BORAL ANNUAL REPORT

Boral Limited
Annual Report
for the year ended
30 June 2014

2014

Boral Limited
ABN 13 008 421 761

The Annual General Meeting of Boral Limited will be held at the City Recital Hall, Angel Place, Sydney, on Thursday 6 November 2014 at 10.30am.

Financial Calendar

Record date for final dividend	**4 September 2014**
Final dividend payable	**26 September 2014**
Annual General Meeting	**6 November 2014**
Half year end	**31 December 2014**
Half year results announcement	**11 February 2015***
Ex dividend share trading commences	**17 February 2015***
Record date for interim dividend	**19 February 2015***
Interim dividend payable	**13 March 2015***
Year end	**30 June 2015**

* Timing of events is subject to change.

Boral Limited Annual Report

For the year ended 30 June 2014

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Non-IFRS information

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

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

From the Chairman

With benefits from recent restructuring and improvement initiatives, together with better conditions in some key markets, Boral has delivered a stronger result in FY2014 and has made encouraging progress against our strategic priorities.

Dr Bob Every AO, Chairman

Australian housing and non-residential construction markets have picked up from recent cyclical lows, while Asian markets continue to grow and the US housing recovery continues, albeit at a slower than expected rate in FY2014.

Together with Boral's restructured business, these factors have contributed to a significant improvement in the Company's full year performance, with reported net profit after tax of $173m (after significant items); up from last year's net after tax loss of $212m. Boral's profit after tax (before significant items) of $171m was a 64% improvement on the prior year.

This positive turnaround in profit demonstrates the important progress that has been made to deliver Boral's strategic priorities over the past 24 months – that is, a focus on fixing the business by reshaping the portfolio and managing costs, cash and capital.

Strengthened financial and business performance
A number of rationalisation and portfolio reshaping initiatives occurred in FY2014 in response to changing market dynamics, strengthening Boral's long-term growth potential. This includes the milestone formation of the USG Boral plasterboard and ceilings joint venture, establishing a strong growth platform underpinned by world-leading gypsum technologies and leading market positions. Additional portfolio realignment in Building Products, Boral USA and Construction Materials & Cement contributed significantly to earnings improvements across the business.

Cost savings from overhead reductions, rationalisation and contractor cost reductions totalled $130m at the end of FY2014. A strong focus on cash generation and a highly disciplined approach to capital expenditure was maintained, which, together with $562m of proceeds received on completion of the USG Boral joint venture transaction, allowed the Company to successfully reduce net debt to $718m at year end from $1.45b at 30 June 2013.

Earnings before interest and tax (EBIT[1]) of $294m was 29% ahead of the prior year, with the positive change driven by the strength of Construction Materials & Cement, a substantial turnaround in Building Products performance and a significant reduction of losses in Boral USA.

The improved performance resulted in a 62% increase in underlying earnings per share to 22.0 cents per share, and provided the confidence for the Board to declare a final dividend of 8.0 cents per share for a full year fully franked dividend of 15.0 cents per share, representing a payout ratio of 68%.

There were a number of significant items in FY2014, totalling a net $2m gain, including gains from the completion of the USG Boral joint venture, offset by costs of additional restructuring and capacity rationalisation across the business divisions.

Improvements across all divisions
Boral's largest division, Construction Materials & Cement, experienced continued strength in underlying performance as it further consolidated its leading integrated positions. Prior year restructuring benefits and ongoing major projects activity contributed to the strong result, which was offset by lower Property earnings in FY2014 and weaker activity in roads, highways and engineering.

The smaller Building Products division reported a significant $48m EBIT turnaround to a small profit, largely due to rationalisation and restructuring of the business and increasing activity in the Australian housing market. While the return to profitability is pleasing, further portfolio reshaping in Building Products will be required to deliver adequate returns in the medium-to-long term.

1 Excluding significant items

Boral Gypsum earnings were impacted by four months of equity accounted 50%-owned USG Boral joint venture contribution, although the underlying business remains in a strong position due to ongoing market growth in our Asian regions and strength in Australia. The introduction of USG adjacent products and NextGen technologies to the portfolio will further underpin growth in this division.

Restructuring and the continued US housing market recovery contributed to Boral USA achieving a 40% reduction of losses in FY2014, despite a slower than expected rate of US housing starts. The US business broke through to profitability in the last quarter of the year and we expect this positive momentum to build as the housing market continues to recover.

The improved performance of Boral's businesses has increased the overall EBIT[1] return on funds employed (ROFE) to 7.2% from 4.7% in FY2013, although there is a considerable amount of work yet to be done to reach our long-term target of 15% ROFE.

Boral continues to improve its safety performance, reporting a 22% improvement in the recordable injury frequency rate in FY2014 and a steady result in the lost time injury frequency rate.

Focus on strategic priorities in FY2015

Coming off recent cyclical lows in a much improved position, Boral is now a more streamlined and responsive business with a stronger balance sheet. The Company is ready to capitalise on improving housing markets in Australia, continued market growth in Asia and the major market recovery in the USA.

We are seeing clear benefits being delivered from the Company's disciplined and focused approach to our strategic priorities. But Boral's immediate focus remains on managing costs, margins, capital and cash, particularly in the face of inflationary headwinds. This means realising and maintaining the full $150m of benefits from the cost reduction programs undertaken in FY2013 and FY2014 and delivering additional savings from programs underway in Boral USA, USG Boral and Boral Construction Materials. It also means maintaining a balanced level of capital expenditure and a continued focus on cash generation across the business to maintain Boral's strong balance sheet.

In the medium term, we will continue to improve the way Boral operates, targeting greater efficiency, discipline and profitability ahead of our longer-term goals to reduce fixed cost exposures through the cycle, leverage innovation and create a more geographically balanced portfolio to deliver significant shareholder value and achieve our long-term 15% ROFE target.

The Board

As announced at last year's Annual General Meeting (AGM), long-standing non-executive Director Richard Longes will retire from the Board at the end of Boral's 2014 AGM. Richard's knowledge and experience in commercial and legal matters has been of great value to me and all the Board over the 10 years of service. I would especially like to thank him for his help and support during my time as Chairman.

Following the Board's recent selection process for a replacement Director, I am pleased to welcome Kathryn Fagg as a new non-executive Director. Kathryn brings extensive senior executive experience across a range of industries in Australia and Asia, including logistics, manufacturing, resources and banking – and is also a board member of the Reserve Bank of Australia and a director of Incitec Pivot Limited and Djerriwarrh Investments Limited. We look forward to Kathryn's input on Boral's Board.

Thank you

It is pleasing to see the significant progress being made to transform Boral. On behalf of the Board, I thank all employees for their contribution to the improved performance of the Company under the leadership of Mike Kane and his executive team.

We are confident that Boral has the right team, strategy and structures in place to continue to transform itself into a global building and construction materials company that is known for its world leading safety performance, innovative product platforms and superior returns on shareholders' funds. I look forward to reporting to our valued shareholders on Boral's further progress in the coming year.

Bob Every

Dr Bob Every AO
Chairman

In conversation with Mike Kane

I am pleased with the progress we are making to transform Boral into a high performing company with sustainable growth.

Mike Kane, CEO & Managing Director

QUESTION: What were the highlights of Boral's FY2014 result?

MIKE KANE: For me, there were five key highlights in our FY2014 results:

- The **significant EBIT[1] contribution from Construction Materials & Cement** of $277m was a major achievement given that Property earnings were $20m lower than last year, the pricing environment remains challenging, and roads and highway construction activity has softened.
- The **substantial $48m turnaround in Building Products** was achieved through portfolio rationalisation and business restructuring, as well as improving housing construction demand.
- **Returning to a positive EBITDA[1] result in the USA for the first time in six years**, with an EBITDA of US$3m. Despite the market recovery being slower than expected in FY2014, Boral almost halved its US losses year-on-year to US$35m.
- **Completion of the $1.6b USG Boral joint venture** was a major milestone for the year, bringing together Boral's leading plasterboard position in Asia and Australia with USG's world-leading gypsum technology platform and related product portfolio.
- **The very strong cash generation that saw Boral's net debt position more than halve in just 12 months** from $1.45b to $718m at 30 June 2014, as a result of $562m of proceeds from the sale of the Gypsum business into the joint venture, and a much stronger operating cash flow of $507m compared with $309m in FY2013.

Q: Some of Boral's businesses are still delivering low returns. What's being done to improve their results?

MK: We are maintaining our focus on cost reductions to offset inflationary headwinds – particularly as pricing remains challenging in some key markets.

Our portfolio changes will position Boral better for the long term, and we're improving underperforming businesses through restructuring and other initiatives. This includes the proposed east coast Bricks joint venture with CSR, which will allow us to realise synergies and create a more sustainable business.

Q: The US has been challenging for the past six years. Is there any positive news for Boral in America?

MK: Boral's US business is a high-fixed-cost manufacturing business. We make money in the USA when the level of activity reaches at least 1.1 million housing starts a year.

Over the past half century, the US housing market has averaged 1.5 million housing starts per annum and, at the peak of the last cycle, this figure was close to 2.2 million. However, the global financial crisis saw US housing activity collapse. In FY2014, starts increased 9% to 953,000 starts.

While conditions remain challenging, we are making progress in the USA. In the June 2014 quarter, the US business broke through to profitability as the summer months saw a rebound in activity, and we are expecting to deliver a broadly break-even result in FY2015, assuming housing starts of between 1.1 million and 1.2 million.

The business is more efficient than ever before, with a lower cost manufacturing base than at the peak of the last cycle, when Boral delivered US$139m of EBIT from its US business. We are in a strong position to exceed that level of performance at the next peak.

1 Excluding significant items

Q: After almost two years as CEO, are you on track with your vision for the Company?

MK: With a relentless focus on managing costs, cash and capital, and realigning Boral's portfolio to respond to changing external dynamics, we have been fixing the things that have been holding us back.

We've already delivered $130m of a $150m targeted cost reduction program, and generated $251m of cash from land sales and divestments against a two year target range of $200m to $300m.

We have also been ensuring that we execute our business activities with discipline, consistency and efficiency, and I am pleased with the progress we are making.

We are on our way to guiding Boral to secure long-term sustainable growth, including growth through innovation. The formation of the USG Boral joint venture, providing access to world leading technologies, and our Global Innovation Factory, which is supporting the development of new lightweight composite products, are helping to achieve this.

Q: Safety is a key priority. Why are there still injuries in Boral workplaces?

MK: Boral remains committed to achieving a zero injury rate in the longer term, and our safety performance has continued to improve overall.

The news is particularly positive from our US business – ending the year with a global best-practice Lost Time Injury Frequency Rate (LTIFR) of 0.3. For Boral as a whole, our LTIFR remained relatively steady at 1.9, but we have delivered a 22% improvement in the Recordable Injury Frequency Rate (RIFR) to 13.6.

While we are working hard to reduce injuries, we do not have a perfect record. Regrettably, we had a work related fatality in FY2014 – a truck driver contracted to Boral died from injuries sustained when his vehicle left the road when descending an incline. Although Boral's long-term safety performance in transport fatalities is consistently better than the national average, it is where we are at risk of having our most serious accidents, and therefore transport safety remains a key area of focus.

Q: What are the biggest challenges Boral faces over the next few years?

MK: A number of our markets are highly competitive with difficult pricing environments, particularly in Construction Materials & Cement.

Delivering acceptable returns from our Building Products business in Australia also remains a challenge. The Australian Bricks business has faced a major decline in demand over the past 30 years, but the proposed east coast Bricks joint venture with CSR will drive efficiencies across the combined operations, enabling Boral to realise acceptable returns for our Bricks business.

Q: What is the short-term outlook for Boral and where will future growth come from?

MK: In FY2015, Construction Materials & Cement should continue to deliver a strong result; however, expectations could be dampened if the inability to realise price increases continues.

We expect Building Products to approximately double its $8m EBIT reported in FY2014 as markets continue to strengthen and we realise further business improvement benefits.

In Boral Gypsum, there should be continued stronger underlying performance, but for Boral our reported earnings will be lower as a result of moving to a full year of 50% equity accounted earnings from the USG Boral joint venture.

Our US business should deliver a broadly break-even EBIT result in FY2015, assuming housing starts of around 1.1 million to 1.2 million starts for the year.

Beyond FY2015, longer-term growth will come from the continuing housing market recovery in the US, and significant long-term market and product penetration growth in Asia.
In Australia, the objective is to strengthen Construction Materials & Cement, protecting the division's leading integrated positions, growing margins and continuing to grow Boral's major project capability.

Q: Boral has been participating in the Royal Commission into Trade Union Governance and Corruption. Why?

MK: Since February 2013, the Construction division of the Construction, Forestry, Mining and Energy Union (CFMEU) has run an orchestrated campaign against Boral because we refused to give in to demands by the union that we stop doing business with a long-standing client, the Grocon group, in Melbourne.

Over that time, our trucks have been stopped, our people intimidated and many of our customers in Victoria have had a "friendly visit" from union officials warning them, essentially, not to do business with us. Many clients have refused to toe the union's line, for which we are grateful, but it's difficult for small operators.

So far, this unlawful secondary boycott has cost you – our shareholders – around $10m in lost EBIT, including legal fees.

We have gone to the Australian Competition and Consumer Commission (ACCC) and to Fair Work Australia. We have taken the union to court – and won our case. We have asked the Federal and State Governments for help. And we have presented our case to the Royal Commission into Trade Union Governance and Corruption, detailing the campaign against Boral.

Boral is not anti-union. In fact, we work closely with our employees and the various unions that represent them.
We should be allowed to continue to carry out our business without this unlawful campaign.

You can see my personal submission to the Royal Commission posted under "News & Announcements" at www.boral.com.au

Financial review

Ongoing portfolio restructuring activities have strengthened the Group's financial position.

Financial performance

Improvements in housing demand in Australia and the USA, together with the benefits of prior year restructuring activities, assisted the Group to report improved performance during FY2014. Although reported revenue decreased by 2% to $5.2b, revenue from continuing operations grew by 7%, with growth recorded in all continuing divisions. Revenue from Boral's Construction Materials & Cement division increased by 5%, with revenue growth in concrete, quarries and cement partly offset by lower asphalt revenue. In Building Products, increased housing demand resulted in revenue lifting 5%, reflecting an 11% growth in revenue from bricks and roofing as housing demand strengthened predominantly in New South Wales and Western Australia.

During the year, the Group combined its Australian and Asian Gypsum operations with USG's Asian and Middle Eastern operations along with USG technology into a 50/50 joint venture. As a result, the Group's financial statements reflect the consolidation of 100% of the Gypsum division's revenue and results for the eight months to February 2014, and include equity accounted earnings associated with the 50% interest in the new joint venture for the period 1 March 2014 to 30 June 2014.

In the USA, the level of housing starts continued to improve throughout the year, although growth in the second half was slower than anticipated. Revenue from the US division of $680.9m was up 23% over FY2013, with improved sales volumes reported across all businesses.

The Group's earnings before interest, tax and significant items increased to $294.2m, up 29% from $227.8m in FY2013, reflecting improved trading results from operations in both Australia and the USA.

The Construction Materials & Cement division generated earnings before interest and tax (EBIT[1]) of $276.6m in FY2014, which compares to $280.7m in the prior year despite property earnings being down $20m year-on-year. Improved earnings from cement and quarries underpinned the result, with the cement operations benefiting from the exit of clinker production at Waurn Ponds in Victoria in the prior year and sourcing of alternative coal supplies. In Building Products, the operations were able to leverage improved housing demand and prior year organisational restructuring activities to deliver a $48.3m turnaround from a loss of $40.1m in FY2013 to an EBIT[1] of $8.2m in FY2014.

In Gypsum, the statutory results before significant items include an EBIT[1] contribution of $67.4m in respect of the trading results for the eight months to February 2014 and an equity accounted contribution[1] of $10.1m for the remaining four months of FY2014. Underlying results on a year-on-year proforma basis saw revenues increase 19% on last year to $1,091m, including a small contribution from the USG operations, and EBIT[1] up 23% on last year to $102m with strong improvements in the Australian and Korean results.

In the USA, improved sales volumes resulted in EBIT[1] losses decreasing from A$64.2m in FY2013 to A$38.6m in FY2014. In local currency terms, losses decreased by 46% to US$35m, reflecting the benefit of improved housing activity.

Net underlying interest expense decreased from $97.4m in FY2013 to $83.1m in FY2014, reflecting lower debt levels in the second half of the year as proceeds from divestments were applied to retire outstanding debt. Underlying interest cover[1] improved from 2.3 to 3.5 times in FY2014.

The average underlying tax rate for the year increased from 15.0% in FY2013 to 17.4% in FY2014, reflecting higher Australian earnings, lower tax free property sales, together with lower US losses and increased equity accounted earnings.

Net profit after tax before significant items was $171.4m, a 64% increase over the prior year. This improvement was primarily due to a 29% increase in EBIT together with a $14.3m reduction in interest, offset by $17.2m increase in tax expense. Reported profit after tax of $173.3m includes the net impact of $1.9m of significant items and compares to a loss of $212.1m in the prior year, which included significant losses of $316.5m.

Significant items

During the year, the Group recorded an after tax significant gain of $1.9m in respect of items that were excluded from the underlying trading result. This relates primarily to gains and losses arising as a result of portfolio changes and the results of the restructuring and cost reduction activities, together with impairment charges predominantly in the USA.

As part of the entry into the Gypsum joint venture with USG, the Group was required to deconsolidate its existing interests in its Gypsum subsidiaries and to recognise an equity accounted investment in the new 50/50 Gypsum joint venture with USG. This resulted in a net EBIT gain of $26.4m after taking into account realisation of exchange gains included in the foreign currency translation reserve and transaction costs. In addition, the joint venture, as part of its organisational restructure to combine the various Boral and USG businesses, undertook a restructure program. Costs associated with this program resulted in Boral recognising an equity accounted loss of $3.8m. These activities have established an organisation that is well positioned to deliver improved performance over the long term.

The slow recovery of housing demand in the USA has resulted in a re-assessment of the manufacturing capacity requirements in the US businesses. This re-assessment of future demand, margins and capacity resulted in the impairment of the Ione clay roof tile plant in California and the bricks paver plant in Augusta, Georgia. In addition, in recognition of the prolonged recovery of the USA operations, the division has undertaken further organisational restructuring programs to lower its ongoing cost base.

These activities have resulted in charges of $30.2m being recorded in the year.

In June, the Group announced the closure of a small subscale cement kiln at Maldon, New South Wales, with production to be relocated to the Berrima facility. This closure resulted in impairment and restructure charges of $13.8m being recorded. This follows the closure of the Waurn Ponds kiln last year and the move to importation of clinker to supply the Victorian market.

In response to the current market conditions, the Construction Materials operations have completed a number of restructuring activities predominantly focused on the Queensland region, together with Asphalt operations in Victoria and Queensland. In addition, the ongoing portfolio reshaping and reduction in Group operations has resulted in further changes in respect of the Australian shared support and IT services. These activities, together with the Construction Materials improvement initiatives, have resulted in charges of $17.1m being recorded.

Finally, a net EBIT loss of $4.4m has been recognised relating predominantly to the finalisation of the sale of the windows business in the first half of the year, together with costs associated with the potential joint venture of the Group's east coast Bricks operations with CSR, which remains subject to clearance by the Australian Competition and Consumer Commission. An interest benefit associated with the resolution of outstanding matters with the Australian Taxation Office of $16.3m was also recorded during the year.

Income statement

Year ended 30 June	2014			2013		
$ millions	Group	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations
Sales revenue	**5,203.9**	**4,455.1**	**748.8**	5,286.5	4,163.4	1,123.1
EBIT[1]	**294.2**	**227.3**	**66.9**	227.8	154.0	73.8
Finance costs[1]	**(83.1)**	**(80.7)**	**(2.4)**	(97.4)	(92.7)	(4.7)
Tax expense[1]	**(36.8)**	**(15.7)**	**(21.1)**	(19.6)	(8.8)	(10.8)
Non-controlling interests	**(2.9)**	**2.9**	**(5.8)**	(6.4)	1.9	(8.3)
Underlying net profit after tax[1]	**171.4**	**133.8**	**37.6**	104.4	54.4	50.0
Net significant items	**1.9**	**(24.6)**	**26.5**	(316.5)	(321.8)	5.3
Net profit/(loss) after tax	**173.3**	**109.2**	**64.1**	(212.1)	(267.4)	55.3

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

Reconciliation of underlying results to reported results for FY2014

$ millions	EBIT	Finance costs	Tax	Non-controlling interests	Profit after tax
Underlying results	**294.2**	**(83.1)**	**(36.8)**	**(2.9)**	**171.4**
Significant items					
Gypsum transaction	22.6				
Restructure and capacity rationalisation					
USA – Bricks and Roofing	(30.2)				
Australia – Maldon cement works	(13.8)				
Australia – construction materials and support services	(17.1)				
Sale of business and other	(4.4)				
Interest income		16.3			
Income tax benefit			28.5		
Total significant items	**(42.9)**	**16.3**	**28.5**		**1.9**
Reported results	**251.3**	**(66.8)**	**(8.3)**	**(2.9)**	**173.3**

Cash flow
Operating cash flow increased by $198.3m to $507.3m in FY2014, reflecting improved earnings from trading operations and a continued focus on working capital management.

Working capital benefited from improved debtor management, together with a reduction in inventories in the Australian Brick and Timber businesses, as higher demand drove improved sales; and the sale of the Quarrywest 25.64 hectare property at Greystanes, New South Wales to Dexus in June 2014.

Interest payments declined predominantly in the second half of the year, reflecting reduced debt levels following the receipt of proceeds from the Gypsum divestment and tight working capital management. The Group reported a small tax refund during the period, reflecting low tax instalment rates (based on prior year returns) in the current year and the receipt of funds following resolution of matters with the Australian Taxation Office. Tax payments are expected to increase in FY2015 with catch-up payments required in respect of the balance of tax due in respect of the FY2014 financial year.

Capital expenditure at $268m in FY2014 continues to be tightly managed and was held below the prior year. Stay-in-business expenditure increased by $77m over FY2013 to $203m as the businesses focused on safety and environmental initiatives, asset replacement and cost reduction projects. Stay-in-business expenditure represented 78% of depreciation, up from 41% in FY2013, while growth expenditure decreased from $183m in FY2013 to $65m in FY2014. Construction of the new Peppertree quarry in New South Wales was completed during the year, with production commencing in the June half year and ramp-up activities continuing into FY2015.

During the year, the Group generated $37.3m of proceeds from the sale of surplus properties, together with $556.2m from the disposal of the Gypsum and Windows businesses net of transaction costs. A final payment of $48.4m was made in respect of the outstanding liability relating to the acquisition of the Cultured Stone business in the USA.

Borrowings
Net debt reduced by $727.7m to $718.3m, reflecting the benefits of strong operating cash flow together with proceeds received from the divestment of businesses (including Gypsum and Windows) and the sale of surplus property assets during the year.

Following the receipt of cash proceeds from the Gypsum joint venture transaction with USG, the Group repaid outstanding bank debt together with A$56.9m of US private placement notes that matured in May 2014.

Boral's gearing covenant with its financiers, measured as gross debt to gross debt plus equity less intangibles, reduced to 26%, remaining comfortably within the 60% threshold. Gearing of net debt to net debt plus equity reduced to 18% at 30 June 2014, down from 30% at 30 June 2013.

The Group continues to maintain a well spread debt maturity profile with a weighted average debt maturity of around 3.4 years compared to 3.7 years in the prior year. In addition, the Group continues to maintain $500m of committed undrawn bank debt facilities as a hedge against unforeseen macro-economic risk.

Foreign currency risk
The Group 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 where considered appropriate to manage these risks. Boral has hedged its foreign exchange exposures arising from its investment in its US operations; however, earnings from foreign operations are not hedged.

Dividend Reinvestment Plan
Boral's Dividend Reinvestment Plan (DRP) applied to the payment of the final 6 cent dividend for FY2013 and the interim dividend of 7 cents for FY2014, with a 2.5% discount applied to the price of shares issued under the DRP. During the year, DRP proceeds of $43.8m were applied to the issue of 8.7 million ordinary shares. Following payment of the interim dividend on 24 March 2014, the Group's DRP was suspended and remains suspended until further notice.

Debt and gearing

As at 30 June	2014 $ millions	2013 $ millions
Total debt	**1,101.5**	1,666.5
Total cash and deposits	**383.2**	220.5
Net debt	**718.3**	1,446.0
Total shareholder equity	**3,348.1**	3,393.5
Gearing ratios		
Net debt:equity (%)	**21**	43
Net debt:equity plus net debt (%)	**18**	30
Interest cover[1] (times)	**3.5**	2.3

1 Excludes significant items.

DIVISIONAL PERFORMANCE

Responding to risks and challenges

OUR DIVISIONS	PRODUCT	STRATEGIC DIRECTION
BORAL CONSTRUCTION MATERIALS & CEMENT $3,287m	CONCRETE QUARRIES CEMENT ASPHALT PLACING PROPERTY	Protect and strengthen leading integrated positions. Grow major project capability for long-term value.
BORAL BUILDING PRODUCTS $487m	BRICKS ROOFING MASONRY TIMBER	Harvest assets to maximise returns. Further restructuring required to deliver acceptable returns.
BORAL GYPSUM $891m[1]	PLASTERBOARD CEILINGS & ADJACENT PRODUCTS	Deliver USG Boral synergies. Long-term growth platform leveraging market growth, increasing product penetration, innovation and adjacent products.
BORAL USA $681m	CLADDING ROOFING FLYASH	Significant earnings improvement through market recovery. Portfolio refinement as cycle strengthens.

1 Boral's share of revenue in FY2014 reflecting $691m from 1 July 2013 to 28 February 2014 plus $200m being 4 months of a 50% share of revenue following formation of the USG Boral joint venture in March 2014.

GENERAL RISKS

Industry & Market Risks
- High costs of doing business
- Structural changes in demand
- Cyclical changes in demand

Competition Risks
- New market entrants
- Import competition
- Technology developments and R&D

Health, Safety & Environment Risks
- Injury and accident risks
- Environmental damage risk
- Licence to operate

Business Interruption Risks
- Plant failure
- Weather impacts
- Geopolitical impacts

Foreign Exchange Risks
- Cost of inputs
- Translation of Boral USA and Boral Gypsum earnings
- Capital equipment transactions

SPECIFIC CHALLENGES	RESPONSES
High costs of manufacturing in Australia, eg labour and energy costs impacting cement versus lower cost imports Increased competition as some markets soften, such as asphalt in Queensland Difficult pricing environment in some markets Unlawful secondary boycotts by CFMEU in Melbourne Safely managing around 1,000 Company-owned heavy vehicles and up to 2,000 contracted trucks, including concrete agitators, tippers and tankers Maintaining community support for new and ongoing operations, eg quarries, Deer Park Landfill	Ceased production of clinker at Waurn Ponds plant in Victoria and increased level of imports Mothballed high-cost Berrima Colliery with intended permanent closure Announced closure of high-cost, specialty cement kiln at Maldon Strengthening contracting and major projects capability Protecting leading resource positions including through completion of $200m capital investment at Peppertree Ongoing continuous improvement programs, cost reductions and focused price management strategies Legal action against unlawful conduct of CFMEU in Melbourne Ongoing vehicle improvements and driver training, eg Smart Track systems linked to fatigue, rollover limiting technologies and power line detection Enhanced community consultation programs
High input costs and fixed cost assets Underperforming businesses Structural decline in brick demand due to increases in alternative materials and shift to multi-dwelling construction Reduced demand in Timber (Hardwood) due to imports, and low levels of alterations and additions, and high-end detached housing activity	Restructured to reduce costs and return to profitability Proposed east coast bricks joint venture with CSR to strengthen ongoing viability of Bricks business Divested Dowell Windows Renegotiated hardwood timber supply from Forestry Corporation of NSW to better align with demand Exited Woodchip business Ceased engineered flooring production at Murwillumbah Commenced strategic review of Timber business
Need for technology platform Decline of Indonesian Rupiah with input costs in USD in Indonesia causing significant margin pressure Geopolitical disruption in Thailand New market entrants and increased competition in some markets	Formed $1.6b joint venture with USG to access leading gypsum technologies and further strengthen Boral's growth platform through US$50m pa of synergies within three years of technology roll-out Focused price strategies including in Indonesia to recover higher input costs Cost reduction program to offset higher costs including costs to support new technologies and broader product portfolio In Thailand – volumes focused outside of Bangkok to offset some volume impacts during political unrest
USA housing market recovering at a slower than expected rate Severe winter conditions November 2013 through March 2014 Less favourable mix of housing recovery with reduced proportion of single-family housing US portfolio has a very high fixed-cost base – therefore need to move to more variable cost business model	Development of new lightweight products continues – new trim and siding products launched New products introduced through existing channels – eg Versetta, stucco Focused price strategies adopted as markets recover Further restructuring and US$12m cost reduction program Increased exposure to production builders, who represent a greater proportion of early stages activity Divested Construction Materials business in Oklahoma Review of Bricks business underway as part of global Bricks review

DIVISIONAL PERFORMANCE ▸▸

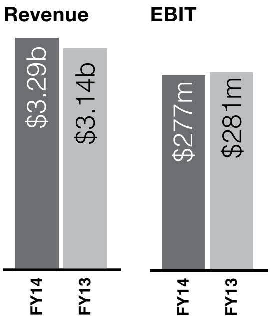
Divisional results at a glance

Boral Construction Materials & Cement

(A$)

Revenue	$3,287m	▲	5%
EBITDA[1]	$445m	▼	4%
EBIT[1]	$277m	▼	1%
Net assets	$2,171m	▼	3%
ROFE[1,2]	12.7%	▲	
Employees	5,064	▼	1%

EBIT of $277m was $4m lower than FY2013 as a $20m lower contribution from Property sales was largely offset by the benefits of prior year restructuring initiatives, ongoing major project activity and favourable weather conditions.



