asia, despite the global economic downturn impacting from the September 2008 quarter and the unstable market environment in Thailand dampening overall construction activity, Boral's construction materials results in Asia improved significantly for the period. Concrete volumes in Indonesia fell by 8%; however, margins recovered on the back of rigorous cost control and a significant improvement in concrete prices. Market share leadership was maintained in Indonesia. In Thailand, concrete prices were down 5% and volumes were down 21% in challenging markets but a shift in focus from growth to cost reduction delivered a substantial improvement in gross margins.

For Cement's safety and environmental outcomes for 2008/09 refer to page s32 of Boral's 2009 Sustainability Report.

Outlook

Activity in Australia is expected to decline in 2009/10 due to the decline in non-dwellings and softening in infrastructure activity which will more than offset the benefits from slightly stronger dwellings activity and improved pricing. Our pricing focus in the first half of 2009/10 will be to gain full traction from previously announced price increases. Cement price increases that were announced effective 1 April 2009 are continuing to be realised. A significant step change program is underway in BCSC with the diagnostic phase completed in July 2009. Early indications are targeting a 10% compressible cost reduction over 2009/10 and 2010/11.

In Construction Materials in Asia we expect some volume and earnings pressures.

Mike Beardsell, EXECUTIVE GENERAL MANAGER

Indonesian Construction Materials

PT Jaya Readymix is the largest producer of premixed concrete in Indonesia, operating on 41 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

Boral's Thailand concrete and quarry business operates around 54 concrete batch plants and quarries throughout the country.



In January 2009, production at Boral's quicklime facility at Galong in New South Wales was temporarily suspended due to reduced demand from the steel sector. Galong lime production will recommence when a sustainable lift in demand is expected.

Preparing for Australia's impending emissions trading scheme or Carbon Pollution Reduction Scheme (CPRS) has been a key priority for BCSC. We continue to engage with Government to minimise the impact on our import competitiveness, until such time as there is a global response, and to reduce incentives to manufacture overseas, which will simply result in "carbon leakage" and have no overall environmental benefit.

During the year, a significant operational improvement program was implemented in Thailand construction materials, which included a focus on improving the culture and employee morale. Despite volume pressures a solid turnaround in performance was delivered from the Asia construction materials businesses in Thailand and Indonesia.

The \$85 million upgrade of Sunstate Cement's capacity in Queensland from 1.0 million to 1.5 million tonnes per annum has been completed. The expanded clinker storage was completed in the September 2008 quarter and the increased grinding capacity was completed in the June 2009 quarter. Sunstate is well positioned to meet Queensland's growing cement demand as markets recover.



Review of Operating Divisions

Construction Related Businesses



Warren Davison

Construction Related Businesses (CRB) is exposed to Australia's housing and commercial construction markets, which were down around 18% and 25%, respectively. New South Wales and Queensland markets which collectively account for around two-thirds of CRB's revenues were approximately 17% lower. With the decline in demand, dramatic cost reductions have been required to minimise the impact on profitability. Employee numbers were reduced by 15% but we have been careful to preserve capability for the housing upturn that is beginning to emerge.

Revenues from Dowell Windows were down 12% on last year to \$140 million, with weakness in all states except Victoria which was steady. The sales contraction was most severe in Queensland and New South Wales where aggressive cost reduction actions were taken. Despite cost reductions EBITDA was lower.

Formwork & Scaffolding experienced weaker volumes with revenues down on the prior year. Despite lower revenues, EBITDA lifted as benefits were delivered from the national branch

rationalisation project which was completed in July 2008 and resulted in branch numbers being halved. While hire stock utilisation was strong in the first half, the weakening commercial sector saw demand decline in the second half. Both prices and utilisation were down on the previous year. The formwork business contributed to the EBITDA improvement as further investment was made in the formwork product range targeting civil and infrastructure projects.

Boral Precast reported lower revenues and a lower EBITDA. The new automated precast plant commissioned in May/June 2008 performed to expectation, meeting all business case metrics and delivering a low cost position in the Perth market. On the East Coast, a new entrant with an automated plant in Sydney changed the dynamics of that market with Giroto moving more towards multistorey construction away from the traditional industrial sector. Strong cost reduction initiatives have been undertaken with a 35% reduction in employee numbers.

De Martin & Gasparini (DMG) reported lower sales and reduced EBITDA. Sydney concrete volumes reduced and projects were increasingly more competitively bid as funding constraints saw projects either deferred or cancelled. DMG's main project at Top Ryde Shopping Centre with Bovis Lend Lease is now progressing after initial construction delays.

For Construction Related Businesses' safety and environmental outcomes for 2008/09 refer to page s32 of Boral's 2009 Sustainability Report.

Outlook

We anticipate that the Australian housing market will improve during 2009/10, more so in the second half of the year. The non-residential construction market is expected to weaken further with effective price and cost management critical to offsetting the decline.

Warren Davison, EXECUTIVE GENERAL MANAGER

The division operates across 31 operating sites in Australia and employs approximately 1,300 people and 500 subcontractors.

Boral Formwork & Scaffolding (BFS)

Boral is a leader in the hire and sale of formwork and scaffolding, providing engineering expertise to the construction industry. BFS has 16 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

Boral's window businesses operate under various brand names, the largest of which is Dowell Windows. Dowell Windows is the leading supplier of aluminium windows and doors in the Australian housing market. The business operates nationally through 14 window fabrication businesses focusing on supplying the residential builder market.

Boral Precast

Trading under the Giroto and GoCrete brands, Boral Precast operates five plants around Australia, supplying the precast walling and flooring markets in East Coast capital cities and recently commissioned an automated precast plant in the Perth market.



Dowell Windows has released an upgraded window range as part of a national product standardisation program. In colder climates such as Victoria, double glazed products have grown with increasing regulatory requirements as part of the House Energy Rating Schemes (HERS). Dowell is further developing its range to meet evolving building codes expected to require a 6 star HERS level from May 2011 and some builders already designing 7-star homes.

Boral Formwork & Scaffolding works closely with Boral Precast and De Martin & Gasparini to tackle a range of challenging projects. The use of systems formwork is increasingly being used to compress construction times.

De Martin & Gasparini is building concrete structures for a range of leading builders in the Sydney market. Major contracts currently underway include the Top Ryde Shopping Centre with Bovis Lend Lease and the new office block being built at No. 1 Bligh Street by Grocon. Less cement-intensive concrete supplied by Boral's Concrete business is helping to achieve a 6-star energy rating for the building.

During the year Boral's new automated precast plant became fully operational supplying wall and flooring elements to the Perth market. The Australian precast market is continuing to evolve from initial penetration in industrial buildings to more recent activity in single dwelling homes. Builders see reduced construction time and lower costs as benefits of precast construction.



Review of Operating Divisions

Clay & Concrete Products



Nick Clark

Demand for Clay & Concrete Products is primarily driven by dwelling construction, particularly detached housing. Australian dwelling starts were around 130,000 in 2008/09, 18% below the prior year, and well below underlying demand. Our major challenge is managing high fixed cost businesses during a period of low demand and rising costs. We continue to use plant shutdowns and slowdowns to reduce inventory and match production to sales volumes. Performance enhancement programs and price management have been critical in offsetting higher costs in a lower volume environment.

Revenues from Clay & Concrete Products were down 7% on the prior year, driven by lower volumes across all states except Victoria. Earnings were also down on the prior year.

Brick volumes were down 14% nationally, reflecting lower activity in Western Australia, New South Wales and Queensland, and the entry of a new competitor into the Western Australian brick market. Roof tile volumes were down 1%, driven by declines in New South Wales partially offset by growth in Victoria. Masonry volumes were down

15% with volume declines experienced in all states. Market shares were broadly stable throughout the year, with the exception of the Western Australian brick market where share declined slightly.

Pricing outcomes were positive across all businesses. Average prices improved by around 4% in Bricks and around 3% in Roof Tiles. Prices lifted by around 10% in Masonry, due to strong price improvements and a shift in the mix of products sold.

A series of plant slowdowns and/or extended temporary shutdowns continued across the business. Capacity utilisation of brick plants was approximately 70-75%, while plant utilisation in both Roof Tiles and Masonry was below 60%. In Western Australia, Midland Brick's Kiln 4 was permanently shut during the year and Kiln 8 was mothballed until demand recovers. Production at the Kempsey brick plant in northern New South Wales was suspended in July 2009 due to the downturn in New South Wales and Queensland.

Major business improvement programs continued to deliver in line with expectations in the East Coast Bricks, Roofing and Masonry businesses. The merging of management and administration functions in East Coast Bricks and Roofing businesses will generate annual savings of \$4 million from 2009/10 onwards. A business improvement program has commenced at Midland Brick with benefits expected from 2009/10 onwards.

For Clay & Concrete Products' safety and environmental outcomes for 2008/09 refer to page s34 of Boral's 2009 Sustainability Report.

Outlook

Our plants are currently set to supply housing starts of around 120,000 per annum but production levels will lift to match sales increases as government stimulus initiatives and improved affordability underpins a lift in demand. Earnings are expected to improve in 2009/10 as volumes improve. Effective price and cost management will be critical to realising improved earnings.

Nick Clark, EXECUTIVE GENERAL MANAGER

Clay & Concrete Products has 45 Australian locations including 23 operating sites, and employs around 1,750 people and over 800 contractors. The products are sold in Australia, New Zealand and Asia.

Bricks

Boral is Australia's second largest producer of clay bricks and pavers. Boral also exports a small proportion 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. Boral operates 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 second 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.



Construction of a new \$44 million concrete masonry plant at Middle Swan, Western Australia, which commenced in the September quarter, is continuing. The new plant will replace ageing plant at Cannington and Jandakot, remove existing capacity constraints and facilitate exit from the current production sites, releasing them for redevelopment. The new plant will manufacture a range of walling and landscaping products at lower costs and with improved environmental and safety outcomes.

A new automated dehacker is being installed at the Badgerys Creek (NSW) brick plant. This will reduce costs, reduce packaging and provide transport efficiencies. In addition to production efficiency improvements, new brick products and marketing initiatives are underway. Boral is working with industry bodies to promote product penetration and develop brick and block laying apprentices.

Boral Masonry's product range spans four product groups: blocks and bricks in the commercial product sector and retaining walls and pavers in the landscape product sector. Boral Masonry has won the large commercial contract to supply retaining walls for Stage 1 of the Southern City Freight Line, a dedicated single freight line along the corridor of the main south train line in Sydney.

New product development continues to underpin market shares and price growth. Recent product development includes lightweight masonry blocks, Contour roof tiles and clay facing tiles. In June, Boral launched its 2009 residential design award program for architects, building designers and students. Originally started in C&C, the Boral Design Award now focuses on incorporating the range of Boral products in innovative, sustainable residential designs.



Review of Operating Divisions

Timber



Bryan Tisher

Boral's Timber business is largely New South Wales-based, with sales predominantly into East Coast markets. Earnings from the Timber division are largely underpinned by new dwelling construction and alterations and additions as well as commercial projects and some infrastructure work. Activity in Timber's two largest state markets, New South Wales and Queensland, was down significantly during the year, with new dwelling approvals down 26% and 37%, respectively. A comprehensive program of plant shutdowns and slowdowns has been implemented to reduce inventory with lower sales volumes.

Sales revenue from the Timber division of \$256 million was 6% lower than last year, reflecting significantly reduced sales revenue in the June half. Reduced housing construction activity, particularly in New South Wales and Queensland, together with a significant decline in demand from commercial, mining and industrial segments, caused domestic sales volumes to

be down 11% for the year and down 18% in the second half. Export residue sales volumes were similar to the prior year.

To adjust to reduced levels of demand, production curtailment initiatives were undertaken during the year with the mothballing of the Walcha sawmill and the closure of the Grafton parquetry operation in the first half of the year. Production was reduced at most other facilities, particularly in the second half of the year. Production curtailment strategies, including plant slowdowns and mothballing and reduced capital expenditure, resulted in lower inventories and improved cash flow compared to last year.

Product price gains of around 4% partially offset a significant increase in log costs and increased energy costs. Consolidation of Boral Timber's Brisbane warehouse network into one location together with step change operational improvements in Hardwood, Plywood and Engineered Flooring operations is delivering benefits and resulted in a 15% reduction in the workforce in the Timber business in 2008/09. Despite a strong focus on cost reduction during the year, lower production volumes than sales, cost increases and restructuring costs resulted in a reduced EBITDA.

For Timber's safety and environmental outcomes for 2008/09 refer to page s36 of Boral's 2009 Sustainability Report.

Outlook

Boral Timber's results in 2009/10 should improve through a full year's benefit of the operational improvement programs commenced in 2008/09, further restructuring of the fixed cost base and strengthening housing markets in New South Wales and Queensland. Production restraint should help to reduce inventories and generate increased cash flow in the year.

Bryan Tisher, EXECUTIVE GENERAL MANAGER

The Timber division employs around 680 people in its hardwood, softwood and plywood operations, located on the East Coast of Australia. Timber operates 17 manufacturing sites and five distribution outlets. Products are sold into the structural, commercial and renovation markets and are distributed across domestic and export markets.

Hardwood

Boral's hardwood business operates 15 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. Through Sawmillers Exports Pty Ltd (SEPL), 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 725,000 m³ per annum. 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.



Boral Plywood produces a range of structural, cladding, premierwood, flooring, formply and marine plywood products. Boral Plywood has won the supply of its EzyShield noise barrier product to the Monash Freeway in Melbourne.

In 2009, Boral Timber achieved Chain of Custody certification for all its timber products. This achievement builds on the earlier Chain of Custody Certification for Boral Plywood and Boral Sawmillers Exports. Chain of Custody certification (AS4707 – 2006) confirms that Boral hardwoods and softwoods are sourced legally and sustainably from managed certified sources and the company can prove traceability of its wood materials from the forest through to the sale of its products.

Boral Plywood's new modular Bridgewood system allows a dramatic reduction in the installation time for regional hardwood bridges. It is a cost-effective way to replace rural hardwood bridges with minimum disruption to regional traffic flows. This new product is creating considerable interest from local councils.

Boral Timber is the first Australian company to install the latest European scanning technology to grade Australian hardwoods. The new scanner which has been trialled at Boral's Kyogle mill, is able to automatically detect defects in Australian hardwoods which reduces costs and waste.



Plasterboard



Ross Batstone

During the year, we completed the transition to our new plasterboard plant and logistics centre in the Brisbane suburb of Pinkenba. This low operating cost facility also has superb sustainability features and provides a great platform for growth. We are focused on ensuring our costs elsewhere in the business continue to be carefully managed and that we create sales through the development of new products and lightweight building systems employing plasterboard.

Australian Bureau of Statistics data shows that Australian plasterboard production was steady year-on-year, at around 153 million square metres. Markets were resilient in Victoria and South Australia, weaker in Queensland and Western Australia, and new dwelling construction in New South Wales remained depressed. Australian sales revenue was down 1% to \$371 million, despite a 3% lift in average selling prices. This reflected weaker sales volumes of plasterboard, cornice and jointing compounds which we manufacture and weaker sales of non-manufactured products bought for resale through our extensive network of company owned and operated specialised trade stores.

With around 680 employees, the Plasterboard division is an integrated plasterboard manufacturing, distribution and installation business with 53 company-owned distribution and operating sites around Australia.

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. We have plasterboard manufacturing plants in Queensland, New South Wales and Victoria, a specialty plasters and jointing compounds plant in Victoria, cornice plants in New South Wales and Victoria, an integrated national network of 48 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.

Australian EBITDA was well down in the year despite only marginally weaker revenues. One-off costs associated with the transition from our Brisbane plant in Northgate to our new plasterboard plant at Pinkenba and its subsequent work-up to full operational performance contributed to the weaker EBITDA. Price increases and cost reductions largely offset cost inflation.

Markets in Asia have been impacted by the global economic recession but we remain very happy with our position and the ability of our Asian Plasterboard JV business, LBGA, to successfully manage operating margins whilst delivering key growth investments. Boral's equity accounted after tax profit of \$13 million from LBGA was 26% below the same period last year. Sales volumes were down around 6% after the benefit of strong volumes in the September 2008 quarter was offset by weaker outcomes in the December 2008 and March 2009 quarters. Promisingly, sales volumes recovered in the June 2009 quarter and margins also strengthened in the second half as cost pressures dissipated and an aggressive cost reduction program was implemented.

During the year, new plants were commissioned in Chengdu (central west of China) and in Rajasthan (India). LBGA also announced construction of a new plant at Baoshan in China and gained FOI approval in Thailand to substantially lift capacity at its existing plant at Saraburi, near Bangkok.

For Plasterboard's safety and environmental outcomes for 2008/09 refer to page s38 of Boral's 2009 Sustainability Report.

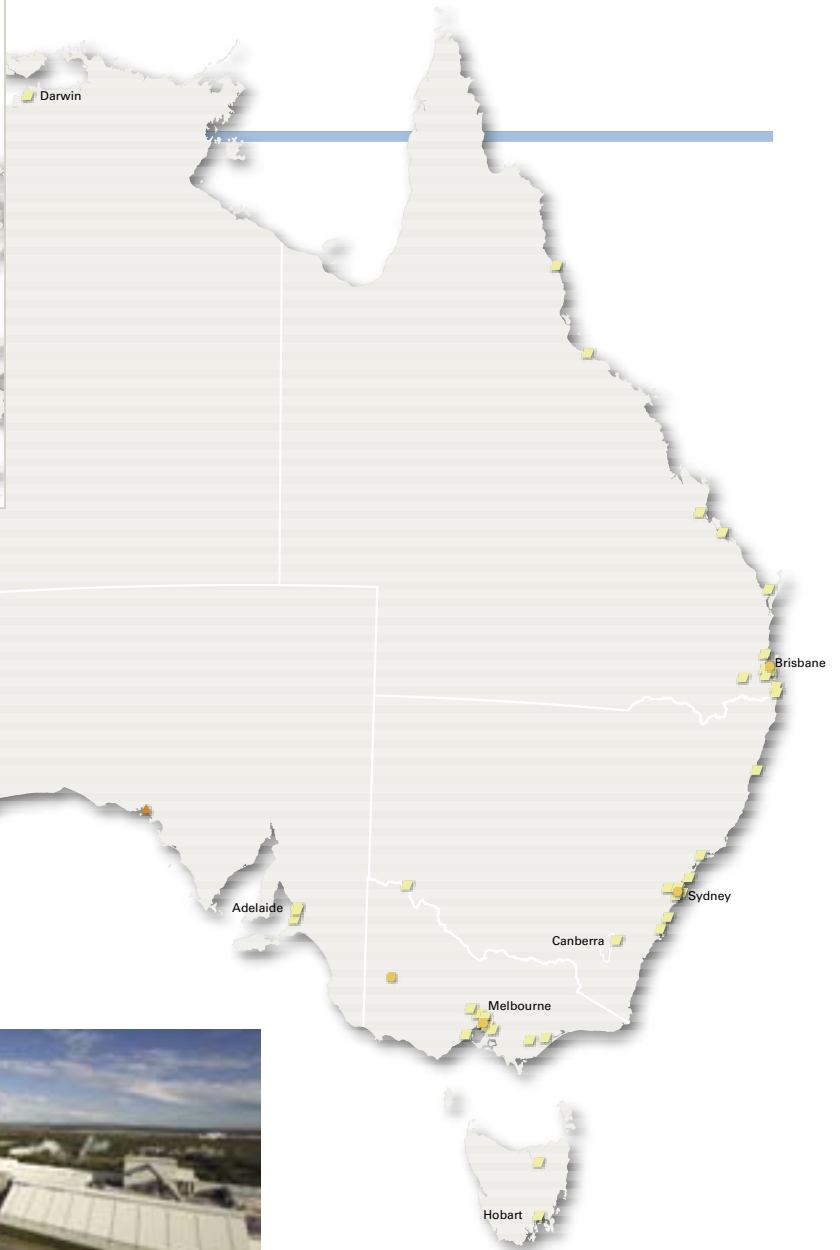
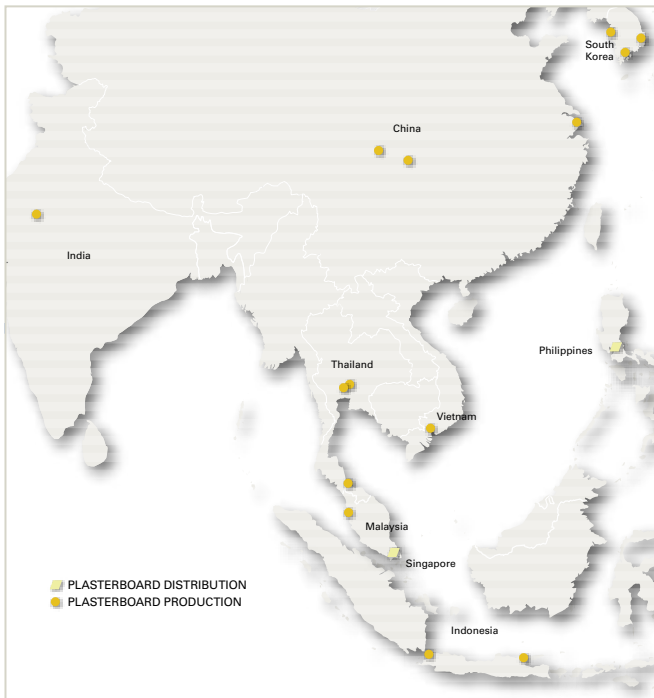
Outlook

An uplift in new house construction buoyed by improvements in affordability and government stimulus spend is expected to favourably impact on future demand, particularly in Queensland and New South Wales. A recovery in non-residential markets looks further off, given continuing financing constraints. Market conditions in Korea, Thailand and Indonesia are expected to remain exposed to the global economic recession and associated shortage of project finance over the next year, despite stimulus programs initiated by several governments, notably China. However, strong underlying plasterboard demand is expected to underpin longer-term Asian returns.