Boral Gypsum

Boral's full year reported result (A$)

Revenue[3]	$691m	▼	25%
EBITDA[1,3]	$96m	▼	23%
EBIT[1,3,4,5]	$77m	▼	7%

Underlying business result (A$)

Revenue	$1,091m	▲	19%
EBITDA[5]	$148m	▲	18%
EBIT[5]	$102m	▲	23%
Net assets	$1,666m	▲	8%
ROFE[1,2]	6.1%	▲	
Employees	3,222		–

The Gypsum division was a 100%-owned business until 28 February 2014, after which the 50%-owned USG Boral JV was formed. Reported EBIT of $77m compares with $83m in FY2013, reflecting the impact of a four-month equity accounted 50%-owned JV contribution, partially offset by strong underlying business performance. Underlying revenue up 19% and EBIT up 23% reflects growth in Australia and Asia.

1 Excludes significant items.

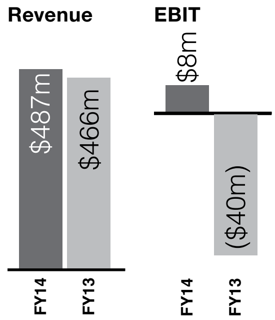
2 ROFE is EBIT return on year end divisional funds employed.

Boral Building Products

(A$)

Revenue	$487m	▲	5%
EBITDA[1]	$29m	▲	
EBIT[1]	$8m	▲	
Net assets	$409m	▼	3%
ROFE[1,2]	2.0%	▲	
Employees	1,257	▼	31%

A significant $48m turnaround to deliver an EBIT of $8m was underpinned by benefits from restructuring initiatives and better market conditions.

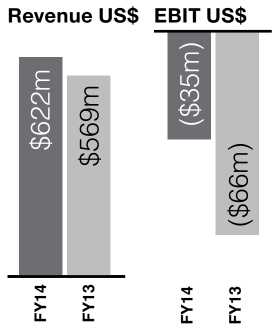


Boral USA

(A$)

Revenue	$681m	▲	23%
EBITDA[1]	$3m	▲	
EBIT[1]	$(39)m	▲	40%
Net assets	$664m	▼	6%
ROFE[1,2]	(5.8)%	▲	
Employees	2,320	▲	4%

In US dollars, EBIT losses were almost halved to US$35m (A$39m) on a 9% US dollar revenue lift, reflecting the continued housing market recovery, albeit slower than market expectations.



3 FY2014 consolidated results for period Jul-13 to Feb-14 compared to full year FY2013.

4 Includes $10m of equity income from Mar-14 following formation of USG Boral JV.

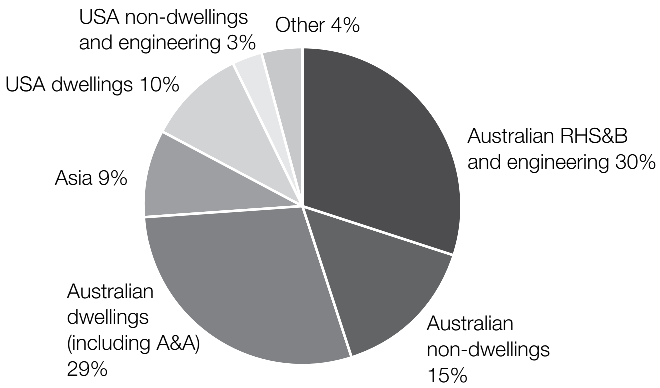
5 Excludes restructuring costs included in significant items.

DIVISIONAL PERFORMANCE ▸▸

Market conditions and competition

During FY2014, higher market activity across most **Australian** residential and non-residential markets was offset by a decline in roads, highways and engineering work. In **Asia** strengthening economic conditions benefited most markets, while in the **USA**, single-family housing construction experienced only modest improvement compared to the prior year.

Boral external revenue by market



Australia

Roads, highways, subdivisions and bridges (RHS&B) **and engineering** activity, which accounts for **~30%** of Boral's revenue, has continued to decline from its FY2012 peak. In FY2014, RHS&B is estimated to be down by 10%[1] on the prior year.

Non-residential activity underpins **~15%** of Boral's revenue and is estimated to have strengthened by 5%[2] in FY2014, with NSW in particular driving growth.

Housing activity in Australia drives **~29%** of Boral's total revenues with **~14%** from detached housing, **~7%** from multi-dwellings and the remaining **~8%** from alterations and additions (A&A).

Detached housing starts increased by an estimated 10% in FY2014 on the prior year, with **multi-residential** starts up 13%[3]. Total housing starts were up 11%[3] in FY2014 to 180,300 starts[3].

The proportion of detached housing starts relative to total starts remained historically low at an estimated 57% compared to the prior 20 year average of 67%.

Australian A&A activity remained low, but increased by 3%[2] on the prior year, with all markets stronger except Western Australia.

Asia

In **Korea** and **Indonesia**, improved economic conditions resulted in strong growth in underlying market demand for gypsum products.

In **Thailand**, strong underlying demand and market competition were evident despite political unrest which had an adverse impact on the construction market, particularly in Bangkok.

In **China**, Boral supplies the premium end of the construction market, which remains subdued. However, Boral's operations continued to achieve strong volume growth in the north east through the Shandong plant.

USA

Total **US housing starts** increased by 9% to **953,000**[4] during FY2014, with single-family starts up 5%. The proportion of single-family starts relative to total US starts at 65% compares to the long-term average of 71%. Housing starts increased despite a severe winter during the third quarter of FY2014, which limited the level of construction activity.

In both Boral's **US Brick States**[5] and **US Tile States**[5], single-family housing starts increased by 7% on the prior year.

Several **other external factors** impacted Boral's performance in FY2014, including:

- favourable weather conditions in Australia, particularly on the east coast;
- unlawful secondary boycotts by the CFMEU in Victoria affecting materials supply in Melbourne; this has cost Boral approximately \$8–\$10m in EBIT including legal fees since February 2013, with an estimated \$6–\$7m EBIT impact in FY2014;
- currency devaluation and elections in Indonesia and political unrest in Thailand; and
- increased competition in Asphalt in Australia and in the Gypsum business in Thailand as a result of recent market entrants.

Competition

Boral generally competes against two or three large competitors and a number of smaller, independent players in most of its building products and construction materials markets. In general, Boral's large competitors in Australia, the USA and Asia have global leadership positions, which help drive efficiency and best practice. A few businesses experience additional competition as a result of imports, including Boral's Timber business in Australia and the Gypsum business in Asia. In some cases, such as concrete and asphalt in Australia, barriers to entry are lower and new entrants are attracted to enter markets when demand is strong. Specific challenges relating to competition are highlighted on page 11.

1 Based on the average forecasts of Macromonitor and BIS.
2 ABS value of work done 2011/12 constant prices; BIS forecast used for Jun-14 quarter.
3 ABS original housing starts; Jun-14 quarter onwards based on HIA forecast.
4 US Census seasonally adjusted housing starts.
5 McGraw Hill/Dodge data – Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas.
Tile States: Arizona, California, Florida, Nevada.

DIVISIONAL PERFORMANCE ▸▸

Boral Construction Materials & Cement

Performance

Revenue
Construction Materials & Cement (CM&C) revenue **increased by 5% to $3.3b,** with revenue growth in Concrete, Quarries and Cement partially offset by lower Asphalt revenue.

Concrete, Quarries and Cement revenue growth was supported by a steady flow of major project activity, improved residential and non-residential markets in New South Wales metro and Western Australia, and favourable weather. There was continued weakness in regional Queensland and New South Wales driven by a reduction in roads and resource-related project activity. The Victorian market remained flat.

EBIT
EBIT[1] was **down 1% to $277m**, with improvements in Quarries and Cement more than offset by lower earnings from Asphalt, Concrete Placing and Property, as well as softer results from Concrete.

The result includes $10m of equity accounted income relating to a reassessment of rehabilitation obligations of Boral's associated company Penrith Lakes Development Corporation (PLDC) following finalisation of PLDC's water management plans and the scope of rehabilitation required.

Concrete and Quarries
Revenue increased by 10% and 4% respectively, largely driven by volume growth of 7% for Concrete and 4% for Quarries. Realised like-for-like selling prices nationally were broadly flat for concrete and quarry products, reflecting competitive pressures, particularly in Queensland and Victoria. However, overall pricing was up marginally in Concrete, reflecting a favourable geographic and product mix including stronger pricing in New South Wales.

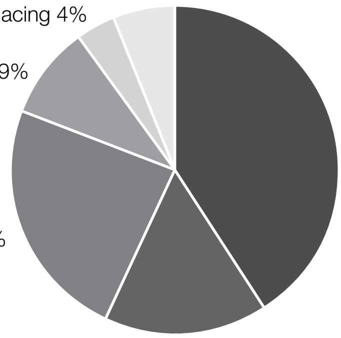
Concrete benefited from volumes into the Curtis Island LNG, Cape Lambert and Wheatstone projects, although Cape Lambert was completed in 2H FY2014 and Curtis Island nears completion.

Asphalt
Revenue declined by 5% as activity in RHS&B weakened particularly in Queensland as flood recovery and infrastructure work significantly reduced and in Victoria following completion of the Melbourne Peninsula Link.

Asphalt margins were adversely impacted by lower volumes and increased competitive pressures, particularly in Queensland and Victoria.

Cement
Revenue increased by 5% to $307m, benefiting from a 3% uplift in cement volumes and significantly higher clinker industry volumes, with cement prices steady. Lime and limestone volumes declined by 10% as demand from the metal manufacturing sector weakened.

External revenue



Cement **EBIT increased by $32m to $105m,** largely driven by $28m in cost savings from strategic business improvement initiatives. This includes benefits from:

- the exit of clinker production at Waurn Ponds and associated depreciation savings following asset impairments at 30 June 2013;
- ceasing coal mining at the Berrima Colliery; and
- other cost savings, continuous improvement initiatives and prior year restructuring activities.

Concrete Placing
Revenue from De Martin & Gasparini was down 8% on lower volumes; margins were depressed further due to lower operating efficiencies and less favourable contract outcomes.

Property
Contributed $8m of EBIT, down from $28m, with less profitable properties sold in FY2014 compared to FY2013, including the western Sydney Quarrywest site.

Outlook

CM&C should continue to deliver a strong result in FY2015, with cost reductions and restructuring programs, together with strength in residential activity, particularly in New South Wales, benefiting the result. These improvements are expected to offset subdued levels of infrastructure and RHS&B activity, as well as lower margins in Cement as a result of current wholesale supply arrangements. While performance should improve, expectations could be dampened if the inability to realise price increases continues.

1 Excluding significant items.

DIVISIONAL PERFORMANCE ▸▸

Boral Building Products

Performance

Revenue
With improved conditions in most markets, including increased housing construction activity in New South Wales, Queensland and Western Australia, Building Products' revenue grew by 5% to **$487m**.

Revenue from Bricks & Roofing increased by 11% on the prior year. Despite strong growth in the Softwood business, Timber revenue declined by $11m due to the exit from a number of peripheral businesses announced in June 2013, including woodchip export, which contributed $15m to the year-on-year decline.

EBIT
Building Products delivered a **$48m EBIT turnaround to a profit of $8m**, with both Bricks & Roofing and Timber reporting positive earnings. The result reflects:

- higher sales volumes and improved pricing outcomes across all products;
- improved operational performance and production volume leverage;
- a $10m EBIT benefit from prior year headcount reductions and restructuring; and
- a net $9m decline in depreciation following asset impairments made at 30 June 2013.

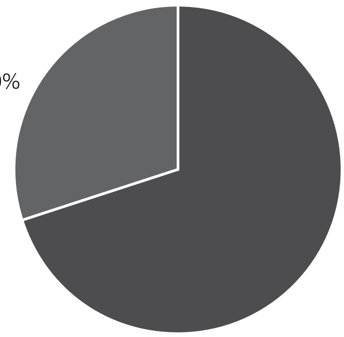
Bricks
Volumes were up 9%, with strong growth in New South Wales, Queensland and Western Australia. Nationally, average selling prices increased by 2% on the prior year, with improved pricing outcomes on the east coast plus a modest rise in the west for the first time in a number of years.

Brick inventory levels decreased by 18% on the prior year and in Western Australia are at historically low levels. Operating capacity in Western Australia was increased by ~30% with the successful restart of Kiln 8 in late April 2014 to meet the growth in market demand. Lower inventory levels will be maintained during better market conditions through the mature implementation of LEAN manufacturing.

In April 2014, Boral and CSR Limited announced a proposal to form a joint venture of their Australian east coast brick operations. The proposed transaction remains under review by the ACCC.

Roofing
Modest price and volume growth was achieved over the prior year in all states despite the continued pressure from product substitution and muted levels of A&A activity.

External revenue



Timber
Excluding the exited woodchip export business, Timber **revenues were up 3%**.

Softwood volumes were up 18%, with a 5% rise in average selling prices, benefiting from stronger markets and global softwood supply constraints.

Underlying **Hardwood** volumes remained flat year-on-year, with only structural products achieving a price rise. The hardwood market remains challenging due to increased imports, domestic competitive pressures and subdued demand in the high-end alterations segment. Processing of aged work in progress (WIP), better supply arrangements and discounting of excess old stock has reduced inventory volumes by 20%.

In June 2014, Boral announced a new supply contract with Forestry Corporation of NSW, accepting $8.55m for a 50,000 m^3 reduction in annual timber allocations for the next nine years to support a more sustainable long-term outcome for the Hardwood timber business and the industry.

Outlook

Building Products is expected to deliver further gains, with its FY2014 EBIT of $8m expected to approximately double in FY2015. The division will be impacted by three plant maintenance shut downs in FY2015.

A strategic review of Boral's Timber business will be undertaken in FY2015.

Boral Gypsum

Performance

The **USG Boral joint venture** began on 1 March 2014, combining Boral's gypsum manufacturing and distribution footprint in Asia and Australia with USG's building products technologies and strategic assets in Asia, New Zealand and the Middle East.

Boral Gypsum's **reported EBIT of $77m** for FY2014 reflects 8 months of 100% consolidated earnings from the Gypsum business plus 4 months of 50%-owned equity accounted USG Boral JV earnings.

The following commentary relates to the performance of the underlying business for the full 12 months of FY2014, including a small impact from USG contributed assets from March 2014.

Revenue
Gypsum revenue was **up 19%** on the prior year **to $1.1b**, driven by 11% board volume growth, increased non-board revenue, price rises in Australia, Korea and Indonesia, and favourable currency translation impacts.

EBIT
Gypsum earnings **increased 23% to $102m** with strong performances in Australia and Korea.

Australia/NZ
Revenue increased 11% to $371m with significantly improved EBIT. Board volumes were up 7% and prices up 3-4% reflecting an improved housing market, particularly in NSW, Queensland and Western Australia. Earnings also benefited from lower costs in raw materials, manufacturing and distribution, and the full impact of prior year headcount reductions.

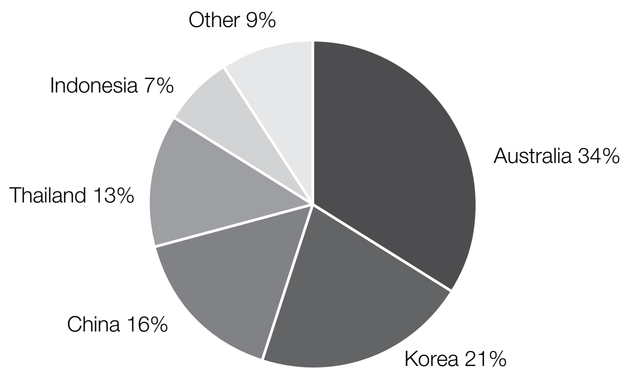
Asia
Revenue increased 23% to $720m reflecting market growth, increased product penetration, price gains and the impact of favourable currency translations.

Korea reported strong revenue and margin growth underpinned by strengthening economic conditions, solid price gains and recovered market share, including some short-term share gains due to competitor production constraints, contributing to a 17% increase in board volumes.

The market continued to grow in **Thailand** despite the political instability. Board volumes were up 5% and prices remained stable in a highly competitive environment.

Indonesia reported a strong increase in revenue driven by a growing market, with board volumes up 17% and solid pricing gains.

External Revenue



However, margins were adversely impacted by a significant depreciation in the local currency which impacted raw material and energy costs priced in US$.

China returned to profitability in FY2014 with board volumes up 9% and favourable manufacturing costs, partly offset by lower average board prices due to geographic mix shifts in sales and ongoing competitive pressures.

Integration of Boral and USG operations is now complete with early benefits from USG adjacent products being realised. The **technology roll-out is on track** with the two-year capital expenditure to remain within US$50m. NextGen plasterboard will be available in key markets, including Australia and Korea, by the end of CY2014. Synergies of US$50m are expected within three years of the full technology roll-out.

Restructuring costs of $10m were incurred in FY2014 following a reorganisation of the business to strengthen its low cost position and ensure a focused organisation that is well-placed to deliver long-term performance. These costs are reported as part of Boral's significant items.

Outlook

Boral Gypsum will contribute lower earnings to Boral in FY2015, reflecting the move to a full 12-month period of 50% equity accounted post-tax contribution from USG Boral. The business will deliver improvements in underlying performance reflecting increased demand in Australia and Asia and the benefits from current restructuring programs. This improvement will be partly offset by integration costs associated with the introduction of an expanded product portfolio and roll-out of new technologies. NextGen products will be introduced to key markets in Q4 of CY2014 and following the roll-out of technologies, synergies are expected to start to ramp up from the second half of FY2015.

DIVISIONAL PERFORMANCE ▸▸

Boral USA

Performance

Revenue
Boral USA revenue of **US$622m was up 9%** on the prior year, with growth across all businesses partly offset by the loss of revenue from the Oklahoma concrete and sand operations sold in June 2013. Australian dollar revenue increased by 23% to A$681m.

Underlying revenue benefited from an increase in US housing construction activity; however, multi-family activity outpaced single family construction, which remained biased towards low-cost national production home builders rather than custom builders. Brick and stone intensity levels remained flat as a result.

EBIT
Losses reduced by US$31m to US$35m[1]. The improved result was underpinned by:

- a US$15m EBIT benefit from strong volume gains across all Boral USA businesses;
- solid price gains for Concrete Roofing, Fly Ash and Concrete;
- improved Brick production volume leverage and ongoing cost reductions; and
- the divestment of the Oklahoma concrete and sand operations.

The division reported a **positive EBITDA of US$3m**, which was the first positive EBITDA result in six years.

Cladding
Revenue from the Cladding business, which includes Bricks, Cultured Stone and Trim, **grew 17% to US$323m.**

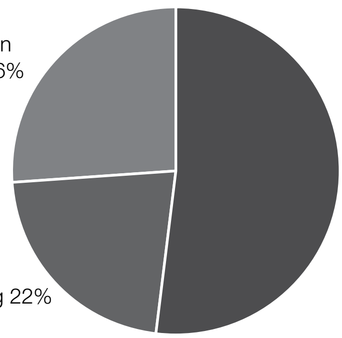
Bricks revenue of US$218m was up 18%, driven by a 15% lift in volumes, a 21% increase in distribution revenue and a 2% rise in average selling prices arising from strategic pricing initiatives in specific geographic markets.

Cultured Stone volumes increased 8%, with a modest price rise achieved; however, the result was offset by an adverse geographic shift in demand, impacting sales and operational costs.

Plant utilisation for Bricks increased from 41% to 50%, with the Gleason plant in Tennessee re-commissioned in August 2013. Cultured Stone plant utilisation was steady at 27%.

In the developing **Trim** business, revenue and volumes doubled from a low base due to a significant increase in dealer locations, while average selling prices increased, largely reflecting a better product mix, and production costs decreased.

External revenue



The business also launched a new, high-value, niche exterior siding product. The Trim business is expected to reach profitability in FY2015.

Roofing
Revenues of US$139m grew by 14%, with volumes up 10% and solid price gains. Plant network rationalisation continued in FY2014 with the closure of the Pompano concrete tile plant (with products transferred to Lake Wales) and the Ione clay tile plant.

Fly Ash and Construction Materials
Combined revenue of US$160m was down 6% due to the sale of the Oklahoma construction materials operations in June 2013. The Fly Ash business continues to be profitable, and the remaining Construction Materials business in Denver returned to profitability in FY2014, underpinned by increases in volumes and pricing.

Outlook

Boral USA should report significantly improved results in FY2015. Assuming US housing starts of around 1.1–1.2 million starts for the year, which is broadly in line with market forecasts, the division is expected to eliminate losses and deliver a broadly break-even result in FY2015.

1 Excluding significant items

Sustainability overview

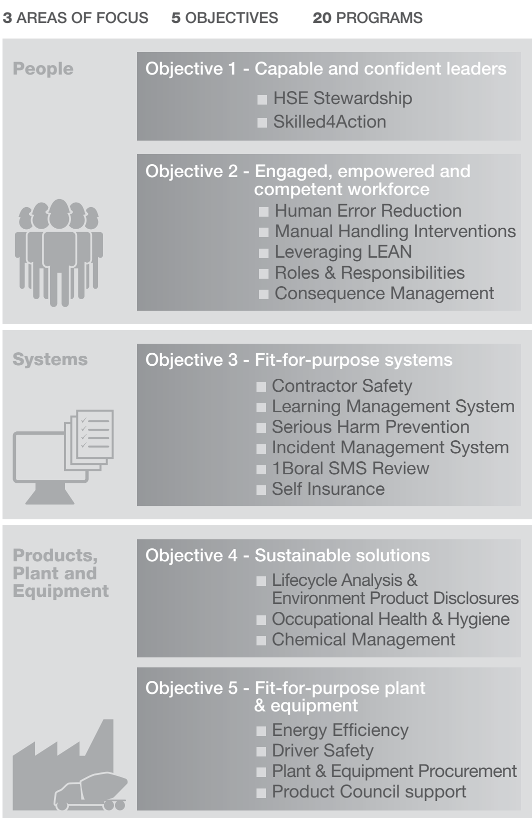
Our goal is "zero harm" to our people and the environment.

Our belief in this goal drives our approach to Health, Safety and Environment (HSE) management and also helps to shape the way we manage our people and our communities.

Our performance is trending positively, and our strategy and plans, including Boral's new Group Strategy for HSE, are based on further improving our performance towards that goal.

Boral's Group Strategy for HSE incorporates 20 improvement programs within five focus areas across the three familiar themes of people, systems and processes. The five focus areas are:

1. Capable and confident leaders
2. Engaged, empowered and competent workforce
3. Fit-for-purpose systems
4. Sustainable solutions
5. Fit-for-purpose plant and equipment



Our people

At a glance	FY2014	FY2013	FY2012
Boral employees, *FTE*	8,953	12,610	14,740
JV employees	3,498	574	586
Boral contractors, *FTE*	~4,000	~6,600	~6,300
Average length of service			
Australia	9.1 years	9.1 years	8.1 years
USA	7.5 years	7.7 years	7.5 years
Women in Boral	14%	15%	14%
Women in management	11%	11%	9%
Women on the Board	25%	25%	25%

Throughout Boral, managers and employees are empowered to take action and work together to support the delivery of Boral's Fix, Execute and Transform strategy.

Across our global operations, Boral employed 8,953 full-time equivalent (FTE) employees and approximately 4,000 contractors as at 30 June 2014. The change in employee numbers relative to FY2013 primarily reflects portfolio restructuring, including 544 employees transferred from Boral following the divestment of the Windows business in November 2013, as well as employees in the Gypsum business transferring out of Boral following the formation of the USG Boral joint venture in March 2014. The 40% reduction in contractors is also a result of divestments and the change of ownership of the businesses in the Gypsum division.

The average length of service of a Boral employee in Australia is approximately 9.1 years, with the average service in the USA being 7.5 years. The average length of service of employees in Australia and the USA remains consistent with previous years.

Employee turnover in Australia and USA declined in FY2014 from 25% to 15% in Australia (this excludes divestments and the USG Boral joint venture), and from 26% to 18% in the USA. The decrease in turnover reflects a return to more "normal" levels following extensive organisational and portfolio restructuring, which resulted in a spike in turnover in Australia and the USA in FY2013.

Diversity
Diversity remains a key area of focus for Boral. In FY2014 management, assisted by the Boral Diversity Council, was responsible for implementing initiatives with a specific focus on recruitment, leadership development, diversity reporting and pay equity. Women represent 11% of people working in management roles, with the following key leadership roles currently held by women: Chief Financial Officer, Group Communications and Investor Relations Director, Group Human Resources Manager and National Commercial and Development Manager.

Indigenous relations continues to be a key element of Boral's diversity strategy, with a reinvigorated Indigenous Employment Program to be implemented in the second half of FY2015. The Group continues to be proud of its high level of retention of Indigenous employees, retaining more than 90% of the 42 employed in the Australian operations under the FY2011 strategy.

For more information on Diversity refer to page 30.

Training and development
Boral's people strategy is focused on delivering engaged employees who have the right skills and capabilities to develop their careers and perform their roles effectively. A range of methods are used to develop our people, from on-the-job training, focused on skill and capability building, through to leadership development.

In FY2014, the Skilled4Action program was developed to facilitate learning and capability building for employees and managers in the areas of safety, people engagement, the Boral Production System (BPS), sales and innovation. Skilled4Action, along with other regional initiatives, will ensure that employees have the skill sets necessary to deliver continuous improvement. Learning@Boral and MyLearning Space were implemented to provide online learning and capability building, giving employees an opportunity to manage their own learning, while delivering online educational modules in an easy to use, cost-effective format.

The Personal Development Process and mid-year employee review continue to be an important process for managing the development of employees. The process identifies and communicates performance expectations and maps out plans to help employees achieve their highest potential. As this process evolves, employees are increasingly being expected to take responsibility for their own career trajectory, and to acquire the information and feedback necessary to put them in a position to excel and achieve their aspirations. They will be supported to achieve this with new online tools and programs.

Work health and safety

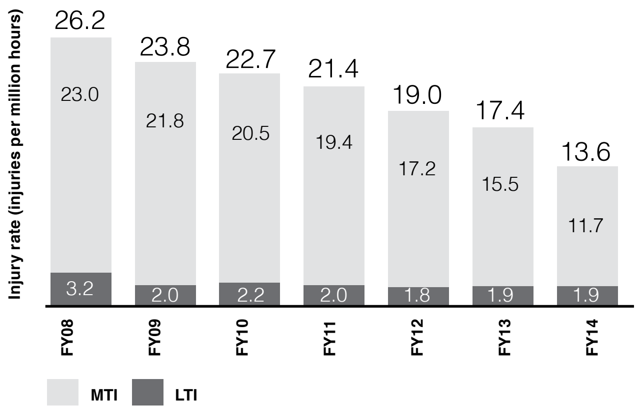
Performance
Most safety performance measures are trending positively, and there have been some very good safety outcomes in Boral businesses.

Despite this, there was no real improvement in Boral's safety performance in FY2014 as measured by lost time injuries (LTIs) and, most regrettably, a contractor was fatally injured in a single vehicle accident in country Victoria in December 2013. The driver, who was employed by a contractor to Boral's Construction Materials & Cement division, was tragically killed when the concrete agitator truck he was driving left the road. Sadly, this accident reminds us of the inherent risks faced by all drivers on our roads, and the critical focus that needs to remain on our transport operations.

While Boral's USA division had two LTIs to report for FY2014 and ended the year with a global best-practice Lost Time Injury Frequency Rate (LTIFR) of 0.3, Boral reported 79 LTIs and an overall LTIFR of 1.9, which has remained relatively flat for the past five years, staying within the range of 1.8–2.2.

In the recent past, we have twice been able to halve the rate of LTIs through step change improvements and, while we have not replicated that in the past five years, we have seen clear and continuing reductions in the number of medical treatment injuries (MTI). This has driven a 22% improvement in the Recordable Injury Frequency Rate (RIFR) to 13.6 in FY2014, and a 29% improvement on the average of the previous three years, as shown in the graph below.

Employee and contractor injury rates[1]



Boral regards the "recordable injury" measure as a better indicator of safety than "lost time injuries", as the distinction between a "medical treatment" and "lost time" injury is not always a reliable or helpful indicator of injury severity, and hence the pain and suffering to the injured person, or business impact.

1 FY2013 LTIFR and RIFR have been restated following data corrections from 1.8 and 16.8, respectively.

Pleasingly, all Boral divisions showed year-on-year improvement against the recordable injury measure – see table below.

Recordable Injury Frequency Rate (RIFR)	FY2014	FY2013	Improvement
Boral Construction Materials & Cement	21.5	26.7	19%
Boral USA	5.7	8.0	29%
Boral Building Products	18.8	26.0	28%
Boral Gypsum[1]	4.1	4.7	13%
Boral Corporate & Shared Business Services	0	3.4	100%
Boral total[2]	**13.6**	**17.4**	**22%**

The "Percentage Hours Lost" – one measure of injury severity – across the Group was 0.04 in FY2014, which was a 33% improvement on the prior year and demonstrates continued improvement over the average of the prior three years. This indicates that when LTIs occur, they are either less serious and/or our return to work programs are more effective in helping our people recover.

Boral is also tracking near miss events, which are those incidents which could, in slightly different circumstances, result in injury. The rate of reporting increased again in FY2014, which we regard as a positive trend reflecting greater maturity in our safety journey.

While our long-term goal remains zero, and we are unwavering in our belief that all injuries are preventable, the 20 programs of Boral's Group Strategy for HSE have been chosen to eliminate "serious harm events" (events that have or could result in fatalities, or life threatening and life changing injuries) and continue to reduce the less serious injuries that dominate our safety statistics (eg sprains and strains, trips on same level and minor cuts).

Injury type – Australia

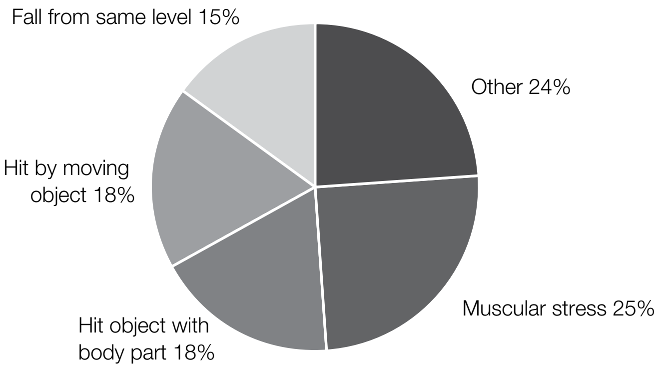
Injury analysis assists in the development of corrective action plans, training and process redesign.

Of all injuries reported in FY2014, 23% required no treatment, 42% required first aid only, 28% required medical treatment without lost time, and 4% of medical treatment injuries resulted in lost time.

1 Includes data from the 100%-owned Boral Gypsum business through to 28 February 2014 and then data from the USG -Boral joint venture from 1 March 2014.

2 For 100% owned Boral business only.

Mechanism of injury – describing the action, exposure or event that led to an injury



In FY2014, 76% of injuries resulted from four main mechanisms (see chart above). Much of the reduction in injuries is due to the success of programs to reduce the relatively large number of muscular stress injuries arising from manual handling related activities – reduced from 36% in FY2013 to 25% in FY2014. The relative contribution of other mechanisms was largely unchanged, except for an increase in injuries of the "hit by a moving object" type – which increased from 8% to 18% – primarily among our contractors rather than employees. It is encouraging to see that targeted improvement programs have been successful, giving us further confidence to develop and implement additional injury reduction measures.

Occupational Health & Hygiene

In addition to our employee health and wellbeing programs, Boral has invested in building additional capacity and capability in the area of occupational health and hygiene. This investment has enabled us to continue to improve our understanding and control of those workplace hazards that could affect the health of our people if not adequately controlled. Areas of focus include dust, noise and chemical exposures.

Leadership and engagement

Creating a world-class safety culture with high levels of engagement across the entire workforce remains key to Boral's success.

We are investing in building further leadership competence, both among senior levels as well as among operational management, with a focus on practical HSE leadership skills, such as conducting pre-start meetings, risk assessments and coaching.

We are also continuing with the Executive Safety Intervention program that has proven beneficial over recent years, with many sites now receiving follow-up visits from the relevant executive to assess progress.

A variety of programs to reduce human error, target injury prevention, and clarify roles, responsibilities and consequence management are underway. This includes leveraging our investment in LEAN through the Boral Production System, as those tools are equally applicable and beneficial to HSE management.

Environment

At a glance	FY2014	FY2013	FY2012	FY2011
GHG emissions (million T CO_2e)				
Australia	2.5	2.7	2.9	3.0
USA	0.2	0.2	0.2	0.2
Asia	0.5	0.5	0.4	0.4
Total	3.2	3.4	3.5	3.6
Infringements				
Number	15	7	7	5
Fines	$38,849	$31,960	$10,750	$12,473
Undertakings	$100,000			

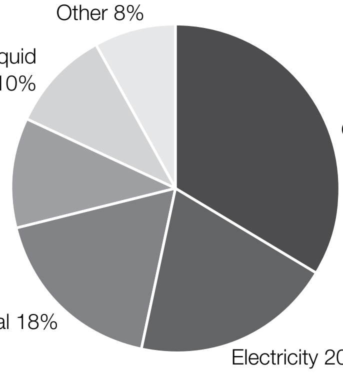
Boral's Environmental Policy
As an international resources-based manufacturing company, we acknowledge that our shareholders, employees and the community at large expect responsible environmental practice by Boral's businesses. We continually work to identify and minimise environmental risk at all our operations and, wherever practicable, eliminate adverse environmental impacts.

Specifically, Boral is committed to:

- complying with environmental legislation, regulations, standards and codes of practice relevant to the particular business as the absolute minimum requirement in each of the communities in which we operate;
- reducing greenhouse gas emissions from our processes, operations and facilities, including appropriate use of alternative fuels and/or carbon offsets;
- eliminating waste in all its forms, by application of LEAN manufacturing principles, leading to:
  - o efficient use of energy;
  - o conservation of water;
  - o minimisation and recycling of waste production materials and energy;
  - o prevention of pollution; and
  - o effective use of virgin and recovered resources and supplemental materials;
- open, constructive engagement with communities surrounding our operations;
- protecting biodiversity values at and around our facilities.

Through communication and training, our employees will be encouraged and assisted to enhance Boral's environmental performance.

Boral's Australian GHG emissions



Greenhouse gas emissions and energy use
In FY2014, greenhouse gas (GHG) emissions from Boral's fully owned businesses in Australia, the USA and Asia[1] totalled 3.2 million tonnes of carbon dioxide equivalent (CO_2e), which was 6% lower than in FY2013. Emissions from Australian operations were down 8%, the US operations up 7%, and Asian operations up 3% on the prior year.

Boral's overall energy use in FY2014 was 27 petajoules from fully owned businesses, down 4% on FY2013 on a like-for-like basis. Australian operations energy consumption was down 9%, the US operations up 9%, and Asian operations up 2% on the prior year.

In Australia, the changes in GHG emissions and energy consumption generally reflect lower production of building products, but were dominated by the impact of the closure of the Waurn Ponds clinker kiln in April 2013. In the USA, there were changes in the mix of fuel sources, and in Asia, an increase in production drove the increase in emissions and energy use.

Australian carbon pricing scheme
Boral's final carbon emissions liability for FY2013 was 1.85 million tonnes CO_2e, with 1.4 million tonnes of that liability met by an interim surrender of carbon units in June 2013, and the remaining liability met in January 2014.

The carbon pricing scheme was repealed on 17 July 2014, but all obligations from FY2014 will still apply, meaning Boral is required to meet its final FY2014 carbon liability in January 2015.

Boral submitted its Interim Emissions Number report for FY2014 in May 2014, and subsequently surrendered 1 million tonnes of carbon units. These units were a mixture of units issued to Boral as Jobs and Competitiveness Program assistance in late 2013 (as Boral is an emission intensive trade exposed clinker and lime manufacturer), and carbon credits generated at the Boral Landfill.

1 Includes 100% of emissions and energy from the former Boral Gypsum Asia operations (now operating under the USG Boral JV) for the full year.

Infringements
During FY2014, Boral incurred 15 penalties related to environmental contraventions in Australia and Asia, resulting in \$36,321 in fines, and one late fine for \$2,200 for an incident in March 2013. There were no penalty infringements in the USA. While there were off-site discharges to water bodies of sediment laden waters at Narangba and Mooloolah Quarries in Queensland, no other infringements involved material off-site impacts. The number of penalties does, in part, reflect an increased tendency amongst regulators towards enforcement actions, and we are implementing enhanced programs to improve both on the ground compliance as well as interactions with those regulators.

However, one fine in Western Australia, for \$12,000 and \$328 costs, was the result of a prosecution with conviction following a guilty plea, for having allowed unauthorised clearing of some 7ha of native vegetation sometime in 2008 (but self-reported in 2011) within a quarry operation at Toodyay, 60 km NE of Perth. In resolving the enforcement action, Boral also committed \$100,000 to supporting a local conservation project at the nearby Yalanbee Nature Reserve.

Boral Timber
Supporting the NSW Government's plan to improve the long-term sustainability of timber supply from valuable north coast forests, Boral has agreed to accept a 50,000 m^3 per annum reduction in its timber allocation for the next nine years. This will support a more sustainable long-term outcome for Boral's Hardwood timber business and the timber industry more broadly.

Boral has received \$8.55m from the NSW Government to help offset the lower volumes that Boral Timber will receive, and in line with the reduction in timber allocation, this payment will be recognised over the remaining contract term.

Boral Timber is the largest customer of Forestry Corporation of NSW, with a substantial proportion of volumes supplied to Boral being valuable blackbutt timber. It is therefore critically important for Boral to work closely with the government to ensure sustainable harvesting of the north coast forests now and for the future.

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

Community partnerships

Boral provides financial support to a range of community groups and organisations that share our values and where there is relevance to our people, places and products. We choose to partner with community organisations that are well run and reputable, and we focus on building meaningful long-term relationships with them that deliver value to Boral and to our partners.

In FY2014, Boral contributed a total of \$551,390 to its corporate community partnerships. In addition, Boral employees throughout Australia conducted further fundraising activities for Redkite raising \$74,000.

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

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

Bangarra Dance Theatre
We value our 11-year partnership with Bangarra, Australia's leading Indigenous contemporary dance company which celebrated its 25th anniversary this year. We continued as the Sydney season sponsor and Boral employees, customers and suppliers in Sydney and around Australia attended Bangarra performances. Bangarra hosts an annual family day for Boral employees at its Sydney Wharf studio and we are delighted to contribute towards the salary of a trainee dancer for Bangarra as part of our sponsorship funding.

Conservation Volunteers Australia (CVA)
Working together since 1988, this is Boral's longest-standing community partnership currently focused on developing biodiversity classrooms in schools across Australia. Each year up to 45 practical conservation projects are conducted on or near the school grounds of selected schools. This year, projects were concentrated in NSW, Queensland and Western Australia and the majority of the schools assisted were neighbours of Boral operations. Boral employees joined with CVA volunteers on many of the projects – planting trees, vegetable gardens, establishing drainage, laying pavers and carrying out other much needed work.

Habitat for Humanity
Boral formed a new partnership this year with Habitat for Humanity, where we will help build community resilience in communities in Asia where Boral operates. Boral will be known as Habitat's Building Community Resilience program partner. In addition to supporting communities, the partnership will build a program of employee engagement and develop a relationship so that Habitat for Humanity becomes Boral's charity of choice to direct emergency crisis support throughout Australia, Asia and the USA. During the year, Boral provided $25,000 to assist in rebuilding efforts in the Philippines after Typhoon Haiyan.

HomeAid
Boral has partnered with US charity, HomeAid, since 2006. This year, Boral made a cash donation and also contributed roofing product to the HomeAid Orange County's Pathways of Hope project, a facility for homeless families. Boral employees also supported HomeAid Atlanta's annual Essentials for Young Lives campaign by donating essential items for homeless babies and children in the Greater Atlanta area. This was in addition to their annual donations of clothing and gifts during the winter holiday season to families being housed by local service providers, who have benefited from HomeAid's Shelter Development program.

Glenn & Ken Moss Post Graduate Scholarships in Engineering Research
Boral completed its two year contribution to the Glenn & Ken Moss Post Graduate Scholarships in Engineering Research at the University of Newcastle in memory of Dr Ken Moss AM, Boral's past Chairman.

Outward Bound
This is the third year that Boral has made a financial contribution to the Australian Outward Bound Development Fund to assist youth in need. This year's program was held in June 2014, and students from the Southern Tablelands region attended a seven day program in the Australian Capital Territory. Boral's Assistant Quarry Manager at Peppertree Quarry accompanied the group and was able to engage and connect with local schools and the young people in the community around Peppertree.

Redkite
Boral is a Supporting Partner of Redkite's Financial Assistance Program, the most accessed area of support that the organisation provides. Through this program, families dealing with a child with cancer can meet day-to-day needs such as buying groceries, paying utility bills and ensuring that there is fuel in the car to take a child to treatment. Boral's support has assisted more than 117 families across Australia this year. In addition to the corporate donation, Boral employees throughout Australia have been involved in a range of fundraising activities for Redkite, including Boral's West Australia team raising $60,000 in FY2014 through a golf day and charity ride involving employees and customers.

Taronga Conservation Society
This very successful partnership has been in place since 2003. Boral has been involved in many aspects of Taronga Zoo's operations, including the supply of product and technical advice, and is currently the naming rights sponsor of the Youth at the Zoo (YATZ) program. Employees can access Zoo passes to visit Taronga and Western Plains Zoos, attend Boral's Family Day event and participate in the annual Boral YATZ Eco Fair. Boral has successfully used the Zoo's Twilight at Taronga Concert program for many years to provide corporate hospitality.

Touched by Olivia Foundation
Boral assists the Touched by Olivia Foundation to create vibrant playgrounds that cater for children of varying abilities and ages. These assist children with special needs and their families to integrate more fully into the community. For example, in FY2014, Boral supported the creation of Alice's Playspace at St Alban's in Victoria with cash and product donations. The playground was voted the best in Victoria in its category and is an entrant in the national Parks & Leisure Australia awards. Boral also assisted the Touched by Olivia Foundation to fit out its new offices with stationery and furniture donations.

Executive Committee

Mike Kane
Chief Executive Officer & Managing Director

Joe Goss
Divisional Managing Director, Boral Construction Materials & Cement

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

Darren Schulz
Executive General Manager, Boral Building Products

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

Al Borm
President and CEO, Boral Industries Inc

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

Frederic de Rougemont
CEO, USG Boral

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

Rosaline Ng
Chief Financial Officer

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

Damien Sullivan
Group General Counsel

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

Robert Gates
Senior Vice President, Operations

Joined in 2010 and previously held roles of Boral's Chief Information Officer and Vice President LEAN Manufacturing in Boral USA. With a background in operations in management consulting and in the military, Robert has a Civil Engineering degree and a Masters of Science in Business Administration.

Dominic Millgate
Company Secretary

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

Matt Coren
Group Strategy and M&A Director

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

Kylie FitzGerald
Group Communications & Investor Relations Director

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

Michael Wilson
Group Health, Safety and Environment Director

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

Linda Coates
Group Human Resources Manager

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

Board of Directors

Bob Every AO
Non-executive Chairman
Age 69

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

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

Catherine Brenner
Non-executive Director
Age 43

Catherine Brenner joined the Boral Board in September 2010. Ms Brenner is a Director of AMP Limited and Coca-Cola Amatil Limited and a Trustee of the Sydney Opera House Trust.

She previously held directorships in Centennial Coal Company Limited and the Australian Brandenburg Orchestra, and was previously a member of the Takeovers Panel. She has extensive experience in corporate finance and capital markets, previously holding the position of Managing Director, Investment Banking of ABN AMRO Australia. She holds an MBA from the Australian Graduate School of Management and a Bachelor of Laws and Bachelor of Economics from Macquarie University.

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

Brian Clark
Non-executive Director
Age 65

Dr Brian Clark joined the Boral Board in May 2007. Dr Clark has experience as an executive and director in Australasia, Japan, China, Italy, the UK and South Africa. He is currently a Director of AMP Limited and Chairman of AMP Capital 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 holds a doctorate in physics from the University of Pretoria, South Africa and completed the Advanced Management Program at the Harvard Business School.

Dr Clark is Chairman of the Remuneration & Nomination Committee.

Eileen Doyle
Non-executive Director
Age 59

Dr Eileen Doyle joined the Boral Board in March 2010. Dr Doyle is a Director of GPT Group Limited and Bradken Limited. She is also a Director of a number of private companies and Government boards including being Deputy Chairman of CSIRO. She was previously a Director of OneSteel Limited and Ross Human Directions Limited and Chairman of Port Waratah Coal Services Limited. Her extensive executive and non-executive experience includes manufacturing and marketing in building and industrial materials throughout Australasia, Asia and North America. She holds a PhD in Applied Statistics from the University of Newcastle, is a Fulbright Scholar and has an Executive MBA from Columbia University Business School. She is a Fellow of the Australian Institute of Company Directors.

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

Mike Kane
CEO & Managing Director
Age 63

Mike Kane joined the Boral Board in October 2012, when he was appointed CEO & Managing Director, after being President of Boral USA since February 2010. Mr Kane has extensive experience in the building and construction industry, including 24 years in senior executive roles with US Gypsum, Pioneer/Hanson Building Materials, Johns-Manville Corp and Holcim.

His experience spans a broad range of geographies across America, Europe and the Asia Pacific, and his portfolio of responsibilities has included cement, aggregate, concrete, plasterboard, bricks and roof tile businesses. Prior to joining Boral, he was CEO and Board Member of Calstar Products Inc, a Silicon Valley Clean Technology start-up reinventing exterior building materials for sustainable construction. He holds a Bachelor of Arts in Sociology from Southern Illinois University, a Juris Doctorate from DePaul University's School of Law in Illinois and a Masters in Science from Creighton University, School of Law in Nebraska.

Richard Longes
Non-executive Director
Age 69

Richard Longes joined the Boral Board in September 2004. Mr Longes is the Chairman of Austbrokers Holdings Limited and Investec Australia Limited. He was previously a Director of Metcash Limited and Lend Lease Corporation Limited, a founding principal of Wentworth Associates, the corporate advisory and private equity group, and a partner of the law firm, Freehills. He holds arts and law degrees from the University of Sydney and an MBA from the University of New South Wales.

Mr Longes is a member of the Audit Committee.

John Marlay
Non-executive Director
Age 65

John Marlay joined the Boral Board in December 2009. Mr Marlay is the Chairman of Cardno Limited and a Director of Incitec Pivot Limited and Independent Chairman of Flinders Ports Holdings Pty Limited. He has senior executive experience in the global materials and cement industries as well as non-executive director experience in companies with significant North American business operations. Mr Marlay was the Chief Executive Officer and Managing Director of Alumina Limited from December 2002 until his retirement from that position in 2008. He has also held senior executive positions and directorships with Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc. He holds a science degree from the University of Queensland and a Graduate Diploma from the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Company Directors.

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

Paul Rayner
Non-executive Director
Age 60

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

Mr Rayner is Chairman of the Audit Committee.

Corporate Governance Statement

Introduction

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

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

Throughout FY2014, Boral's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (2nd edition) published by the ASX Corporate Governance Council.

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

Principle 1: Lay solid foundations for management and oversight

Responsibilities of the Board and management

The Board

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

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

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

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

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

Non-executive Directors spend approximately 35 days each year on Board business and activities, including Board and Committee meetings, meetings with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations and meeting employees, customers, business associates and other stakeholders. During the year, the Directors visited Boral's plasterboard operations in Port Melbourne and the Health, Safety & Environment Committee members visited Boral's asphalt operations at Redbank Plains in Queensland. The Directors also undertook a tour of certain parts of the Group's Gypsum operations in China and Indonesia.

Delegation to management

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

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

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

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

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

An evaluation of the performance of the CEO & Managing Director and senior executives of Boral took place in FY2014 in accordance with the process described above.

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

Principle 2: Structure the board to add value

Structure of the Board

Together, the Board members have a broad range of financial and other skills, extensive experience and knowledge necessary to oversee Boral's business. The Board of Directors comprises seven non-executive Directors (including the Chairman) and one executive Director, being the CEO & Managing Director. The roles of Chairman and CEO & Managing Director are not exercised by the same individual. The skills, experience and expertise of each Director are set out on page 25 of the Annual Report.

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

The period of office held by each current Director is:

	Appointed	Last elected at an Annual General Meeting
Richard Longes	2004	31 October 2013
Bob Every	2007	31 October 2013
Eileen Doyle	2010	31 October 2013
Brian Clark	2007	3 November 2011
Paul Rayner	2008	3 November 2011
John Marlay	2009	1 November 2012
Catherine Brenner	2010	1 November 2012
Mike Kane	2012	Not applicable

Details of the number of meetings attended by each Director are set out on page 38 in the Directors' Report.

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

Committees
To assist the Board to carry out its responsibilities, the Board has established an Audit Committee, a Remuneration & Nomination Committee and a Health, Safety & Environment Committee. The qualifications of each Committee member are set out on page 25 of the Annual Report, and the number of meetings they attended during the reporting period is set out on page 38 in the Directors' Report.

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

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

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

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

- the Director is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder;
- the Director is not employed, or has not previously been employed in an executive capacity by a Boral company or, if the Director has been previously employed in an executive capacity, there has been a period of at least three years between ceasing such employment and serving on the Board;
- the Director has not within the last three years been a principal of a professional adviser or consultant to a Boral company, or an employee associated with the service provided;

- the Director is not a significant material supplier or customer of a Boral company or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- the Director has no material contractual relationship with a Boral company other than as a Director.

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

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

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

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

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

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

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

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

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

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

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

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

Progress is monitored on an ongoing basis and Boral's non-executive Directors are tracking well against these guidelines. Details of Directors' shareholdings in the Company are set out on page 39 of this Annual Report.

Restrictions on Directors acquiring shares in the Company except in limited trading windows can also affect the number of shares held by a Director at any given point in time.

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

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

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

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

An evaluation of the performance of the Board and of individual Directors is scheduled to take place in FY2015 in accordance with the process described above.

On a half yearly basis, the Chairman will conduct a private discussion with each non-executive Director (or, in the case of the Chairman, the discussion will be conducted by the Chairman of the Remuneration & Nomination Committee).

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

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

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

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

Principle 3: Promote ethical and responsible decision making

Conduct and ethics

The Board's policy is that Boral companies and employees must observe both the letter and spirit of the law, and adhere to high standards of business conduct and comply with best practice. As part of Boral's commitment to continually promoting ethical and responsible decision making, the Group has established a new Code of Business Conduct and is in the process of implementing the Code, with education and training underway.

Boral's management guidelines include the new Code of Business Conduct and other guidelines and policies which set out legal and ethical standards for employees. As part of performance management, employees are assessed against the Boral values of excellence, integrity, collaboration and endurance.

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

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

Dealings in Boral shares

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

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

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.

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

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

Diversity at Boral

Diversity at Boral is led by the CEO & Managing Director, with the support of the Board overseeing the strategy and plan initiatives and progress on diversity objectives. Management's commitment is to develop strategies and programs to achieve diversity outcomes and to foster and promote an inclusive workplace.

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

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

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

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

Diversity at Boral is underpinned by the following principles:

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

As part of Boral's commitment to gender diversity, the Board set the following measurable objectives for FY2014:

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

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

Measurable objective	Progress
Reporting mechanisms	Monitoring, reporting and analysis by gender, pay levels, selection, retention and promotion trends across the business are completed twice annually, with reports prepared for each division. This information is used for organisational diversity planning and program development.
Graduate recruitment	In FY2014, graduates were recruited by the regional businesses on an as needed basis, with structured programs developed for each graduate. Boral has now approximately 32 graduates working in engineering (mechanical, civil and chemical), accounting and operational roles.
Leadership programs	Female participation in leadership and development programs is monitored as part of Boral's reporting program. Leadership programs are being redesigned to incorporate elements from Boral's diversity strategy and program. In FY2014, Boral established the CEO sponsored Women in Leadership Forums to provide key leaders with an opportunity to explore and discuss gender issues in leadership and to consult with key leaders on issues of gender and diversity.
Diversity related KPIs	One of the key attributes of the Group's performance management process relates to leadership in the areas of the promotion of gender diversity. Personal objectives for managers relating to the achievement of gender diversity were included in the FY2014 performance management process.
Partnership with external body	Boral is a member of Diversity Council Australia (DCA), and in consultation with DCA, developed a strategy for diversity to direct Boral's diversity and gender equality program.

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

In terms of the Group's profile, currently two of the seven non-executive Directors on the Boral Board are women. Approximately 8% of employees in senior management[1] positions are women, including the Chief Financial Officer, Group Communications & Investor Relations Director, Group Human Resources Manager and National Commercial & Development Manager. Overall 14% of the Boral workforce are women.

Indigenous program
The employment, development and progression of Indigenous employees is a key element of Boral's diversity strategy. Boral is proud of having retained more than 90% of Indigenous employees who joined Boral under the FY2011 Indigenous Relations and Employment Program, and continues with its ongoing commitment to increase the representation of Indigenous employees in its workforce.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

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

Paul Rayner (Chairman)
Richard Longes
Eileen Doyle
Catherine Brenner

The Committee met five times during FY2014.

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

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

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

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

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

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

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

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

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

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

External auditor

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

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

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

1 Senior management includes all members of the Group's Executive Committee and all executives reporting directly to a member of that Committee, including the CEO.

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

The Independence Declaration by the external auditor is set out on page 41.

Internal audit

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

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

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

Principle 5: Make timely and balanced disclosure

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

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

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

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

Principle 6: Respect the rights of shareholders

Communications with shareholders

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

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

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

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

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

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

At the Annual General Meeting, shareholders have a reasonable opportunity to ask the external auditor questions in relation to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements of the Company, and the independence of the external auditor in relation to the conduct of the audit.

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

Principle 7: Recognise and manage risk

Risk identification and management

The Board (through the Audit Committee) is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board ensures that:

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

The managers of Boral's businesses are responsible for identifying and managing risks. Under supervision of the Board, management is responsible for designing and implementing risk management and internal control systems to manage the Company's material business risks. This comprises the identification of core strategic, operational, financial and compliance risks, and encompasses the assessment, monitoring and mitigation of identified risks.

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

Boral's senior management has reported to the Board (through the Audit Committee) on the effectiveness of the management of the material business risks faced by Boral during FY2014.

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

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

Health, Safety & Environment Committee

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

The members of the Committee are:

Eileen Doyle (Chairman)
Bob Every
John Marlay

The Committee met on four occasions during FY2014.