Ross Batstone, EXECUTIVE GENERAL MANAGER

Asia Joint Venture

Boral has a 50% shareholding of the Lafarge Boral Gypsum Asia (LBGA) JV, the leading multi-country 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 373 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.



LBGA is investing a total of US\$48 million to purchase land and to construct a new plant at the Baoshan Industrial Zone in Shanghai, China. The new plant is expected to be in operation in the December 2009 quarter. Plasterboard production capacity will be 34 million m² p.a. initially with site flexibility to increase capacity in the future. The additional plant will strengthen LBGA's leading position in East China and position the business well to supply the growing market.

Our new "state of the art" plant at Pinkenba in Brisbane was completed in May 2008 and production at the Northgate plant ceased in September 2008. The new 40 million m² p.a. plant, Australia's largest plasterboard facility, is largely achieving efficiency goals, with key sustainability benefits. Natural gas used per tonne of plaster is more than 30% below that of our other plants and around 50% of water used to manufacture plasterboard was rain water harvested on site.

We continue to focus on the development and release of new plasterboard products and accessories and lightweight building systems which, in the period, included BoxCote™; IntRwall™, an upgrade to our industry leading EurekaWall™ inter-tenancy system; systems for education and bushfire prone areas; ENVIRO™Plasterboard which is certified by GECA (Good Environmental Choice Australia); and Echostop® ceiling boards.

Plasterboard has significantly invested in an integrated approach to talent management and development, and was a winner in the Western Sydney 2009 Suncorp Awards for Business Excellence. National training development programs, involving over half our employees annually, include – "BEST" sales excellence, frontline distribution and manufacturing "cert III", BWell and "BILT" plastering traineeships. Sustained high levels of employee engagement and satisfaction, despite the economic downturn, has resulted.



Review of Operating Divisions

USA



Emery Severin

Boral's US business continued to experience the most challenging market conditions since Boral began trading in the US some 30 years ago. Housing market demand is down around 75% from the 2006 peak. We have dramatically reduced our workforce, mothballed plants and optimised plant networks. We have continued to reduce overheads and other fixed costs to minimise the impacts of the downturn, and importantly, processes have been put in place to ensure that the cost reductions and disciplines are maintained when the market recovers so that we emerge a stronger and leaner business.

In the USA, revenue was down 33% to US\$406 million and EBITDA decreased by US\$55 million on the prior year to a US\$45 million loss. The result was driven by the continued deterioration in housing activity, with US housing starts down by 42% to around 650,000. The non-housing sectors also declined during the year, impacting construction materials businesses. Cost reduction initiatives, including network optimisation aimed at reducing fixed costs, were implemented across all businesses and delivered US\$49 million in benefits during the year.

Revenue from Bricks was down by 42% to US\$202 million due to a 44% decline in sales volumes. Average brick prices increased by 1% mainly due to an energy surcharge in the first half of the year partially offset by a less favourable regional and product mix. Boral bricks sold through direct distribution remains at approximately 80% of total volumes. Brick plant utilisation averaged 30%, down from 56% last year. EBITDA was significantly down as a result of low volumes and related production inefficiencies.

Boral employs around 1,600 people at 155 sites across the USA.

Bricks

Boral Bricks operates 22 plants across 19 locations in nine states, primarily in the south-east and south-west. Over 80% of product sales are through a network of around 60 company-owned direct selling locations with the remainder via a network of independent distributors.

Roof Tiles

Boral owns 50% of MonierLifetile (MLT). The joint venture has 12 operating 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 and in Northern California. Through a 50% interest in a joint venture, US Tile operates in Trinidad, producing roof tiles for importation into Florida.

Our 50%-owned concrete roof tile joint venture, MonierLifetile (MLT), reported a loss of US\$2 million compared to a US\$21 million loss last year (Boral's share). Cost reductions of US\$10 million offset the impact of lower volumes. Average prices were up 1% on a mid-year price increase. Plant utilisation was down to 16% compared to 27% in the prior year.

Revenue of US\$16 million from Clay Roof Tiles was down 34% as a 38% volume decline more than offset a 5% increase in price. EBITDA was well below last year as costs were impacted by lower production and related inefficiencies from the commissioning and subsequent mothballing of the new plant in Lone.

Profit from BMTI was lower than last year. Fly ash volumes were down 23% on lower demand, which also resulted in additional royalty costs under take or pay contracts. Higher prices and new product initiatives did not offset lower volumes and the continued weak residential construction in Florida and Georgia.

Revenue from US Construction Materials of US\$96 million was down 23% on the prior year primarily due to declining commercial and infrastructure sales, and continued weak residential construction. EBITDA was down year-on-year. Concrete volumes were 30%-40% lower but price increases and cost controls offset higher fuel and other inflationary cost impacts. A step change program was completed for Construction Materials and Fly Ash businesses identifying around US\$23 million of potential profit improvement opportunities, with around US\$4.4 million delivered in 2008/09.

For USA's safety and environmental outcomes for 2008/09 refer to page s40 of Boral's 2009 Sustainability Report.

Outlook

It remains unclear when a turnaround in US activity will occur and we have set our businesses accordingly. Brick utilisation is around 25% at the start of 2009/10 and concrete roof tiles remain at around 15%. Market forecasters currently expect a recovery to begin from late CY2009. We expect US housing starts in the December 2009 half to be similar to June 2009 half starts, with a recovery occurring in the June 2010 half. Overall, we expect a broadly similar level of housing starts in 2009/10 to those in 2008/09. Further incremental benefits of US\$24 million from ongoing cost reduction initiatives are expected in 2009/10, and increased second half sales and production volumes will reduce losses in the US, particularly in the June half.

Boral has well positioned, low cost, modern manufacturing facilities, and will deliver benefits as markets recover.

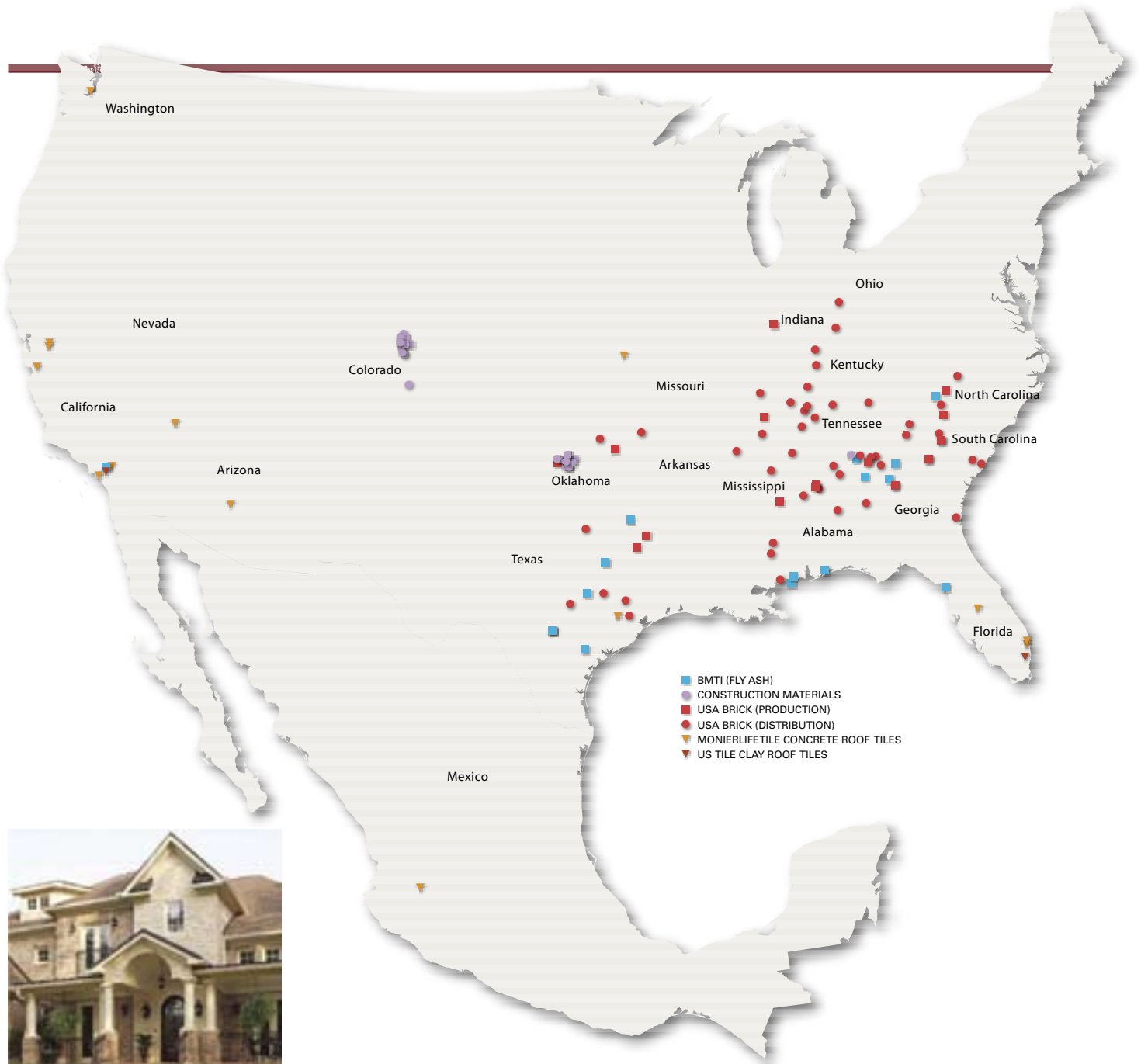
Emery Severin, PRESIDENT BORAL USA

Fly Ash

Boral Material Technologies Inc. (BMTI), one of the largest marketers and distributors of coal combustion products in the USA, has around 26 locations 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 plants, 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 and has the number two position. The business has 18 concrete plants, two sand mines and a limestone quarry.



We have been expanding the product range and supplementing more traditional brick sales through Boral's direct distribution network, with sales of mortar, angle iron, cultured stone, thin brick and ReCote™. This is repositioning Boral from a traditional brick business to focus more on cladding solutions.

In response to natural gas prices and an objective to avoid replacing natural gas with other fossil fuels, we have a comprehensive alternative fuels program for brick manufacturing. The program is based on gasification, landfill gas and direct injection. While the downturn has slowed the program, we are continuing to make progress and anticipate significant savings when markets recover.

Boral Bricks' network optimisation program saved approximately US\$2.5 million in FY2009. By selling products close to their manufacturing base, we have substantially reduced the number of standard products across the business and reduced the amount of transport required. We have worked closely with our customers to communicate the benefits of the changes and ensure their needs have been met.

We have kept an eye on growth opportunities and continued innovation with a focus on new product development. During the year, MonierLifetile introduced the Madera Tile and US Tile introduced Cielo, ProSlate and an integrated solar panel. In BMTI new products and technologies continue to be developed including Powder Activated Carbon Treatment (PACT) to increase the amount of useable fly ash.



Financial Review

Financial Performance

Significant external factors continued to weigh heavily on the Group's results for the 2008/09 year. The continued decline in US housing starts had a pronounced impact on the US businesses, particularly the brick and roof tile operations, which resulted in EBIT for the US segment declining from a loss of \$27.1 million in 2007/08 to a loss of \$108.8 million in 2008/09. In Australia, dwelling approvals and starts were down around 20% which resulted in sales volumes declining across all Australian building products businesses. The residential weakness, combined with weakness in non-dwelling activity, resulted in concrete market volumes declining by around 10%. While cost reduction programs and price increases were successfully implemented, these were not sufficient to offset the volume declines. Australian segment operating profit was 20% below the prior year.

Largely as a result of the weaker US and Australian residential markets, Boral's net profit for the year decreased by 42% to \$142.0 million. This net profit is equivalent to 24.1 cents per share, a decrease of around 16.6 cents per share compared with the prior year. A final dividend of 5.5 cents per share has been declared which will be fully franked, bringing the full year dividends to 13 cents. The total dividends for 2009 were 62% below the dividends for the 2008 year. The pay-out ratio of 54% is in line with the target range of 50% to 70%.

The Group's net profit of \$142.0 million includes a number of significant items. These are shown in the table below:

Reconciliation of underlying results to reported results

\$ millions	EBIT	Interest	Tax	Minority interest	Profit after tax
Underlying results	275.7	(127.2)	(17.1)	(0.2)	131.2
Significant items					
Disposal of investment	38.3	–	(11.5)	–	26.8
Impairment of assets	(80.4)	–	17.0	–	(63.4)
Onerous contract	(27.2)	–	10.3	–	(16.9)
Tax matters	–	29.5	34.8	–	64.3
Total	(69.3)	29.5	50.6	–	10.8
Reported results	206.4	(97.7)	33.5	(0.2)	142.0

During the year, the Group recognised a profit of \$38.3 million on the disposal of its investment in Adelaide Brighton Limited (ABL).

The Group has also reviewed the carrying value of its assets including goodwill which has resulted in a write-down of the value of the goodwill and other assets of \$80.4 million. In the US, goodwill arising on the acquisition of construction materials businesses in Colorado and Oklahoma has been written down by \$30.8 million. The Group has also written down goodwill by \$17.2 million in the precast concrete panels business in Australia. The Group also wrote down the value of assets other than goodwill by \$21.4 million. This relates to idle brick plants in the US and Australia as well as previously capitalised project costs in Asia of \$4.3 million. Penrith Lakes Development Corporation Limited, an associate, has assessed the carrying value of freehold land and capitalised costs and recorded an impairment charge in its accounts. The net impact of this impairment charge of \$11.0 million has been included in equity income of the Group.

In addition, the Group also recognised an amount of \$27.2 million, reflecting expected future losses on contractual obligations in the fly ash operations in the USA.

During the year, agreements were reached with the Australian Taxation Office and the US Internal Revenue Service over a number of disputed matters. As a result of reaching these agreements, provisions held for interest and tax related to these matters were reduced accordingly.

The net effect of the above significant items was an increase in the profit of \$10.8 million, taking underlying profit of \$131.2 million to a reported profit of \$142.0 million.

The Group's revenue from ordinary activities declined by 6.2% compared with the previous year to \$4.9 billion. The decrease in revenues can be largely attributed to lower volumes across most businesses. This was partially offset by increased prices, particularly in the Australian Construction Materials segment. Continued weak housing markets in Australia resulted in a 6% revenue decline in the Australian Building Products segment. US revenues in local currency declined by 33% as housing starts across the US declined by around 42%. Revenues in Asia, which consists of the Indonesian and Thailand concrete and quarry businesses, rose around 15%.

The Group's underlying¹ profit before interest and tax for the year declined by 38% compared to the previous year to \$275.7 million.

The Australian operations generated operating profits of \$370.3 million¹ during the year, down 20% compared to the prior year. The reduction in earnings was due largely to reduced building activity in a number of key markets, particularly in residential, commercial and industrial segments.

The Construction Materials operations in Australia reported an operating profit of \$330.1 million¹, which compares to \$350.9 million in the prior year. Strength in the infrastructure segment was not sufficient to offset declines in activity levels in other markets and concrete, quarry and cement volumes were lower. Price increases were achieved in cement, concrete and quarry products. These price increases, together with cost savings and higher volumes, were able to largely offset the impact of volume declines and cost increases and the profit margin remained at around the same level as the prior year at 11.7%¹.

Operating profit for the Australian Building Products segment for 2008/09 declined by 65% compared to the prior year to \$40.2 million¹, largely as a consequence of lower volumes and the impact of plant fixed costs. 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 achieved increased prices compared to the prior year, a notable achievement given the softer residential market.

The US housing market continued to weaken during 2008/09. Substantial declines in activity, particularly in single family detached housing, led to increased losses being incurred in the US segment. Brick sales volumes declined by 44%, although prices increased by around 1%. Concrete roof tile sales volumes declined by 39% although prices in that business also increased by around 1%. Despite price increases and cost improvements, volume declines in the Denver and Oklahoma construction materials business led to reduced profits. Profits from the fly ash business were lower than the prior year.

In Asia, volumes declined in plasterboard in most major markets during the year as activity slowed in response to weaker economic conditions. Price increases and cost reductions, however, were able to partially offset the impact of the volume

declines. The reported result from the Asian plasterboard business was 26% below the prior year. The Group's construction materials businesses in Asia reported improved results as cost increases were recovered through higher prices and margins improved. Concrete volumes were also lower in Thailand due to lower levels of construction activity.

Net interest expense increased from \$111.9 million to \$127.2 million¹. This increase was predominantly due to an increase in average net debt and the impact of a weaker Australian dollar. Underlying EBIT interest cover declined from 4.0 times to 2.2 times, largely as a result of the decline in earnings.

The average underlying¹ tax rate for the year was lower than the prior year at 11.5%, due to the tax effect of the losses incurred in the US which are subject to a higher tax rate than Australian earnings. Boral's reported tax expense includes a net benefit of \$50.6 million relating to significant items.

The interim and final dividends for the year totalled \$76.6 million which, combined, represent a pay-out ratio of 54% of profit after tax, which was lower than the 83% ratio for the prior year although in line with Boral's policy of a 50% to 70% pay-out range. Boral continued its Dividend Reinvestment Plan (DRP) during 2009 and for both the interim and final dividend offered a 2.5% discount on the price of shares issued under the DRP. During the year, proceeds of \$49.7 million were applied to the issue of 12.1 million ordinary shares issued under the DRP relating to the final 2008 dividend and the interim 2009 dividend. Shares issued under the DRP relating to the final dividend for 2008 were bought back on-market. A total of 4.95 million shares were bought back at a cost of \$31.5 million.