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

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

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

Compliance

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

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

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

Chief Executive Officer and Chief Financial Officer declaration

The Chief Executive Officer and the Chief Financial Officer have provided the Directors with a declaration in accordance with section 295A of the *Corporations Act* for FY2014. The Board confirms that it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the above declaration was founded on a sound system of risk management and internal control, which is operating effectively in all material respects including in relation to financial reporting risks. The Chief Executive Officer and the Chief Financial Officer gave an equivalent declaration to the Directors for the half year ended 31 December 2013.

Principle 8: Remunerate fairly and responsibly

Remuneration & Nomination Committee

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

The members of the Committee are:

Brian Clark (Chairman)
Bob Every
John Marlay
Catherine Brenner

The Committee met on five occasions during FY2014.

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

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

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

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

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

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

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

Remuneration of non-executive Directors

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

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

Conclusion

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

Directors' Report

The Directors of Boral Limited (Company) report on the consolidated entity, being the Company and its controlled entities ("Group" or "Boral"), for the financial year ended 30 June 2014:

(1) Review and results of operations

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

(2) State of affairs

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

- The USG Boral Building Products joint venture was formed, combining Boral's gypsum manufacturing and distribution footprint in Asia and Australia with USG's building products technologies and strategic assets in Asia, New Zealand and the Middle East.
- The Group reported a net profit after tax of $173.3m after recognising a net significant gain of $1.9m as detailed in Note 4 to the financial statements.

(3) Principal activities and changes

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

(4) Events after end of financial year

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

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

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

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

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

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

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

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

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

Additional information regarding Boral's material business risks is included in the OFR. The Group's broader risk identification and management framework is also set out in the Corporate Governance Statement on pages 26 to 34 of the Annual Report.

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

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

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

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

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

To manage these risks, Boral applies strict operating standards, policies, procedures and training to ensure compliance with all applicable health, safety and environmental laws. We are focused on achieving better safety outcomes across the Group as part of our broader strategy to deliver world-class safety performance. The Group also has established reserves for known environmental liabilities, including quarry remediation, that are probable and reasonably capable of estimation. Further details regarding our approach to managing health, safety and environment risks are contained in the OFR and in the Sustainability Overview on pages 2 to 23 of the Annual Report.

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

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

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

(6) Environmental performance

Details of Boral's performance in relation to environmental regulation are set out under "Environment" on pages 21 to 22 of the Annual Report.

(7) Other information

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

(a) the operations of Boral; and

(b) the financial position of Boral; and

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

(8) Dividends paid or resolved to be paid

Dividends paid to shareholders during the year were:

	Total dividend $m
the final dividend of 6.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2013 was paid on 27 September 2013	46.4
the interim dividend of 7.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2014 was paid on 24 March 2014	54.5

The Directors have resolved to pay a final dividend of 8.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2014. The dividend is expected to be paid on 26 September 2014.

(9) Names of Directors

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

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

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

(10) Options

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

Grant date	Expiry date	Exercise price	Balance at beginning of year	Options issued during the year	Options lapsed during the year	Shares issued during the year as a result of exercise of options	Options at end of year	Options exercisable
			Number	**Number**	**Number**	**Number**	**Number**	**Number**
06/11/2006	06/11/2013	$7.27	3,584,300	–	(3,584,300)	–	–	–
06/11/2007	06/11/2014	$6.78	4,623,100	–	(511,100)	–	4,112,000	3,536,320
			8,207,400	**–**	**(4,095,400)**	**–**	**4,112,000**	**3,536,320**

The options referred to above were held by 71 individuals.

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

(11) Indemnities and insurance for officers and auditors

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

During the year, Boral paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts for the year ended 30 June 2014 and since the end of the year, Boral has paid, or agreed to pay, premiums in respect of such contracts for the year ending 30 June 2015. The insurance contracts insure against certain liability (subject to exclusions) in respect of persons who are or have been Directors or officers of the Company and its controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

(12) Directors' qualifications, experience and special responsibilities and directorships of other listed companies in the last three financial years

Each Director's qualifications, experience and special responsibilities are set out on page 25 of the Annual Report.

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

Bob Every
Wesfarmers Limited from February 2006 (current)

Mike Kane
No other directorships to be disclosed

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

Brian Clark
AMP Limited from January 2008 (current)

Eileen Doyle
GPT Group Limited from March 2010 (current)
Bradken Limited from July 2011 (current)

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

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

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

(13) Meetings of Directors

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

	Board of Directors		Audit Committee		Remuneration & Nomination Committee		Health, Safety & Environment Committee	
	Meetings held while a Director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Catherine Brenner	15	15	5	5	5	4	–	–
Brian Clark	15	15	–	–	5	5	–	–
Eileen Doyle	15	15	5	5	–	–	4	4
Bob Every	15	15	–	–	5	4	4	3
Mike Kane	15	15	–	–	–	–	–	–
Richard Longes	15	14	5	5	–	–	–	–
John Marlay	15	15	–	–	5	5	4	4
Paul Rayner	15	14	5	5	–	–	–	–

(14) Company Secretary

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

(15) Directors' shareholdings

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

	Shares	Non-executive Directors' Share Plan[a]	Options	Share Acquisition Rights (SARs)[b]
Catherine Brenner	15,371	–	–	–
Brian Clark	71,558	5,329	–	–
Eileen Doyle	15,076	–	–	–
Bob Every	65,605	4,616	–	–
Mike Kane	10,233	–	–	1,580,124[c]
Richard Longes	29,039	10,144	–	–
John Marlay	25,101	–	–	–
Paul Rayner	48,326	1,790	–	–

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

- Catherine Brenner, 10,000 shares are held by Brenner Super Pty Ltd for and on behalf of the Brenner Super Fund;
- Brian Clark, 47,198 shares are held by MCG Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 22,565 shares are held by MCG Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- Eileen Doyle, 13,750 shares are held by Mr SE Doyle and Dr EJ Doyle for the S&E Doyle Super Fund A/C;
- Bob Every, 30,000 shares are held by RBC Dexia Investor Service Australia Nominees Pty Ltd <Robsher Super Fund A/C>;
- Richard Longes, 22,289 shares are held by Gemnet Pty Limited for Richard Longes Superannuation Fund;
- John Marlay, 21,069 shares are held by Bond Street Custodians Limited on behalf of The Marlay Superannuation Fund; and
- Paul Rayner, 26,981 shares are held by Yarradale Investments Pty Limited and 20,000 shares are held by Invia Custodian Pty Limited for and on behalf of Bigpar Pty Ltd (the trustee of the PaulJul Super Fund).

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

a Shares in the Company allocated to the Director's account in the Non-executive Directors' Share Plan. Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the Plan. No shares were allocated to non-executive Directors during FY2014.

b The SARs are rights to acquire shares in the Company under Boral's Equity Incentive Plan. The SARs will vest only to the extent to which the performance hurdle, which is measured by comparing the TSR of the Company to the TSRs of the companies comprising the S&P/ASX 100 Index during the relevant vesting period, is satisfied. An additional performance hurdle, measured by the ROFE of the Company was introduced to the FY2013 Grant applicable to the 732,456 SARs granted to Mike Kane following shareholder approval at the 2013 Annual General Meeting. Additional information on Boral's Equity Incentive Plan is set out in the Remuneration Report.

c The SARs held by Mike Kane are as follows:

Number of SARs	Expiry Date
78,717	12 November 2017
102,285	1 September 2018
666,666	1 September 2019
732,456	1 September 2016

(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 $1,216,000. These services consisted of:

Taxation compliance in Australia	$119,000
Taxation compliance/due diligence related services in jurisdictions other than in Australia	$144,000
Australian due diligence and other services	$953,000

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

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

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

(18) Auditor's Independence Declaration

The auditor's independence declaration made under section 307C of the *Corporations Act* is set out on page 41 of the Annual Report and forms part of this Report.

(19) Remuneration Report

The Remuneration Report is set out on pages 42 to 57 of the Annual Report and forms part of this Report.

(20) Proceedings on behalf of the Company

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

(21) Rounding of amounts

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

Signed in accordance with a resolution of the Directors.

Bob Every

Dr Bob Every AO
Director

Mike Kane
Director
Sydney, 27 August 2014

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 2014 there have been:

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

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

KPMG

KPMG

Kenneth Reid
Partner

Sydney

27 August 2014

2014 Remuneration Report

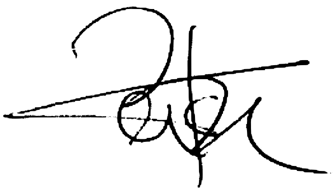
Introduction from the Chairman of the Remuneration & Nomination Committee

Dear Shareholders

I am pleased to present our Remuneration Report for 2014, which is designed to provide a clear summary of the remuneration strategy arrangements and outcomes for your Directors and members of the senior executive team.

As noted at the 2013 Annual General Meeting, during FY2014 we introduced a number of changes to the remuneration arrangements for senior executives to better align executive remuneration with the Company's strategy, business performance and shareholder expectations. Design changes were made to the short-term incentive (STI) and long-term incentive (LTI) plans with effect from 1 July 2013, including the partial deferral of any STI award into equity, the removal of retesting under the LTI plan, and the introduction of a return on funds employed measure as a second, additional LTI performance measure. The Board has also adopted minimum shareholding requirements for Boral's most senior executives. Your Directors are confident that these changes will enhance the alignment between shareholder and executive interests, and will motivate the behaviours necessary to deliver Boral's strategy.

On behalf of the Board and the Remuneration & Nomination Committee, I invite you to read the 2014 Remuneration Report and welcome your feedback on the Company's approach to, and disclosure of, its remuneration arrangements.



Brian Clark
Chairman, Remuneration & Nomination Committee

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Introduction

The Directors of Boral Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2014 (FY2014). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Report sets out remuneration information for the Company's:

- Non-executive Directors; and
- Chief Executive Officer & Managing Director (CEO) as well as other current and former members of the senior executive team (Senior Executives).

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

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

Key Management Personnel

The table below details the KMP for FY2014. For those KMP who served in a KMP role for only part of FY2014, this Report only sets out the amounts they received as remuneration in their capacity as a KMP.

Name	Position
Senior Executives	
Mike Kane	Chief Executive Officer & Managing Director
Al Borm	President and CEO, Boral Industries USA
Joseph Goss	Divisional Managing Director, Boral Construction Materials & Cement
Rosaline Ng	Chief Financial Officer (appointed 15 September 2013)[a]
Darren Schulz	Executive General Manager, Boral Building Products
Former Senior Executives	
Andrew Poulter	Chief Financial Officer (ceased as a KMP effective 15 September 2013)
Frederic de Rougemont	Divisional Managing Director, Boral Gypsum (ceased as a KMP effective 28 February 2014 when appointed Chief Executive Officer of USG Boral Building Products)
Non-executive Directors	
Bob Every	Chairman
Catherine Brenner	Non-executive Director
Brian Clark	Non-executive Director
Eileen Doyle	Non-executive Director
Richard Longes	Non-executive Director
John Marlay	Non-executive Director
Paul Rayner	Non-executive Director

a Rosaline Ng was Chief Financial Officer, Boral Industries USA until she took up her Senior Executive role on 15 September 2013. Her remuneration relating to the period prior to her appointment as Chief Financial Officer has not been included in this report.

Key changes FY2014

A summary of the key changes to remuneration related matters approved during the 2013 financial year and noted at the 2013 AGM is set out below. The changes were effective 1 July 2013 and applied to the 2014 financial year.

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

To more closely align Boral's remuneration strategy with its business demands, during FY2013 the Board approved a number of significant changes to remuneration arrangements for current Senior Executives. The following changes were made after a review conducted by the Remuneration & Nomination Committee, which was supported by Ernst & Young (EY), the independent adviser to the Board.

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

  The deferred portion of the STI will be forfeited if an eligible executive resigns or is dismissed from the Company before the end of the deferral period.

  There is no entitlement to dividends on performance rights during the deferral period.
- **Additional performance hurdle for the LTI plan:** In addition to the existing relative Total Shareholder Return (TSR) performance hurdle, Return on Funds Employed (ROFE) has been introduced as a second LTI performance measure.

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

  Further information on the LTI grant can be found in Sections 3 and 4.
- **No retesting for new LTI awards:** Testing of performance under the LTI plan will occur after three years (i.e. at the end of the performance period) and there will be no retesting. For clarity, any awards that do not meet the minimum vesting requirements will lapse after three years.
- **Clawback:** A broader clawback provision has been introduced for LTI awards from FY2014, which will also apply to all deferred STI awards. In addition to applying clawback where an employee has acted fraudulently or dishonestly, or has breached their obligations to the Group, the Board will have a further discretion in the event that there is a material misstatement or omission in Boral's financial statements or if the Company is required or entitled to reclaim any overpaid bonus or other amount from an employee.
- **Minimum shareholding requirement:** Minimum shareholding requirements were introduced for the CEO and all other current Senior Executives.

Section 1: Senior Executive remuneration outcomes

The table below sets out the cash and other benefits received by the current Senior Executives who were KMP in FY2014. This non-statutory remuneration outcomes table has been prepared to provide shareholders with a view of the remuneration that was actually paid to current Senior Executives for FY2014. The Board believes that presenting information in this way provides shareholders with increased clarity and transparency. Remuneration details prepared in accordance with statutory obligations and accounting standards are contained on page 53 of the Report. The totals in the table below received by the current Senior Executives in FY2014 are lower than the amounts shown in the remuneration table on page 53 of the Report. This is because the full remuneration table includes amounts in respect of:

1. long service leave movements which are generally increases in statutory accruals rather than cash payments; and
2. options and rights which are amortised over the vesting period and may not have delivered value to executives in FY2014. For example, it includes accounting values for current and prior years' LTI grants that have not been and may never be realised as they are dependent on the market-based performance hurdles being met in future years. The table below includes the value of any LTI grants which actually vested to executives in FY2014.

FY2014 remuneration outcomes table

A$'000s	Cash salary	STI[a]	LTI	Other[b]	Total
Mike Kane	1,656.8	1,365.4	0	427.7	3,449.9
Al Borm	616.1	117.6	0	34.3	768.0
Joseph Goss	762.5	316.4	0	255.0	1,333.9
Rosaline Ng	628.9	233.9	0	22.9	885.7
Darren Schulz	485.5	165.8	0	10.7	662.0

(a) The value of STI represents 80% of the total STI with the remaining 20% deferred into equity for two years.
(b) "Other" is comprised of non-monetary benefits, such as car parking, housing benefits and medical insurance including any fringe benefits tax paid on these benefits.

Section 2: Senior Executive remuneration governance and framework

Remuneration governance

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

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

Independent remuneration consultant
The Committee seeks information and advice regarding remuneration directly from its external remuneration consultant EY, which is independent of the Company's management.

During FY2014, EY provided information, not advice that could be construed as "remuneration recommendations" (that is, recommendations relating to the remuneration of KMP).

The main information received from the Committee's remuneration consultant related to benchmarking of the CEO, the CEO's direct reports and non-executive Director reward.

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

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

Remuneration framework

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

REMUNERATION STRATEGY

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

REMUNERATION PRINCIPLES

ALIGNED TO SHAREHOLDERS	MARKET COMPETITIVE	LINKED TO BUSINESS CONDITIONS
Short and long-term incentives are based on performance measures designed to drive sustainable value creation for shareholders	High calibre employees are attracted and retained with rewards that reflect seniority and complexity of roles	Variable reward outcomes are reflective of business objectives

APPLICATION OF REMUNERATION PRINCIPLES

Short-term incentives are based on EBIT and long-term incentives are based on relative total shareholder return and return on average funds employed	External market data and benchmarking information are reviewed to ensure that remuneration is set at competitive levels relative to both ASX listed and industry peers	Short-term incentives have threshold and stretch targets that are differentiated based on Group and/or divisional results and individual performance
Deferral of short-term incentives into performance rights promotes retention and encourages sustained performance by being aligned to the shareholder experience		Individuals with unsatisfactory performance are not rewarded
Minimum shareholding requirements apply to Senior Executives		
Equity participants do not receive dividends on unvested equity		
Unvested equity is generally forfeited on resignation		

Treatment of USG Boral Building Products employees

The joint venture Board has assumed accountability for the remuneration arrangements of USG Boral Building Products employees. Remuneration for those employees continues to be aligned to the market conditions of the countries in which the joint venture operates. In designing new variable remuneration components, there is a strong alignment to achieving Boral's financial objectives by measuring performance outcomes based on earnings before interest, tax, depreciation and amortisation (EBITDA) and ROFE. Performance hurdles for joint venture employees are tied back to the specific performance targets necessary for Boral to achieve up to US$75 million over five years as earn out payments under the joint venture agreement.

Section 3: Senior Executive remuneration structure

The total target remuneration (TTR) arrangements of the Senior Executives are made up of two components:

1. Fixed annual remuneration (FAR) which provides a predictable "base" level of reward; and
2. Variable or "at risk" reward that is performance based and comprised of both short and long-term incentives.

FIXED ANNUAL REMUNERATION

+

VARIABLE REMUNERATION

SHORT-TERM INCENTIVES		LONG-TERM INCENTIVES
ANNUAL CASH INCENTIVE (STI)	**TWO YEAR DEFERRED INCENTIVE (DEFERRED STI)**	**THREE YEAR LONG-TERM INCENTIVE (LTI)**
Performance measures based on Group and/or divisional EBIT and individual performance	20% of STI deferred into equity and forfeited if executive resigns within two years	Performance measures based on relative TSR and ROFE

=

TOTAL TARGET REMUNERATION

Total target remuneration

Boral's target mix of fixed and "at risk" components for each of the current Senior Executives disclosed in the Report, as a percentage of total target annual remuneration for FY2014, is as follows:

	FIXED	VARIABLE REMUNERATION	
	FAR	STI	LTI
CEO	34%	33%	33%
Other current Senior Executives[a]	50 – 65%	16 – 25%	19 – 25%

a Other current Senior Executive percentages vary between individuals.

Fixed annual remuneration (FAR)

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

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

In undertaking the review, the Committee benchmarks the remuneration of the current Senior Executives against a group of companies which it considers reflects the size and complexity of Boral and its competition for key executive talent. The comparator group comprises S&P/ASX 200 entities within 50% and 200% of Boral's market capitalisation and revenue plus an overlay of industrial or materials sector entities that fall within this group. In determining each Senior Executive's FAR, the Committee considers the median FAR within the comparator group. Use of a range around the median provides flexibility to recognise capability, contribution, value to the organisation and performance of individuals, while maintaining remuneration at levels that are not more generous than necessary to retain and motivate.

STI plan

A summary of the STI plan in effect during FY2014 is provided below:

Feature	Description
Objective	To support Boral's strategic objectives by providing rewards that are based on achievement against performance targets.
Participation	Executives who have significant influence on the annual financial outcomes of Boral and its business units.
STI value	The CEO has a target STI equal to 100% of FAR. Other Senior Executives have a target STI of between 30% and 50% of FAR. The CEO has a maximum STI potential of 140% of FAR, while other Senior Executives have a maximum STI potential of between 60% and 100% of FAR, dependent on their role. No STI awards will be made if the relevant EBIT performance targets are not met.
Assessment of performance	STI plan outcomes are assessed against EBIT performance. EBIT was chosen following a review of business operations due to its strong alignment to shareholder interest. The Remuneration & Nomination Committee and the Board assess the financial performance of the Group and divisions and approve the actual STI rewards to be paid to the CEO, the CEO's direct reports and other executives.
Payment of STI	From FY2014, 80% of any STI that becomes payable will be satisfied in cash. The remaining 20% will be deferred into equity and will only convert to shares after a further two years' employment.
Funding guideline	The Board has agreed that expenditure on STI awards should not exceed a range of 4%–6% of annual EBIT.
Board discretion	The Board retains discretion to adjust the remuneration outcomes up or down to ensure consistency with the Company's remuneration philosophy and to prevent any inappropriate reward outcomes.

Further details on STI performance conditions, outcomes and alignment with Company performance may be found in Section 4 of the Report.

LTI plan

A summary of the LTI plan in effect during FY2014 is provided below:

Feature	Description
Objective	To link long-term executive rewards with the sustained creation of shareholder value through the allocation of equity awards that are subject to the satisfaction of long-term performance conditions. In addition, the LTI structure aims to attract and retain high quality executives and to reward executives for the achievement of performance conditions which underpin sustainable long-term performance.
Participation	The CEO, Senior Executives and other executives.
Equity type	Awards are delivered in the form of performance rights. Upon vesting, each performance right entitles the executive to one ordinary share.
LTI value	The CEO has a maximum LTI equal to 100% of FAR. Senior Executives have a maximum LTI equal to 25% to 50% of FAR. The number of performance rights allocated depends on each executive's maximum LTI. The number is calculated using a fair market value methodology in which the fair value is determined from the face value of a Boral share on 1 September, discounted for a number of factors that impact the value of a TSR tested right, such as the possibility that the TSR performance hurdle will not be met. Other factors that are taken into account when determining the discount from face value include the time to vesting, expected volatility of the share price and the dividends expected to be paid in relation to the shares. This approach is in line with the methodology used for valuing TSR tested rights for accounting purposes. The fair value is determined by an independent valuer (being PricewaterhouseCoopers).
Performance period	Awards are subject to a three year performance period. For the LTI grants made in FY2014, the performance period is 1 September 2013 to 1 September 2016.
Performance hurdles	The LTI award granted in FY2014 is measured against the relative TSR of the S&P/ASX 100 Index and ROFE. Two thirds of the LTI grant is subject to the TSR hurdle (TSR Component) and one third is subject to a ROFE hurdle (ROFE Component). TSR represents the change in capital value of a listed entity's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value. The compound growth in the Company's TSR over the performance measurement period is compared with the TSR performance over the same period of a comparator group (as outlined below). ROFE tests the efficiency and profitability of the Company's capital investments. ROFE will be determined by the Board based on earnings before interest and tax (EBIT) in the year of testing as a percentage of average funds employed (where funds employed is the sum of net assets and net debt).
TSR comparator group	Companies comprising the S&P/ASX 100 Index as at the grant date. The Board has the discretion to adjust the comparator group to take into account events including, but not limited to, takeovers or mergers that might occur during the performance period.
Retesting	There is no retest. Rights that do not vest based on performance over the initial three year measurement period will lapse on the third anniversary of the grant date.
Total shares issued	The number of shares allocated on the vesting of all outstanding rights and the exercise of all outstanding options under any Boral employee share scheme may not exceed 5% of the total number of shares on issue at the time of the offer.
Cessation of employment	For "good leavers" (including cessation of employment due to death, permanent disablement, bona fide retirement, redundancy, sale of a subsidiary or business assets): • rights will remain on foot beyond termination (with a pro rata scale-back for rights granted within three years prior to the cessation date); and • rights will be tested on the next test date and will lapse if they do not meet the performance hurdle. For other leavers, rights will lapse upon cessation of employment unless the Board determines otherwise.
Forfeiture	The Board has the discretion to partially reduce or forfeit an LTI award where an employee has their employment terminated for cause, acts fraudulently or dishonestly, or breaches their obligations to the Group.
Change of control	The Board may exercise its discretion to allow all or some unvested rights to vest if a change of control event occurs. The Board would have regard to the performance of the Company during the vesting period up to the date of a change of control event.

<table>
<tr><th>Feature</th><th>Description</th></tr>
<tr><td>Vesting schedules</td><td>
<table>
<tr><th>If at the end of the performance period, the TSR of the Company:</th><th>The percentage of the TSR Component which will vest is:</th></tr>
<tr><td>Does not reach the 50th percentile of the TSRs of the S&P/ASX 100</td><td>NIL</td></tr>
<tr><td>Reaches the 50th percentile of the TSRs of the S&P/ASX 100</td><td>50%</td></tr>
<tr><td>Exceeds the 50th percentile of the TSRs of the S&P/ASX 100 but does not reach the 75th percentile</td><td>Progressive pro rata vesting from 50% to 100% (i.e. on a straight-line basis)</td></tr>
<tr><td>Reaches or exceeds the 75th percentile of the TSRs of the S&P/ASX 100</td><td>100%</td></tr>
</table>
In regard to the LTI grant made in September 2013, the following vesting schedule applies for the ROFE Component:
<table>
<tr><th>If the Company’s ROFE performance for FY2016 is:</th><th>The percentage of the ROFE Component which will vest is:</th></tr>
<tr><td>Less than 7.6%</td><td>NIL</td></tr>
<tr><td>7.6%</td><td>50%</td></tr>
<tr><td>Greater than 7.6% and less than 8.0%</td><td>Progressive pro rata vesting from 50% to 100% (i.e. on a straight-line basis)</td></tr>
<tr><td>8.0% or above</td><td>100%</td></tr>
</table>
See below for the vesting schedule to be applied for the proposed September 2014 grant.
</td></tr>
<tr><td>Dealing restrictions</td><td> Boral’s Share Trading Policy prohibits executives from entering into hedge and other derivative transactions in relation to rights granted under the LTI plan. Shares allocated to participants upon vesting of their LTIs may only be dealt with in accordance with the Share Trading Policy. Any contravention of the Policy would result in disciplinary action. </td></tr>
<tr><td>Dividends</td><td>No dividends are paid on unvested LTI awards.</td></tr>
</table>

LTI grant for September 2014

In regard to the LTI grant expected to be made in September 2014, the grant will be made on similar terms to the plan in effect during FY2014, except that the percentage of the ROFE Component which may vest will be determined by the Board based on ROFE performance for the financial year ending 30 June 2017 in accordance with the following vesting schedule:

If the Company’s ROFE performance for FY2017 is:	The percentage of the ROFE Component which will vest is:
Less than 11.0%	NIL
11.0%	50%
Greater than 11.0% and less than 11.5%	Progressive pro rata vesting in a straight line from 50% to 100%
11.5% or above	100%

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

The Company’s ROFE performance will be reported annually in the Company’s Remuneration Report. Refer to the table at the start of Section 4 for the Company’s ROFE performance (EBIT to average funds employed) from 2010 to 2014. For FY2014, the Company’s ROFE performance was 6.6%.

Section 4: Linking remuneration to performance

Overview of 2014 financial performance

Strategic decisions regarding organisational structure, portfolio alignment, cost structures and growth are intended to ensure that Boral is an organisation that is more responsive to the realities of a cyclical marketplace and which can remain competitive not just during the cycle highs, but also when conditions are challenging, as they have been for the past few years.

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

	2014	2013	2012	2011	2010
Earnings per share[a] (¢)	22.0	13.6	13.6	24.4	22.1
Dividends per share (¢)	15.0	11.0	11.0	14.5	13.5
Closing share price ($ as at 30 June)	5.25	4.21	2.95	4.40	4.82
Return on equity[a] (%)	5.1	3.2	3.0	5.6	5.0
EBIT to average funds employed (ROFE)[a] (%)	6.6	4.7	4.7	7.4	6.2

a Excludes financial impact of significant items.

Short-term performance – FY2014

Boral continued to use a single financial hurdle for STI awards in respect of FY2014 to create a clear line of sight for executives and transparency for shareholders as to how STI awards are determined. Performance at the completion of the financial year is measured against pre-determined EBIT targets that were established as part of the Group's annual budget process.

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

The table below provides an overview of the STI performance targets for FY2014 for current Senior Executives.

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

The STI performance objectives are communicated to Senior Executives at the beginning of the performance year and annual performance evaluations are conducted following the end of the financial year. For FY2014, the evaluations were conducted in July and August 2014.

The remuneration table on page 53 provides details of the STI awards made for performance during FY2014.

Long-term performance – FY2014

Prior to FY2014, relative TSR was the sole performance condition for the LTI awards. The Board believes that a relative TSR hurdle ensures alignment between comparative shareholder return and reward for the executive.

Economic conditions mostly relating to the housing and construction cycle in recent years have resulted in the Company's TSR underperforming the comparator group, which also includes finance and retail organisations.

The LTI grants that were available for vesting in FY2014 were the grants with respect to FY2006, FY2007, FY2008, FY2009 and FY2010.

The relative TSR performance and the vesting level for each LTI grant since November 2006 are set out in the table opposite. The LTI grants from November 2007 are within the seven year life (prior to FY2014, test dates were generally at years 3, 5 and 7) and the performance hurdle may still be reached before they lapse.