Income statement

for the year ended 30 June	2009 \$ millions	2008 \$ millions
Sales revenue	4,875.1	5,198.5
EBITDA ¹	539.0	688.2
Depreciation and amortisation	(263.3)	(240.2)
EBIT	275.7	448.0
Net interest ¹	(127.2)	(111.9)
Operating profit before tax ¹	148.5	336.1
Income tax expense ¹	(17.1)	(90.1)
Minority interests	(0.2)	0.6
Underlying profit after tax¹	131.2	246.6
Net significant items	10.8	(3.8)
Profit after tax	142.0	242.8
Earnings per share ¹ (cents)	22.2	41.4
Earnings per share (cents)	24.1	40.7

¹ Excluding significant items.

Financial Position

The net financial position of the Group remained relatively unchanged during the year with total equity decreasing by 5.4% to \$2,753.6 million. Net borrowings decreased to \$1,513.6 million from \$1,515.1 million. The reduction in net borrowings was after approximately \$77 million of growth capital and acquisitions during the year, and despite a depreciation in the Australian dollar and the impact on US dollar borrowings. The growth and acquisition expenditure, stay in business capital expenditure and the adverse currency movement was offset by strong operating cash flows and the proceeds of the sale of

Boral's shareholding in ABL. The Group's gearing (measured as net debt to equity) increased from 52% to 55% which is at the mid point of the stated target range of 40% to 70%.

Boral's long-term and short-term credit ratings were adjusted down from BBB+/A2 with Standard and Poor's to BBB/A3 and from Baa1/P2 with Moody's Investors Service, to Baa2/P2. In both cases a negative outlook has been applied.

At 30 June 2009, the Group had available undrawn committed debt facilities of around \$820 million. Boral's average debt maturity profile at 30 June 2009 was around 6.1 years compared with 6.0 years at 30 June 2008.

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 reported return on shareholders' funds declined from 8.4% to 5.2% during the period as reported earnings declined by around 42%.

Balance sheet

As at 30 June	2009 \$ millions	2008 \$ millions
Current assets	1,577.0	1,570.8
Non-current assets	3,914.2	4,324.2
Total assets	5,491.2	5,895.0
Current liabilities	844.3	1,025.3
Non-current liabilities	1,893.3	1,960.1
Total liabilities	2,737.6	2,985.4
Net assets	2,753.6	2,909.6
Total equity	2,753.6	2,909.6

Cash Flow

The Group generated operating cash flows of \$418.8 million after payment of interest and income tax. This represents a reduction of 28% or \$163.0 million compared to the cash flow reported last year. The reduction in operating cash flow reflects the lower earnings offset by lower tax payments and improved working capital management.

These cash flows were used to fund around \$239.5 million of capital and acquisition expenditure. The sale of the ABL shareholding provided around \$205.5 million of cash. Net borrowings reduced by \$235.8 million before the impact of translation of the Group's offshore borrowings.

Debt and gearing

As at 30 June	2009 \$ millions	2008 \$ millions
Total debt	1,614.1	1,562.5
Total cash and deposits	100.5	47.4
Net debt	1,513.6	1,515.1
Total shareholder equity	2,753.6	2,909.6
Gearing ratios		
Net debt:equity (%)	55	52
Net debt:equity plus net debt (%)	35	34
Interest cover ¹ (times)	2.2	4.0

¹ Excluding significant items.

Board of Directors

Kenneth J Moss, AM ¹

NON-EXECUTIVE CHAIRMAN, AGE 64.

Dr Kenneth Moss joined the Boral Board in 1999 and became the Chairman of Directors in 2000. He is the Chairman of Centennial Coal Company Limited and Chairman of GPT RE Limited (the responsible entity for the General Property Trust). He 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.

Member of the Remuneration Committee.

Rodney T Pearse, OAM ²

MANAGING DIRECTOR, AGE 62.

Rod 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. He 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 School of Business at the University of New South Wales, the 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.

J Brian Clark ³

NON-EXECUTIVE DIRECTOR, AGE 60.

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

Chairman of the Remuneration Committee.

E John Cloney ⁴

NON-EXECUTIVE DIRECTOR, AGE 68.

John 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. He is a member of the Advisory Council of RBS Group (Australia) Pty Limited. His career was in international insurance and he was previously the Managing Director of QBE Insurance Group Limited. He is a fellow of the Australian Institute of Management and the Australia and New Zealand Institute of Insurance and Finance.

Mr Cloney is a member of the Remuneration Committee, having been Chairman of that Committee throughout the reporting period.

Robert L Every ⁵

DEPUTY CHAIRMAN, AGE 64.

Dr Bob Every joined the Boral Board in September 2007. He is the Chairman of Iluka Resources Limited and Chairman of Wesfarmers Limited. He is also on the Board of Malcolm Sargeant Cancer Fund for Children Limited known as Redkite. He held senior executive positions with Tubemakers of Australia and BHP and was the Managing Director and CEO of OneSteel Limited. He is a fellow of the Australian Academy of Technological Sciences and Engineers. He has a science degree (honours) and a doctorate of philosophy (metallurgy) from the University of New South Wales.

Member of the Remuneration Committee.

Richard A Longes ⁶

NON-EXECUTIVE DIRECTOR, AGE 64.

Richard Longes joined the Boral Board in 2004. He is a Director of Austbrokers Holdings Limited and Metcash Limited. He 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.

Member of the Audit Committee.

Paul A Rayner ⁷

NON-EXECUTIVE DIRECTOR, AGE 55.

Paul Rayner joined the Boral Board in 2008. He is a Director of Qantas Airways Limited and Centrica plc, a UK listed company. He has held senior executive positions in finance and operations in Australia including Executive Director, Finance and Administration of Rothmans Holdings Limited and as Chief Operating Officer of British American Tobacco Australasia Limited. He was Finance Director of British American Tobacco plc from January 2002 until 2008, based in London. He has an economics degree from the University of Tasmania and a masters of administration from Monash University.

Chairman of the Audit Committee.

J Roland Williams, CBE ⁸

NON-EXECUTIVE DIRECTOR, AGE 70.

Dr Roland Williams joined the Boral Board in 1999. He is a Director of Origin Energy Limited. He 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.

Member of the Audit Committee.



Corporate Governance

Introduction

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

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

Throughout the 2008/09 financial year, Boral's governance arrangements were consistent in all substantial respects with the Corporate Governance Principles and Recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council in August 2007, other than as regards the recommendation of the Council that a Nomination Committee be established. Boral has adopted an alternative approach in relation to this recommendation, as explained at page 32 of this Statement.

The table on page 37 indicates where specific ASX Principles and Recommendations are dealt with in this Statement.

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

Principle 1: Lay solid foundations for management and oversight

Responsibilities of the Board and management

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 and governance.

Under the Company's Constitution, the business of the Company is managed by or under the direction of the Directors, with the Directors being permitted to delegate any of their powers (including the power to delegate) to the managing director.

The matters that the Board has reserved for its decision 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, and
- meeting legal requirements and ensuring that the Company acts responsibly and ethically and prudently manages business risks and Boral's assets.

A statement of matters reserved for the Board is available on Boral's website.

Non-executive Directors would spend approximately 30 days each year on Board business and activities including Board and Committee meetings, meeting for two days with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations and meeting employees, customers, business associates and other stakeholders. During the year, the Directors visited a number of sites, including Boral Timber's hardwood operations on the north coast of New South Wales and softwood operations at Oberon, and Greystanes (Quarry End Use).

Each month, Directors receive a detailed operating review from the Managing Director and Chief Executive Officer (CEO) regardless of whether a Board Meeting is being held that month.

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

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

Evaluating the performance of senior executives

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

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

The CEO annually reviews the performance of each of Boral's senior executives, being members of the Management Committee, using criteria consistent with those used for reviewing the CEO. The CEO reports to the Board through the Remuneration Committee on the outcome of those reviews.

A performance evaluation for senior executives took place in the 2008/09 year in accordance with the processes described above.

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

Principle 2: Structure the board to add value

Structure of the Board

Together, the Board members have a broad range of financial and other skills, experience and expertise necessary to oversee Boral's business. The Board of Directors comprises seven non-executive Directors (including the Chairman) and one executive Director, the CEO. The roles of Chairman and CEO are not exercised by the same individual. The skills, experience and expertise of each Director are set out on page 30 of the Annual Review.

The Directors determine the size of the Board by reference to the Constitution, which provides that there will be a minimum of three Directors and a maximum of 12 Directors.

Paul Rayner was appointed to the Board in September 2008. In July 2009, it was announced that John Cloney will retire after the 2009 Annual General Meeting.

The period of office held by each current Director is:

	Appointed	Last elected at an Annual General Meeting
Ken Moss, Chairman	1999	27 October 2006
Rod Pearse, CEO	2000	Not applicable
Brian Clark	2007	29 October 2007
John Cloney	1998	27 October 2006
Bob Every	2007	29 October 2007
Richard Longes	2004	29 October 2007
Paul Rayner	September 2008	24 October 2008
Roland Williams	1999	29 October 2007

Details of the number of Board and Committee meetings attended by each Director are set out on page 40 of the Annual Review.

Chairman's appointment and responsibilities

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

Currently, Dr Ken Moss is the Chairman. In July 2009, the Board introduced the new role of Deputy Chairman as part of the Board's succession planning, with Dr Bob Every being appointed Deputy Chairman. Dr Every will assume the role of Chairman in May 2010 when Dr Moss retires from the Board.

Committees

To assist the Board to carry out its responsibilities, the Board has established an Audit Committee and a Remuneration Committee. The qualifications of each Committee member and the number of meetings they attended during the reporting period are set out on pages 30 and 40 of the Annual Review.

These Committees are discussed further below under Principle 4 (Audit Committee) and Principle 8 (Remuneration Committee).

Director independence

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

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

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

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

Nomination and appointment of Directors

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 full Board performs the functions that would otherwise be carried out by a Nomination Committee.

The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively. As part of this appointment process, the Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

The appointment of Paul Rayner as a new non-executive Director in September 2008 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 includes obtaining assistance from an external consultant to identify suitable candidates and to assess these candidates. Candidates identified as being suitable are interviewed by one or more Directors. Confirmation is sought from prospective directors that they would have sufficient time to fulfil their duties as a Director.

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

Induction

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

Tenure of Directorships

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

The 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.

Evaluation of Board performance

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

An evaluation of the Board's performance was undertaken in September/October 2008 in accordance with the evaluation process described above.

Conflicts of interest

In accordance with Boral's Constitution and the *Corporations Act 2001*, 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 2001*, Directors with a material personal interest in a matter being considered by the Board may not be present when the matter is being considered and may not vote on the matter.

Access to information, independent advice and indemnification

After consultation with the Chairman, Directors may seek independent professional advice, in furtherance of their duties,

at the Company's expense. The Company Secretary provides advice and support to the Board. Directors also have access to members of senior management at any time to request relevant information.

Under the Company's Constitution and agreements with Directors and to the extent permitted by law, the Company indemnifies Directors 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 liabilities.

Principle 3: Promote ethical and responsible decision-making

Conduct and ethics

The Board's policy is that Boral companies and employees must observe both the letter and spirit of the law, and adhere to high standards of business conduct and strive for 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.

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

Boral treats breaches of legal and ethical standards seriously. During the 2008/09 financial year, 66 Boral employees were dismissed for serious breaches of policy.

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

Dealings in Boral shares

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

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

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

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

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

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

A copy of Boral's Share Trading Policy is available on Boral's website.

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

Principle 4: Safeguard integrity in financial reporting

Audit Committee

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

Paul Rayner (Chairman)
Richard Longes
Roland Williams

Elizabeth Alexander chaired this Committee until she retired as a director in October 2008.

The Committee met five times during the 2008/09 financial year, and attendance by members at these meetings is shown on page 40 of the Annual Review.

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

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

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

A copy of the Audit Committee Charter is available on Boral's website.

Accounting and financial control policies and procedures have been established and are monitored by the Committee to ensure 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 2001* 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 the CEO and Chief Financial Officer, at least twice during the year.

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

External auditor

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

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

The Audit Committee monitors procedures to ensure the rotation of external audit engagement partners every five years as required by the *Corporations Act 2001*.

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

An Independence Declaration by the external auditor forms part of the Directors' Report and is set out on page 42.

Internal audit

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.

Principle 5: Make timely and balanced disclosure

Boral is committed to making timely and balanced disclosure of all material matters and to effective communication with its shareholders and investors so as to give them ready access to balanced and understandable information.

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

The CEO, the Chief Financial Officer and the Company Secretary are responsible for determining whether or not information is required to be disclosed to the ASX, in appropriate circumstances in consultation with the Chairman and/or the Board.

A copy of Boral's Continuous Disclosure Policy is available on Boral's website.

Principle 6: Respect the rights of shareholders

Communications with shareholders

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

The fundamental review of Boral's remuneration policies and practices undertaken by the Board, as detailed in the Remuneration Report, provides an example of shareholder (and other stakeholder) engagement during the reporting period. As noted in the Remuneration Report, following the concerns expressed by shareholders at the 2008 Annual General Meeting, a comprehensive stakeholder engagement program was undertaken, involving members of the Remuneration Committee, other Directors and members of management meeting with representatives of retail and institutional investors and governance advisory firms. This process allowed a broad range of views to be taken into consideration as part of the review of Boral's remuneration policies and practices.

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

Announcements to the market are placed on Boral's website after they are released to the ASX. These announcements are retained on the website for at least three years. General meetings and briefings to analysts following results and other major announcements are webcast.

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

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

This year, shareholders will be invited, at the time of receiving notice of the Annual General Meeting, to put forward questions that they would like addressed at the Annual General Meeting.

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

Principle 7: Recognise and manage risk

Risk identification and management

The managers of Boral's businesses are responsible for identifying and managing risks. The Board (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; and
- systems are in place to assess, manage, monitor and report on these risks.

Under the supervision of the Board, management is responsible for designing and implementing risk management and internal control systems to manage the Company's material business risks. Boral's senior management has reported to the Board on the effectiveness of the management of the material business risks faced by Boral during the 2008/09 financial year.

Risk management 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 prices, 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 and the Audit Committee twice yearly;
- key business risks being identified on a Divisional basis and on a corporate-wide basis and reported to the Directors as part of the strategic planning process. Management was assisted by a specialised risk management consultancy in assessing risks corporate-wide during the 2008/09 financial year and this process will provide a continuous approach to risk management;
- 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, 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; and
- 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 Board has acknowledged that the material provided to it on risks has enabled it to review the effectiveness of the risk management and internal control system to manage the Company's material business risks.

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 Boral's large number of 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 legislation.

CEO and Chief Financial Officer declaration

The CEO and the Chief Financial Officer have provided the Directors with a declaration in accordance with section 295A of the *Corporations Act 2001* for the 2008/09 financial year, including confirmation that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results. The Board confirms that it has received assurance from the CEO and the Chief Financial Officer that the above statement was founded on a sound system of risk management and internal control, and that such system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

The Board has a Remuneration Committee which comprises four independent non-executive Directors. The members of the Committee are:

Brian Clark (Chairman from 27 July 2009)
John Cloney (Chairman until 27 July 2009)
Bob Every
Ken Moss

The Committee met on six occasions during the 2008/09 financial year, and attendance by members at these meetings is shown on page 40 of the Annual Review.

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

A copy of the Remuneration Committee Charter is available on Boral's website.

The Committee 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.

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

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

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, and
- a significant proportion of executive reward be dependent on 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.

Boral's Share Trading Policy, which is referred to on pages 33 and 34 of this Statement under the sub-heading 'Dealings in Boral Shares' under Principle 3, prohibits executives entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under Boral's equity-based remuneration schemes.

Remuneration of non-executive Directors

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

Further information relating to the remuneration of the non-executive Directors is set out in the Remuneration Report on page 59. This information includes a summary of the terms of the Non-Executive Directors' Share Plan.

Conclusion

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

ASX Corporate Governance Council's Principles and Recommendations (ASX CGC's Recommendations)
– Boral's Corporate Governance Statement 2009

Principle	ASX CGC's Recommendations	Page
1	Lay solid foundations for management and oversight	
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 31
1.2	Disclose the process for evaluating the performance of senior executives.	Page 31
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	Page 31
2	Structure the Board to add value	
2.1	A majority of the Board should be independent Directors.	Page 32
2.2	The chair should be an independent Director.	Page 32
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 32
2.4	The Board should establish a nomination committee.	Page 32 (not adopted)
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 33
2.6	Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	Pages 32-33
3	Promote ethical and responsible decision-making	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Page 33
3.1.1	the practices necessary to maintain confidence in the company's integrity.	
3.1.2	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Pages 33-34
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	Pages 33-34
4	Safeguard integrity in financial reporting	
4.1	The Board should establish an audit committee.	Page 34
4.2	Structure the audit committee so that it:	Page 34
	<ul style="list-style-type: none"> • consists only of Non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members. 	
4.3	The audit committee should have a formal charter.	Page 34
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	Page 34

Principle	ASX CGC's Recommendations	Page
5	Make timely and balanced disclosure	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 34
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	Page 34
6	Respect the rights of shareholders	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 35
6.2	Provide the information indicated in <i>Guide to reporting on Principle 6</i> .	Page 35
7	Recognise and manage risk	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Page 35
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Pages 35-36
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the <i>Corporations Act 2001</i> is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 36
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	Pages 35-36
8	Remunerate fairly and responsibly	
8.1	The Board should establish a remuneration committee.	Page 36
8.2	Clearly distinguish the structure of Non-executive Directors' remuneration from that of executive Directors and senior executives.	Page 36
8.3	Provide the information indicated in <i>Guide to reporting on Principle 8</i> .	Page 36

Directors' Report

The Directors of Boral Limited ("Company") report on the consolidated entity, being the Company and its controlled entities ("Boral"), for the financial year ended 30 June 2009:

(1) Review of operations

A review of the operations of Boral during the year and the results of those operations are contained in the Chairman's Review and Managing Director's Review on pages 4 to 8 of the Annual Review.

(2) State of affairs

There were no significant changes in Boral's state of affairs during the year other than:

- the Chief Executive Officer and Managing Director, Mr Rodney T Pearse, announced his intention to retire at the end of 2009;
- the sale of Boral's 17.6% shareholding in Adelaide Brighton Limited (ABL) realising a profit of \$38.3 million (\$26.8 million after tax); and
- significant items having a net after tax impact of \$10.8 million. The favourable items comprise the profit on the sale of the ABL shares mentioned above and a \$64.3 million reduction in provisions as a result of the resolution of a number of long standing tax disputes in Australia and the USA. These amounts offset adverse items totalling \$80.4 million (\$63.4 million after tax) comprising impairment charges for goodwill in construction materials operations in the USA, write-downs for idle brick production assets in Australia and the USA and land and capitalised project costs in Australia and Asia, and an expense of \$27.2 million (\$16.9 million after tax) recognised in connection with an onerous contract relating to the purchase of fly ash in Florida.

(3) Principal activities and changes

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

(4) Events after end of financial year

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

- (a) Boral's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) Boral's state of affairs in future financial years.

(5) Future developments and results

Other than matters referred to under the heading "Outlook" in the Managing Director's Review on page 7 of the Annual Review, the Directors have no comments to make on 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 Environment on pages 18 to 23 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:

- (a) the operations of Boral; and
- (b) the financial position of Boral, and
- (c) Boral's business strategies and its prospects for future financial years.

(8) Dividends paid or resolved to be paid

Dividends paid to 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 2008 was paid on 18 September 2008	99.6
The interim dividend of 7.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year was paid on 3 April 2009	44.0

The Directors have resolved to pay a final dividend of 5.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year. The dividend will be paid on 28 September 2009.