The table opposite demonstrates the level of performance achieved for each of the outstanding LTI grants up to 30 June 2014.

Grant date	Expiry date	Option exercise price	Mix of options/rights	Relative TSR performance	Vesting level
Nov 06	Nov 13	$7.27	50% options 50% rights	50%	50%
Nov 07	Nov 14	$6.78	50% options 50% rights	68%	86%
Nov 08	Nov 15	N/A	100% rights	33% as at 2nd test date (Nov 2013)	0%
Nov 09	Nov 16	N/A	100% rights	26% as at 1st test date (Nov 2012)	0%
Nov 10	Nov 17	N/A	100% rights	40% as at 1st test date (Nov 2013)	0%
Sep 11	Sep 18	N/A	100% rights	1st test date Sep 2014	N/A
Sep 12	Sep 19	N/A	100% rights	1st test date Sep 2015	N/A
Sep 13	Sep 16	N/A	100% rights	Test date Sep 2016	N/A

Section 5: Senior Executive contracts and transitions

Remuneration structure and contract terms for Mr Mike Kane

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

Feature	Description
Total reward determination	Benchmarked to a comparator group which is closely aligned to Boral's current market position and selected from similar companies within a range of Boral's market capitalisation. The group includes companies from the industrials and materials sectors of the S&P/ASX 200 Index with a 12 month moving average market capitalisation and revenue of between 50% and 200% of Boral.
Total reward summary	FAR of $1.67m as at 1 September 2013. STI entitlement is 100% of FAR for "target" performance with a maximum of 140% of FAR for "stretch" performance. LTI entitlement is a maximum of 100% of FAR and is granted under the terms of the LTI plan (described at pages 44 and 48 to 49 of this Report). Shareholders approved a grant of 732,456 performance rights to Mr Kane at the 2013 Annual General Meeting (AGM).
Contract duration	Ongoing contract, which can be terminated at any time by the Company upon giving 12 months' notice (or three months in the case of illness) or by Mr Kane upon giving six months' notice.
Termination of employment (without cause)	If employment is terminated without cause, by reason of illness or death or as a result of a fundamental change, Mr Kane will receive a separation payment equal to 12 months' FAR. In such circumstances, Mr Kane will forfeit his entitlement to any STI in respect of the year of termination (i.e. the STI is not pro rated), unless the Board determines otherwise. In relation to the FY2013 LTI award, any performance rights that are unvested will remain on foot and vest on the next test date if the performance hurdles are satisfied. If vesting does not occur at that time, the rights will lapse. For future LTI grants which remain unvested at the date of termination, the incentives will remain on foot in accordance with the terms of the individual grant, unless the Board determines otherwise.
Termination of employment (with cause) or resignation	Where Mr Kane resigns, or his employment is terminated for cause, Mr Kane will not receive a separation payment. In these circumstances, Mr Kane will not be entitled to any STI in respect of the year of termination, and any unvested LTI entitlements will lapse unless the Board determines otherwise.

Feature	Description
Relocation expenses	Boral agreed to pay for the cost of relocating Mr Kane and his family from his base in the USA to Sydney as a result of his appointment as CEO & Managing Director, as well as reasonable rental costs for up to five years.

Contract terms for other current Senior Executives

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

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

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

Former Senior Executives

In line with previous practice, the following is disclosed to provide shareholders with additional information regarding Senior Executive movements.

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

USG Boral Building Products
On 28 February 2014, the Company announced the formation with USG Corporation of the strategic joint venture, USG Boral Building Products, with sales and operations across Asia, Australasia and the Middle East. Mr Frederic de Rougemont was appointed as Chief Executive Officer of USG Boral Building Products and as a result, Mr de Rougemont ceased to be a KMP as of 28 February 2014.

Section 6: Senior Executive remuneration tables

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

These amounts differ from the actual remuneration outcomes table on page 44 in that LTI payments in the earlier table reflect the value of rights that actually vested during the year while the "share-based payments" below reflect the fair market value of LTI grants calculated in accordance with the accounting standards.

Senior Executive remuneration table

		Short-term			Post-employment	Termination benefit	Share-based payments[a]		Other long-term[b]	Total	Total Variable Remuneration		
A$'000s		Cash salary[c]	Short-term incentive[d]	Non-monetary benefits[e]	Super-annuation		Long-Term Incentives	Deferred Short-Term Incentive			% of remuneration related to performance	% of target STI paid	Share based payments as % of total
Current Senior Executives													
Mike Kane[g]	2014	1,696.5	1,365.4	427.7	–	–	976.5	113.8	28.6	4,608.5	53.3%	102.2%	23.7%
	2013	1,494.1	–	140.9	29.7	–	359.3	–	20.4	2,044.4	17.6%	0.0%	17.6%
Al Borm[f]	2014	555.8	117.6	34.3	60.3	–	125.2	9.8	–	903.0	28.0%	52.7%	15.0%
	2013	326.5	–	30.3	37.5	–	30.7	–	–	425.0	7.2%	0.0%	7.2%
Joseph Goss[g]	2014	787.8	316.4	255.0	–	–	129.0	26.4	12.8	1,527.4	30.9%	103.4%	10.2%
	2013	241.9	14.1	2.4	–	–	–	–	3.2	261.6	5.4%	3.7%	0.0%
Rosaline Ng	2014	647.7	233.9	22.9	14.1	–	176.8	19.5	11.3	1,126.2	38.2%	105.5%	17.4%
Darren Schulz	2014	480.3	165.8	10.7	17.8	–	45.1	13.8	(0.6)	732.9	30.7%	138.2%	8.0%
	2013	224.4	–	5.3	7.0	–	2.6	–	3.1	242.4	1.1%	0.0%	1.1%
Sub-total	2014	4,168.1	2,199.1	750.6	92.2	–	1,452.6	183.3	52.1	8,898.0			
	2013	2,286.9	14.1	178.9	74.2	–	392.6	–	26.7	2,973.4			
Former Senior Executives													
Andrew Poulter[h]	2014	177.8	–	3.3	5.4	798.6	(244.4)	–		740.7	(33.0%)	0.0%	(33.0%)
	2013	791.0	–	–	16.5	–	158.8	–	13.5	979.8	16.2%	0.0%	16.2%
Frederic de Rougemont[i]	2014	408.2	246.8	182.5	75.6	–	134.6	–		1,047.7	36.4%	96.6%	12.8%
	2013	429.1	–	240.0	95.1	–	41.6	–	–	805.8	5.2%	0.0%	5.2%
Sub-total	2014	586.0	246.8	185.8	81.0	798.6	(109.8)	–	–	1,788.4			
	2013	1,220.1	–	240.0	111.6	–	200.4	–	13.5	1,785.6			
Total	2014	4,754.1	2,445.9	936.4	173.2	798.6	1,342.8	183.3	52.1	10,686.4			
	2013	3,507.0	14.1	418.9	185.8	–	593.0	–	40.2	4,759.0			

a The fair market value of the options and rights is calculated at the date of grant using the Monte Carlo simulation analysis. For the grants prior to FY2013, the value is allocated to each reporting period evenly over the period of five years from the grant date. For the grant issued in FY2014 the value is allocated evenly over the period of three years from the grant date. The value disclosed above is the portion of the fair market value of the options and rights allocated to the FY2014 reporting period, including the value of deferred equity.

b Other long-term includes long service leave accruals.

c Cash salary includes all fixed salary, relocation allowances and accrued annual leave.

d Short-term incentive values for current KMP represent 80% of the total STI with the remaining 20% to be deferred into equity and expensed over three years in accordance with the deferred STI plan introduced for FY2014.

e Includes all non-monetary benefits, such as parking, medical insurance, home leave, housing allowances, vehicle costs, and any applicable fringe benefits tax payable by the Company upon providing these benefits.

f Al Borm's remuneration has been converted at the foreign exchange rate of AUD 1 = USD 0.9141, being the average conversion for the FY2014 period (1.0238 for the FY2013 period).

g Under the terms of their expatriate agreements, superannuation contributions have not been made for Mike Kane or Joseph Goss.

h Andrew Poulter ceased to be a KMP effective 15 September, however continued to be employed through a transition period until 28 February, at which time he received approximately 12 months' remuneration in accordance with the terms of his contract.

i Frederic de Rougemont's remuneration has been converted at the foreign exchange rate of AUD1 = EUR 0.676 being the average conversion for the FY2014 period (0.7903 for the FY2013 period).

LTI grants and movement during the year

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

	Equity Type	Balance as at 30 June 2013	Granted during the year as remuneration[a]	Value of Grant[b]	Exercised/ Vested during the Year	Value of Options and rights exercised/vested[c]	Lapsed/ cancelled during the year	Value of Options and rights lapsed/ cancelled[d]	Balance as at 30 June 2014
		No.	No.	$	No.	$	No.	$	No.
Current Senior Executives[e]									
Mike Kane	Rights	847,668	732,456	2,043,552	–	–	–	–	1,580,124
Al Borm	Rights	83,540	109,242	304,785	–	–	–	–	192,782
Joseph Goss	Rights	–	167,763	468,059	–	–	–	–	167,763
Rosaline Ng	Rights	147,375	153,509	428,290	–	–	(2,686)	13,269	298,198
	Options	44,400	–	–	–	–	(19,700)	26,595	24,700
Darren Schulz	Rights	13,333	50,329	140,418	–	–	–	–	63,662
Former Senior Executives									
Andrew Poulter	Rights	358,080	–	–	–	–	(358,080)	863,148	–
Frederic de Rougemont	Rights	104,442	109,854	306,493	–	–	–	–	214,296

a Rights were granted to Senior Executives on 1 September 2013, to be tested on 1 September 2016, and there will be no retesting.
b The fair market value of rights granted on 1 September 2013, calculated using a Monte Carlo simulation analysis, is. $2.28 per right for 2/3 of the grant relating to the TSR measure and $3.81 per right for 1/3 of the grant relating to the ROFE hurdle.
c Calculated per right as the market price of Boral shares on the date of vesting. No exercise price is payable in respect of rights that vest. While there were exercisable options during the year, no options were exercised by Senior Executives because the exercise price exceeded the market price for Boral shares.
d Value is calculated at fair market value of option or right on date of grant.
e No options were granted to any Senior Executives during the FY2014 period.

The number of options and rights included in the balance at 30 June 2014 for the Senior Executives is set out below:

	Year of grant								
	2006	2007	2008[c]	2009[c]	2010[c]	2011[c]	2012[c]	2013[c]	Balance as at 30 June 2014
Current Senior Executives									
Mike Kane	–	–	–	–	78,717	102,285	666,666	732,456	1,580,124
Al Borm	–	–	–	–	14,582	34,318	34,640	109,242	192,782
Joseph Goss	–	–	–	–	–	–	–	167,763	167,763
Rosaline Ng[a]	–	25,600[b]	16,798	16,792	29,519	39,962	40,718	153,509	322,898
Darren Schulz	–	–	–	–	–	–	13,333	50,329	63,662
Former Senior Executives									
Andrew Poulter	–	–	–	–	–	–	–	–	–
Frederic de Rougemont	–	–	–	–	–	–	104,442	109,854	214,296

a Rosaline Ng became a Senior Executive from 15 September 2013.
b Split between 24,700 options and 900 rights.
c No options have been granted to Senior Executives since the 2008 year of grant.

Section 7: Non-executive Directors' remuneration

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

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

Non-executive Director fee levels for the 2014 financial year were as follows:

Position	Base fees	Committee fees	Total fees
Chairman	$405,600	–	$405,600
Committee Chairman	$135,000	$28,540	$163,540
Director	$135,000	$14,270	$149,270

The total annual non-executive Director remuneration for the current Board of seven non-executive Directors for FY2014 was $1,401,700, including superannuation.

The Board will be seeking shareholder approval at the 2014 Annual General Meeting to increase the non-executive Directors' fee pool to ensure that the Company has the ability to pay competitive fees that are aligned with the market and to provide the Board with flexibility to appoint further non-executive Directors at the appropriate time, recognising the importance of orderly succession planning.

A comprehensive review of the level of fees paid to Boral's non-executive Directors was undertaken during the year, and included a review of market benchmarking information prepared by EY, Boral's external remuneration consultant. The review considered the elements of size and complexity of the business, time commitments and fees paid for non-executive Directors of companies of a comparable size. As a result of the market review, with effect from 1 July 2014:

- the Chairman's fee increased by $12,200 per annum from $405,600 to $417,800;
- the non-executive Directors' base fee increased by $4,100 from $135,000 to $139,100;
- the Audit Committee Chairman's fee increased by $9,460 from $28,540 to $38,000; and
- the Audit Committee membership fee increased by $5,230 from $14,270 to $19,500.

Non-executive Directors' total remuneration

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

A$'000s	2014 Short-term Board and Committee fees	2014 Post-employment superannuation	2014 Total fees	2013 Short-term Board and Committee fees	2013 Post-employment superannuation	2013 Total fees
Catherine Brenner[a]	**164.7**	**13.8**	**178.5**	145.4	13.1	158.5
Brian Clark	**149.7**	**13.8**	**163.5**	145.4	13.1	158.5
Eileen Doyle	**162.8**	**15.1**	**177.9**	158.5	14.3	172.8
Bob Every, Chairman	**387.8**	**17.8**	**405.6**	373.5	16.5	390.0
Richard Longes	**136.6**	**12.6**	**149.2**	132.4	11.9	144.3
John Marlay	**149.7**	**13.8**	**163.5**	145.4	11.8	157.2
Paul Rayner	**149.7**	**13.8**	**163.5**	145.4	13.1	158.5
Total	**1,301.0**	**100.7**	**1,401.7**	1,246.0	93.8	1,339.8

a Ms. Brenner received a one-off payment of $15,000 in FY2014 for additional services as Chairman of the Due Diligence Committee that was established by the Board for the formation of the USG Boral Building Products joint venture.

Section 8: Senior Executive and Non-executive Director transactions

Loans

There were no loans made or outstanding to Senior Executives or non-executive Directors during FY2014.

Movements in shares

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

		Balance at the beginning of the year	Received during the year on the exercise of options/ SARs	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number
Current Senior Executives					
Mike Kane	**2014**	**10,100**	**–**	**133**	**10,233**
	2013	–	–	10,100	10,100
Al Borm	**2014**	**–**	**–**	**–**	**–**
	2013	–	–	–	–
Joseph Goss	**2014**	**–**	**–**	**–**	**–**
	2013	–	–	–	–
Rosaline Ng	**2014**	**28,586**	**–**	**–**	**28,586**
	2013				
Darren Schulz	**2014**	**–**	**–**	**–**	**–**
	2013	–	–	–	–
Former Senior Executives					
Andrew Poulter[a]	**2014**	**10,393**	**–**	**–**	**10,393**
	2013	10,186	–	207	10,393
Frederic de Rougemont	**2014**	**–**	**–**	**–**	**–**
	2013	–	–	–	–

a Final shareholding at 15 September 2013, the date of ceasing to be an executive included in Key Management Personnel.

		Balance at the beginning of the year	Received during the year on the exercise of options/ SARs	Allocation in Non-executive Directors' Share Plan [a]	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
Non-executive Directors						
Bob Every	**2014**	**70,221**	**–**	**–**	**–**	**70,221**
	2013	70,221	–	–	–	70,221
Catherine Brenner	**2014**	**15,301**	**–**	**–**	**70**	**15,371**
	2013	5,195	–	–	10,106	15,301
Brian Clark	**2014**	**75,957**	**–**	**–**	**930**	**76,887**
	2013	74,546	–	–	1,411	75,957
Eileen Doyle	**2014**	**15,058**	**–**	**–**	**18**	**15,076**
	2013	1,282	–	–	13,776	15,058
Richard Longes	**2014**	**38,674**	**–**	**–**	**509**	**39,183**
	2013	28,341	–	–	10,333	38,674
John Marlay	**2014**	**25,048**	**–**	**–**	**53**	**25,101**
	2013	4,969	–	–	20,079	25,048
Paul Rayner	**2014**	**49,747**	**–**	**–**	**369**	**50,116**
	2013	29,189	–	–	20,558	49,747

a Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the plan.

Other transactions

Transactions entered into during the year with non-executive Directors or Senior Executives of Boral Limited and the Group are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis and include:

- the receipt of dividends from Boral Limited;
- participation in the Boral long-term incentive plan;
- terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services.

A number of Directors of the Company hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

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

Income Statement

Boral Limited and Controlled Entities

For the year ended 30 June	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
Continuing operations			
Revenue	3	**4,455.1**	4,163.4
Cost of sales		**(3,231.3)**	(3,044.5)
Selling and distribution expenses		**(780.0)**	(734.6)
Administrative expenses		**(276.1)**	(280.5)
		(4,287.4)	(4,059.6)
Other income	3	**21.4**	53.1
Other expenses	3	**(64.7)**	(449.8)
Share of equity accounted income	3,12	**37.3**	7.6
Profit/(loss) before net financing costs and income tax expense		**161.7**	(285.3)
Financial income	3	**20.3**	2.8
Financial expenses	3	**(84.7)**	(95.5)
Net financing costs		**(64.4)**	(92.7)
Profit/(loss) before income tax expense		**97.3**	(378.0)
Income tax benefit/(expense)	6	**9.0**	108.7
Profit/(loss) from continuing operations		**106.3**	(269.3)
Discontinued operations			
Profit/(loss) from discontinued operations (net of income tax)	5	**69.9**	63.6
Net profit/(loss)		**176.2**	(205.7)
Attributable to:			
Members of the parent entity		**173.3**	(212.1)
Non-controlling interests		**2.9**	6.4
Net profit/(loss)		**176.2**	(205.7)
Basic earnings per share	8	**22.2c**	(27.7c)
Diluted earnings per share	8	**22.0c**	(27.7c)
Continuing operations			
Basic earnings per share	8	**14.0c**	(34.9c)
Diluted earnings per share	8	**13.9c**	(34.9c)

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

Statement of Comprehensive Income

Boral Limited and Controlled Entities

For the year ended 30 June	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
Net profit/(loss)		**176.2**	(205.7)
Other comprehensive income			
Items that will not be reclassified to Income Statement:			
Actuarial gain/(loss) on defined benefit plans	27	**–**	4.5
Income tax on items that will not be reclassified to Income Statement		**–**	(1.4)
Items that may be reclassified subsequently to Income Statement:			
Net exchange differences from translation of foreign operations taken to equity		**10.6**	116.3
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	24	**(146.5)**	3.1
Fair value adjustment on cash flow hedges	24	**(10.1)**	8.3
Income tax on items that may be reclassified subsequently to Income Statement		**7.3**	56.0
Total comprehensive income/(loss)		**37.5**	(18.9)
Total comprehensive income is attributable to:			
Members of the parent entity		**34.4**	(33.6)
Non-controlling interests		**3.1**	14.7
Total comprehensive income/(loss)		**37.5**	(18.9)

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

Balance Sheet

Boral Limited and Controlled Entities

		CONSOLIDATED	
As at 30 June	Note	2014 $ millions	2013 $ millions
CURRENT ASSETS			
Cash and cash equivalents	9	**383.2**	149.9
Cash on deposit	9	**–**	70.6
Receivables	10	**708.8**	887.8
Inventories	11	**528.1**	680.0
Other financial assets	13	**8.3**	11.6
Other	16	**36.1**	31.0
TOTAL CURRENT ASSETS		**1,664.5**	1,830.9
NON-CURRENT ASSETS			
Receivables	10	**54.5**	16.8
Inventories	11	**21.1**	19.6
Investments accounted for using the equity method	12	**851.8**	34.6
Other financial assets	13	**22.4**	23.5
Property, plant and equipment	14	**2,561.9**	3,378.1
Intangible assets	15	**196.1**	849.9
Deferred tax assets	21	**154.1**	133.7
Other	16	**32.7**	29.3
TOTAL NON-CURRENT ASSETS		**3,894.6**	4,485.5
TOTAL ASSETS		**5,559.1**	6,316.4
CURRENT LIABILITIES			
Payables	17	**648.5**	760.1
Loans and borrowings	18	**215.4**	126.9
Other financial liabilities	19	**12.1**	56.1
Current tax liabilities	20	**89.8**	19.1
Provisions	22	**204.4**	212.1
TOTAL CURRENT LIABILITIES		**1,170.2**	1,174.3
NON-CURRENT LIABILITIES			
Payables	17	**18.1**	9.4
Loans and borrowings	18	**886.1**	1,539.6
Other financial liabilities	19	**38.8**	25.5
Deferred tax liabilities	21	**–**	57.6
Provisions	22	**97.8**	116.5
TOTAL NON-CURRENT LIABILITIES		**1,040.8**	1,748.6
TOTAL LIABILITIES		**2,211.0**	2,922.9
NET ASSETS		**3,348.1**	3,393.5
EQUITY			
Issued capital	23	**2,477.6**	2,433.8
Reserves	24	**2.1**	74.4
Retained earnings		**868.4**	796.0
Total parent entity interest		**3,348.1**	3,304.2
Non-controlling interests		**–**	89.3
TOTAL EQUITY		**3,348.1**	3,393.5

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

Statement of Changes in Equity

Boral Limited and Controlled Entities

For the year ended 30 June 2014	CONSOLIDATED Issued capital $ millions	Reserves $ millions	Retained earnings $ millions	Total parent entity interest $ millions	Non-controlling interests $ millions	Total equity $ millions
Balance at 1 July 2013	**2,433.8**	**74.4**	**796.0**	**3,304.2**	**89.3**	**3,393.5**
Net profit	**–**	**–**	**173.3**	**173.3**	**2.9**	**176.2**
Other comprehensive income						
Translation of net assets of overseas controlled entities	**–**	**24.4**	**–**	**24.4**	**0.2**	**24.6**
Translation of long-term borrowings and foreign currency forward contracts	**–**	**(14.0)**	**–**	**(14.0)**	**–**	**(14.0)**
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**–**	**(146.5)**	**–**	**(146.5)**	**–**	**(146.5)**
Fair value adjustment on cash flow hedges	**–**	**(10.1)**	**–**	**(10.1)**	**–**	**(10.1)**
Income tax relating to other comprehensive income	**–**	**7.3**	**–**	**7.3**	**–**	**7.3**
Total comprehensive income/(loss)	**–**	**(138.9)**	**173.3**	**34.4**	**3.1**	**37.5**
Transactions with owners in their capacity as owners						
Shares issued under the Dividend Reinvestment Plan	**43.8**	**–**	**–**	**43.8**	**–**	**43.8**
Dividends paid	**–**	**–**	**(100.9)**	**(100.9)**	**(6.9)**	**(107.8)**
Other – Cultured Stone (note 24)	**–**	**59.4**	**–**	**59.4**	**(59.4)**	**–**
Share-based payments	**–**	**7.2**	**–**	**7.2**	**–**	**7.2**
Non-controlling interests disposed	**–**	**–**	**–**	**–**	**(28.2)**	**(28.2)**
Contributions by non-controlling interests	**–**	**–**	**–**	**–**	**2.1**	**2.1**
Total transactions with owners in their capacity as owners	**43.8**	**66.6**	**(100.9)**	**9.5**	**(92.4)**	**(82.9)**
Balance at 30 June 2014	**2,477.6**	**2.1**	**868.4**	**3,348.1**	**–**	**3,348.1**

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

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

Statement of Cash Flows

Boral Limited and Controlled Entities

For the year ended 30 June	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**5,579.8**	5,643.9
Payments to suppliers and employees		**(4,992.2)**	(5,188.3)
		587.6	455.6
Dividends received		**18.6**	18.6
Interest received		**7.1**	7.6
Borrowing costs paid		**(86.5)**	(101.8)
Income taxes (paid)/received		**14.0**	2.2
Restructure costs paid	35	**(33.5)**	(73.2)
Net Cash Provided by Operating Activities	35	**507.3**	309.0
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(267.1)**	(308.4)
Purchase of intangibles		**(1.1)**	(0.4)
Purchase of non-controlling interest	35	**(48.4)**	–
Loans to associates		**(0.5)**	1.8
(Increase)/decrease in cash on deposit		**69.9**	(63.9)
Proceeds on disposal of non-current assets		**37.3**	84.9
Proceeds on disposal of controlled entities and businesses (net of transaction costs)	5	**556.2**	92.1
Cash disposed relating to disposals of controlled entities	5	**(79.1)**	(4.3)
Net Cash Provided by/(Used in) Investing Activities		**267.2**	(198.2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	35.5
Dividends paid (net of dividends reinvested under the Dividend Reinvestment Plan of $43.8 million (2013: $29.4 million))		**(57.1)**	(35.5)
Dividends paid to non-controlling interests		**(6.9)**	(6.0)
Contributions by non-controlling interests		**2.1**	6.3
Proceeds from settlement of financial instruments		**32.7**	–
Proceeds from borrowings		**73.1**	186.5
Repayment of borrowings		**(568.5)**	(352.8)
Net Cash Used in Financing Activities		**(524.6)**	(166.0)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**249.9**	(55.2)
Cash and cash equivalents at the beginning of the year		**135.7**	181.5
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		**(2.4)**	9.4
Cash and cash equivalents at the end of the year	35	**383.2**	135.7

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies

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

The consolidated financial statements for the year ended 30 June 2014 comprise Boral Limited and its controlled entities (the "Group").

The financial statements were authorised for issue by the Directors on 27 August 2014.

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

A. Basis of preparation

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

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

The financial statements have been prepared on the basis of historical cost, except for financial instruments, any disposal groups held for sale, equity securities and share-based payment arrangements, which have been measured at fair value. The carrying value of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair value attributable to the risks that are being hedged.

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

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

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

Changes in accounting policies: Except for the changes noted below, the Group has consistently applied the accounting policies set out in this note to all periods presented in the consolidated financial statements.

New accounting standards: Several new accounting standards have been applied from 1 July 2013:

AASB 10 Consolidated Financial Statements.

AASB 11 Joint Arrangements.

AASB 12 Disclosure of Interests in Other Entities.

AASB 13 Fair Value Measurement.

AASB 119 Employee Benefits.

AASB 128 Investments in Associates and Joint Ventures.

AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine.

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies (continued)

Adoption of these standards has not resulted in any material changes to the Group's financial statements, other than:

AASB Interpretation *20 Stripping Costs in the Production Phase of a Surface Mine* specifies that the costs associated with the removal of waste during the production phase of a mine (stripping costs) are recognised as a Non-current asset. The stripping activity asset is accounted for as an addition to, or as an enhancement of an existing asset.

The effect of the application of AASB Interpretation 20 was retrospectively applied back to 1 July 2012, being the first comparative period presented. This resulted in an increase of Property, plant and equipment by $31.0 million, a decrease of Other current assets by $11.8 million and a decrease of Other non-current assets by $19.2 million. There was no impact on the reported net result in either the current or prior period, other than an increase in amortisation of $14.1 million (June 2013: $15.9 million) and a corresponding decrease in stripping expenses. Capital expenditure increased by $21.1 million (June 2013: $15.0 million).

New accounting standards and interpretations not yet adopted: The Group has not adopted the following new accounting standard which is effective for periods beginning after 1 July 2013:

AASB 9 Financial Instruments
The impact of these changes is still being fully assessed; however, initial assessments indicate that there would be no significant impact on the Group's financial statements.

B. Principles of consolidation

Subsidiaries: Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date that control commences until the date that control ceases.

Interests in equity-accounted entities: The Group's interests in equity-accounted entities comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and non-controlling interest of equity-accounted entities, until the date on which significant influence or joint control ceases.

Joint operations: The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses.

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

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

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

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

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

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

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

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

1. Significant accounting policies (continued)

C. Revenue recognition

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

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

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

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

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

D. Government grants

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

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

E. Income tax

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

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

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

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

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

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

F. Goods and services tax

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

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

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

G. Net financing costs

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

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies (continued)

H. Foreign currencies

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

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

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

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

I. Receivables

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

J. Inventories

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

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

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

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

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

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

L. Impairment

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

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

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value of money using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

1. Significant accounting policies (continued)

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

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

M. Intangible assets

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

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

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

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

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

N. Deferred expenses

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

O. Investments

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

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

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

P. Property, plant and equipment

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

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

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

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

Operating leases are not capitalised and lease costs are expensed.