(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	Paul A Rayner
Robert L Every	J Roland Williams
Richard A Longes	

All of those persons, other than Mr Rayner and Ms Alexander, have been Directors at all times during and since the end of the year. Mr Rayner was appointed a Director on 5 September 2008 and has been a Director at all times since that date. Ms Alexander was a Director from 1 July 2008 to 24 October 2008, on which date she retired from the Board of Directors.

(10) Options

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

Tranche	Grant date	Expiry date	Exercise price	Balance at	Options	Options	Shares issued	Options at end of year	
				beginning of year	issued during the year	lapsed during the year	during the year as a result of exercise of options	Issued	Vested
				Number	Number	Number	Number		
(xii)	04/11/2002	04/11/2009	\$4.12	143,000	–	–	–	143,000	143,000
(xiii)	29/10/2003	29/10/2010	\$5.57	2,614,428	–	149,456	21,692	2,443,280	625,371
(xiv)	29/10/2004	29/10/2011	\$6.60	1,949,700	–	55,400	–	1,894,300	–
(xv)	31/10/2005	31/10/2012	\$7.70	3,195,000	–	81,000	–	3,114,000	–
(xvi)	06/11/2006	06/11/2013	\$7.32	4,580,900	–	94,900	–	4,486,000	–
(xvii)	06/11/2007	06/11/2014	\$6.83	5,938,700	–	84,300	–	5,854,400	–
				18,421,728		465,056	21,692	17,934,980	768,371

The options referred to above were held by 169 persons.

Since the end of the year, the Company has issued a further 77,500 ordinary shares at the price of \$4.12 each as a result of the exercise of options in Tranche (xii).

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

(11) Indemnities and insurance for officers and auditors

Under its Constitution, the Company indemnifies, to the extent permitted by law, each Director and Secretary of the Company against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred by that person as an officer of the Company or a subsidiary of the Company. The Directors listed on page 30 of the Annual Review and the Company Secretary, Margaret Taylor, have the benefit of the indemnity in the Constitution.

In addition, each of the Directors who held office during the year has entered into a Deed of Indemnity, Insurance and Access with the Company, as approved by the Board, which provides for indemnification consistent with that provided under the Constitution.

No amount has been paid under any of these indemnities during the 2008/09 year or since then to the date of this Report.

(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 30 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 financial year and the period for which such directorships has been held are:

Brian Clark

AMP Limited from January 2008 (current)

John Cloney

QBE Insurance Group Limited from 1981 (current)

Bob Every

Iluka Resources Limited from March 2004 (current)

Sims Group Limited from October 2005 to November 2007

Wesfarmers Limited from February 2006 (current)

Richard Longes

Austbrokers Holdings Limited from November 2005 (current)

Metcash Limited from April 2005 (current)

Viridis Investment Management Limited from September 2005 to August 2007

Ken Moss

Adsteam Marine Limited from 2001 to March 2007

Centennial Coal Limited from 2000 (current)

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 to September 2008

Paul Rayner

British American Tobacco plc from January 2002 to April 2008

Centrica plc from September 2004 (current)

Qantas Airways Limited from 2008 (current)

Rodney Pearse

Nil

Roland Williams

Origin Energy Limited from 2000 (current)

Directors' Report continued**(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		Remuneration Committee	
	Meetings held while a Director	Meetings attended	Meetings held while a Member	Meetings attended	Meetings held while a Member	Meetings attended
Elizabeth Alexander	3	3	2	2	–	–
Brian Clark	11	11	–	–	6	5
John Cloney	11	8	–	–	6	6
Bob Every	11	11	–	–	6	6
Richard Longes	11	11	5	4	–	–
Kenneth Moss	11	11	–	–	6	6
Rodney Pearse	11	11	–	–	–	–
Paul Rayner	9	9	3	3	–	–
Roland Williams	11	10	5	5	–	–

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

(14) Company Secretary

The qualifications and experience of the Company Secretary, Margaret Taylor, are set out on page 9 of the Annual Review.

(15) Directors' shareholdings

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

	Shares	Non-Executive Directors' Share Plan ^a	Options and Share Acquisition Rights (SARs)
Brian Clark	59,473	4,441	–
John Cloney	14,614	27,027	–
Bob Every	13,004	3,847	–
Richard Longes	13,994	8,453	–
Kenneth Moss	31,000	33,328	–
Rodney Pearse	4,103,555	–	b
Paul Rayner	6,179	1,491	–
Roland Williams	52,512	22,430	–

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

- Brian Clark, 40,096 shares are held by UBS Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 18,037 shares are held by UBS Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- John Cloney, 534 shares are held by Lizzey Investments Pty Limited and 12,500 shares are held by Cloney Superannuation Fund;
- Richard Longes, 10,000 shares are held by Gemnet Pty Limited for Richard Longes Superannuation Fund;
- Kenneth Moss, 31,000 shares are held by K J and G A Moss; and
- Rodney Pearse, 44,016 shares are held by Pearse Nominees (NSW) Pty Limited.

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. Details of the shares allocated to non-executive Directors during the financial year are set out below:

	Number of shares allocated ¹
Elizabeth Alexander	9,490
Brian Clark	3,278
John Cloney	3,441
Robert Every	3,278
Richard Longes	3,278
Kenneth Moss	16,899
Paul Rayner	1,491
Roland Williams	3,279

¹ Shares were allocated in two tranches – one tranche on 20 August 2008 (at a price of \$6.00) and the other tranche on 17 February 2009 (at a price of \$3.08).

b Options and SARs held by Mr Pearse are:

Number of Options	Expiry date	Exercise price
308,000	29 October 2010	\$5.57
350,000	29 October 2011	\$6.60
939,800	31 October 2012	\$7.70
2,083,300	06 November 2013	\$7.32
2,694,000	06 November 2014	\$6.83

Number of SARs	Expiry date
120,000	29 October 2011
247,036	31 October 2012

The SARs are rights to acquire shares in the Company under the Boral Senior Executive Performance Share Plan and will vest only to the extent to which the performance hurdle, which is measured by comparing the TSR of the Company to the TSR of the companies comprising the S&P/ASX 100 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 \$420,000. These services consisted of:

Taxation compliance/advisory services in Australia	\$74,000
Taxation compliance/advisory services/assurance related services in jurisdictions other than in Australia	\$189,000
Assurance related services	\$157,000

Fees for audit and audit related services during the year totalled \$1,969,000. In accordance with advice from the Company's Audit Committee, Directors are satisfied that the provision of the above non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 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 42 of the Annual Review and forms part of this report.

(19) Remuneration Report

The Remuneration Report is set out on pages 43 to 59 of the Annual Review and forms part of this report.

(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 Pearse, DIRECTOR
Sydney, 11 September 2009

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 2009, 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, 11 September 2009

Remuneration Report

Message from the Board

During the year, the Board undertook a fundamental review of Boral's remuneration policies and practices. The review included an independent assessment commissioned by the Remuneration Committee and was carried out with input from Ernst & Young over a five month period.

Shareholder concerns that were expressed at the 2008 Annual General Meeting about Boral's remuneration practices were considered as part of the review, together with feedback obtained through a comprehensive stakeholder engagement program undertaken subsequent to the Annual General Meeting.

The stakeholder engagement program involved members of the Remuneration Committee, other Directors of the Board and members of management meeting with representatives of retail and institutional investors and governance advisory firms. This process allowed a broad range of views to be taken into consideration by the Board in setting the standards against which to move forward.

The Board is grateful for the input received from Boral's shareholders. Your input is important to us and has helped to shape our decision-making.

We have worked to balance the needs and expectations of our stakeholders with the need to remunerate our people appropriately in a competitive marketplace. Our remuneration policies and practices are focused on linking performance and reward while taking into consideration the particular challenges that face companies, such as Boral, in cyclical industries.

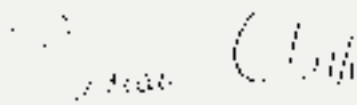
We have modified the format of this year's Remuneration Report to communicate better our approach to remuneration, the changes that have been made as part of the review and the 2009 remuneration outcomes.

We commend Boral's 2009 Remuneration Report to you.

Yours sincerely,



Ken Moss
Chairman of the Board



Brian Clark
Chairman of the Remuneration Committee

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2009 Remuneration in Brief

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements. This remuneration snapshot sets out the key details regarding director and senior executive remuneration for 2009 for shareholders. The full Remuneration Report provides greater detail regarding the remuneration structures, decisions and outcomes for Boral in 2009.

A number of key actions occurred during the year which have had a significant impact on Boral's remuneration structure and outcomes for 2009, and will continue to do so in 2010 and future years. In particular:

- a comprehensive review of Boral's executive remuneration structure was undertaken in response to concerns expressed by shareholders at the 2008 Annual General Meeting;
- as a result of this review a number of changes were made to Boral's remuneration policy and practices;
- the economic instability in 2008/09 impacted financial performance and reinforced the need for the Board to strike a balance between motivating and rewarding executives, and exercising appropriate restraint. The Board has made a number of tough remuneration decisions in consultation with management aimed at preserving shareholder value in this difficult economic climate; and
- the announcement of Mr Rod Pearse's retirement as Chief Executive Officer (CEO) with effect from 31 December 2009. The Board expects to announce a successor to Mr Pearse prior to the Annual General Meeting on 28 October 2009.

Each of these changes is highlighted below, and is discussed in detail in the full Remuneration Report.

Remuneration review and restraint

Following the 2008 Annual General Meeting, the Board commenced its review of Boral's executive remuneration strategy and structure with the assistance of independent advisers Ernst & Young. This review process included extensive consultation with stakeholders, including representatives of retail and institutional investors and governance advisory firms.

The aim of the review was to ensure that Boral's remuneration structure adheres to good governance standards and reflects the industry and markets within which Boral operates.

A number of recommendations were proposed to more closely align Boral's remuneration arrangements with the expectations of shareholders and corporate governance bodies. Recommendations that have been endorsed by the Board include:

- adopting a revised comparator group for benchmarking the CEO's remuneration package which includes companies of similar size and industry to Boral;
- developing a CEO contract which reflects current best practice in terms of employment arrangements and remuneration structure;
- significantly reducing the number of re-test opportunities under the long term incentive (LTI) plan so that each grant of rights or options will only be available for vesting on three dates (reflecting performance periods of three, five and seven years); and
- adopting a stricter change of control provision in the LTI plan which only allows for waiver of the service condition where more than 50% of the Company's shares are acquired. Vesting will only occur where the performance hurdle has been met.

In addition, specific remuneration initiatives were implemented during the course of the year in response to shareholder concerns and the difficult economic conditions impacting Boral's profitability. These demonstrate restraint in executive remuneration and include:

- a salary "freeze" for the CEO, Management Committee and other senior executives from 1 September 2008 (when the 2007/08 adjustments took effect) to September 2010;
- the CEO and Management Committee volunteering to forgo short term incentive (STI) entitlements for the 2008/09 financial year – despite their contractual entitlement to receive an STI award; and
- a "freeze" on Directors' fees from July 2008 to July 2010.

These actions demonstrate the Board's and management's commitment to exercising restraint on remuneration in challenging conditions, and to lead by example.

CEO and Board transition

On 25 June 2009, Mr Rod Pearse announced he will be retiring on 31 December 2009 after 10 years as CEO and 15 years with Boral.

Details of Mr Pearse's retirement arrangements are set out in the full Remuneration Report. Shareholders approved the payment of termination benefits to Mr Pearse at the 2004 Annual General Meeting. Mr Pearse has elected to limit his STI entitlement for the 2009/10 year by forgoing the component of his STI related to his financial objective (which accounts for 67% of this incentive). This will also reduce his approved end of term restraint payment to a level significantly lower than would be his likely entitlement under his contract.

The remuneration arrangements for the new CEO will differ from those in place for Mr Pearse, both as a result of recommendations made through the remuneration review and in light of developments in corporate governance and market practice since the Company entered into the service agreement with Mr Pearse in 2004. Remuneration arrangements for the new CEO will be disclosed when an appointment is made.

To ensure stability during the CEO transition period, it is intended that Dr Ken Moss will continue as Boral's Chairman until May 2010 subject to his re-election. Dr Bob Every has been appointed Deputy Chair and will assume the role of Chairman when Dr Moss retires.

Remuneration outcomes for CEO and senior executives

Details of the CEO and Management Committee remuneration, prepared in accordance with statutory obligations and accounting standards, are contained on page 58 of the Remuneration Report.

The table below sets out the cash and other benefits actually received by the CEO and Management Committee in the 2008/09 financial year.

In particular, the table below highlights:

- the decision by the CEO and Management Committee to forgo their STI entitlements for the 2008/09 financial year; and
- the fact that no value was derived in 2008/09 through the exercising of options or vesting of rights.

The cash and other benefits actually received by the CEO and Management Committee in 2008/09 are substantially lower than the amounts shown in the remuneration table on page 58 of the Remuneration Report. This is because the

full remuneration table includes amounts in respect of a number of benefits which did not deliver value to executives in 2008/09. For example, it includes accounting values for current and prior years' LTI grants which have not been and may never be realised as they are dependent on the market-based performance hurdles being met. Similarly, the full remuneration table includes a number of benefits in relation to the current CEO which have been expensed in the 2008/09 year according to accounting standards, including additional amortisation charges for share-based payments brought forward and an accrual for the end of service payment.

The cash and other benefits of \$3,018,300 actually received by the CEO in 2008/09 are 40% lower than that received in 2007/08.

AS\$'000s	Fixed	STI	LTI	Other ^a	Total
Rod Pearse	2,958.3	0	0	60.0	3,018.3
John Douglas	822.7	0	0	32.5	855.2
Mike Beardsell (from 9 April 2009)	142.0	0	0	6.6	148.6
Warren Davison (from 9 April 2009)	114.7	0	0	1.9	116.6
Nick Clark (from 1 February 2009)	227.9	0	0	3.7	231.6
Ross Batstone	735.6	0	0	29.5	765.1
Bryan Tisher	605.0	0	0	9.9	614.9
Emery Severin	894.6	0	0	648.3	1,542.9
Ken Barton	801.4	0	0	32.1	833.5
Margaret Taylor (from 17 November 2008)	312.5	0	0	16.9	329.4
Robin Town	544.0	0	0	26.8	570.8
Andrew Warburton	481.7	0	0	26.8	508.5

^a Other includes parking, long service leave accruals and expatriate costs.

1 Introduction

The Directors of Boral Limited present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2009. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

The Remuneration Report sets out remuneration information for the Company's non-executive Directors, CEO and Management Committee, who are the key people accountable for planning, directing and controlling the affairs of the Company and its controlled entities. They include the five highest remunerated executives of the Company and Group for the 2008/09 financial year.

The people currently in these positions are listed in the table below.

Non-executive Directors	
Ken Moss	Chairman
Bob Every	Deputy Chairman
Brian Clark	Director
John Cloney	Director
Richard Longes	Director
Paul Rayner	Director
Roland Williams	Director

Management Committee (including Chief Executive Officer)

Rod Pearce	CEO and Managing Director
John Douglas	EGM Australian Construction Materials
Mike Beardsell	EGM Cement
Warren Davison	EGM Construction Related Businesses
Nick Clark	EGM Clay & Concrete Products
Ross Batstone	EGM Plasterboard
Bryan Tisher	EGM Timber
Emery Severin	President Boral Industries USA
Ken Barton	Chief Financial Officer
Margaret Taylor	General Counsel & Company Secretary
Robin Town	GM Human Resources
Andrew Warburton	GM Corporate Development

During the 2008/09 year, the Remuneration Committee comprised four independent non-executive Directors – John Cloney (Committee Chairman), Ken Moss, Brian Clark and Bob Every. On 27 July 2009, Dr Brian Clark was appointed Chairman of the Remuneration Committee.

2 Key Issues and Changes for 2009

Remuneration Outcomes in an Economic Downturn

In response to the sustained economic downturn and shareholder concerns, the Board and management made a number of significant remuneration decisions during the year to protect shareholder value.

The CEO led by example in prioritising shareholder interests by volunteering to forgo his STI and electing to take a salary freeze. Non-executive Directors have also elected a fee freeze for 2009/10. The Management Committee also agreed to forgo their entitlement to STI and to take a salary freeze.

Additional measures were taken for other senior executives and salaried staff. These actions reflect the commitment of the Board and of management to exercising appropriate restraint in the market downturn.

The increase in fixed remuneration for the CEO and Management Committee in this year's Remuneration Report reflects the annual salary review that took place in September 2008. This occurred prior to the 2008 Annual General Meeting and prior to the full extent of the market downturn being known. The salary and non-executive director fee freezes will result in no general increases occurring between September 2008 and July 2010.

Changes	Who is affected?	Comment
Freeze fixed remuneration	Current CEO Management Committee Non-executive Directors Other executives	There will be no increase in fees/fixed remuneration for the 2009/10 financial year for: <ul style="list-style-type: none"> • Non-executive Directors; • the CEO; • Management Committee members; • other senior executives (approximately 140). Fixed remuneration increases for other salaried employees in Australia and the USA (approximately 4,500 people) will be capped at 2.5% in the 2009/10 year.
STI forgone for 2008/09	CEO Management Committee	CEO and all members of the Management Committee have agreed to forgo their STI entitlements for 2008/09.

CEO Remuneration Structure and Contract Terms

On 25 June 2009, Boral's CEO, Mr Rod Pearce, indicated he will retire on 31 December 2009 at the end of his current contract. His current five year contract followed his initial five year contract as CEO and Managing Director which commenced in January 2000.

The current CEO's contract was put in place in 2004 with several major elements approved by shareholders at the 2004 AGM. It remains in place until 31 December 2009.

Contract terms and conditions for the new CEO will be outlined in an announcement to the ASX when an appointment is made.

In setting contract terms for a new CEO, the Board has taken into account the views expressed by shareholders, governance bodies and other stakeholders.

A new benchmark comparator group has been established against which to set and review the CEO's fixed and variable remuneration. This comparator group is more closely aligned to Boral's current market position, being selected from companies within a range of Boral's market capitalisation.

The duration of the CEO's contract has been carefully considered by the Board. It is considered that a more contemporary approach is required and accordingly a rolling 12 month contract will be adopted for the new CEO which provides increased flexibility compared to the five year fixed contract in place for the current CEO.

The Board has also considered the issue of termination payments. In particular, the Board recognised that the 15 month non-compete payment that forms part of the current CEO's post-employment arrangements is not consistent with current expectations regarding termination arrangements (even though it was approved by shareholders at the 2004 AGM).

Accordingly, the new CEO will not receive a restraint payment as part of any post-employment arrangements. Termination entitlements, will vary depending on the circumstances in which termination occurs and will be set having regard to current market practice and expectations.

Changes	Who is affected?	Comment
Benchmark group for setting/reviewing remuneration	New CEO	The group includes companies from the Industrials and Materials sectors of the ASX 200 with a 12 month moving average market capitalisation between 33% and 300% of Boral's market capitalisation and with annual revenue between 33% and 300% of Boral's revenue.
Remuneration mix	New CEO	A revised mix of remuneration for the new CEO will include: <ul style="list-style-type: none"> • lower fixed remuneration than that which applies for the current CEO; • maximum STI potential set at a lower level than applies to the current CEO; and • LTI component will be set at a higher level than applies to the current CEO.
Contract duration	New CEO	Contract will be based on a rolling 12 month contract to provide greater flexibility to respond to market trends and changes in community and shareholder expectations.
Termination entitlements	New CEO	Termination entitlements will vary based on circumstances surrounding termination. Any separation payment will be limited to 12 months of fixed remuneration (inclusive of any payment in lieu of notice).

Remuneration Report continued**2 Key issues and changes for 2009 (continued)****Implications of current CEO retiring**

Mr Pearse's contract includes a condition which entitles him to a payment at the end of his five year contract as compensation for agreeing not to compete with Boral for a period of 15 months from 31 December 2009. This was approved by shareholders at the 2004 AGM.

This condition will be satisfied by making payments progressively to Mr Pearse during the 15 month period based on his Total Annual Reward, ie Fixed Annual Reward and Short Term Incentive. It will be paid quarterly in arrears.

Mr Pearse has elected to limit his potential STI payment for the 2009/10 year by forgoing the component of his STI related to his financial objective (67% of the incentive) and applying a target outcome for non-financial objectives (33% of the incentive). This STI will be based on the level defined in the 2004 contract and not on the increased STI level approved by the Board in 2007. This STI value will also impact his restraint payment, limiting it to a significantly lower level than would be his likely entitlement under his contract.

Upon the announcement of Mr Pearse's retirement, an expense representing 4.5 years of service (or 90% of the total estimated restraint payment) was recognised. Accordingly, an amount of \$4,043,250 is shown in the Key Management Personnel

Remuneration table on page 58 under Post Employment Benefit.

Mr Pearse's announcement of his retirement has also necessitated the accelerated expensing of the residual unexpensed value of options and rights granted to him for years 2005 to 2007. The Key Management Personnel Remuneration table on page 58 includes an amount of \$2,602,920 for Share-based Payments for this accelerated expense.

As shown in the table on page 58, Mr Pearse's total remuneration for 2008/09 excluding these end of service costs which were approved by shareholders was \$4,865,400.

Any unexercised options and unvested rights at the time of Mr Pearse's retirement will continue to be subject to the performance hurdle until the normal expiry – seven years from date of grant. It is important to note that these unvested rights and options may never vest if Boral's TSR does not meet the hurdle rate. Options issued from 2005-2007 had exercise prices between \$6.83 and \$7.70. Therefore, to provide value to Mr Pearse, Boral's TSR needs to be in the top half of the ASX 100 comparator group and the share price needs to exceed the exercise price. If this occurs, Boral shareholders will also receive substantial benefit.

Long Term Incentive (LTI) Measures

Long term incentives deliver benefits to executives if the Company performs well. The Board has considered a range of performance measures for rights and options and has decided to retain relative total shareholder return (TSR) as the single performance measure. The comparator group for Boral's relative TSR hurdle is the ASX 100.

While the Board considered other performance measures, such as earnings per share growth and return on assets, these alternative measures present challenges regarding target setting in a cyclical industry.

Relative TSR is market-based, reflects share price growth and dividend payments and provides a direct link between shareholder return and executive reward.

The testing regularity of the LTI hurdle was reviewed to better reflect market practice. The Board has changed this from continuous testing during the three to seven year vesting period (subject to a 10 trading day minimum requirement) to testing at three specific test dates based on three, five and seven year performance periods using the volume weighted average share price during the 60 trading days prior to the test date to determine relative TSR performance. This applies to the LTI grant made in 2008 and to subsequent grants.

In addition, the rules for early vesting of LTIs upon a change of control of the Company were made stricter.

Changes	Who is affected?	Comment
Performance condition	All participants in LTI program	Relative TSR has been retained as the single performance measure and reduced testing opportunities align with market practice. The 2008 LTI grant and future grants include only three testing dates at which LTIs may vest (based on three, five and seven year performance periods). This retains the focus of ensuring executives are rewarded for delivering sustained returns to shareholders over the long-term, and more closely reflects market practice and the recommendations of governance bodies while still recognising that Boral operates in a cyclical industry.
Change of control treatment	All participants in LTI program	The change of control definition in the LTI Plan Rules has been made stricter, and is only activated when more than 50% of shares in the Company are acquired. A change of control will only result in waiver of the service condition attached to the LTI grants; the performance condition must still be satisfied for vesting to occur at the time of a change in control.

3 CEO and Senior Executive Remuneration

Remuneration Strategy

The Board has set a remuneration strategy that supports and drives the achievement of Boral's strategic objectives. By establishing a remuneration structure that motivates and rewards executives for achieving targets linked to Boral's business objectives, the Board is confident that its remuneration strategy focuses Boral's people on creating superior shareholder wealth in line with the Company's strategic intent.

The diagram below illustrates how Boral's remuneration strategy and the structures the Board has put in place to achieve this strategy align with the Company's business objectives.

Boral's Strategic Business Objectives

Exceed the weighted average cost of capital (WACC) on a sustainable basis through the building cycle

Deliver better financial returns than the competition in comparable markets

Deliver superior total shareholder returns

Achieve superior returns in a sustainable way



Remuneration Components

Fixed Remuneration

- provides "predictable" base level of reward
- set at market median (for local geographic market) using external benchmark data
- varies based on employee's experience, skills and performance
- consideration given to both external and internal relativities

Short Term Incentive

- set at market median for target performance with potential for top quartile reward when stretch outcomes are achieved
- non-financial targets linked to critical sustainability measures (eg safety, business improvement, sales outcomes, environmental performance, HR outcomes)
- financial targets linked to budgeted profit after funding (PAF) at group, division, and business unit level
- specific strategic and operational targets relative to competitors where appropriate (eg product development targets)

Long Term Incentive

- set at market median
- delivered in equity to align executives with shareholder interests
- tested three times after three, five and seven years
 - a performance period reflecting the typical building cycle
- no value derived unless returns to shareholders exceed market median
- full vesting only where Boral achieves top quartile performance



Boral's Remuneration Strategy

Attract and retain high calibre executives by:

- rewarding competitively in the markets in which Boral operates
- providing a balance of fixed and "at risk" remuneration

Align executive rewards to Boral's performance by:

- assessing rewards against financial and non-financial business measures
- making short-term and long-term components of remuneration "at risk" based on performance

Remuneration Report continued

3 CEO and senior executive remuneration (continued)

Underpinning Boral's remuneration strategy are a number of principles:

Standardised vs. tailored remuneration arrangements

Remuneration strategy and frameworks will be consistent across the executive and senior management group. Limited tailoring may occur to take into account the unique challenges and differences between roles.

Purpose of each element of remuneration

Fixed remuneration: Remunerate executives in line with market benchmarks for effective completion of company and specific accountabilities and behaving in accordance with Boral's values taking into account individual, team and business unit performance and any specific retention needs.

Short term incentives: Reward executives for achieving annual financial, safety, strategic and operational targets measured at individual, business unit, divisional and/or Boral levels.

Long term incentives: Reward senior executives for Boral performance over the duration of the Boral business cycle, provide a retention element and provide equity exposure.

Benchmarking remuneration

The primary reference for remuneration benchmarking will be Australian listed companies in the Industrials and Materials sector.

For selected senior executives (CEO and Management Committee), pay levels for comparable roles in appropriate overseas jurisdictions will also be considered as a secondary reference to the Australian market data.

Consideration will be given to sizing factors including market capitalisation and business unit revenue. Complexity (such as number of employees and geographies) will be referenced through the job grading system.

Executive Remuneration Structure

As part of the remuneration review, comprehensive external benchmarking and review of Boral's remuneration structure as it relates to fixed salaries, short term incentives (STI) and long term incentives (LTI) for executives was undertaken.

Specifically, the Board considered:

- the balance of fixed, short-term and long-term components at the various levels of management;
- the performance measures used for STI and LTI;
- the minimum, target and stretch performance levels for STI; and
- the structure of the STI and LTI plans.

In relation to the performance measures used for STIs, a range of financial measures was considered including earnings per share, earnings before interest and tax, profit after tax, and profit after funding (PAF). It was concluded that PAF, which is a measure of profit related to assets employed, remains the most appropriate financial measure for Boral. The review also concluded that non-financial measures such as safety, strategic and operational targets are appropriate.

Minimum, target and stretch performance levels for the STI will remain under review by the Board. Stretch outcomes typically require target to be exceeded by at least 20% while the

Focus on market vs. internal relativities

Consideration will be given to both market and internal relativities.

Market will be the primary reference through its application to the salary ranges attached to the job grading system.

The job grading system will be applied to individual roles to ensure appropriate internal relativities.

As required, specific position matches may be sought for any jobs or functions where there is a high demand for talent or unique market considerations.

Market positioning

Executives' fixed remuneration is referenced to the market median. A range around the median will provide flexibility to recognise the capability, contribution, value to the organisation, performance and tenure of an individual.

Executives' target total remuneration (fixed remuneration, target short term plus long term incentives) will be referenced to the market median when setting remuneration elements. For the STI element, achievement of stretch targets is intended to provide reward at the 75th percentile of the market for positions of similar size.

Remuneration mix

The variable remuneration mix for CEO and senior executives will have a greater focus on long term incentive and move towards a short term incentive focus for lower job grades.

The remuneration of Directors, executives and staff is reviewed by the Board with specific oversight and direction provided by the Remuneration Committee. The Committee seeks advice from independent specialist remuneration advisers.

minimum performance level is typically 10% below target, ie below this no STI payment results.

Remuneration mix

Boral's executive remuneration is structured as a mix of fixed annual remuneration and variable remuneration, through "at risk" short term and long term incentive components. The mix of these components varies for different management levels.

For the current CEO and Management Committee the proportions are:

	Percent of total remuneration at target performance		
	Fixed annual remuneration	At risk	
		STI	LTI
CEO/MD	36.5%	36.5%	27%
Management Committee ¹	50 – 59%	21 – 27%	21 – 26%

¹ These percentages vary between individuals. This is a range for the group.

While fixed remuneration is designed to provide a predictable “base” level of remuneration, the short term and long term incentive program rewards executives when certain

pre-determined performance conditions are met or exceeded. Both schemes have minimum periods of employment that must also be met.

Fixed Annual Remuneration

What is included in fixed remuneration?	Fixed annual remuneration includes base salary, non-cash benefits such as provision of a vehicle (including any FBT charges) and superannuation contributions.
When and how is fixed remuneration reviewed?	Remuneration levels are reviewed annually by the Remuneration Committee through a process that ensures an executive’s fixed remuneration remains competitive in the market-place and reflects an employee’s skills, experience, accountability and general performance.
What market benchmark is applied?	External benchmark market data from Hay Group’s Industrial and Service sector is used to determine remuneration midpoint levels of fixed remuneration for Management Committee and other executives.

Short Term Incentive (STI)

What is the STI plan?	The STI is an “at risk” cash payment awarded annually based on performance against pre-set objectives.
Who participates in the STI plan?	STIs are provided to employees who have significant influence over the annual financial outcomes of business units. Approximately 6% of Boral employees participate in the STI plan.
Why does the Board consider the STI an appropriate incentive?	The STI plan is designed to put a proportion of executive remuneration at risk against meeting: <ul style="list-style-type: none"> • financial targets linked to annual budget performance metrics; and • non-financial targets linked to the measures that drive long-term sustainability.
Are both target and stretch performance conditions set?	Yes. The performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI will deliver higher rewards to executives.
What is the value of the STI opportunity?	The CEO has a target reward set at 100% of fixed remuneration. The members of the Management Committee have a target reward of 35 – 55% of fixed remuneration. The maximum STI opportunity is set at double the target reward. This is benchmarked at the 75th percentile of the market based on external data. Stretch outcomes require results which significantly exceed budget, and are only achieved in exceptional circumstances.
What are the performance conditions?	The STI performance measures vary depending on the individual executive’s position, and include both financial and non-financial measures.

Financial measures	Non-financial measures
67% of STI for CEO and Executive General Managers	33% of STI for CEO and Executive General Managers
50% of STI for other executives	50% of STI for other executives
This is measured at Group, Divisional and business unit levels, and is based on profit after funding.	These are linked to critical business sustainability measures including: <ul style="list-style-type: none"> • safety • cost reduction • environment and climate change • customer satisfaction • project outcomes • succession planning • strategy development.

Why were these conditions chosen?	These STI performance measures have been selected because they are directly linked to the strategic direction of the Company and promote continued profitability that is sustainable over the long term.
How is performance measured?	Targets are set at the beginning of the year and performance against these targets is determined after the end of the financial year. Abnormal or unanticipated factors which may have affected the Company’s performance during the year will only be considered in extraordinary circumstances and with Board approval.
Who assesses performance against targets?	The CEO assesses the performance of members of the Management Committee and confers with the Remuneration Committee and the Board regarding his assessment. The Chairman in consultation with the Remuneration Committee and the Board assesses the performance of the CEO against the objectives set at the beginning of the year.

Remuneration Report continued

3 CEO and senior executive remuneration (continued)

Long Term Incentive (LTI)

What is the purpose of the LTI plan?	The LTI plan aligns senior executive reward with shareholder value, by tying this component of remuneration to the achievement of performance conditions which underpin sustainable long-term growth.
What form does the LTI take?	The LTI is granted annually as either options and/or rights over ordinary Boral shares.
Who participates in the LTI plan?	LTIs are provided to senior executives who are considered by the Board to have significant influence over the long-term outcomes of Boral. Only 1% of employees participate in the LTI plan.
Is there a limit on the number of equity units issued?	The number of rights or options that may be offered to executives when aggregated with the number of shares held in the Company's Employee Share Plan, Non-Executive Directors' Share Plan, Senior Executive Option Plan and Senior Executive Performance Share Plan and the number of shares that would be issued on exercise or vesting of outstanding LTIs is not permitted to exceed 5% of the total number of issued shares at the time of the offer.
What is the value of the LTI opportunity?	<p>The size of grants under the LTI plan is set as a percentage of fixed annual remuneration (75% for the current CEO and from 35 – 50% for members of the Management Committee).</p> <p>The number of rights or options granted is calculated based on the Fair Market Value of the right or option as calculated by an independent valuer (PricewaterhouseCoopers) using a Monte Carlo simulation analysis at the date of grant.</p> <p>Participants in the LTI plan will not derive any value from their LTI grants unless they complete a minimum service period and challenging performance hurdles are achieved.</p>
How is reward delivered under the LTI program?	<p>Each right or option granted under the LTI plan is an entitlement to a fully-paid ordinary share in the Company on terms and conditions determined by the Board, including vesting conditions linked to service and performance measured at three, five and seven years. If the vesting conditions are satisfied, the rights and options vest and the underlying shares may be delivered to the participating executive.</p> <p>The Board determines the mix of options and rights for each grant annually. For the grant made in 2008/09, the entire LTI award was delivered in the form of rights.</p>
Do executives pay for the LTI instruments?	<p>Rights and options are offered at no cost to the senior executive at the time of the grant.</p> <p>No price is payable upon vesting of rights; however, an exercise price (set at the time of the grant) is payable upon exercise of an option.</p> <p>The exercise price is determined at date of grant based on the average closing price of Boral shares over the five trading days following the AGM.</p>
What rights are attached to LTI instruments?	Rights and options do not carry voting or dividend rights; however, shares allocated upon vesting of rights and exercise of options will carry the same rights as other ordinary shares.
Are there restrictions on dealing with shares allocated under the LTI plan?	<p>Boral has a policy on share trading which applies to Directors, officers and senior executives.</p> <p>This policy prohibits executives entering into hedge and other derivative transactions regarding options or rights granted to them as LTIs.</p> <p>Shares allocated to participants upon vesting of their LTIs may only be dealt with in accordance with the Share Trading Policy.</p>
What happens when an executive leaves the Company?	Generally, unvested options or rights will lapse, except where the executive ceases employment due to retirement after the age of 62 or when the Board at its sole discretion determines otherwise.
What is the performance hurdle?	<p>The performance hurdle for the LTI plan is tied to the Company's relative total shareholder return (TSR).</p> <p>TSR represents the change in capital value of a listed entity's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value. The compound growth in the Company's TSR over the performance measurement period is compared with the TSR performance of all other companies comprising the ASX 100 on the date of grant. The Board has discretion to adjust the comparator group to take into account events including but not limited to, takeovers or mergers that might occur during the performance period.</p>

Long Term Incentive (LTI)

How is TSR measured?

The performance hurdle for the 2008 and subsequent grants is measured on three test dates, reflecting performance periods of three, five and seven years. This testing frequency is designed to span a typical building industry cycle so that executive incentive and reward are linked to shareholder reward.

In assessing whether the performance hurdles have been met, the Company receives independent data which sets out the Company's TSR growth and that of each company in the comparator group. The level of TSR growth achieved by the Company is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparator group (the highest ranking company being ranked at the 100th percentile).

Opening and closing share prices are calculated using the volume weighted average price over the 60 days up to and including the first and last day of the performance period (as applicable). This "smoothing" of TSR reduces the impact of share price volatility.

The percentage of options and rights that vest will depend on Boral's relative TSR ranking over the measurement period, as set out in the table below:

Boral's TSR rank in ASX 100	% of options/rights that vest
Below 50th percentile	Nil
Between 50th and 74th percentile	Progressive vesting from 50%–98% (2% increase for each higher percentile ranking)
At or above 75th percentile	100%

Any options and rights that do not vest based on performance over the initial three year measurement period, will be available for vesting based on performance over five year and seven year measurement periods. Options and rights that have not vested following the seven year measurement period automatically lapse.

Given that the Company's comparative TSR performance is tested over a minimum three year period, satisfaction of the performance condition attaching to the rights granted for 2008/09 will not be measured until the 2011/12 financial year.

Why does the Company think the TSR hurdle is appropriate?

Relative TSR has been chosen as a performance hurdle because it provides a direct link between executive reward and shareholder return. Executives will not derive any value from the LTI component of their remuneration unless the Company's performance is at least at the median of the ASX 100.

Other measures such as earnings per share growth and return on assets were considered as part of the comprehensive review of executive remuneration; however, it was acknowledged that these alternative measures present challenges regarding target setting over the long term in a cyclical industry. Accordingly, it was decided that relative TSR be retained as the performance measure for the LTI plan (with other financial metrics captured under the STI targets).

Employment Contract Details

The key conditions of the service contract for the CEO, Mr Rod Pearse, are summarised on pages 46 to 48 of this Report.

Key features of the employment arrangements for members of the Management Committee include:

- employment continues until terminated by either the executive or Boral;
- notice periods range from one to three months;
- there are no specific termination entitlements provided for under the contracts; payments will be made on termination to satisfy Boral's legal obligations and meet fair market practices.

A limited number of US senior executives have entered Executive Transition Agreements with Boral Industries Inc. pursuant to which benefits (of up to two times annual salary plus STI) 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. These payments are consistent with market practice for US executives.

No sign-on payments were made to Management Committee members during the year.

3 CEO and senior executive remuneration (continued)

Company Performance Outcomes

Company performance

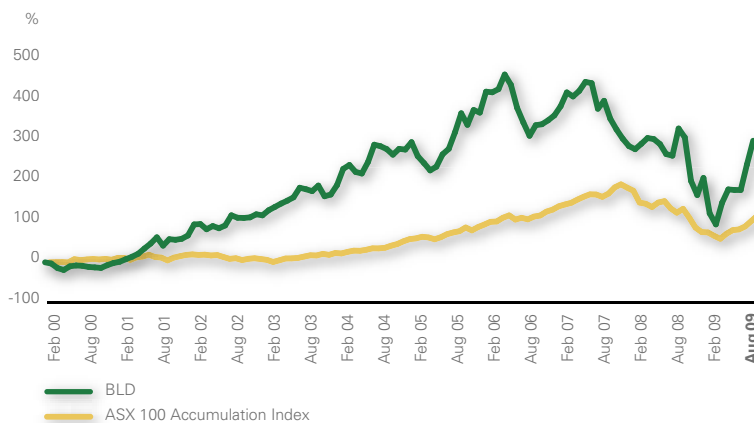
The chart below demonstrates how the Company's total shareholder return (TSR), which includes share price movements and dividends, has performed relative to the ASX 100 Accumulation Index.