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

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

	2014	2013
Buildings	**1 – 10%**	1 – 10%
Mineral reserves and licences	**1 – 5%**	1 – 5%
Plant and equipment	**5 – 33.3%**	5 – 33.3%

Q. Payables

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Significant accounting policies (continued)

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

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

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

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

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

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

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

V. Share capital

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

W. Earnings per share

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

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

X. Comparative figures

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

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

2. Segments

Operating segments are based on internal reporting to the Chief Executive Officer in assessing performance and determining the allocation of resources.

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

Construction Materials & Cement	–	Quarries, concrete, asphalt, transport, landfill, property, cement and concrete placing.
Building Products	–	Australian bricks, roof tiles, masonry and timber products.
Boral Gypsum*	–	Australian and Asian plasterboard.
Boral Gypsum Joint Venture	–	50/50 joint venture between USG Corporation and Boral Limited responsible for the manufacture and sale of Plasterboard and associated products.
Boral USA	–	Bricks, cultured stone, roof tiles, fly ash, concrete and quarries.
Discontinued Operations	–	Windows (2013: Asian Construction Materials and East Coast masonry).
Unallocated	–	Non-trading operations and unallocated corporate costs.

* The results of Boral Gypsum operations up to 28 February 2014 being the date of sale are shown as part of "Discontinued Operations" in the Income Statement.

During the period, the Group entered into an agreement with USG Corporation to combine its Australian and Asian Gypsum entities with USG Corporation's Asian and Middle East entities and technology into two 50/50 owned joint ventures.

For the period 1 July 2013 to 28 February 2014, the Group held 100% interest in Boral Gypsum, and the results were consolidated into the Group's financial report and have been shown in the Boral Gypsum segment.

From 1 March 2014, the Group has deconsolidated its existing Australian and Asian subsidiaries, and has recognised an equity accounted investment in respect of its 50% shareholding in the newly formed joint ventures. The newly formed joint ventures consist of Boral's Gypsum division and USG's Asian and Middle Eastern businesses and technology. The results from this date have been equity accounted. Refer to note 12 of the financial statements.

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

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

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

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

	CONSOLIDATED	
Reconciliations of reportable segment revenues and profits	2014 $ millions	2013 $ millions
External revenue	**5,203.9**	5,286.5
Less revenue from discontinued operations	**(748.8)**	(1,123.1)
Revenue from continuing operations	**4,455.1**	4,163.4
Profit before tax		
Profit/(loss) before net financing costs and income tax expense from reportable segments	**251.3**	(205.8)
Profit from discontinued operations*	**(66.9)**	(73.8)
Significant items applicable to discontinued operations	**(22.7)**	(5.7)
Profit/(loss) before net financing costs and income tax expense from continuing operations	**161.7**	(285.3)
Net financing costs from continuing operations	**(64.4)**	(92.7)
Profit/(loss) before tax from continuing operations	**97.3**	(378.0)

* Represents segment earnings from the Gypsum and discontinued segment.

2. Segments (continued)

	TOTAL REVENUE		INTERNAL REVENUE		EXTERNAL REVENUE	
	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions
Construction Materials & Cement	**3,310.4**	3,176.0	**23.3**	33.7	**3,287.1**	3,142.3
Building Products	**488.0**	466.6	**0.9**	0.9	**487.1**	465.7
Boral Gypsum**	**691.3**	919.3	**–**	–	**691.3**	919.3
Boral Gypsum Joint Venture	**–**	–	**–**	–	**–**	–
Boral USA	**681.7**	555.4	**0.8**	–	**680.9**	555.4
Discontinued Operations	**57.5**	203.8	**–**	–	**57.5**	203.8
	5,228.9	5,321.1	**25.0**	34.6	**5,203.9**	5,286.5

	OPERATING PROFIT (EXC EQUITY INCOME)		EQUITY ACCOUNTED INCOME		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions
Construction Materials & Cement	**245.3**	269.0	**31.3**	11.7	**276.6**	280.7
Building Products	**8.2**	(40.1)	**–**	–	**8.2**	(40.1)
Boral Gypsum**	**61.5**	72.6	**5.9**	10.0	**67.4**	82.6
Boral Gypsum Joint Venture	**–**	–	**10.1**	–	**10.1**	–
Boral USA	**(38.3)**	(63.6)	**(0.3)**	(0.6)	**(38.6)**	(64.2)
Discontinued Operations	**(0.5)**	(8.8)	**–**	–	**(0.5)**	(8.8)
Unallocated	**(29.0)**	(22.4)	**–**	–	**(29.0)**	(22.4)
	247.2	206.7	**47.0**	21.1	**294.2**	227.8
Significant items (refer to note 4)	**(39.1)**	(430.1)	**(3.8)**	(3.5)	**(42.9)**	(433.6)
	208.1	(223.4)	**43.2**	17.6	**251.3**	(205.8)

	SEGMENT ASSETS (EXC EQUITY ACCOUNTED INVESTMENTS)		EQUITY ACCOUNTED INVESTMENTS		TOTAL ASSETS	
	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions
Construction Materials & Cement	**2,762.6**	2,752.2	**19.0**	20.7	**2,781.6**	2,772.9
Building Products	**515.1**	529.4	**–**	–	**515.1**	529.4
Boral Gypsum**	**–**	1,707.7	**–**	13.9	**–**	1,721.6
Boral Gypsum Joint Venture	**–**	–	**832.8**	–	**832.8**	–
Boral USA	**813.3**	842.5	**–**	–	**813.3**	842.5
Discontinued Operations	**–**	41.1	**–**	–	**–**	41.1
Unallocated	**79.0**	54.7	**–**	–	**79.0**	54.7
	4,170.0	5,927.6	**851.8**	34.6	**5,021.8**	5,962.2
Cash and cash equivalents and cash on deposit	**383.2**	220.5	**–**	–	**383.2**	220.5
Tax assets	**154.1**	133.7	**–**	–	**154.1**	133.7
	4,707.3	6,281.8	**851.8**	34.6	**5,559.1**	6,316.4

** Boral Gypsum results are shown as part of "Discontinued Operations" in the Income Statement and represent consolidated results for the period July 13 to February 14 in 2014 (2013: 12 months to June 2013).

Notes to the Financial Statements

Boral Limited and Controlled Entities

2. Segments (continued)

	LIABILITIES		ACQUISITION OF SEGMENT ASSETS*		DEPRECIATION AND AMORTISATION	
	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions
Construction Materials & Cement	**610.0**	533.5	**211.9**	219.8	**168.2**	184.8
Building Products	**106.2**	108.5	**13.9**	20.2	**21.1**	35.4
Boral Gypsum**	**–**	174.6	**10.2**	46.0	**29.1**	41.9
Boral Gypsum Joint Venture	**–**	–	**–**	–	**–**	–
Boral USA	**149.0**	134.9	**29.5**	19.2	**41.7**	42.3
Discontinued Operations	**–**	21.7	**0.5**	3.5	**0.6**	1.8
Unallocated	**154.5**	206.5	**2.2**	0.1	**0.7**	0.8
	1,019.7	1,179.7	**268.2**	308.8	**261.4**	307.0
Loans and borrowings	**1,101.5**	1,666.5	**–**	–	**–**	–
Tax liabilities	**89.8**	76.7	**–**	–	**–**	–
	2,211.0	2,922.9	**268.2**	308.8	**261.4**	307.0

* Excludes amounts attributable to the acquisition of controlled entities and businesses.
** Boral Gypsum is shown as part of "Discontinued Operations" in the Income Statement.

Geographical information
For the year ended 30 June 2014, the Group's trading revenue from external customers in Australia amounted to $4,010.5 million (2013: $3,943.3 million), with $455.0 million (2013: $584.0 million) from the Plasterboard Asia operations, $680.9 million (2013: $555.4 million) relating to operations in the USA and $57.5 million (2013: $203.8 million) relating to other operations.
The Group's non-current assets (excluding deferred tax assets and other financial assets) in Australia amounted to $2,602.3 million (2013: $2,576.1 million), with $537.9 million (2013: $1,134.1 million) in Asia and $577.9 million (2013: $618.1 million) in the USA.

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

3. Profit for the period

		CONSOLIDATED	
For the year ended 30 June	**Note**	**2014 $ millions**	**2013 $ millions**
REVENUE FROM CONTINUING OPERATIONS			
Sale of goods		**4,366.8**	4,066.3
Rendering of services		**88.3**	97.1
Revenue from continuing operations		**4,455.1**	4,163.4
OTHER INCOME FROM CONTINUING OPERATIONS			
Significant items	4	**–**	13.1
Net profit on sale of assets		**14.5**	35.3
Other income		**6.9**	4.7
Other income from continuing operations		**21.4**	53.1
OTHER EXPENSES FROM CONTINUING OPERATIONS			
Significant items	4	**61.8**	448.9
Net foreign exchange loss		**2.9**	0.9
Other expenses from continuing operations		**64.7**	449.8

3. Profit for the period (continued)

For the year ended 30 June	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
SHARE OF EQUITY ACCOUNTED INCOME			
Share of equity accounted income	12	**47.0**	21.1
Impairment of investment disclosed as significant item	4	**–**	(3.5)
Restructure costs disclosed as significant item	4	**(3.8)**	–
Less share of equity accounted income relating to discontinued operations	5	**(5.9)**	(10.0)
		37.3	7.6
DEPRECIATION AND AMORTISATION EXPENSES			
Land and buildings		**17.8**	20.2
Plant and equipment		**222.6**	263.5
Mineral reserves, licences and quarry stripping		**17.7**	19.1
Leased assets capitalised		**0.1**	0.1
Other intangibles		**3.2**	4.1
		261.4	307.0
Less depreciation and amortisation expenses from discontinued operations		**(29.7)**	(43.7)
		231.7	263.3
NET FINANCING COSTS FROM CONTINUING OPERATIONS			
Interest income received or receivable from:			
Other parties (cash at bank and bank short-term deposits)		**3.1**	2.8
Unwinding of discount		**0.9**	–
Significant item – interest recoveries	4	**16.3**	–
		20.3	2.8
Interest expense paid or payable to:			
Other parties (bank overdrafts, bank loans and other loans)*		**80.6**	93.0
Finance charges on capitalised leases		**0.8**	–
Unwinding of discount		**3.3**	2.5
		84.7	95.5
Net financing costs from continuing operations		**(64.4)**	(92.7)

* In addition, interest of $4.7 million (2013: $3.6 million) was paid to other parties and capitalised in respect of qualifying assets. The capitalisation rate used was 6.0% (2013: 6.0%).

OTHER CHARGES			
Employee benefits expense*		**1,060.5**	1,137.6
Operating lease rental charges		**96.2**	110.3
Bad and doubtful debts expense		**9.6**	8.8

* Employee benefits expense includes salaries and wages, defined contribution expenses together with share-based payments and other entitlements. FY2013 also includes defined benefit expenses.

Notes to the Financial Statements

Boral Limited and Controlled Entities

4. Significant items

For the year ended 30 June	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
Net profit/(loss) includes the following items whose disclosure is relevant in explaining the financial performance of the Group:			
Continuing operations			
Impairment of assets, businesses and restructuring costs			
Goodwill		**–**	(32.4)
Property, plant and equipment		**(21.3)**	(159.6)
Other assets		**(0.9)**	–
Investments accounted for using the equity method		**–**	(3.5)
Restructure costs incurred by USG Boral Gypsum Joint Venture		**(3.8)**	–
Inventory		**(8.9)**	(47.6)
Demolition costs		**(5.2)**	–
Restructure and closure costs		**(26.8)**	(13.9)
Other		**1.3**	–
	(i)	**(65.6)**	(257.0)
Gain on settlement of insurance claims		**–**	13.1
Suspension of clinker operations at Waurn Ponds and reassessment of coal supply arrangements		**–**	(130.3)
Organisational restructure costs		**–**	(59.8)
Loss on sale of Oklahoma assets – USA		**–**	(5.3)
Tax related matters			
Interest recoveries	(iii)	**16.3**	–
Summary of significant items from continuing operations			
Profit/(loss) before interest and tax		**(65.6)**	(439.3)
Interest recoveries		**16.3**	–
Income tax benefit		**24.7**	117.5
Net significant items from continuing operations		**(24.6)**	(321.8)
Discontinued operations			
Loss on disposal of Windows business		**(3.7)**	–
Gain on disposal of Gypsum shareholding	(ii)	**26.4**	–
Impairment of assets, businesses and restructuring costs			
Property, plant and equipment		**–**	(6.3)
Gain on disposal of Asian Construction Materials businesses		**–**	12.0
Summary of significant items from discontinued operations			
Profit/(loss) before interest and tax		**22.7**	5.7
Income tax benefit/(expense)		**3.8**	(0.4)
Net significant items from discontinued operations		**26.5**	5.3
Summary of significant items			
Profit/(loss) before interest and tax		**(42.9)**	(433.6)
Interest recoveries		**16.3**	–
Income tax benefit		**28.5**	117.1
Net significant items		**1.9**	(316.5)

4. Significant items (continued)

2014 Significant items

(i) Impairment of assets, businesses and restructuring costs

In June, the Group announced the closure of its Maldon Cement manufacturing operations, which resulted in recognition of impairment charges of $6.9 million and redundancy and restructure costs of $6.9 million.

In the USA, a reassessment of the manufacturing footprint was undertaken, resulting in the impairment of assets of $22.0 million associated with the Ione rooftile plant in California and Augusta paver plant. In addition, redundancies of $8.2 million were made to further reshape the business.

As part of the overall reshaping of the Group, further redundancy and restructure activities were undertaken in the Australian Construction Materials businesses in Queensland and in Asphalt Victoria. In addition, due to the significant portfolio changes within the Group over the last few years, the Group has reviewed the level of centralised services required to support the more streamlined organisation which resulted in redundancies and restructure charges of $14.9 million and an asset impairment charge of $2.2 million. Costs associated with the proposed East Coast Bricks Joint Venture of $2.0 million were also incurred.

Following formation of the Boral Gypsum Joint Venture, the joint venture incurred restructuring and redundancy costs of $3.8 million to strengthen its low cost position and ensure a focused organisation that is well placed to deliver long-term performance.

A gain of $1.3 million was recorded in respect of the opening impact of the application of *AASB 13 Fair Value Measurement* relating to the inclusion of credit and debit value adjustments in the fair value of financial instruments.

(ii) Gain on disposal of Gypsum shareholding

During the period, the Group entered into an agreement with USG Corporation to combine its Australian and Asian Gypsum entities with USG Corporation's Asian and Middle East entities and technology into two 50/50 owned joint ventures. On disposal of its interest, Boral deconsolidated its existing Australian and Asia subsidiaries; and recognised an equity accounted investment in respect of its remaining 50% shareholding in each of the Australian and Asian entities. This resulted in a net gain of $26.4 million. (Refer to note 5.)

(iii) Interest recoveries

Interest received on resolution of outstanding taxation matters.

2013 Significant items

Suspension of clinker operations at Waurn Ponds and reassessment of Berrima coal supply arrangements

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

Organisational restructure costs

During financial year ended June 2013, the Group incurred costs and redundancies associated with a coordinated Group-wide organisation restructure program to simplify business structures and improve operational efficiency together with implementation costs of outsourcing the Group's Australian IT operations. This resulted in costs of $58.7 million and asset write-downs of $1.1 million.

Impairment of assets, businesses and restructuring costs

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

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

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

4. Significant items (continued)

Summary of significant items before interest and tax by segment	CONSOLIDATED 2014 $ millions	2013 $ millions
Construction Materials & Cement	**(30.9)**	(157.0)
Building Products	**–**	(192.8)
Boral Gypsum	**26.4**	–
Boral Gypsum Joint Venture	**(3.8)**	–
Boral USA	**(30.2)**	(29.7)
Discontinued Operations	**(3.7)**	5.7
Unallocated	**(0.7)**	(59.8)
	(42.9)	(433.6)

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

During the year, the Group completed a number of divestments including:

- the sale of its Windows businesses as at 30 November 2013; and
- the divestment of a 50% interest in its Asian and Australian plasterboard operations as at 28 February 2014.

As a result, the earnings for the current and comparative period have been reclassified to "Discontinued Operations" in the Income Statement.

Prior year comparatives also include the discontinued operations relating to former Asian Construction Materials and East Coast Masonry businesses, which were disposed of during financial year ended 30 June 2013.

	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
Results of discontinued operations			
Revenue		**748.8**	1,123.1
Expenses		**(687.8)**	(1,059.3)
Share of equity accounted income		**5.9**	10.0
Trading profit before significant items, net financing costs and income tax expense*		**66.9**	73.8
Impairment of assets, businesses and restructuring costs	4	**–**	(6.3)
Net gain on sale of discontinued operations	4	**22.7**	12.0
Profit before net financing costs and income tax expense		**89.6**	79.5
Net financing costs		**(2.4)**	(4.7)
Profit before income tax expense		**87.2**	74.8
Income tax (expense)/benefit	6	**(17.3)**	(11.2)
Net profit		**69.9**	63.6
Attributable to:			
Members of the parent entity		**64.1**	55.3
Non-controlling interest		**5.8**	8.3
Net profit		**69.9**	63.6
Basic and diluted earnings per share		**8.2c**	7.2c

* Represents segment earnings from the Gypsum and discontinued segment.

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

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Cash flows from discontinued operations		
Net cash from operating activities	**51.3**	111.2
Net cash from investing activities	**468.6**	24.1
Net cash used in financing activities	**(6.9)**	(6.0)
Net cash from discontinued operations	**513.0**	129.3

(i) Boral Limited and USG Corporation Gypsum Joint Venture

During October 2013, the Group entered into an agreement with USG Corporation to combine its Australian and Asian Gypsum entities with USG Corporation's Asian and Middle East entities and technology into two 50/50 owned joint ventures. This transaction was completed on 28 February 2014. These joint ventures are responsible for the manufacture and sale of plasterboard and associated products throughout Australasia and Middle East, and position Boral with access to advanced technologies in Asia and Australasia's plasterboard markets.

For the period 1 July 2013 to 28 February 2014, the Group held 100% interest in the Gypsum division, and the results were consolidated into the Group's financial report. On disposal Boral:

- deconsolidated its existing Australian and Asia subsidiaries; and
- recognised an equity accounted investment in respect of its remaining 50% shareholding in each of the Australian and Asian entities.

Under the terms of the agreement, Boral disposed of a 50% interest in its Gypsum division and is entitled to receive:

- US$500 million cash payment on completion;
- US$25 million in 3 years if earnings targets are achieved; and
- US$50 million in 5 years if earnings targets are achieved.

The transaction completed on 28 February 2014, resulting in the following disposal entries.

	$ millions
Proceeds received on completion	
Cash proceeds	**561.9**
Contingent consideration	**43.5**
Fair value of 50% interest in new Joint Ventures (note 12)	**846.7**
Consideration	**1,452.1**
Net assets disposed	**(1,578.2)**
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**146.5**
Non-controlling interest disposed	**28.2**
Transaction and establishment costs	**(22.2)**
Gain on disposal before income tax expense	**26.4**
Reconciliation of cash consideration	
Consideration	**561.9**
Less: Transaction and establishment costs	**(22.2)**
	539.7
Less: Cash and cash equivalents disposed	**(77.0)**
Consideration (net of transaction and establishment costs)	**462.7**

Notes to the Financial Statements

Boral Limited and Controlled Entities

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

(i) Boral Limited and USG Corporation Gypsum Joint Venture (continued)

Assets and liabilities disposed are as follows:

	Carrying amount $ millions
CURRENT ASSETS	
Cash and cash equivalents	**(100.6)**
Receivables	**(176.2)**
Inventories	**(78.2)**
Other assets	**(4.2)**
NON-CURRENT ASSETS	
Receivables	**(15.5)**
Investments accounted for using the equity method	**(14.7)**
Property, plant and equipment	**(785.8)**
Intangible assets	**(668.8)**
Deferred tax assets	**(5.7)**
CURRENT LIABILITIES	
Bank overdraft	**23.6**
Payables	**126.6**
Loans and borrowings	**31.8**
Current tax liabilities	**2.6**
Provisions	**21.0**
NON-CURRENT LIABILITIES	
Loans and borrowings	**23.2**
Deferred tax liabilities	**28.7**
Provisions	**14.0**
Net assets disposed	**(1,578.2)**

(ii) Potential Australian East Coast Brick Operations Joint Venture

On 4 April 2014, Boral announced that it has entered into an agreement with CSR Limited to combine their East Coast and South Australian bricks operations, subject to certain completion conditions.

At 30 June 2014, the East Coast bricks business has not been classified as held for sale in the financial statements, as the transaction remains subject to a number of conditions precedent including clearance by the Australian Competition and Consumer Commission.

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

(iii) Disposal of discontinued businesses (excluding Boral Gypsum)
During the year, the Group disposed of its Windows business.

Prior year comparatives also include the discontinued operations relating to former Asian Construction Materials and East Coast Masonry businesses, which were disposed of during financial year ended 30 June 2013.

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Consideration	**16.5**	76.5
Cash	**(2.1)**	(4.3)
Trade and other receivables	**(21.3)**	(50.1)
Inventories	**(13.2)**	(13.1)
Property, plant and equipment	**(6.7)**	(4.0)
Intangible assets	**–**	(0.9)
Other assets	**(0.2)**	(3.0)
Payables	**17.4**	13.8
Provisions	**5.9**	0.2
Net assets disposed	**(20.2)**	(61.4)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**–**	(3.1)
Gain/(loss) on disposal of discontinued operations before income tax expense	**(3.7)**	12.0
Consideration	**19.2**	76.5
Less: Transaction costs	**(2.7)**	–
Less: Cash and cash equivalents disposed	**(2.1)**	(4.3)
Consideration (net of transaction costs)	**14.4**	72.2

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

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

Summary of consideration (after transaction costs)		
Boral Limited and USG Corporation Gypsum Joint Venture	**539.7**	–
Discontinued businesses (excluding Boral Gypsum)	**16.5**	76.5
Oklahoma Concrete	**–**	15.6
	556.2	92.1
Less: Cash and cash equivalents disposed	**(79.1)**	(4.3)
Total	**477.1**	87.8

Notes to the Financial Statements

Boral Limited and Controlled Entities

6. Income tax expense/(benefit)

For the year ended 30 June	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
(i) Income tax expense/(benefit)			
Current income tax expense/(benefit)		**62.2**	(8.8)
Deferred income tax expense/(benefit)		**(51.0)**	(91.0)
Under/(over) provision for tax in previous years		**(2.9)**	2.3
Income tax expense/(benefit) attributable to profit/(loss)		**8.3**	(97.5)
(ii) Reconciliation of income tax expense/(benefit) to prima facie tax			
Income tax expense/(benefit) on profit/(loss):			
– at Australian tax rate 30% (2013: 30%)		**55.3**	(91.0)
– adjustment for difference between Australian and overseas tax rates		**(10.6)**	(12.6)
Income tax expense/(benefit) on pre-tax profit at standard rates		**44.7**	(103.6)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Tax losses not recognised/(recovered)		**(0.1)**	0.5
Non-deductible depreciation and amortisation		**0.6**	0.2
Capital gains/(losses) brought to account		**(2.2)**	(8.7)
Non-deductible asset impairments and write-downs		**–**	15.5
Non-assessable gains relating to significant items		**(13.9)**	–
Share of associates' net profit and franked dividends (excluding significant items)		**(13.3)**	(6.2)
Other items		**(4.6)**	2.5
Income tax expense/(benefit) on profit		**11.2**	(99.8)
Under/(over) provision for tax in previous years		**(2.9)**	2.3
Income tax expense/(benefit) attributable to profit		**8.3**	(97.5)
Income tax expense/(benefit) from continuing operations			
Income tax expense/(benefit) excluding significant items		**15.7**	8.8
Income tax expense/(benefit) relating to significant items	4	**(24.7)**	(117.5)
		(9.0)	(108.7)
Income tax expense/(benefit) from discontinued operations			
Income tax expense/(benefit) excluding significant items		**21.1**	10.8
Income tax expense/(benefit) relating to significant items	4	**(3.8)**	0.4
	5	**17.3**	11.2
		8.3	(97.5)
(iii) Tax amounts recognised directly in equity			
The following deferred tax amounts were charged/(credited) directly to equity during the year in respect of:			
Actuarial adjustment on defined benefit plans		**–**	1.4
Net exchange differences taken to equity		**(4.2)**	(58.3)
Fair value adjustment on cash flow hedges		**(3.1)**	2.3
Recognised in comprehensive income		**(7.3)**	(54.6)

7. Dividends

Dividends recognised by the Group are:

	Amount per share	Total amount $ millions	Franked amount per share	Date of payment
2014				
2013 final – ordinary	**6.0 cents**	**46.4**	**6.0 cents**	**27 September 2013**
2014 interim – ordinary	**7.0 cents**	**54.5**	**7.0 cents**	**24 March 2014**
Total		**100.9**		
2013				
2012 final – ordinary	3.5 cents	26.6	3.5 cents	28 September 2012
2013 interim – ordinary	5.0 cents	38.3	5.0 cents	25 March 2013
Total		64.9		

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

2014 final – ordinary	**8.0 cents**	**62.6**	**8.0 cents**	**26 September 2014**

The financial effect of the final dividend for the year ended 30 June 2014 has not been brought to account in the financial statements for the year but will be recognised in subsequent financial reports.

Dividend franking account
The balance of the franking account of Boral Limited as at 30 June 2014 is $65.8 million (2013: $44.9 million) after adjusting for franking credits/(debits) that will arise from:

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

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

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $26.8 million (2013: $19.9 million).

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

8. Earnings per share

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

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

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Earnings reconciliation		
Net profit before significant items and non-controlling interests	**174.3**	110.8
Profit attributable to non-controlling interests	**(2.9)**	(6.4)
Net profit excluding significant items	**171.4**	104.4
Net significant items	**1.9**	(316.5)
Net profit/(loss) attributable to members of the parent entity	**173.3**	(212.1)
Earnings reconciliation – continuing operations		
Net profit before significant items and non-controlling interests	**130.9**	52.5
Loss attributable to non-controlling interests	**2.9**	1.9
Net profit excluding significant items	**133.8**	54.4
Net significant items	**(24.6)**	(321.8)
Net profit/(loss) attributable to members of the parent entity – continuing operations	**109.2**	(267.4)

	CONSOLIDATED	
	2014	2013
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	**778,940,970**	766,598,996
Effect of potential ordinary shares	**7,225,673**	6,437,744
Number for diluted earnings per share	**786,166,643**	773,036,740
Basic earnings per share	**22.2c**	(27.7c)
Diluted earnings per share	**22.0c**	(27.7c)
Basic earnings per share (excluding significant items)	**22.0c**	13.6c
Diluted earnings per share (excluding significant items)	**21.8c**	13.5c
Basic earnings per share (continuing operations)	**14.0c**	(34.9c)
Diluted earnings per share (continuing operations)	**13.9c**	(34.9c)

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

9. Cash and cash equivalents and cash on deposit

	CONSOLIDATED 2014 $ millions	2013 $ millions
Cash at bank and on hand	**95.6**	95.5
Bank short-term deposits	**287.6**	54.4
Cash and cash equivalents	**383.2**	149.9
Cash on deposit	**–**	70.6
	383.2	220.5

The bank short-term deposits mature within 90 days and pay interest at a weighted average interest rate of 2.21% (2013: 2.37%).

As at 30 June 2013, cash on deposit with banks maturing within 180 days paid interest at a weighted average interest rate of 2.69%.

10. Receivables

	2014	2013
Current		
Trade receivables	**651.7**	807.1
Associated entities	**4.1**	20.6
	655.8	827.7
Less: Allowance for impairment	**(14.4)**	(15.6)
	641.4	812.1
Other receivables	**67.7**	78.8
Less: Allowance for impairment	**(0.3)**	(3.1)
	67.4	75.7
	708.8	887.8

The Group requires all customers to pay in accordance with agreed payment terms. Included in the Group's trade receivables are debtors with a carrying value of $57.9 million (2013: $117.1 million), which are past due but not impaired. These relate to a number of debtors with no significant change in credit quality or history of default. The ageing analysis is as follows:

	2014	2013
Trade receivables – past due 0 – 60 days	**51.0**	104.3
Trade receivables – past due > 60 days	**6.9**	12.8

Allowance for impairment

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

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

	2014	2013
Balance at the beginning of the year	**(15.6)**	(12.8)
Amounts written off during the year	**6.9**	6.6
Increase recognised in Income Statement	**(9.6)**	(8.8)
Disposals of entities or operations	**4.0**	–
Net foreign currency exchange differences	**(0.1)**	(0.6)
Balance at the end of the year	**(14.4)**	(15.6)
Non-current		
Loans to associated entities	**–**	7.8
Other receivables	**54.5**	9.0
	54.5	16.8

No amounts owing by associates or included in other receivables were past due as at 30 June 2014.