In the nine and a half years since the Company's demerger to 31 August 2009, Boral has achieved an annual TSR of 16%

which is above the median of ASX 100 companies over the same period.

Strong earnings improvement in the 2000 to 2006 period established a platform upon which the Company has been able to maintain high long-term returns for shareholders despite the economic downturn experienced subsequently.

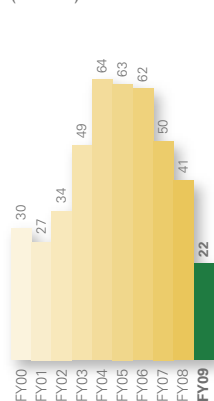
BLD vs ASX 100 Accumulation Index TSR since demerger



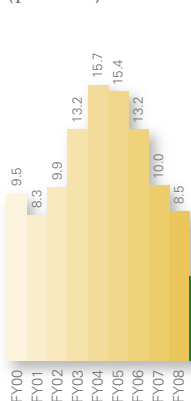
The effect of the business cycle is demonstrated in the charts below which show the Company's earnings per share, return on equity and full year dividends since 2000.

Boral's efforts to improve the safety of its workforce have resulted in a significant reduction in the Lost Time Injury Frequency Rate over the last 10 years.

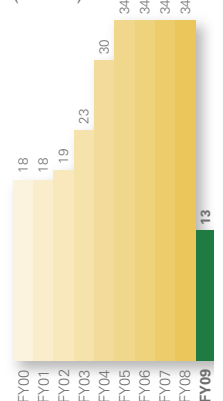
Earnings per share¹ (cents)



Return on equity¹ (percent)



Dividends per share (cents)



Short term performance – 2008/09

The Company's financial performance during the 2008/09 year was below expectations and the prior year due mainly to the ongoing impact of the poor market conditions being experienced throughout the world.

Despite these conditions, our business performed well in the following areas:

- improved safety outcomes – significant reduction in injury frequency rate and employee hours lost;

- cost reduction programs delivered significant savings in compressible costs;
- increased pricing outcomes in most businesses despite significant volume and economic pressures;
- improved cash flow performance which resulted in reduced gearing levels in the second half to the midpoint of our target range of 40 – 70%;
- improved sustainability performance across the Company.

¹ Excludes financial impact of significant items.

Current year performance is rewarded in the form of an STI award recognising both financial and non-financial/individual performance.

STI awards in 2009 were generally much lower than 2008 for most executives. As indicated, the CEO and Management Committee have voluntarily forgone their STI entitlement and other senior executives have much lower STI reward outcomes.

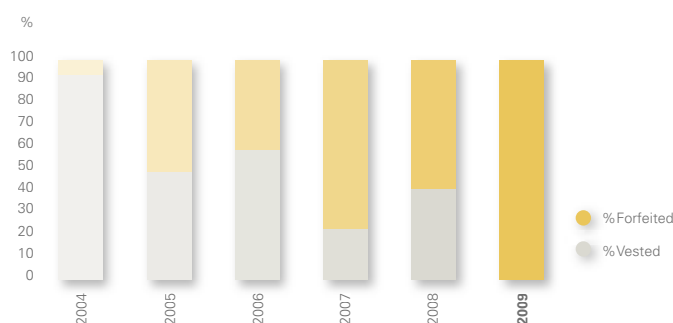
The CEO's STI award expressed as % Vested vs % Forfeited demonstrates a clear link between performance and reward.

Since 2004, the actual STI outcomes for the CEO, expressed as a percentage of his possible maximum outcome, have dropped in line with the lower company performance against expectation. This is a fall from 93% in 2004 to 0% in 2009. Put another way, the potential short term incentive Mr Pearse has forfeited has increased over this period from 7% to 100%.

A similar downward trend in STI award payments has occurred for members of the Management Committee in recent years.

Specific details are included in the Short Term Incentive Vested/ Forfeited table below.

CEO short term incentive



		Short term incentive		
		Cash bonus A\$000's	Vested %	Forfeited %
Executives				
R T Pearse	2009	0.0	0%	100%
	2008	2,270.0	41%	59%
J M Douglas	2009	0.0	0%	100%
	2008	373.6	54%	46%
M G Beardsell	2009	0.0	0%	100%
W R Davison	2009	0.0	0%	100%
N J Clark	2009	0.0	0%	100%
W R Batstone	2009	0.0	0%	100%
	2008	290.2	56%	44%
B M Tisher	2009	0.0	0%	100%
	2008	324.6	77%	23%
E S Severin	2009	0.0	0%	100%
	2008	243.7	38%	62%
K M Barton	2009	0.0	0%	100%
	2008	292.6	52%	48%
M K Taylor	2009	0.0	0%	100%
R J Town	2009	0.0	0%	100%
	2008	154.4	43%	57%
A I Warburton	2009	0.0	0%	100%
	2008	136.8	43%	57%
Former Executives				
P J Jobe	2009	0.0	0%	100%
	2008	269.4	39%	61%
K A Mitchelhill	2009	0.0	0%	100%
	2008	383.2	69%	31%
M B Scobie	2009	0.0	0%	100%
	2008	182.1	47%	53%
Total	2009	0.0		
Total	2008	4,920.6		

Remuneration Report

3 CEO and senior executive remuneration (continued)

Long-term performance

Boral's LTI grant in 2008 was awarded in the form of rights. In prior years LTI grants comprised a mix of rights and options. The primary conditions that apply to these grants include a minimum vesting period of three years with a total life of seven years and a market-based performance hurdle which measures Boral's TSR relative to the TSR of companies that comprise the ASX 100 at grant date (the comparator group). Testing against the hurdle is on three specific dates after performance periods of three, five and seven years.

As indicated above, Boral's TSR performance has been strong when measured over the long term; however, in recent years Boral's TSR has underperformed the comparator group.

The LTI grants in 2000, 2001 and 2002 all reached a relative TSR measure of greater than the 75th percentile and 100% have vested. These grants delivered real benefits to executives at a time when shareholders also benefited from substantial share price and dividend growth.

The 2003 grant has reached 58% vesting and the 2004 and 2005 grants have not yet reached the minimum level required for vesting. The 2006, 2007 and 2008 grants have not yet reached a measurement date.

The LTI grants from October 2003 onwards are within the seven year life and the performance hurdle may still be reached before they lapse.

The table below demonstrates the level of performance which has been achieved thus far for each of the LTI grants since 2000.

Grant date	Expiry date	Option exercise price	Mix of options/rights ^a	Performance hurdle achievement
Dec 00	Dec 05	\$1.97	100% options	100%
Nov 01	Nov 06	\$3.35	100% options	100%
Nov 02	Nov 09	\$4.12	100% options	100%
Oct 03	Oct 10	\$5.57	100% options	58%
Oct 04	Oct 11	\$6.60	50% options 50% rights	0%
Oct 05	Oct 12	\$7.70	50% options 50% rights	0%
Nov 06	Nov 13	\$7.32	50% options 50% rights	1st test date Nov 2009
Nov 07	Nov 14	\$6.83	50% options 50% rights	1st test date Nov 2010
Nov 08	Nov 15	N/A	100% rights	1st test date Nov 2011

^a Grants to Mr R Pearse in 2006 and 2007 comprised 100% options.

Long Term Incentives Granted and Movement During the Year

Details of options and rights granted and the movement of options and rights during the year held by the CEO and the Management Committee are:

		Balance at 1 July 2008	Granted during the year as remuneration ^a	Value of grant ^b	Lapsed/ cancelled during the year	Value of options and rights lapsed/ cancelled ^c	Balance at 30 June 2009
		Number	Number	\$	Number	\$	Number
Executives							
R T Pearse	Options	6,375,100	–	–	–	–	6,375,100 ^d
	Rights	367,036	–	–	–	–	367,036 ^e
J M Douglas	Options	303,252	–	–	–	–	303,252
	Rights	74,235	103,267	384,153	–	–	177,502
M G Beardsell	Options	131,500	–	–	–	–	131,500
	Rights	59,688 ^f	–	–	–	–	59,688
W R Davison	Options	132,900	–	–	–	–	132,900
	Rights	44,664 ^f	–	–	–	–	44,664
N J Clark	Options	96,900	–	–	–	–	96,900
	Rights	42,831 ^f	–	–	–	–	42,831
W R Batstone	Options	351,470	–	–	–	–	351,470
	Rights	79,013	74,624	277,601	–	–	153,637
B M Tisher	Options	256,500	–	–	(86,000)	(94,600)	170,500
	Rights	45,164	60,576	225,343	–	–	105,740
E S Severin	Options	621,200	–	–	–	–	621,200
	Rights	117,610	108,333	402,999	–	–	225,943
K M Barton	Options	390,000	–	–	–	–	390,000
	Rights	77,388	85,694	318,782	–	–	163,082
M K Taylor	Options	–	–	–	–	–	–
	Rights	–	–	–	–	–	–
R J Town	Options	221,216	–	–	–	–	221,216
	Rights	50,419	48,360	179,899	–	–	98,779
A I Warburton	Options	112,000	–	–	–	–	112,000
	Rights	25,099	42,339	157,501	–	–	67,438
Former Executives							
P J Jobe	Options	399,940	–	–	–	–	399,940
	Rights	89,121	–	–	–	–	89,121
K A Mitchelhill	Options	359,180	–	–	–	–	359,180
	Rights	81,732	–	–	–	–	81,732
M B Scobie	Options	269,176	–	–	–	–	269,176
	Rights	58,595	52,470	195,188	–	–	111,065

^a No options or rights were granted to the CEO during the year.

No options were granted to the Management Committee during the year.

Rights were granted to the Management Committee on 3 November 2008 with the earliest vesting date on 3 November 2011 and the last vesting date (expiry date) of the rights on 3 November 2015.

^b The fair value of rights granted on 3 November 2008, calculated using a Monte Carlo simulation analysis, is \$3.72 per right.

^c Value is calculated at fair market value of option on date of grant.

^d Options granted to Mr R Pearse comprise 700,000 granted on 29 October 2003 (392,000 exercised to date), 350,000 granted on 29 October 2004, 939,800 granted on 31 October 2005, 2,083,300 granted on 6 November 2006 and 2,694,000 on 6 November 2007.

^e Rights granted to Mr R Pearse comprise 120,000 granted on 29 October 2004 and 247,036 granted on 31 October 2005.

^f Balance at 1 July 2008 includes rights granted in the 2008/09 year prior to commencing as a Key Management Personnel.

No options were exercised or rights vested during the year.

Remuneration Report continued

3 CEO and senior executive remuneration (continued)

Total Remuneration

A\$000's		Short term			Post employment		Share-based payment ^b		Other long term	Total	Total excluding end of service costs ^g	
		Cash salary	Short term incentive	Non-monetary benefits ^h	Super-annuation	End of service	Options	Rights				
Executives												
	R T Pearse CEO and Managing Director	2009	2,461.3	0.0	19.0	497.0	4,043.2^a	3,927.9^c	522.1^c	41.0	11,511.5	4,865.4
		2008	2,253.3	2,270.0	18.1	455.0	0.0	1,288.9	339.5	37.5	6,662.3	6,662.3
	J M Douglas Executive General Manager, Australian Construction Materials	2009	808.8	0.0	19.0	13.9	0.0	69.5	120.1	13.5	1,044.8	1,044.8
		2008	740.8	373.6	18.1	13.4	0.0	61.2	61.2	12.3	1,280.6	1,280.6
	M G Beardsell Executive General Manager, Cement (appointed 9 April 2009)	2009	138.9	0.0	4.3	3.1	0.0	6.4	9.7	2.3	164.7	164.7
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	W R Davison Executive General Manager, Construction Related Businesses (appointed 9 April 2009)	2009	111.6	0.0	0.0	3.1	0.0	5.1	7.4	1.9	129.1	129.1
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	N J Clark Executive General Manager, Clay & Concrete Products (appointed 1 February 2009)	2009	222.1	0.0	0.0	5.8	0.0	9.0	12.8	3.7	253.4	253.4
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	W R Batstone Executive General Manager, Plasterboard	2009	629.0	0.0	19.0	106.6	0.0	72.5	109.0	10.5	946.6	946.6
		2008	583.4	290.2	18.1	98.9	0.0	64.9	64.8	9.7	1,130.0	1,130.0
	B M Tisher Executive General Manager, Timber	2009	591.1	0.0	0.0	13.9	0.0	54.2	83.8	9.9	752.9	752.9
		2008	542.7	324.6	0.0	13.4	0.0	45.8	45.8	9.1	981.4	981.4
	E S Severin President, Boral Industries USA	2009	791.8	0.0	635.1	102.8	0.0	108.3	161.4	13.2	1,812.6	1,812.6
		2008	590.5	243.7	255.5	102.8	0.0	97.1	97.1	9.8	1,396.5	1,396.5
	K M Barton Chief Financial Officer	2009	787.5	0.0	19.0	13.9	0.0	71.6	113.6	13.1	1,018.7	1,018.7
		2008	684.3	292.6	18.1	13.4	0.0	63.7	63.7	11.4	1,147.2	1,147.2
	M K Taylor General Counsel & Company Secretary (appointed 17 November 2008)	2009	303.8	0.0	11.9	8.7	0.0	0.0	0.0	5.0	329.4	329.4
		2008	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	R J Town General Manager, Human Resources	2009	465.1	0.0	19.0	78.9	0.0	46.3	70.0	7.8	687.1	687.1
		2008	433.1	154.4	18.1	73.5	0.0	41.4	41.4	7.2	769.1	769.1
	A I Warburton General Manager, Corporate Development	2009	467.8	0.0	19.0	13.9	0.0	22.9	43.7	7.8	575.1	575.1
		2008	428.3	136.8	18.1	13.4	0.0	20.1	20.1	7.1	643.9	643.9
Former Executives												
	P J Jobe Executive General Manager, Cement (resigned 9 April 2009)	2009	617.4	0.0	14.7	10.8	0.0	10.8^d	10.8^d	10.3	674.8	780.6
		2008	746.6	269.4	18.1	13.4	0.0	73.5	73.4	12.4	1,206.8	1,206.8
	K A Mitchelhill Executive General Manager, Clay & Concrete Products (resigned 31 January 2009)	2009	417.5	0.0	11.1	8.1	0.0	12.1^e	12.1^e	7.0	467.9	532.0
		2008	672.3	383.2	18.1	13.4	0.0	67.0	67.1	11.2	1,232.3	1,232.3
	M B Scobie General Manager, Corporate Services & Company Secretary (retired 31 December 2008)	2009	249.0	0.0	9.5	42.2	0.0	163.3^f	358.4^f	4.1	826.5	365.2
		2008	471.8	182.1	18.1	80.0	0.0	48.2	48.2	7.9	856.3	856.3
	Total	2009	9,062.7	0.0	800.6	922.7	4,043.2	4,579.9	1,634.9	151.1	21,195.1	14,257.6
	Total	2008	8,147.1	4,920.6	418.4	890.6	0.0	1,871.8	922.3	135.6	17,306.4	17,306.4

^a Accrual of contractual payments for Mr R Pearse payable at the end of his service contract.

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

^c Includes an expense for Mr R Pearse for Options \$2,420,387 and Rights \$182,533 that would normally have been amortised over future years.

^d Includes an adjustment for Mr P Jobe for Options \$-52,941 and Rights \$-52,898 that lapsed on termination or would normally have been amortised over future years.

^e Includes an adjustment for Mr K Mitchelhill for Options \$-32,076 and Rights \$-32,031 that lapsed on termination or would normally have been amortised over future years.

^f Includes an expense for Mr M Scobie for Options \$136,213 and Rights \$325,067 that would normally have been amortised over future years.

^g Total excludes costs referred to in Notes a, c, d, e and f.

^h Includes parking and expatriate costs.

Proportion of remuneration that is performance-based and which consists of options/rights is R Pearse 39%, J Douglas 18%, M Beardsell 10%, W Davison 10%, N Clark 9%, W Batstone 19%, B Tisher 18%, E Severin 15%, K Barton 18%, M Taylor 0%, R Town 17%, A Warburton 12%, P Jobe 3%, K Mitchelhill 5% and M Scobie 63%.

4 Non-executive Directors' Remuneration

Non-executive Directors' remuneration is reviewed annually by the full Board. This review takes account of the recommendations of the Remuneration Committee and external benchmarking of remuneration for Directors of comparable companies.

The Non-executive Directors receive fixed remuneration only which includes base remuneration (Board fees) and Committee fees. It is structured on a total remuneration basis which is paid in the form of cash and superannuation contributions.

The Directors do not receive any variable remuneration or other performance related incentives such as options or rights to shares and no retirement benefits are provided to Non-executive Directors other than superannuation contributions.

Remuneration for Non-executive Directors for the 2008/09 year was as follows:

Base remuneration (Board fees)

\$123,000 for Non-executive Directors
\$338,250 for the Chairman.

Committee fees (paid in addition to base remuneration)

\$13,500 for members of Board Committees
\$20,250 for the Chairmen of Committees.

The Board has determined that remuneration for Non-executive Directors for the 2009/10 year will be as follows:

- A zero increase in Non-executive Directors' remuneration until 1 July 2010.
- No increase in the maximum amount of Non-executive Directors' remuneration to be sought from shareholders. The current maximum amount of \$1,250,000 per annum was approved by shareholders at the Company's 2006 Annual General Meeting.

The Board previously agreed that as a matter of guidance (rather than by way of requirement), a minimum proportion of Non-executive Directors' fixed remuneration should be sacrificed to purchase Boral shares through the Non-executive Directors' Share Plan. The appropriate minimum proportion was set at 10%.

This guidance has been suspended until changes to the taxation of employee share plans recently announced by the Federal Government have been clarified and the legislative impact is fully known.

All current Non-executive Directors have been allocated shares in accordance with the terms and conditions of the Non-executive Directors' Share Plan. In summary, the Plan provides that:

- The Company pay to the Plan the percentage of fees that a Director chooses.
- The amount paid into the Plan be applied to purchase the Company's ordinary shares on ASX at market price during an approved trading period. Shares acquired using Director fees are allocated to the Director but registered in the name of the trustee.
- Dividends including any franking credits may be distributed to the Director in respect of shares notionally allocated to them.
- Shares notionally allocated to a Director must be held on trust for that Director for at least 10 years.
- Upon retirement from office or death of a Director, all shares allocated to that Director will be transferred to him or her or, in the event of death, to his or her personal representative by the trustee.

The remuneration of the Non-executive Directors is set out in the table below.