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Boral Limited and Controlled Entities

11. Inventories

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Current		
Raw materials and consumable stores	**159.4**	196.0
Work in progress	**53.7**	47.8
Finished goods	**307.5**	377.3
Land development projects	**7.5**	58.9
	528.1	680.0
Non-current		
Land development projects	**21.1**	19.6
Land development projects comprises:		
Cost of acquisition	**11.1**	15.5
Development costs capitalised	**17.5**	63.0
	28.6	78.5

12. Investments accounted for using the equity method

				CONSOLIDATED			
				OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
Name	Principal activity	Country of incorporation	Balance date	2014 %	2013 %	2014 $ millions	2013 $ millions
Details of equity accounted investments							
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	30-Jun	**50**	50	**–**	0.4
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	**50**	50	**–**	–
Flyash Australia Pty Ltd	Fly ash collection	Australia	31-Dec	**50**	50	**1.9**	2.9
Gypsum Resources Australia Pty Ltd[1]	Gypsum mining	Australia	30-Jun	**–**	50	**–**	–
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	**50**	50	**–**	–
Penrith Lakes Development Corporation Ltd	Quarrying	Australia	30-Jun	**40**	40	**–**	–
Rondo Building Services Pty Ltd[1]	Rollform systems	Australia	30-Jun	**–**	50	**–**	13.9
South East Asphalt Pty Ltd	Asphalt	Australia	30-Jun	**50**	50	**0.7**	0.8
Sunstate Cement Ltd	Cement manufacturer	Australia	30-Jun	**50**	50	**16.4**	16.6
USG Boral Building Products[2]	Plasterboard	Australia/ Singapore	30-Jun	**50**	–	**832.8**	–
US Tile LLC	Roof tiles	USA	31-Dec	**50**	50	**–**	–
TOTAL						**851.8**	34.6

1 On 28 February 2014, Boral divested its interests in Rondo Building Services and Gypsum Resources Australia as part of the formation of the Gypsum joint ventures with USG Corporation.
2 In return for contribution of its Australian and Asian operations, the Group received a 50% interest in the new joint ventures in Australia (USG Boral Building Products Pty Ltd) and Asia (USG Boral Building Products Pte Ltd). The results were equity accounted from 1 March 2014 when the joint ventures were formed.

12. Investments accounted for using the equity method (continued)

	Note	CONSOLIDATED 2014 $ millions	2013 $ millions
Movements in carrying value of equity accounted investments			
Balance at the beginning of the year		**34.6**	36.6
Acquired during the year	5	**846.7**	–
Disposed during the year		**(14.7)**	–
Share of equity accounted income		**47.0**	21.1
Impairment and restructure costs disclosed as significant item	4	**(3.8)**	(3.5)
Dividends received		**(18.6)**	(18.6)
Results recognised against losses previously taken to non-current receivables/provisions		**(19.3)**	(1.6)
Share of movement in currency reserve		**6.7**	0.3
Effect of exchange rate and other changes		**(26.8)**	0.3
Balance at the end of the year		**851.8**	34.6

When the Group's share of losses from an equity accounted investment exceed the Group's investment in the relevant equity accounted investment, the losses are taken against any long-term receivables relating to the equity accounted investment and if the Group's obligation for losses exceeds this amount, they are recorded as a provision in the Group's financial statements to the extent that the Group has an obligation to fund the liability.

	Note	Gypsum operations* 2014 $ millions	Gypsum operations* 2013 $ millions	Total 2014 $ millions	Total 2013 $ millions
Summarised Income Statement					
Revenue		**400.1**	–	**630.4**	343.5
Profit before income tax expense		**33.7**	–	**136.1**	32.2
Income tax expense		**(11.5)**	–	**(42.2)**	(9.1)
Non-controlling interest		**(2.0)**	–	**(2.0)**	–
Net profit before significant items		**20.2**	–	**91.9**	23.1
Impairment of investment disclosed as significant item		**–**	–	**–**	(7.0)
Restructure costs disclosed as significant item net of tax		**(7.6)**	–	**(7.6)**	–
Net profit – equity accounted relating to continuing operations		**12.6**	–	**84.3**	16.1
The Group's share based on % ownership:					
Net profit before significant items		**10.1**	–	**41.1**	11.1
Impairment of investment disclosed as significant item	4	**–**	–	**–**	(3.5)
Restructure costs disclosed as significant item	4	**(3.8)**	–	**(3.8)**	–
Net profit – equity accounted relating to continuing operations		**6.3**	–	**37.3**	7.6

* Gypsum operations include results from USG Boral Building Products, which were equity accounted from 1 March 2014 when the joint ventures were formed.

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Boral Limited and Controlled Entities

12. Investments accounted for using the equity method (continued)

	Gypsum operations		Total	
	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions
Summarised Balance Sheet				
Current assets	**459.3**	–	**523.1**	117.9
Non-current assets	**1,614.1**	–	**1,805.8**	178.2
Total assets	**2,073.4**	–	**2,328.9**	296.1
Current liabilities	**(260.5)**	–	**(339.3)**	(91.9)
Non-current liabilities	**(71.8)**	–	**(210.6)**	(134.9)
Total liabilities	**(332.3)**	–	**(549.9)**	(226.8)
Non-controlling interest	**(75.4)**	–	**(75.4)**	–
Net assets	**1,665.7**	–	**1,703.6**	69.3
The Group's share of net assets based on % ownership	**832.8**	–	**851.8**	34.6

13. Other financial assets

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Current		
Derivative financial assets	**8.3**	11.6
Non-current		
Derivative financial assets	**11.7**	23.5
Equity securities	**10.7**	–
	22.4	23.5

14. Property, plant and equipment

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Land and buildings		
At cost	**1,072.6**	1,434.1
Less: Accumulated depreciation, amortisation and impairment	**(155.9)**	(189.8)
	916.7	1,244.3
Mineral reserves, licences and quarry stripping		
At cost	**262.5**	249.9
Less: Accumulated amortisation and impairment	**(100.9)**	(88.0)
	161.6	161.9
Plant and equipment		
At cost	**4,029.2**	4,594.7
Less: Accumulated depreciation and impairment	**(2,550.0)**	(2,627.6)
	1,479.2	1,967.1
Leased plant and equipment capitalised	**5.7**	5.1
Less: Accumulated amortisation	**(1.3)**	(0.3)
	4.4	4.8
	1,483.6	1,971.9
Total	**2,561.9**	3,378.1

Reconciliation of movements in property, plant and equipment

	Land and buildings	Mineral reserves, licences and quarry stripping	Plant and equipment	Total
As at 30 June 2014	2014 $ millions	2014 $ millions	2014 $ millions	2014 $ millions
Balance at the beginning of the year	**1,244.3**	**161.9**	**1,971.9**	**3,378.1**
Additions	**4.2**	**21.1**	**241.8**	**267.1**
Disposals	**(7.6)**	**–**	**(5.8)**	**(13.4)**
Disposals of entities or operations	**(366.4)**	**(4.6)**	**(421.5)**	**(792.5)**
Transferred (to)/from other property, plant and equipment	**68.3**	**–**	**(68.3)**	**–**
Impairment disclosed as significant items	**(8.5)**	**–**	**(12.8)**	**(21.3)**
Transfer (to)/from other assets or liabilities	**–**	**1.3**	**0.3**	**1.6**
Depreciation or amortisation expense	**(17.8)**	**(17.7)**	**(222.7)**	**(258.2)**
Net foreign currency exchange differences	**0.2**	**(0.4)**	**0.7**	**0.5**
Balance at the end of the year	**916.7**	**161.6**	**1,483.6**	**2,561.9**

Notes to the Financial Statements

Boral Limited and Controlled Entities

14. Property, plant and equipment (continued)

As at 30 June 2013	Land and buildings 2013 $ millions	Mineral reserves, licences and quarry stripping 2013 $ millions	Plant and equipment 2013 $ millions	Total 2013 $ millions
Balance at the beginning of the year	1,231.2	167.4	2,199.8	3,598.4
Additions	24.7	15.0	268.7	308.4
Disposals	(29.0)	–	(18.0)	(47.0)
Transferred (to)/from other property, plant and equipment	25.1	1.4	(26.5)	–
Impairment disclosed as significant items	(32.1)	(5.6)	(226.2)	(263.9)
Transfer (to)/from other assets or liabilities	–	–	(4.3)	(4.3)
Write-down of plant and equipment	–	–	(5.0)	(5.0)
Depreciation or amortisation expense	(20.2)	(19.1)	(263.6)	(302.9)
Net foreign currency exchange differences	44.6	2.8	47.0	94.4
Balance at the end of the year	1,244.3	161.9	1,971.9	3,378.1

15. Intangible assets

	CONSOLIDATED 2014 $ millions	2013 $ millions
Goodwill	**183.1**	825.8
Other intangible assets	**29.1**	59.8
Less: Accumulated amortisation	**(16.1)**	(35.7)
	13.0	24.1
Total	**196.1**	849.9
Reconciliation of movements in goodwill		
Balance at the beginning of the year	**825.8**	797.3
Impairment disclosed as significant items	**–**	(32.4)
Goodwill disposed	**(662.6)**	(6.1)
Net foreign currency exchange differences	**19.9**	67.0
Balance at the end of the year	**183.1**	825.8

Impairment testing for cash generating units containing goodwill

For the purposes of the impairment testing, goodwill is allocated to the Group's operating divisions according to business types and geographical span of operations. The aggregate carrying amounts of goodwill allocated to each Cash Generating Unit (CGU) are as follows:

Boral Gypsum Asia	**–**	628.0
US Bricks	**86.2**	87.5
Other*	**96.9**	110.3
	183.1	825.8

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

15. Intangible assets (continued)

Key assumptions
The recoverable amount of CGUs is the higher of the asset's fair value less costs to sell and its value in use. Value in use calculations use pre-tax cash flow projections based on financial budgets and plans approved by management.

US Bricks
Whilst recognising the cyclical nature of the USA building industry, cash flow projections for the US Bricks business cover a period of 10 years, reflecting a full business cycle. Cash flows beyond the projection period are extrapolated using growth rates of 0.8% for US Bricks. These growth rates do not exceed the long-term average growth rate for the industry in which the CGU operates.

The Group's weighted cost of capital is used as a starting point for determining the discount rate with appropriate adjustments for the risk profile relating to the relevant segments and the countries in which they operate. The discount rate applied to pre-tax cash flows was 13.9% for US Bricks.

Key assumptions relates to the number of housing starts and market share for the bricks business in the USA.

These assumptions have been determined with reference to current performance and taking into account external forecasts. Housing start forecasts utilised in the cash flow projections are based on historical experiences in the relevant geographies and independent economists' forecasts.

The recoverable amount of the CGU based on value in use exceeds its carrying value as at 30 June 2014. Management believes no reasonable changes in the key assumptions on which the estimates for the US Brick business are based would cause the carrying amount to exceed the recoverable amount.

Other cash generating units
The recoverable amount of other CGUs has been reviewed and exceeds their carrying values as at 30 June 2014. No reasonable changes in the key assumptions on which the estimates have been based for these businesses would cause the carrying amount to exceed the recoverable amount.

	CONSOLIDATED	
Segment summary of goodwill	**2014 $ millions**	**2013 $ millions**
Construction Materials & Cement	**70.2**	70.2
Boral Gypsum	**–**	640.6
Boral USA	**112.9**	115.0
	183.1	825.8
Reconciliation of movements in other intangible assets		
Balance at the beginning of the year	**24.1**	22.8
Additions	**1.1**	0.4
Australian carbon credit units	**(2.9)**	2.9
Disposals of entities or operations	**(6.2)**	–
Amortisation expense	**(3.2)**	(4.1)
Transfer from other assets	**–**	(0.2)
Net foreign currency exchange differences	**0.1**	2.3
Balance at the end of the year	**13.0**	24.1

Other intangible assets
Other intangible assets relate predominantly to brand names, technology, software development and government grant of carbon credits. Where appropriate, other intangible assets are amortised at rates from 5% to 20%. Amortisation expense is included in "depreciation and amortisation" as disclosed in note 3.

Notes to the Financial Statements

Boral Limited and Controlled Entities

16. Other assets

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Current		
Deferred expenses	**15.2**	7.8
Deposits and prepayments	**20.9**	23.2
	36.1	31.0
Non-current		
Deferred expenses	**32.7**	29.3

Amortisation rates
Deferred expenses are generally amortised at rates between 20% and 60%, although some minor amounts of deferred expenses are amortised at rates between 5% and 10%.

17. Payables

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Current		
Trade creditors	**648.5**	757.6
Due to associated entities	**–**	2.5
	648.5	760.1
Non-current		
Deferred income	**18.1**	9.4

18. Loans and borrowings

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Current		
Bank overdrafts – unsecured	**–**	14.2
Bank loans – unsecured	**–**	54.4
Other loans – unsecured	**214.1**	56.9
Finance lease liabilities	**1.3**	1.4
	215.4	126.9
Non-current		
Bank loans – unsecured	**–**	432.2
Other loans – unsecured	**881.3**	1,101.0
Finance lease liabilities	**4.8**	6.4
	886.1	1,539.6

For more information about the Group's financing arrangements, refer to note 28.

19. Other financial liabilities

	CONSOLIDATED 2014 $ millions	2013 $ millions
Current		
Derivative financial liabilities	**12.1**	8.0
Future purchase liability – Cultured Stone*	**–**	48.1
	12.1	56.1
Non-current		
Derivative financial liabilities	**38.8**	25.5

* During the year, the Group paid $48.4 million in respect of the outstanding liability relating to the acquisition of the Cultured Stone business in the USA (refer to note 33(ii)).

20. Current tax liabilities

	CONSOLIDATED 2014 $ millions	2013 $ millions
Current		
Current tax liability	**89.8**	19.1

21. Deferred tax assets and liabilities

	CONSOLIDATED 2014 $ millions	2013 $ millions
Recognised deferred tax balances		
Deferred tax asset	**154.1**	133.7
Deferred tax liability	**–**	(57.6)
	154.1	76.1
Unrecognised deferred tax assets		
Deferred tax assets not recognised:		
The potential deferred tax asset has not been taken into account in respect of tax losses where recovery is not probable	**130.1**	143.5

The potential benefit of the deferred tax asset will only be obtained if:

(i) the relevant entities derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the Group in accordance with tax law in the jurisdiction in which the company operates;

(ii) the relevant Group entities continue to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant entities in realising the asset.

Notes to the Financial Statements

Boral Limited and Controlled Entities

21. Deferred tax assets and liabilities (continued)

The gross amount of capital and revenue tax losses carried forward that have not been recognised and the range of expiry dates for recovery by tax jurisdiction are as follows:

		CONSOLIDATED	
Tax jurisdiction	**Expiry date**	**2014 $ millions**	**2013 $ millions**
Australia*	No restriction	**66.4**	99.7
China	31 Dec 2013 – 31 Dec 2017	**–**	33.6
Germany	No restriction	**52.4**	50.9
India	31 Mar 2013 – 31 Mar 2020	**–**	2.9
United Kingdom*	No restriction	**42.1**	38.3
United States of America*	30 Jun 2016	**6.8**	6.9
United States of America	30 Jun 2029 – 30 June 2034	**218.7**	203.7
Vietnam	31 Dec 2013 – 31 Dec 2014	**–**	1.7

* Unbooked capital losses.

MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	CONSOLIDATED				
As at 30 June 2014	**Balance at the beginning of the year $ millions**	**Recognised in income $ millions**	**Recognised in equity $ millions**	**Other movements $ millions**	**Balance at the end of the year $ millions**
Receivables	**3.7**	**(0.7)**	**–**	**–**	**3.0**
Inventories	**(14.8)**	**8.6**	**–**	**–**	**(6.2)**
Property, plant and equipment	**(109.2)**	**1.5**	**–**	**28.6**	**(79.1)**
Intangible assets	**(25.8)**	**(2.6)**	**–**	**0.5**	**(27.9)**
Payables	**3.3**	**3.1**	**–**	**–**	**6.4**
Loans and borrowings	**(1.2)**	**(4.6)**	**3.1**	**–**	**(2.7)**
Provisions	**94.4**	**8.0**	**–**	**(5.8)**	**96.6**
Other	**(23.1)**	**0.6**	**–**	**0.1**	**(22.4)**
Unrealised foreign exchange	**(53.1)**	**17.4**	**4.2**	**–**	**(31.5)**
Tax losses carried forward	**201.9**	**19.7**	**–**	**(3.7)**	**217.9**
	76.1	**51.0**	**7.3**	**19.7**	**154.1**

21. Deferred tax assets and liabilities (continued)

	CONSOLIDATED				
As at 30 June 2013	Balance at the beginning of the year $ millions	Recognised in income $ millions	Recognised in equity $ millions	Other movements $ millions	Balance at the end of the year $ millions
Receivables	5.4	(1.7)	–	–	3.7
Inventories	(28.0)	13.2	–	–	(14.8)
Property, plant and equipment	(157.4)	56.2	–	(8.0)	(109.2)
Intangible assets	(14.3)	(9.2)	–	(2.3)	(25.8)
Payables	3.9	(0.6)	–	–	3.3
Loans and borrowings	0.2	0.9	(2.3)	–	(1.2)
Provisions	95.0	(2.2)	–	1.6	94.4
Other	(24.1)	2.4	(1.4)	–	(23.1)
Unrealised foreign exchange	(111.2)	(0.2)	58.3	–	(53.1)
Tax losses carried forward	149.2	32.2	–	20.5	201.9
	(81.3)	91.0	54.6	11.8	76.1

22. Provisions

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Current		
Employee benefits	**116.3**	132.2
Rationalisation and restructuring	**23.8**	13.8
Claims	**10.4**	10.3
Restoration and environmental rehabilitation	**32.4**	39.8
Other	**21.5**	16.0
	204.4	212.1
Non-current		
Employee benefits	**13.5**	25.3
Claims	**1.1**	1.5
Restoration and environmental rehabilitation	**55.9**	48.2
Other	**27.3**	41.5
	97.8	116.5

Notes to the Financial Statements

Boral Limited and Controlled Entities

22. Provisions (continued)

Rationalisation and restructuring
Provisions for rationalisation and restructuring are recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced, or firm contracts related to the restructuring have been entered into. Costs related to ongoing activities are not provided for.

Claims
Provisions are raised for liabilities arising from the ordinary course of business, in relation to claims against the Group, including insurance, legal and other claims. Where recoveries are expected in respect of such claims, these are included in other receivables.

Restoration and environmental rehabilitation
Provisions are made for the fair value of the liability for restoration and rehabilitation of areas from which natural resources are extracted. The basis for accounting is set out in note 1. Provisions are also made for the expected cost of environmental rehabilitation of sites identified as being contaminated as a result of prior activities. The liability is recognised when the environmental exposure is identified and the estimated clean-up costs can be reliably assessed.

Other
Other includes provision for onerous contracts and the Group's share of an associate's equity accounted losses.

Reconciliations

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Rationalisation and restructuring		
Balance at the beginning of the year	**13.8**	7.7
Provisions made during the year	**20.4**	9.3
Decrease through disposal of entity	**(0.6)**	–
Payments made during the year	**(9.6)**	(3.2)
Net foreign currency exchange differences	**(0.2)**	–
Balance at the end of the year	**23.8**	13.8
Claims		
Balance at the beginning of the year	**11.8**	13.1
Provisions made during the year	**3.0**	4.3
Remeasurement of provision	**–**	(1.8)
Decrease through disposal of entity	**(1.5)**	–
Payments made during the year	**(1.8)**	(4.1)
Net foreign currency exchange differences	**–**	0.3
Balance at the end of the year	**11.5**	11.8
Restoration and environmental rehabilitation		
Balance at the beginning of the year	**88.0**	67.6
Provisions made during the year	**6.8**	24.8
Unwind of discount	**2.0**	1.5
Remeasurement of provision	**(0.4)**	–
Payments made during the year	**(8.1)**	(5.9)
Balance at the end of the year	**88.3**	88.0

22. Provisions (continued)

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Other		
Balance at the beginning of the year	**57.5**	35.2
Provisions made during the year	**15.3**	12.3
Unwind of discount	**0.8**	–
Decrease through disposal of entity	**(0.7)**	–
Transfer from liabilities held for sale	**–**	12.6
Payments made during the year	**(4.6)**	(3.0)
Transferred from/(to) investments accounted for using the equity method	**(19.5)**	0.4
Balance at the end of the year	**48.8**	57.5

23. Issued capital

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Issued and paid up capital		
782,736,249 (2013: 774,000,641) ordinary shares, fully paid	**2,477.6**	2,433.8
Movements in ordinary issued capital		
Balance at the beginning of the year	**2,433.8**	2,368.4
8,735,608 (2013: 6,973,870) shares issued under the Dividend Reinvestment Plan	**43.8**	29.4
Nil (2013: 8,319,496) shares issued under the Dividend Reinvestment Plan underwriting agreement	**–**	35.5
Nil (2013: 135,135) shares issued on vesting of rights	**–**	0.5
Balance at the end of the year	**2,477.6**	2,433.8

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.

Notes to the Financial Statements

Boral Limited and Controlled Entities

24. Reserves

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Foreign currency translation reserve	**(50.0)**	81.9
Hedging reserve – cash flow hedges	**(4.6)**	2.4
Other reserve	**(6.9)**	(66.3)
Share-based payments reserve	**63.6**	56.4
	2.1	74.4
Reconciliations		
Foreign currency translation reserve		
Balance at the beginning of the year	**81.9**	(87.5)
Net loss on translation of assets and liabilities of overseas entities	**24.4**	187.7
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**(146.5)**	3.1
Net gain on translation of long-term borrowings and foreign currency forward contracts net of tax benefit $4.2 million (2013: $58.3 million)	**(9.8)**	(21.4)
Balance at the end of the year	**(50.0)**	81.9
Hedging reserve		
Balance at the beginning of the year	**2.4**	(3.6)
Transferred to the Income Statement	**1.8**	1.3
Transferred to initial carrying amount of hedged item	**(5.6)**	7.3
Losses taken directly to equity	**(6.3)**	(0.3)
Tax benefit/(expense)	**3.1**	(2.3)
Balance at the end of the year	**(4.6)**	2.4
Other reserve		
Balance at the beginning of the year	**(66.3)**	(66.3)
Acquisition of Cultured Stone non-controlling interest	**59.4**	–
Balance at the end of the year	**(6.9)**	(66.3)
Share-based payments reserve		
Balance at the beginning of the year	**56.4**	48.2
Option/rights expense	**7.2**	8.7
Transfer to share capital on vesting of rights	**–**	(0.5)
Balance at the end of the year	**63.6**	56.4

Nature and purpose of reserves

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group, together with foreign exchange differences from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Other reserve

The other reserve relates to the Cultured Stone acquisition.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and rights granted.

25. Contingent liabilities

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below.		
Unsecured contingent liabilities:		
Bank guarantees	**5.0**	6.1
Other items	**1.3**	1.3
	6.3	7.4

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

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

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

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

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

Deed of Cross Guarantee
Under the terms of ASIC Class Order 98/1418, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Boral Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities identified in note 33.

The consolidated statement of comprehensive income and consolidated balance sheet, comprising Boral Limited and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2014 are set out in note 37.

Notes to the Financial Statements

Boral Limited and Controlled Entities

26. Commitments

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Capital expenditure commitments		
Contracted but not provided for are payable as follows:		
Not later than one year	**11.0**	40.8
Later than one year but not later than five years	**–**	0.1
	11.0	40.9
The capital expenditure commitments are in respect of the purchase of plant and equipment.		
Finance leases		
Lease commitments in respect of finance leases are payable as follows:		
Not later than one year	**1.6**	1.8
Later than one year but not later than five years	**5.3**	7.1
	6.9	8.9
Less: Future finance charges and executory costs	**(0.8)**	(1.1)
	6.1	7.8
Operating leases		
Lease commitments in respect of operating leases are payable as follows:		
Not later than one year	**67.4**	84.6
Later than one year but not later than five years	**134.8**	156.2
Later than five years	**35.5**	44.3
	237.7	285.1

The Group leases property, equipment and vehicles under operating leases expiring from one to 15 years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Some leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price Index or operating criteria.

27. Employee benefits

Boral Senior Executive Option Plan

The Boral Senior Executive Option Plan provides for executives to receive options over ordinary shares.

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.

Certain further details of the options granted are given in the Directors' Report.

The options are only exercisable to the extent to which the exercise hurdle is satisfied. Different exercise hurdles apply to the various tranches of options and satisfaction of these hurdles is dependent on increases in the Boral share price and dividends which affect the Boral Total Shareholder Return (TSR). The performance of the TSR of Boral Limited is compared to the TSR of a reference group of companies from time to time comprising the S&P/ASX Top 100 to determine how many options are exercisable.

Set out below are summaries of options granted under the plan.

Tranche	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Lapsed during the year	Exercised during the year	Balance at end of the year	Vested and exercisable
				Number	Number	Number	Number	Number	Number
Consolidated – 2014									
(xvi)	**6/11/2006**	**6/11/2013**	**$7.27**	**3,584,300**	**–**	**(3,584,300)**	**–**	**–**	**–**
(xvii)	**6/11/2007**	**6/11/2014**	**$6.78**	**4,623,100**	**–**	**(511,100)**	**–**	**4,112,000**	**3,536,320**
				8,207,400	**–**	**(4,095,400)**	**–**	**4,112,000**	**3,536,320**
Consolidated – 2013									
(xv)	31/10/2005	31/10/2012	$7.65	2,479,300	–	(2,479,300)	–	–	–
(xvi)	6/11/2006	6/11/2013	$7.27	3,720,400	–	(136,100)	–	3,584,300	1,792,150
(xvii)	6/11/2007	6/11/2014	$6.78	4,816,200	–	(193,100)	–	4,623,100	3,975,866
				11,015,900	–	(2,808,500)	–	8,207,400	5,768,016

There were no options exercised or shares issued to employees on the exercise of options during the financial year or in the preceding financial year.

Share Acquisition Rights

Share Acquisition Rights (SARs) were introduced in October 2004 to provide an alternative Long Term Incentive (LTI) to options. SARs can be granted in lieu of options, with the number granted calculated in the same way, ie based on a percentage of fixed remuneration and the fair market value of a SAR.

During the current year, SARs were issued under the Boral Long Term Incentive Plan. The SARs issued during the year were valued using a Monte Carlo simulation option-pricing formula. The value of SARs awarded has been independently determined at grant date after considering the likelihood of meeting performance hurdles. SARs issued with a TSR hurdle were valued at $2.28 per right, while SARs with a ROFE target were valued at $3.81 per right.

The following represents the inputs to the pricing model used in estimating fair value:

	2014	2013
Grant date share price	**$4.19**	$3.50
Risk-free rate	**2.70%**	2.58 – 2.72%
Dividend yield	**3.20%**	3.18%
Volatility factor	**29%**	35%

Further details of the terms and conditions of the issue of rights are contained in the Remuneration Report.

Notes to the Financial Statements

Boral Limited and Controlled Entities

27. Employee benefits (continued)

Share Acquisition Rights (continued)
Set out below are summaries of share acquisition rights granted under the plans.