A\$'000s		Short term	Post employment	Share based payment	Total	
		Board and Committee fees	Superannuation	Share Plan		
Directors						
	J B Clark	2009	119.5	10.2	6.8	136.5
		2008	105.3	9.5	12.7	127.5
	E J Cloney	2009	125.4	10.7	7.2	143.3
		2008	110.4	10.0	13.4	133.8
	R L Every	2009	119.5	10.2	6.8	136.5
		2008	82.3	7.4	9.9	99.6
	R A Longes	2009	119.5	10.2	6.8	136.5
		2008	105.3	9.5	12.7	127.5
	K J Moss Chairman	2009	302.7	13.9	35.2	351.8
		2008	260.5	13.5	54.8	328.8
	P A Rayner (appointed 5 September 2008)	2009	103.9	8.7	4.6	117.2
		2008	0.0	0.0	0.0	0.0
	J R Williams	2009	119.5	10.2	6.8	136.5
		2008	105.3	9.5	12.7	127.5
Former Non-executive Director						
	E A Alexander (retired 24 October 2008)	2009	41.8	3.7	0.0	45.5
		2008	39.3	0.5	94.0	133.8
	Total	2009	1,051.8	77.8	74.2	1,203.8
	Total	2008	808.4	59.9	210.2	1,078.5

Income Statement

BORAL LIMITED AND CONTROLLED ENTITIES

for the year ended 30 June	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
Revenue	3	4,875.1	5,198.5
Cost of sales		(3,247.9)	(3,426.5)
Distribution expenses		(791.2)	(798.6)
Selling and marketing expenses		(200.9)	(202.7)
Administrative expenses		(390.4)	(362.9)
		(4,630.4)	(4,790.7)
Other income	4	60.3	18.2
Other expenses	5	(99.1)	(31.9)
Share of net profit of associates and joint ventures	6, 12	0.5	22.0
Profit before net financing costs and income tax expense		206.4	416.1
Financial income	7	37.5	8.7
Financial expenses	7	(135.2)	(120.6)
Net financing costs		(97.7)	(111.9)
Profit before related income tax expense		108.7	304.2
Income tax (expense)/benefit	8	33.5	(62.0)
Net profit		142.2	242.2
Attributable to:			
Members of the parent entity		142.0	242.8
Minority interests		0.2	(0.6)
Net profit		142.2	242.2
Basic earnings per share – ordinary shares	10	24.1c	40.7c
Diluted earnings per share – ordinary shares	10	24.0c	40.6c

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	
		2009 \$ millions	2008 \$ millions
CURRENT ASSETS			
Cash and cash equivalents		100.5	47.4
Receivables		776.9	881.7
Inventories		632.6	600.1
Other		67.0	41.6
TOTAL CURRENT ASSETS		1,577.0	1,570.8
NON-CURRENT ASSETS			
Receivables		33.2	39.8
Inventories		61.7	59.8
Investments accounted for using the equity method		298.9	298.2
Other financial assets	14	30.0	430.8
Property, plant and equipment		3,104.0	3,088.9
Intangible assets	15	307.8	326.1
Other		78.6	80.6
TOTAL NON-CURRENT ASSETS		3,914.2	4,324.2
TOTAL ASSETS		5,491.2	5,895.0
CURRENT LIABILITIES			
Payables		608.9	686.4
Interest bearing loans and borrowings	16	6.7	47.2
Current tax liabilities		28.5	96.9
Provisions		200.2	194.8
TOTAL CURRENT LIABILITIES		844.3	1,025.3
NON-CURRENT LIABILITIES			
Payables		33.3	81.0
Interest bearing loans and borrowings	16	1,607.4	1,515.3
Deferred tax liabilities		170.6	316.9
Provisions		82.0	46.9
TOTAL NON-CURRENT LIABILITIES		1,893.3	1,960.1
TOTAL LIABILITIES		2,737.6	2,985.4
NET ASSETS			
EQUITY			
Issued capital	17	1,691.4	1,673.1
Reserves		(43.2)	113.0
Retained earnings	18	1,104.2	1,121.5
Total parent entity interest		2,752.4	2,907.6
Minority interests		1.2	2.0
TOTAL EQUITY		2,753.6	2,909.6

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	
	2009 \$ millions	2008 \$ millions
Actuarial loss on defined benefit plans, net of tax	(15.7)	(8.7)
Net exchange differences from translation of foreign operations taken to equity, net of tax	13.3	(56.5)
Fair value adjustment on cash flow hedges, net of tax	(14.4)	8.3
Fair value adjustment on available for sale financial assets, net of tax	(166.0)	6.0
Net expense recognised directly in equity	(182.8)	(50.9)
Net profit	142.2	242.2
Total recognised income and expense for the year	(40.6)	191.3
Total recognised income and expense for the year is attributable to:		
Members of the parent entity	(40.8)	191.9
Minority interests	0.2	(0.6)
Total recognised income and expense for the year	(40.6)	191.3

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

for the year ended 30 June	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		5,403.6	5,548.6
Payments to suppliers and employees		(4,861.2)	(4,881.6)
		542.4	667.0
Dividends received		49.5	76.7
Interest received		4.9	6.2
Borrowing costs paid		(130.9)	(120.3)
Income taxes paid		(47.1)	(47.8)
NET CASH PROVIDED BY OPERATING ACTIVITIES		418.8	581.8
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(230.8)	(390.2)
Purchase of intangibles		(0.7)	(2.3)
Purchase of controlled entities and businesses (net of cash acquired)	20	(7.1)	(101.2)
Purchase of other investments		(0.9)	(2.3)
Loans to associates		(22.9)	(17.8)
Proceeds from sale of investments		205.5	–
Proceeds on disposal of businesses and non-current assets		49.2	33.9
NET CASH USED IN INVESTING ACTIVITIES		(7.7)	(479.9)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		0.1	1.5
On-market share buy-back		(31.5)	–
Dividends paid (net of dividends reinvested under the Dividend Reinvestment Plan of \$49.7 million (2008: \$41.4 million))		(93.9)	(163.3)
Off-market share buy-back		–	(114.6)
Proceeds from borrowings		188.6	713.0
Repayment of borrowings		(424.4)	(495.1)
NET CASH USED IN FINANCING ACTIVITIES		(361.1)	(58.5)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		50.0	43.4
Cash and cash equivalents at beginning of the year		47.4	11.4
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		3.1	(7.4)
Cash and cash equivalents at end of the year	21	100.5	47.4

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. Accounting Policies

Boral Limited (the "Company") is a company domiciled in Australia. The consolidated full year financial report of the Company as at and for the full year ended 30 June 2009 comprises the Company and its controlled entities (the "Group").

(a) Basis of Preparation

This report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS) and other mandatory professional reporting requirements for the purpose of fulfilling the Group's obligation under Australian Securities Exchange (ASX) listing rules. The report is presented in Australian dollars.

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

(b) Significant Accounting Policies

The accounting policies 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 assets classified as available for sale which have been measured at fair value.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

(c) Comparative Figures

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

(d) Rounding of Amounts

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

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

2. Segments

BUSINESS SEGMENTS	2009 \$ millions	2008 \$ millions	2009 \$ millions	2008 \$ millions	2009 \$ millions	2008 \$ millions
REVENUE*						
Building products – Australia	1,277.2	1,357.1				
Construction materials – Australia	2,817.1	2,960.0				
United States of America	545.2	670.8				
Asia	219.4	190.7				
Other	16.2	19.9				
	4,875.1	5,198.5				
			EQUITY ACCOUNTED RESULTS OF ASSOCIATES		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
Building products – Australia	29.5	103.2	10.7	11.2	40.2	114.4
Construction materials – Australia	313.8	332.3	16.3	18.6	330.1	350.9
United States of America	(79.9)	(1.2)	(28.9)	(25.9)	(108.8)	(27.1)
Asia	5.7	(11.5)	13.4	18.1	19.1	6.6
Other	15.8	19.0	–	–	15.8	19.0
Corporate	(20.7)	(15.8)	–	–	(20.7)	(15.8)
	264.2	426.0	11.5	22.0	275.7	448.0
Significant items (refer note 9)	(58.3)	(31.9)	(11.0)	–	(69.3)	(31.9)
	205.9	394.1	0.5	22.0	206.4	416.1
	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
Building products – Australia	1,397.3	1,423.9	7.6	4.1	1,404.9	1,428.0
Construction materials – Australia	2,662.1	2,758.0	13.7	15.5	2,675.8	2,773.5
United States of America	886.4	820.6	65.6	76.7	952.0	897.3
Asia	113.7	112.7	212.0	201.9	325.7	314.6
Other	0.9	405.2	–	–	0.9	405.2
Corporate	31.4	29.0	–	–	31.4	29.0
	5,091.8	5,549.4	298.9	298.2	5,390.7	5,847.6
Cash and cash equivalents	100.5	47.4	–	–	100.5	47.4
	5,192.3	5,596.8	298.9	298.2	5,491.2	5,895.0
	LIABILITIES		ACQUISITION OF SEGMENT ASSETS**		DEPRECIATION AND AMORTISATION	
Building products – Australia	217.2	250.0	63.7	124.5	58.3	53.8
Construction materials – Australia	435.4	463.2	133.1	179.2	145.1	138.3
United States of America	139.6	108.1	26.3	77.7	48.3	38.3
Asia	28.4	30.1	8.1	10.3	10.8	9.4
Other	0.8	0.9	–	–	–	–
Corporate	103.0	156.8	0.3	0.8	0.8	0.4
	924.4	1,009.1	231.5	392.5	263.3	240.2
Interest bearing loans and borrowings	1,614.1	1,562.5	–	–	–	–
Tax liabilities	199.1	413.8	–	–	–	–
	2,737.6	2,985.4	231.5	392.5	263.3	240.2
	IMPAIRMENT AND ASSET WRITE-DOWNS					
Building products – Australia	4.0	–				
Construction materials – Australia	28.2	–				
United States of America	43.9	–				
Asia	4.3	31.9				
Other	–	–				
Corporate	–	–				
	80.4	31.9				

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

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

Business 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)

GEOGRAPHIC SEGMENTS	2009	2008	2009	2008	2009	2008
	\$ millions	\$ millions	\$ millions	\$ millions	\$ millions	\$ millions
	REVENUE*		ACQUISITION OF SEGMENT ASSETS**			
Australia	4,094.3	4,317.1	196.8	303.7		
United States of America	545.2	670.8	26.3	77.7		
Asia	219.4	190.7	8.1	10.3		
Other	16.2	19.9	–	–		
Corporate	–	–	0.3	0.8		
	4,875.1	5,198.5	231.5	392.5		
	OPERATING PROFIT (EXCLUDING ASSOCIATES)		EQUITY ACCOUNTED RESULTS OF ASSOCIATES		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
Australia	343.3	435.5	27.0	29.8	370.3	465.3
United States of America	(79.9)	(1.2)	(28.9)	(25.9)	(108.8)	(27.1)
Asia	5.7	(11.5)	13.4	18.1	19.1	6.6
Other	15.8	19.0	–	–	15.8	19.0
Corporate	(20.7)	(15.8)	–	–	(20.7)	(15.8)
	264.2	426.0	11.5	22.0	275.7	448.0
Significant items (refer note 9)	(58.3)	(31.9)	(11.0)	–	(69.3)	(31.9)
	205.9	394.1	0.5	22.0	206.4	416.1
	SEGMENT ASSETS (EXCLUDING INVESTMENTS IN ASSOCIATES)		EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES		TOTAL ASSETS	
Australia	4,059.4	4,181.9	21.3	19.6	4,080.7	4,201.5
United States of America	886.4	820.6	65.6	76.7	952.0	897.3
Asia	113.7	112.7	212.0	201.9	325.7	314.6
Other	0.9	405.2	–	–	0.9	405.2
Corporate	31.4	29.0	–	–	31.4	29.0
	5,091.8	5,549.4	298.9	298.2	5,390.7	5,847.6
Cash and cash equivalents	100.5	47.4	–	–	100.5	47.4
	5,192.3	5,596.8	298.9	298.2	5,491.2	5,895.0

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

	Note	CONSOLIDATED	
		2009 \$ millions	2008 \$ millions
3. Revenue			
Sale of goods		4,813.9	5,108.4
Rendering of services		45.0	70.2
		4,858.9	5,178.6
Other revenues			
Dividends from other parties		16.2	19.9
		4,875.1	5,198.5
4. Other Income			
Significant item	9	38.3	–
Net profit on sale of assets		13.5	8.7
Net foreign exchange gain		–	0.6
Other income		8.5	8.9
		60.3	18.2
5. Other Expenses			
Significant item	9	96.6	31.9
Net foreign exchange loss		2.5	–
		99.1	31.9
6. Share of Net Profit of Associates and Joint Ventures			
Share of associates' profit (excluding significant item)	12	11.5	22.0
Significant item	9	(11.0)	–
		0.5	22.0
7. Net Financing Costs			
Interest income received or receivable from:			
Associated entities		2.6	1.8
Other parties (cash at bank and bank short-term deposits)		3.2	5.4
Unwinding of discount		2.2	1.5
Significant item – interest recoveries	9	29.5	–
		37.5	8.7
Interest expense paid or payable to:			
Other parties (bank overdrafts, bank loans and other loans)		133.9	119.2
Finance charges on capitalised leases		0.1	0.2
Unwinding of discount		1.2	1.2
		135.2	120.6
Net financing costs		(97.7)	(111.9)
Net financing costs (excluding significant item)		(127.2)	(111.9)
Significant item – interest recoveries	9	29.5	–
Net financing costs		(97.7)	(111.9)

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
8. Income Tax Expense		
Income tax expense on profit:		
– at Australian tax rate 30% (2008: 30%)	32.6	91.3
– adjustment for difference between Australian and overseas tax rates	(15.1)	(1.4)
Income tax expense on pre-tax profit at standard rates	17.5	89.9
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Tax losses not recognised	1.1	2.9
Non-deductible depreciation and amortisation	2.3	1.3
Capital gains brought to account	1.0	1.5
Share of associates' net profit and franked dividends	(9.1)	(13.7)
Franked dividends from other entities	(4.8)	(6.0)
Non-deductible impairment of assets	6.4	9.6
Other items	(0.9)	7.9
Significant item		
Income tax expense/(benefit) on resolution of matters with Australian and US taxation authorities	9 (43.4)	(28.1)
Income tax expense/(benefit) on profit	(29.9)	65.3
Over provision for tax in previous years	(3.6)	(3.3)
Income tax expense/(benefit) attributable to profit	(33.5)	62.0
Income tax expense (excluding significant items)	17.1	90.1
Significant item	9 (50.6)	(28.1)
Income tax expense/(benefit) attributable to profit	(33.5)	62.0

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

9. Significant Items

Net profit includes the following items whose disclosure is relevant in explaining the financial performance of the entity:

Disposal of investment

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
Profit on sale of shares in Adelaide Brighton Limited	38.3	–
Income tax (expense)/benefit	(11.5)	–
	26.8	–

Impairment of assets

Goodwill and asset write-downs	(80.4)	(31.9)
Income tax (expense)/benefit	17.0	–
	(63.4)	(31.9)

Onerous contract

US contractual obligations	(27.2)	–
Income tax (expense)/benefit	10.3	–
	(16.9)	–

Tax matters

Interest recoveries	29.5	–
Income tax (expense)/benefit	(8.6)	–
Income tax benefit – resolution of tax matters	43.4	28.1
	64.3	28.1

Net significant items

Profit/(loss) before interest and tax	(69.3)	(31.9)
Interest recoveries	29.5	–
Income tax (expense)/benefit	50.6	28.1
Net significant items	10.8	(3.8)

Disposal of investment

During the year, the Group recognised a profit on the disposal of investments of \$38.3 million from the sale of the Group's 107.8 million shares in Adelaide Brighton Limited for a net consideration of \$205.5 million.

Impairment of assets

The Group has reviewed the carrying value of its assets including goodwill having regard to the current and anticipated future market conditions which has resulted in a write-down of the value of the goodwill and assets by \$80.4 million (2008: \$31.9 million).

In the United States of America, goodwill arising on the acquisition of construction materials businesses in Colorado and Oklahoma has been written down by \$30.8 million due to weak market volumes. The Group has also written down the value of goodwill by \$17.2 million relating to the precast concrete panels business in the Construction Materials – Australia operations.

Penrith Lakes Development Corporation Limited, an associate, has assessed the carrying value of freehold land acquired for quarrying and urban development and capitalised acquisition and development costs and recorded an impairment charge in its accounts. The net impact of this impairment charge included in equity income of the Group is \$11.0 million.

At 30 June 2009, the Group has written down the value of assets other than goodwill by \$21.4 million. This relates to idle brick plants in the USA (\$13.1 million) and in Building Products – Australia (\$4.0 million) as well as previously capitalised project costs in Asia (\$4.3 million).

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

9. Significant Items (continued)

Onerous contract

During the period, the Group recognised an amount of \$27.2 million, reflecting expected future losses on contractual obligations in the fly ash operations in the USA.

Tax matters

During the year, ongoing enquiries were made by the Australian Taxation Office (ATO) relating to a transaction occurring at the time of the demerger. The ATO has advised the Group that it no longer intends to pursue this matter.

In the USA, the Internal Revenue Service (IRS) was reviewing two transactions which occurred prior to the demerger which it believed may have resulted in additional assessable income to the Group. Agreement has been reached with the IRS in relation to both of these matters and closing agreements are being completed.

10. 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	
	2009 \$ millions	2008 \$ millions
Earnings reconciliation		
Net profit before significant items and minority interests	131.4	246.0
Attributable to minority interests	(0.2)	0.6
Net profit excluding significant items	131.2	246.6
Net significant items	10.8	(3.8)
Net profit attributable to members of the parent entity	142.0	242.8
	CONSOLIDATED	
	2009	2008
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	589,679,255	596,349,369
Effect of potential ordinary shares	2,466,892	1,688,363
Number for diluted earnings per share	592,146,147	598,037,732
Basic earnings per share – ordinary shares	24.1c	40.7c
Diluted earnings per share – ordinary shares	24.0c	40.6c
Basic earnings per share – ordinary shares (excluding significant items)	22.2c	41.4c
Diluted earnings per share – ordinary shares (excluding significant items)	22.2c	41.2c

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

11. Dividends

Dividends recognised by the Company and the Group are:

	Amount per share	Total amount \$ millions	Franked amount per share	Date of payment
2009				
2008 final – ordinary	17.0 cents	99.6	17.0 cents	18 September 2008
2009 interim – ordinary	7.5 cents	44.0	7.5 cents	3 April 2009
Total		143.6		
2008				
2007 final – ordinary	17.0 cents	102.0	17.0 cents	18 September 2007
2008 interim – ordinary	17.0 cents	102.5	17.0 cents	19 March 2008
Total		204.5		

Subsequent Event

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

	Amount per share	Total amount \$ millions	Franked amount per share	Date of payment
2009 final – ordinary	5.5 cents	32.6	5.5 cents	28 September 2009

The financial effect of the final dividend for the year ended 30 June 2009 has not been brought to account in the financial report for the year but will be recognised in subsequent financial reports.

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 28 August 2009.

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

12. Investments Accounted for Using the Equity Method

Name	Principal activity	Country of incorporation	Balance date	OWNERSHIP INTEREST CONSOLIDATED	
				2009 %	2008 %
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
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 Ltd	Quarrying	Australia	30-Jun	40	40
Rondo Building Services Pty Ltd	Rollform systems	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

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
RESULTS OF ASSOCIATES		
Share of associates' profit before income tax expense	29.1	39.7
Share of associates' income tax expense	(17.6)	(17.7)
	11.5	22.0
Significant item	(11.0)	–
Share of associates' net profit – equity accounted	0.5	22.0

Results of associates include the following:

Share of associates' net profit/(loss) – equity accounted:		
Lafarge Boral Gypsum in Asia Ltd	13.4	18.1
MonierLifetile LLC* and MonierLifetile S.R.L. de C.V.	(26.4)	(23.5)

* Taxed as a partnership in the USA.

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

13. Net Tangible Asset Backing

Net tangible asset backing per ordinary security

CONSOLIDATED	
2009	2008
\$4.12	\$4.41

14. Other Financial Assets

Listed shares – at fair value

Financial instruments

CONSOLIDATED	
2009 \$ millions	2008 \$ millions
–	404.4
30.0	26.4
30.0	430.8

During the year, the Group recognised a profit on the disposal of investments of \$38.3 million from the sale of the Group's 107.8 million shares in Adelaide Brighton Limited for a net consideration of \$205.5 million.

15. Intangible Assets

Goodwill

Other intangible assets

Less: Accumulated amortisation

292.0	304.5
40.9	39.7
(25.1)	(18.1)
307.8	326.1

The Group has reviewed the carrying value of its assets including goodwill having regard to the current and anticipated future market conditions which has resulted in a write-down of the value of the goodwill by \$48.0 million (2008: \$31.9 million).

In the United States of America, goodwill arising on the acquisition of construction materials businesses in Colorado and Oklahoma has been written down by \$30.8 million due to weak market volumes. The Group has also written down the value of goodwill by \$17.2 million relating to the precast concrete panels business in the Construction Materials – Australia operations.

A segment summary of the goodwill allocation is presented below:

Building products – Australia

Construction materials – Australia

United States of America

43.4	42.8
79.1	93.1
169.5	168.6
292.0	304.5

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

	CONSOLIDATED	
	2009 \$ millions	2008 \$ millions
16. Interest Bearing Loans and Borrowings		
CURRENT		
Bank loans – unsecured	5.8	2.9
Other loans – unsecured	0.6	43.5
Finance lease liabilities	0.3	0.8
	6.7	47.2
NON-CURRENT		
Other loans – secured	–	0.2
Bank loans – unsecured	223.0	50.0
Other loans – unsecured	1,384.4	1,465.0
Finance lease liabilities	–	0.1
	1,607.4	1,515.3
	1,614.1	1,562.5

Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	CONSOLIDATED				
	Currency	Effective interest rate 2009	Year of maturity	2009 Carrying amount \$ millions	2008 Carrying amount \$ millions
CURRENT					
US senior notes – unsecured	USD	–	–	–	43.5
Bank loans – unsecured	THB	4.27%	2010	5.8	2.5
Bank loans – unsecured	AUD	–	–	–	0.4
Other loans – unsecured	AUD	7.24%	2010	0.6	–
Finance lease liabilities	AUD	6.64%	2010	0.3	0.8
				6.7	47.2
NON-CURRENT					
US senior notes – unsecured	USD	6.44%	2012-2020	1,323.2	1,086.8
US commercial paper – unsecured	USD	–	–	–	131.4
Syndicated term credit facility – unsecured	USD	1.61%	2011	124.6	–
Syndicated term credit facility – unsecured	AUD	4.50%	2011	40.0	–
AUD notes – unsecured	AUD	4.12%	2010	59.7	246.6
Bank loans – unsecured	THB	2.91%	2011	58.4	50.0
Other loans – unsecured	AUD	–	2014	1.5	0.2
Other loans – secured	AUD	–	–	–	0.2
Finance lease liabilities	AUD	–	–	–	0.1
				1,607.4	1,515.3
TOTAL				1,614.1	1,562.5

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

17. Issued Capital

ISSUED AND PAID-UP CAPITAL

592,890,530 (2008: 585,735,263) ordinary shares, fully paid

CONSOLIDATED	
2009 \$ millions	2008 \$ millions

1,691.4	1,673.1
----------------	---------

MOVEMENTS IN ORDINARY SHARE CAPITAL

Balance at the beginning of the year

1,673.1	1,688.1
----------------	---------

12,083,777 (2008: 6,067,169) shares issued under the Dividend Reinvestment Plan

49.7	41.4
-------------	------

21,692 (2008: 280,950) shares issued upon the exercise of executive options

0.1	1.5
------------	-----

Nil (2008: 20,019,889) off-market share buy-back

–	(57.9)
----------	--------

4,950,202 (2008: Nil) on-market share buy-back

(31.5)	–
---------------	---

Balance at the end of the year

1,691.4	1,673.1
----------------	---------

During the year, the Company completed the buy-back of 4,950,202 shares. The total consideration of shares bought back on market was \$31,540,668 and at an average price of \$6.37. The consideration paid was allocated to share capital.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of a winding up of Boral Limited, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

18. Retained Earnings

Balance at the beginning of the year

1,121.5	1,148.2
----------------	---------

Net profit attributable to members of the parent entity

142.0	242.8
--------------	-------

Dividends recognised during the year

(143.6)	(204.5)
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Dividend component of off-market share buy-back

–	(56.3)
----------	--------

Actuarial loss on defined benefit plans, net of tax

(15.7)	(8.7)
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Balance at the end of the year

1,104.2	1,121.5
----------------	---------

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

19. Contingent Liabilities

The Company has given to its bankers letters of responsibility in respect of accommodation provided from time to time by the banks to controlled entities.

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

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

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

A deed was entered into at the time of the demerger which contained certain indemnities and other agreements between the Company and Origin Energy Limited (Origin) 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. During the year, a number of matters were resolved with both the Australian and United States taxation authorities which are likely to give rise to claims by the Group under the demerger deed. A settlement has been reached with the ATO in relation to this matter. As the settlement resulted in a payment to the ATO, Origin is likely to rely on indemnities contained in the demerger deed.

The Group has considered all of the above claims and, where appropriate, sought independent advice and believes it holds appropriate provisions.

20. Acquisition/Disposal of Controlled Entities

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2009:

Entities acquired:

There were no material acquisitions of entities during the reporting period.

Business	Acquisition date	Total purchase consideration \$ millions	Fair value of identifiable assets acquired \$ millions	Goodwill \$ millions
Minor acquisitions	–	7.1	3.3	3.8

There were no material disposals or loss of control over any entities during the reporting period.

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2008:

Entities acquired:

Schwarz Readymix and Davis Arbuckle Materials quarry	Aug 2007	99.8	52.1	47.7
Other minor acquisitions	–	1.4	0.7	0.7
		101.2	52.8	48.4

There were no material disposals or loss of control over any entities during the reporting period.

Notes to the Concise Financial Report

BORAL LIMITED AND CONTROLLED ENTITIES

CONSOLIDATED	
2009	2008
\$ millions	\$ millions

21. 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	100.5	47.4
Bank overdrafts	-	-
	100.5	47.4

(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	49.7	41.4
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Statutory Statements

BORAL LIMITED AND CONTROLLED ENTITIES



Directors' Declaration

In the opinion of the Directors of Boral Limited, the accompanying concise financial report of the Group, comprising Boral Limited and the entities it controlled for the financial year ended 30 June 2009 set out on pages 60 to 77:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with Australian 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, 11 September 2009

Independent Auditor's Report to the Members of Boral Limited

REPORT ON THE CONCISE FINANCIAL REPORT

The accompanying concise financial report of the Group comprising Boral Limited (the "Company") and its controlled entities comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended and related notes 1 to 21 derived from the audited financial report of Boral Limited for the year ended 30 June 2009. 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 the Company 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 2009.

Our audit report on the financial report for the year was signed on 11 September 2009 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion, the concise financial report of Boral Limited and its controlled entities for the year ended 30 June 2009 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in clause 19 of the Directors' Report for the year ended 30 June 2009. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Boral Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

KPMG

David Rogers, PARTNER
Sydney, 11 September 2009

Shareholder Information

BORAL LIMITED AND CONTROLLED ENTITIES

Shareholder communications

Enquiries or notifications by shareholders regarding their shareholdings or dividends should be directed to Boral's share registry:

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

Hand deliveries to:
Level 12, 680 George Street,
Sydney NSW 2000

Telephone (02) 8280 7133
International +61 2 8280 7133

Facsimile (02) 9287 0303
International +61 2 9287 0303

Shareholders can also send questions to the share registry via email.

Internet
www.linkmarketservices.com.au
email
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 2008/09 year of 5.5 cents per share will be paid by Boral on 28 September 2009. The dividend will be fully franked.

Dividend Reinvestment Plan (DRP)

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

Tax File Number (TFN), Australian Business Number (ABN) or exemption

You are strongly advised to lodge your TFN, ABN or exemption. If you choose not to lodge these details with the share registry, then Boral Limited is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of any dividend payment. Certain pensioners are exempt from supplying their TFNs. You can confirm whether you have lodged your TFN, ABN or exemption via the internet at www.linkmarketservices.com.au

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 account in Australia or New Zealand, 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 requiring replacement holding statements should be directed to their controlling participant.

Shareholders communicating with the share registry should have to hand 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 Shareholder 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; this can be done via the Link Market Services website or 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.

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 available on the website shortly after the Meeting.

Shareholder Information

BORAL LIMITED AND CONTROLLED ENTITIES

In addition the Meeting is webcast for shareholders' convenience.

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 the Australian Securities Exchange (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 (ADRs)

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

Share Information as at 28 August 2009

Substantial holders

Ausbil Dexia Limited by a notice of initial substantial holder dated 23 April 2009, advised that it and its associates were entitled to 30,005,841 ordinary shares.

Balanced Equity Management Pty Limited, by a notice of change of interests of substantial holder dated 17 August 2009, advised that it and its associates were entitled to 41,550,813 ordinary shares.

Commonwealth Bank of Australia, by a notice of change of interests of substantial holder dated 18 August 2009, advised that it and its associates were entitled to 37,054,721 ordinary shares.

Barclays Group by a notice of initial substantial holder dated 19 August 2009, advised that it and its associates were entitled to 30,420,394 ordinary shares.

Distribution schedule of shareholders

Size of shareholding	Number of shareholders	% of ordinary shares
(a) in the categories –		
1 – 1,000	42,386	3.33
1,001 – 5,000	34,381	13.51
5,001 – 10,000	5,939	7.14
10,001 – 100,000	3,126	11.16
100,001 and over	156	64.86
	85,988	100.00
(b) holding less than a marketable parcel (84 shares)	5,354	0.03

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

During the 2008/09 year, the Company conducted an on-market buy-back, buying back 4,950,202 ordinary shares. The buy-back is no longer current.

Twenty largest shareholders

	Ordinary shares	% of ordinary shares
National Nominees Limited	79,273,494	13.37
HSBC Custody Nominees (Australia) Limited	68,472,936	11.55
J P Morgan Nominees Australia Limited	60,775,038	10.25
Citicorp Nominees Pty Limited	53,719,999	9.06
Cogent Nominees Pty Limited	21,317,658	3.60
ANZ Nominees Limited	10,851,831	1.83
PSS Board	9,689,143	1.63
MLEQ Nominees Pty Ltd	8,301,382	1.40
AMP Life Limited	6,496,642	1.10
Queensland Investment Corporation	5,134,940	0.87
Credit Suisse Securities (Europe) Ltd	5,130,000	0.87
Invia Custodian Pty Limited	4,192,238	0.71
Rodney Pearse	4,059,539	0.68
UBS Wealth Management Australia	3,835,740	0.65
Australian Foundation Investment Company Limited	3,810,393	0.64
Warbont Nominees Pty Ltd	3,624,097	0.61
Argo Investments Limited	2,866,907	0.48
Bond Street Custodians Limited	2,831,618	0.48
The Senior Master of the Supreme Court (Common Fund No 3 A/C)	2,481,542	0.42
Aust Executor Trustees NSW Ltd (Tea Custodians Limited)	2,285,626	0.39
	359,150,763	60.57

Financial History

BORAL LIMITED AND CONTROLLED ENTITIES

as at 30 June	2009 \$ millions	2008 \$ millions	2007 \$ millions	2006 \$ millions	2005 \$ millions	2004 \$ millions	2003 \$ millions	2002 \$ millions	2001 \$ millions	Proforma* 2000 \$ millions
Revenue	4,875	5,199	4,909	4,767	4,305	4,150	3,831	3,489	3,280	4,012
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	539	688	762	823	794	794	672	531	451	563
Depreciation and amortisation	263	240	231	209	191	195	194	188	189	203
Earnings before interest and tax ¹	276	448	531	614	603	600	478	343	262	360
Profit/(loss) from disposal of businesses	-	-	-	-	-	-	-	-	39	(33)
Profit before interest and tax ¹	276	448	531	614	603	600	478	343	301	327
Net financing costs ¹	(127)	(112)	(111)	(98)	(71)	(66)	(68)	(63)	(70)	(90)
Profit before tax ¹	149	336	420	516	532	534	410	280	232	238
Income tax expense ¹	(17)	(90)	(122)	(153)	(162)	(163)	(126)	(87)	(78)	(70)
Minority interests	-	1	-	-	(1)	(1)	(1)	-	-	-
Net profit after tax ¹	131	247	298	363	370	370	283	192	153	169
Significant items	11	(4)	-	-	-	-	-	-	-	-
Net profit attributable to members of Boral Limited	142	243	298	362	370	370	283	192	153	169
Total assets	5,491	5,895	5,817	5,587	5,001	4,511	4,038	3,915	3,950	3,873
Total liabilities	2,738	2,985	2,829	2,832	2,594	2,151	1,898	1,966	2,096	2,096
Net assets	2,754	2,910	2,987	2,755	2,407	2,360	2,140	1,950	1,855	1,777
Shareholders' funds	2,754	2,910	2,987	2,755	2,407	2,360	2,140	1,950	1,855	1,777
Net debt	1,514	1,515	1,482	1,578	1,394	938	764	881	983	961
Funds employed	4,268	4,425	4,470	4,333	3,800	3,298	2,904	2,831	2,837	2,738
Dividends paid or declared	77	202	203	200	197	175	133	109	102	102
Statistics										
Dividend per ordinary share	13c	34c	34c	34c	34c	30c	23c	19c	18c	18c
Dividend payout ratio	54%	83%	68%	55%	53%	47%	47%	57%	67%	61%
Dividend cover	1.8	1.2	1.5	1.8	1.9	2.1	2.1	1.8	1.5	1.7
Earnings per ordinary share ¹	22.2c	41.4c	50.0c	61.7c	63.4c	63.8c	49.1c	33.7c	27.0c	29.7c
Return on equity ¹	4.8%	8.5%	10.0%	13.2%	15.4%	15.7%	13.2%	9.9%	8.3%	9.5%
EBIT to sales ¹	5.7%	8.6%	10.8%	12.9%	14.0%	14.4%	12.5%	9.8%	8.0%	9.0%
EBIT to funds employed ¹	6.5%	10.1%	11.9%	14.2%	15.9%	18.2%	16.4%	12.1%	9.2%	13.2%
Net interest cover (times) ¹	2.2	4.0	4.8	6.3	8.5	9.1	7.1	5.4	4.3	3.7
Gearing (net debt to equity)	55%	52%	50%	57%	58%	40%	36%	45%	53%	54%
Gearing (net debt to net debt plus equity)	35%	34%	33%	36%	37%	28%	26%	31%	35%	35%
Net tangible asset backing per share	\$4.12	\$4.41	\$4.41	\$4.07	\$3.57	\$3.65	\$3.27	\$3.02	\$2.89	\$2.78

¹ Excludes the impact of significant items in 2009 and 2008.

Results for the years ended 2005 to 2009 have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS). The years prior to June 2005 represent results under previous Australian Generally Accepted Accounting Principles (AGAAP).

* The comparative figures for the year ended June 2000 have been prepared on a proforma basis to reflect the results of operations of the Boral building and construction businesses for the year. Proforma consolidated accounts were not audited but were subject to an independent review by KPMG.

Glossary and Abbreviations

ABS	Australian Bureau of Statistics	HIA	Housing Industry Association
ACCC	Australian Competition and Consumer Commission	HR	Human resources
ACF	Australian Conservation Foundation	H&S	Health and safety
ACJP	Australian Climate Justice Program	HSE	Health, safety and environment
ACM	Australian Construction Materials division	JDRF	Juvenile Diabetes Research Foundation
ASX	Australian Securities Exchange	JV	Joint venture
BCA	Business Council of Australia	LBGA	Lafarge Boral Gypsum in Asia; the joint venture is 50% owned by Boral and 50% owned by Lafarge
BCSC	Blue Circle Southern Cement	LCI/LCA	Life-cycle inventory/life-cycle analysis
BFS	Boral Formwork & Scaffolding	LEED	Leadership in Industry and Environment Design, an internationally recognised green building certification system
BMTI	Boral Material Technologies Inc	Lime	Oxide of calcium (CaO) produced by heating limestone
BPE	Best Practice Element	Limestone	A rock consisting chiefly of calcium carbonate (CaCO ₂)
BPIC	Building Products Innovation Council	LTI	Lost time injury; an injury 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
BSDT	Boral Sustainability Diagnostic Tool	LTI	Long term incentive
C&C	Clay & Concrete Products division	LTIFR	Lost time injury frequency rate; the number of employee lost time injuries per million hours worked during a period.
Calcination	The process of reducing limestone to lime and carbon dioxide to produce cement	LUAC	Large User Abatement Certificate
CCS	Carbon capture and storage	MLT	MonierLifetile
CDM	Clean Development Mechanism	NGAC	NSW Greenhouse Abatement Certificate
CDP	Carbon Disclosure Project	NGERS	National Greenhouse and Energy Reporting System
Cement	A mixture of calcined limestone and clay; cement is a binder used with water and sand or gravel to make concrete	NPI	National Pollutant Inventory
CO ₂	Carbon dioxide equivalent	NSW GGAS	NSW Greenhouse Gas Reduction Scheme
Concrete	A building material composed of sand, gravel, cement & water	OHS	Occupational health and safety
CNG	Compressed Natural Gas	Operating sites	Wholly owned or at least 50% owned JV operating site excluding sales, administration and distribution offices
CRB	Construction Related Businesses division	PACT	Powdered activated carbon treatment
CRI	Corporate Responsibility Index	PEP	Performance Enhancement Program
CPRS	Carbon Pollution Reduction Scheme	Precautionary Principle	Where there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation".
CVA	Conservation Volunteers Australia	QEU	Quarry End Use
DECC	Department of Environment and Climate Change (NSW)	RAP	Recycled asphalt pavement
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	Recycle	Waste material used in a new product
DEUS	Department of Energy Utilities and Sustainability (now DECC)	Re-use	Waste material used back into the same product
DJSI	Dow Jones Sustainability (Asia Pacific) Index	RHS&B	Roads, highways, subdivisions and bridges
DMG	De Martin & Gasparini	RIFR	Recordable injury frequency rate; the number of employee injuries that result in medical treatment as well as those that result in lost work time per million work hours
DRET	Department of Resources, Energy and Tourism	ROFE	Return on funds employed
DRP	Dividend Reinvestment Plan	SAR	Share Acquisition Rights
EBIT	Earnings before interest and tax	SBE	Standard brick equivalent
EBITDA	Earnings before interest, tax, depreciation and amortisation	SEDA	Sustainable Energy Development Authority (now integrated into DECC)
ECCTWG	Energy and Climate Change Technical Working Group	SEPL	Sawmillers Exports Pty Ltd
EEO	Energy Efficiency Opportunities	SIB	Stay-in-business
EGM	Executive General Manager	Squares	A measure of area used in roofing in the USA; one square = 100 square feet
EITE	Emissions-intensive trade-exposed	Staff turnover	The number of employee departures during the year divided by the average number of full-time equivalent employees during year, and multiplied by 100
EMS	Environment Management System	STI	Short term incentive
EOP	Executive Option Plan	TSR	Total shareholder return; an annualised calculation which takes into consideration both capital and dividend returns
EOWA	Equal Opportunity for Women in the Workplace Agency	Total sites	Wholly owned or at least 50% owned JV operating sites and sales, administration and distribution offices
EPA	Environmental Protection Authority	Tranches	Additional securities/loans based on a common attribute such as date issued
EPS	Earnings per share	Water usage	Reported water usage is the amount of mains water consumed for the 12 month period to 30 June or in some cases for the 12 month period covered by usage invoices that most closely match the financial year ended 30 June
FACT	Fly ash carbon treatment	WACC	Weighted average cost of capital (including the cost of debt and the cost of equity)
Fly Ash	A by-product of coal-fired electricity generating plants; with cementitious properties it is used as an additive in cement		
FTE	Full-time equivalent; used for reporting the number of employees and contractors		
FY	Financial Year		
GJ	Gigajoule		
GHG	Greenhouse gases are gases in the atmosphere that are linked to the greenhouse effect. The main GHG are CO ₂ and methane.		
GRI	Global Reporting Initiative		
GRA	Gypsum Resources Australia		