Tranche	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Cancelled during the year	Exercised during the year	Balance at end of the year	Vested and exercisable
				Number	Number	Number	Number	Number	Number
Consolidated – 2014									
(iii)	**6/11/2006**	**6/11/2013**	**$0.00**	**205,049**	**–**	**(205,049)**	**–**	**–**	**–**
(iv)	**6/11/2007**	**6/11/2014**	**$0.00**	**70,250**	**–**	**(18,608)**	**–**	**51,642**	**–**
(v)	**3/11/2008**	**3/11/2015**	**$0.00**	**1,237,637**	**–**	**(326,393)**	**–**	**911,244**	**–**
(vi)	**5/11/2009**	**5/11/2016**	**$0.00**	**1,788,789**	**–**	**(391,438)**	**–**	**1,397,351**	**–**
(vii)	**12/11/2010**	**12/11/2017**	**$0.00**	**2,440,347**	**–**	**(662,141)**	**–**	**1,778,206**	**–**
(viii)	**1/9/2011**	**1/9/2018**	**$0.00**	**3,574,508**	**–**	**(331,187)**	**–**	**3,243,321**	**–**
(x)	**1/9/2012**	**1/9/2019**	**$0.00**	**3,558,907**	**–**	**(629,677)**	**–**	**2,929,230**	**–**
(xi)	**1/9/2013**	**1/9/2016**	**$0.00**	**–**	**2,885,300**	**(125,065)**	**–**	**2,760,235**	**–**
(xii)	**1/9/2013**	**1/9/2016**	**$0.00**	**–**	**1,442,650**	**(62,533)**	**–**	**1,380,117**	**–**
				12,875,487	**4,327,950**	**(2,752,091)**	**–**	**14,451,346**	**–**
Consolidated – 2013									
(ii)	31/10/2005	31/10/2012	$0.00	651,744	–	(651,744)	–	–	–
(iii)	6/11/2006	6/11/2013	$0.00	223,625	–	(18,576)	–	205,049	–
(iv)	6/11/2007	6/11/2014	$0.00	77,277	–	(7,027)	–	70,250	–
(v)	3/11/2008	3/11/2015	$0.00	1,474,011	–	(236,374)	–	1,237,637	–
(vi)	5/11/2009	5/11/2016	$0.00	2,074,034	–	(285,245)	–	1,788,789	–
(vii)	12/11/2010	12/11/2017	$0.00	2,841,776	–	(401,429)	–	2,440,347	–
(viii)	1/9/2011	1/9/2018	$0.00	4,522,150	–	(947,642)	–	3,574,508	–
(ix)	1/9/2011	31/12/2012*	$0.00	135,135	–	–	(135,135)	–	–
(x)	1/9/2012	1/9/2019	$0.00	–	4,432,920	(874,013)	–	3,558,907	–
				11,999,752	4,432,920	(3,422,050)	(135,135)	12,875,487	–

* The Company granted Ross Batstone 135,135 SARs on 1 September 2011 as a retention incentive, in recognition of his additional responsibilities as Divisional Managing Director of Boral Building Products in establishing a new Asian Plasterboard Division. The grant was made on terms and conditions determined by the Board and linked to service hurdles to be tested on 31 December 2012. During 2013, the SARs vested and 135,135 fully paid shares were issued on 14 February 2013 at a weighted average price of $4.9532 per share.

During the year ended 30 June 2014, the consolidated entity recognised an expense of $7.2 million (2013: $8.7 million) in relation to share-based payments.

27. Employee benefits (continued)

Superannuation

There are in existence a number of superannuation plans in Australia and overseas established by the Group, or in which the Group participates, for the benefit of employees.

The principal types of benefit provided for under the plans are lump sums payable on retirement, termination, death or total disability. Contributions to the plans by both employees and entities in the Group are based on percentages of the salaries or wages of employees. Entities in the Group contribute to the plans in accordance with the governing Trust Deeds subject to certain rights to vary, suspend or terminate such contributions and thus are not legally obliged to contribute to those plans.

The Group makes contributions to defined contribution plans. The amount recognised as an expense for the year ended 30 June 2014 was $47.8 million (2013: $50.1 million).

The Group's two defined benefit plans were terminated in 2013.

The following sets out details in respect of the defined benefit plans only.

The amounts recognised in the balance sheet are determined as follows:

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Net liability for defined benefit obligation at the beginning of the year	–	(17.2)
Expense recognised in the Income Statement	–	(3.1)
Actuarial gains/(losses) recognised in retained earnings	–	4.5
Employer contributions	–	15.6
Net foreign currency exchange differences	–	0.2
Net liability for defined benefit obligation at the end of the year	–	–

The accrued benefits, fund assets and vested benefits were determined based on amounts calculated by the actuary projected forward to 30 June 2013.

Contributions to the Boral Super sub-plan and the Boral Industries Inc. plan were based on actuarial advice. On closure of the plans, any shortfall in the defined benefit obligation was paid by the Group.

Notes to the Financial Statements

Boral Limited and Controlled Entities

28. Loans and borrowings

TERM AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans were as follows:

				CONSOLIDATED			
				30 June 2014		30 June 2013	
	Currency	Effective interest rate 2014	Calendar year of maturity	Carrying amount $ millions	Fair value $ millions	Carrying amount $ millions	Fair value $ millions
Current							
Bank overdrafts – unsecured	Multi	–	–	**–**	**–**	14.2	14.2
Bank loans – unsecured	Multi	–	–	**–**	**–**	54.4	54.4
US senior notes – unsecured	USD	5.42%	2015	**213.7**	**222.3**	56.2	59.1
Other loans – unsecured	AUD	8.23%	2014 – 2015	**0.4**	**0.4**	0.7	0.7
Finance lease liabilities	AUD	6.05%	2014 – 2015	**1.3**	**1.3**	1.4	1.4
				215.4	**224.0**	126.9	129.8
Non-current							
Syndicated term credit facility – unsecured	USD	–	–	**–**	**–**	75.6	75.6
Syndicated loan facility – unsecured	AUD	–	–	**–**	**–**	300.0	300.0
Bank loans – unsecured	Multi	–	–	**–**	**–**	56.6	56.9
US senior notes – unsecured	USD	6.59%	2017 – 2020	**699.7**	**745.6**	930.4	1,004.1
CHF notes – unsecured	CHF	2.25%	2020	**178.1**	**184.2**	166.8	172.4
Other loans – unsecured	AUD	8.79%	2015 – 2022	**3.5**	**3.5**	3.8	3.8
Finance lease liabilities	AUD	6.00%	2015 – 2018	**4.8**	**4.8**	6.4	6.4
				886.1	**938.1**	1,539.6	1,619.2
Total				**1,101.5**	**1,162.1**	1,666.5	1,749.0

US SENIOR NOTES – UNSECURED

Borrower	Notional amount US$ millions	Issue date	Interest rate	Maturity date	AUD equivalent $ millions
Boral USA	200.0	05/2005	5.42%	05/2015	213.7
Boral USA	53.5	05/2002	7.11%	05/2017	56.9
Boral USA	30.0	04/2008	7.12%	04/2018	31.9
Boral USA	76.2	04/2008	7.22%	04/2020	81.0
Boral Limited	200.0	05/2005	5.52%	05/2017	237.1
Boral Limited	276.0	04/2008	7.12%	04/2018	292.8
Total	**835.7**				**913.4**

CHF NOTES – UNSECURED

Borrower	Notional amount CHF millions	Issue date	Interest rate	Maturity date	AUD equivalent $ millions
Boral Limited	**150.0**	02/2013	2.25%	02/2020	**178.1**

28. Loans and borrowings (continued)

BANK FACILITIES

Syndicated loan facility

A committed A$500 million multi-currency syndicated loan facility was established on 24 November 2011 to provide liquidity for general corporate purposes. The original maturity date of the facility was 23 November 2015 and has since been extended to 23 November 2016. The facility was undrawn at 30 June 2014.

Bank overdraft, lease liabilities and other

The Group operates unsecured bank overdraft facility arrangements in Australia and USA that have combined limits of A$22.7 million. The facilities within Australia are conducted on a set-off basis. All facilities are subject to annual review where repayment can occur on demand by the lending bank. Finance leases within Australia are subject to lease terms of various maturities.

For each of the above named facilities, the Group has complied with the respective borrowing covenants throughout the year ended 30 June 2014.

29. Financial instruments

FINANCIAL RISK MANAGEMENT

Boral's Treasury operates as a service centre providing funding, risk management and specialist Treasury advice to the Group with the objective of ensuring Boral's strategic and operational objectives are met. The Group's business activities are exposed to a variety of financial risks, including credit, liquidity, foreign currency, interest rate and commodity price risks. Derivative instruments are used to manage these financial risks. The Group does not use derivative or financial instruments for trading or speculative purposes.

The use of financial derivatives is controlled by policies approved by Boral's Board of Directors. The policies provide specific direction in relation to financial risk management, including foreign currency, interest rate, commodity price, credit and liquidity risk.

FAIR VALUE

Certain estimates and judgements are required to calculate the fair values. The fair value amounts shown below are not necessarily indicative of the amounts that the Group would realise upon disposal nor do they indicate the Group's intent or ability to dispose the financial instrument.

The following describes the methodology adopted to derive fair values:

Cash flow and fair value hedges

Commodity swaps and options: the fair value is derived using conventional market formulae based on the closing market price applicable to the respective commodity.

Forward exchange contracts and foreign currency swaps: the fair value is derived using conventional market formulae based on the closing market price applicable to the respective currency.

Interest rate swaps: the present value of expected cash flows has been used to determine fair value using yield curves derived from market sources that accurately reflect their term to maturity.

Cash, deposits, loans and receivables, payables and short-term borrowings

The carrying value of these financial instruments approximate fair value.

Long-term borrowings

The present value of expected cash flows has been adopted to determine fair value using interest rates derived from market sources that accurately reflect their term to maturity.

Equity securities

The fair value represents the market value of the underlying securities.

CREDIT RISK

Exposure to credit risk

Management has a counterparty credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit risk relating to cash at bank and derivative contracts is minimised by using financial counterparties that have a long-term credit rating greater than A-/A3 although allowance is given for up to 10% of total cash or A$20 million (whichever is lower) to be deposited with financial counterparties with a rating below A-/A3. Additionally, no more than 40% of Boral's total credit exposure is to be with any individual eligible counterparty.

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

CREDIT RISK (continued)

The carrying amount of non-derivative financial assets represents the maximum credit exposure and at the reporting date the maximum exposure was:

	CONSOLIDATED			
	Carrying amount 2014 $ millions	Fair value 2014 $ millions	Carrying amount 2013 $ millions	Fair value 2013 $ millions
Loans to and receivables from associates	**4.1**	**4.1**	28.4	28.4
Trade and other receivables	**759.2**	**759.2**	876.2	876.2
Cash and cash equivalents	**383.2**	**383.2**	149.9	149.9
Cash on deposit	**–**	**–**	70.6	70.6
Equity securities	**10.7**	**10.7**	–	–
	1,157.2	**1,157.2**	1,125.1	1,125.1

The following table indicates maximum credit exposure, the periods in which the cash flows associated with derivative financial assets are expected to occur and the impact on profit or loss:

	CONSOLIDATED							
30 June 2014	Carrying amount $ millions	Fair value $ millions	Contractual cash flows $ millions	6 months or less $ millions	6-12 months $ millions	1-2 years $ millions	2-5 years $ millions	More than 5 years $ millions
Derivative financial assets								
Interest rate swaps designated as fair value hedges	**0.7**	**0.7**	**0.6**	**(0.7)**	**1.3**	**–**	**–**	**–**
Commodity swaps designated as cash flow hedges	**1.2**	**1.2**	**1.2**	**0.9**	**0.3**	**–**	**–**	**–**
Cross currency swaps designated as fair value hedges	**3.3**	**3.3**	**3.4**	**1.3**	**2.1**	**–**	**–**	**–**
Cross currency swaps designated as natural investment hedges	**14.8**	**14.8**	**15.2**	**0.7**	**2.5**	**4.8**	**13.5**	**(6.3)**
	20.0	**20.0**	**20.4**	**2.2**	**6.2**	**4.8**	**13.5**	**(6.3)**

	CONSOLIDATED							
30 June 2013	Carrying amount $ millions	Fair value $ millions	Contractual cash flows $ millions	6 months or less $ millions	6-12 months $ millions	1-2 years $ millions	2-5 years $ millions	More than 5 years $ millions
Derivative financial assets								
Foreign exchange contracts designated as cash flow hedges	5.0	5.0	5.1	3.3	1.8	–	–	–
Commodity swaps designated as cash flow hedges	3.6	3.6	3.6	1.5	1.2	0.9	–	–
Cross currency swaps designated as fair value hedges	26.5	26.5	59.2	1.5	2.5	0.2	–	55.0
	35.1	35.1	67.9	6.3	5.5	1.1	–	55.0

29. Financial instruments (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Company has insufficient funds to meet its financial obligations when they fall due. It is also associated with planning for unforeseen events or business disruptions that may cause pressure on liquidity. The Group manages this risk by ensuring that: (i) Boral has a well spread debt maturity profile with a target of > 3.5 years; (ii) Short-term debt (< 1 year) is not to exceed 20% of the sum of Total Debt plus Committed Undrawn Facilities > 1 year; (iii) Committed Undrawn Facilities plus cash is > A$500 million. The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

30 June 2014	CONSOLIDATED Carrying amount $ millions	Contractual cash flows $ millions	6 months or less $ millions	6-12 months $ millions	1-2 years $ millions	2-5 years $ millions	More than 5 years $ millions
Non-derivative financial liabilities							
US senior notes – unsecured	**913.4**	**(1,065.5)**	**(18.4)**	**(240.8)**	**(44.8)**	**(674.6)**	**(86.9)**
CHF notes – unsecured	**178.1**	**(201.7)**	**–**	**(2.6)**	**(4.0)**	**(12.1)**	**(183.0)**
Other loans – unsecured	**3.9**	**(5.7)**	**(0.5)**	**(0.2)**	**(0.7)**	**(2.0)**	**(2.3)**
Finance lease liabilities	**6.1**	**(6.9)**	**(0.8)**	**(0.8)**	**(1.6)**	**(3.7)**	**–**
Trade and other payables	**648.5**	**(648.5)**	**(648.5)**	**–**	**–**	**–**	**–**
Derivative financial liabilities							
Foreign exchange contracts designated as cash flow hedges	**0.9**	**(0.9)**	**(0.7)**	**(0.2)**	**–**	**–**	**–**
Commodity swaps designated as cash flow hedges	**0.5**	**(0.5)**	**(0.5)**	**–**	**–**	**–**	**–**
Cross currency swaps designated as cash flow hedges	**17.2**	**(16.3)**	**(3.4)**	**(2.4)**	**(8.7)**	**(23.1)**	**21.3**
Cross currency swaps designated as fair value hedges	**31.4**	**(34.7)**	**0.2**	**(5.3)**	**4.1**	**(33.7)**	**–**
Interest rate swaps designated as fair value hedges	**0.9**	**(1.2)**	**–**	**–**	**1.8**	**(2.9)**	**(0.1)**
	1,800.9	**(1,981.9)**	**(672.6)**	**(252.3)**	**(53.9)**	**(752.1)**	**(251.0)**

30 June 2013	CONSOLIDATED Carrying amount $ millions	Contractual cash flows $ millions	6 months or less $ millions	6-12 months $ millions	1-2 years $ millions	2-5 years $ millions	More than 5 years $ millions
Non-derivative financial liabilities							
Bank overdrafts – unsecured	14.2	(14.4)	(4.4)	(10.0)	–	–	–
Bank loans – unsecured	486.6	(545.9)	(45.9)	(37.0)	(127.5)	(335.5)	–
US senior notes – unsecured	986.6	(1,199.0)	(20.0)	(86.8)	(273.2)	(724.8)	(94.2)
CHF notes – unsecured	166.8	(197.0)	–	(2.5)	(3.9)	(11.6)	(179.0)
Other loans – unsecured	4.5	(6.3)	(0.9)	(0.1)	(0.6)	(1.9)	(2.8)
Finance lease liabilities	7.8	(8.4)	(0.9)	(0.9)	(1.8)	(4.8)	–
Future purchase liability – Cultured Stone	48.1	(48.1)	–	(48.1)	–	–	–
Trade and other payables	760.1	(760.1)	(760.1)	–	–	–	–
Derivative financial liabilities							
Foreign exchange contracts designated as cash flow hedges	0.5	(0.5)	(0.4)	(0.1)	–	–	–
Commodity swaps designated as cash flow hedges	0.5	(0.5)	(0.2)	(0.3)	–	–	–
Cross currency swaps designated as cash flow hedges	10.9	(12.1)	(3.0)	0.2	(2.4)	(5.7)	(1.2)
Cross currency swaps designated as fair value hedges	19.5	(43.8)	(2.1)	(0.8)	(3.1)	(37.8)	–
Interest rate swaps designated as cash flow hedges	2.1	(2.1)	(0.7)	(0.8)	(0.6)	–	–
	2,508.2	(2,838.2)	(838.6)	(187.2)	(413.1)	(1,122.1)	(277.2)

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

LIQUIDITY RISK (continued)
Capital risk management
The capital management objectives of the Group are directed towards ensuring that the Group continues as a financial going concern together with returns to shareholders by the adoption of an appropriate capital structure.

On an ongoing basis, the capital structure is reviewed to ensure that the capital components comprising equity and debt are optimised.

MARKET RISK
Currency risk
The Group is exposed to foreign currency risk. This occurs as a result of purchase of raw materials, interest expense related to non-AUD borrowings, imported plant and equipment, some export related receivables and the translation of its investment in overseas assets.

The Group manages this risk by adopting the following policies:

(a) All global operational FX exposures are regarded as being within discretionary parameters. If hedging is elected then maximum hedging levels of 75% for Year 1 (months 1 to 12) and 50% for Year 2 (months 13 to 24) apply. The maximum hedging term permitted is two years.

(b) Capital expenditure related foreign currency exposures > A$0.5 million must be 100% hedged at the time of Capex approval.

(c) Net investments, including net intercompany loans, in overseas domiciled investments are hedged, regulatory conditions and available hedge instruments permitting.

The Group uses forward exchange contracts to hedge foreign exchange risk. Most of the forward exchange contracts have maturities of less than one year. Where necessary and in accordance with policy compliance, forward exchange contracts can be rolled over at maturity.

Translation risk
The Group primarily uses external foreign currency denominated borrowings, cross currency swaps to hedge the Group's net investment in overseas domiciled assets. The related exchange gains/losses on foreign currency movements are taken primarily to the Foreign Currency Translation Reserve.

The Group's foreign currency exposure for overseas assets at balance date was as follows, based on notional amounts:

	CONSOLIDATED				
	USD	Euro	GBP	NZD	Multi*
Currency	Equivalent to A$ millions				
30 June 2014					
Balance sheet					
Net investment in overseas domiciled Boral subsidiaries	**484.7**	**1.7**	**(1.9)**	**–**	**537.9**
Cash	**0.3**	**–**	**–**	**–**	**–**
Foreign currency borrowings	**(711.2)**	**–**	**–**	**–**	**–**
Cross currency swaps	**264.8**	**–**	**–**	**–**	**–**
	38.6	**1.7**	**(1.9)**	**–**	**537.9**

* Exposure relates to investment in USG Boral Building Products Pte Ltd, which is denominated in multiple Asian currencies.

	CONSOLIDATED				
	USD	Euro	GBP	NZD	Multi**
Currency	Equivalent to A$ millions				
30 June 2013					
Balance sheet					
Net investment in overseas domiciled Boral subsidiaries	344.5	1.7	(1.7)	(0.2)	1,110.3
Foreign currency borrowings	(618.0)	–	–	–	–
Cross currency swaps	271.3	–	–	–	–
	(2.2)	1.7	(1.7)	(0.2)	1,110.3

** Exposure relates to net assets of Boral Gypsum Asia, which are denominated in multiple Asian currencies.

29. Financial instruments (continued)

Transaction risk

Based on notional amounts, the forward exchange contracts taken out to hedge foreign exchange transactional risk at balance date were as follows:

	Notional amounts AUD		Average exchange rate	
	2014 $ millions	2013 $ millions	2014	2013
US dollars				
Buy US dollars/sell Australian dollars				
One year or less	**39.1**	41.0	**0.9108**	1.0184
Sell US dollars/buy Australian dollars				
One year or less	**–**	72.9	**–**	0.9263
Euros				
Buy Euros/sell Australian dollars				
One year or less	**1.8**	5.8	**0.6705**	0.7765
THB				
Sell US dollars/buy THB				
One year or less	**–**	8.9	**–**	–
Sell SGD/buy THB				
One year or less	**–**	1.2	**–**	–
KRW				
Buy US dollars/sell KRW				
One year or less	**–**	8.5	**–**	–
Sell US dollars/buy KRW				
One year or less	**–**	11.2	**–**	–

The forward exchange contracts are considered to be highly effective hedges as they are matched against underlying foreign currency cash flows such as future interest payments, purchases and sales. Any gains or losses on the forward contracts attributed to the hedged risk are taken directly to equity. When goods and services are delivered, the amount recognised in equity is adjusted to the interest expense, inventory or plant and equipment accounts. There was no significant cash flow hedge ineffectiveness in the current or prior year.

As at balance date, the Group's US senior notes interest payables were hedged using forward exchange contracts. Other foreign currency payables and receivables were A$0.4 million at 30 June 2014 (2013: A$25.2 million). The related exchange gains/losses on foreign currency movements are taken primarily to the Income Statement.

Sensitivity

At 30 June 2014, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies where all other variables remain constant, the Group's pre-tax change to earnings would have been a (loss)/gain respectively of around equivalent A$0.7 million (2013: equivalent A$2.1 million) and equity would have increased/decreased respectively by around equivalent A$9.7 million (2013: equivalent A$114.6 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
USD	**0.9141**	1.0238	**0.9403**	0.9257
Euro	**0.6729**	0.7903	**0.6894**	0.7094
GBP	**0.5597**	0.6531	**0.5526**	0.6069
NZD	**1.1025**	1.2456	**1.0789**	1.1857

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Boral Limited and Controlled Entities

29. Financial instruments (continued)

INTEREST RATE RISK

The Group adopts a policy that ensures a minimum of 35% and a maximum of 75% of its borrowings are hedged with fixed interest rates at all times. Implementation of interest rate derivative instruments provides the Group with the flexibility to raise term borrowings at fixed or variable interest rates where subsequently these borrowings can be converted to either variable or fixed rates of interest. This achieves fixed interest rate borrowings consistent with the target range of between 35% and 75% of borrowings.

Interest rate swaps and cross currency swaps have been transacted to assist with achieving an appropriate mix of fixed and floating interest rate borrowings. The interest rate derivative instruments mature progressively over the next six years. The duration applicable to the interest rate and cross currency swaps is consistent with maturities applicable to the underlying borrowings.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	CONSOLIDATED	
	2014 Carrying amount $ millions	2013 Carrying amount $ millions
Fixed rate instruments		
Bank loans – unsecured	**–**	9.6
US senior notes – unsecured[1,2]	**913.4**	986.6
CHF notes – unsecured[3]	**178.1**	166.8
Other loans – unsecured	**3.9**	4.5
Finance lease liabilities	**6.1**	7.8
	1,101.5	1,175.3
Variable rate instruments		
Bank overdrafts – unsecured	**–**	14.2
Bank loans – unsecured	**–**	477.0
	–	491.2
	1,101.5	1,666.5

1 US$225 million (equivalent A$264.8 million) fixed rate senior notes due May 2015 and May 2017 have been swapped to AUD floating rates via cross currency swaps.
2 US$169.8 million (equivalent A$180.2 million) fixed rate senior notes have been swapped to USD floating rate via interest rate swaps.
3 CHF150 million (equivalent A$178.1 million) fixed rate notes due February 2020 have been swapped to USD fixed rate via cross currency swaps.

	2014 Fair value $ millions	2013 Fair value $ millions
Interest rate derivatives		
Pay fixed interest rate derivatives		
Pay fixed against A$ BBSY	**–**	1.6
Pay fixed against US$ LIBOR	**–**	0.5
Cross currency swap pay fixed US$ rate	**0.5**	–
	0.5	2.1
Pay variable interest rate derivatives		
Interest rate swap pay floating US$ LIBOR	**0.2**	–
Cross currency swap pay floating A$ BBSW	**30.0**	3.9
	30.2	3.9

Sensitivity

At 30 June 2014, if interest rates had changed by +/- 1% pa from the year end rates with all other variables held constant, the Group's pre-tax profit for the year would have been A$0.7 million higher/lower (2013: A$0.5 million) and the change in equity would have been A$0.7 million (2013: A$7.4 million) mainly as a result of a higher interest cost applying to interest rate derivatives.

29. Financial instruments (continued)

INTEREST RATES USED FOR DETERMINING FAIR VALUE

Where appropriate, the Group uses BBSW, LIBOR and Treasury Bond yield curves as of 30 June 2014 plus an adequate credit spread to discount financial instruments. The interest rates used are as follows:

	2014 % pa	2013 % pa
Derivatives	**2.35 – 4.00**	0.27 – 5.8
Interest bearing loans and borrowings	**2.25 – 8.94**	0.00 – 11.00
Finance leases	**5.64 – 8.49**	3.14 – 14.68

COMMODITY PRICE RISK

The Group is exposed to commodity price risk that is associated with the purchase of petroleum, natural gas, electricity and coal purchases under variable price contract arrangements. The Group adopts a policy where the only commodity exposure where compulsory hedging applies is diesel for the Australia Business and this hedging is to be in AUD. All other global commodity exposures fall within discretionary hedging parameters. If hedging is elected then a minimum of 50% of the Australian Diesel exposure is to be hedged for a period of not less than six months with maximum hedging levels of 75% for Year 1 (months 1 to 12) and 50% for Year 2 (months 13 to 24). The maximum permitted term for a hedge transaction is two years.

The Group uses commodity swaps to hedge commodity price risk. All of the commodity swaps have maturities of less than two years.

Commodities hedging activities

Notional value of commodity derivative instruments at year end is as follows:

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
Singapore gasoil 0.05%	**25.8**	48.1
Natural gas (NYMEX)	**9.1**	5.4
Newcastle Coal	**2.7**	–
Electricity	**–**	3.1

Details of balance sheet carrying value/fair value of instruments hedging commodities price risk:

Assets		
Commodity swaps designated as cash flow hedges	**1.2**	3.6
Liabilities		
Commodity swaps designated as cash flow hedges	**(0.5)**	(0.5)
	0.7	3.1

The commodity swaps are considered to be highly effective hedges as they are matched against forward commodity purchases. The ineffective portion of the hedges transferred to the Income Statement was Nil in 2014 (2013: Nil).

Sensitivity

At 30 June 2014, if the commodity price had changed by +/- 10% from the year end prices with all other variables held constant, the Group's pre-tax earnings for the year would be unchanged (2013: unchanged) and the change in equity would have been A$3.8 million (2013: A$5.9 million).

Notes to the Financial Statements

Boral Limited and Controlled Entities

29. Financial instruments (continued)

THE FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments that are measured and recognised at fair value include:

- financial assets, including derivatives used for hedging (interest rate swaps, commodity swaps, cross currency swaps); and
- financial liabilities, including derivatives used for hedging (forward exchange contracts, commodity swaps, interest rate swaps, cross currency swaps).

The Group does not have financial instruments that have been valued at Level 3.

The following table presents the Group's financial assets and liabilities that are measured at Level 1 and Level 2 fair value:

	Level 1		Level 2	
	2014 $ millions	2013 $ millions	2014 $ millions	2013 $ millions
Assets				
Equity securities	**10.7**	–	**–**	–
Derivatives used for hedging	**–**	–	**20.0**	35.1
Total assets	**10.7**	–	**20.0**	35.1
Liabilities				
Derivatives used for hedging	**–**	–	**50.9**	33.5
Total liabilities	**–**	–	**50.9**	33.5

30. Key management personnel disclosures

The following were key management personnel (KMPs) of the Group during the reporting period and unless otherwise indicated for the entire period:

DIRECTORS
Current Directors

Bob Every AO	Chairman and Non-executive Director
Mike Kane	CEO and Managing Director
Catherine Brenner	Non-executive Director
Brian Clark	Non-executive Director
Eileen Doyle	Non-executive Director
Richard Longes	Non-executive Director
John Marlay	Non-executive Director
Paul Rayner	Non-executive Director

EXECUTIVES
Current Executives

Al Borm	President and CEO Boral USA
Joseph Goss	Divisional Managing Director – Boral Construction Materials & Cement
Darren Schulz	Executive General Manager – Boral Building Products
Rosaline Ng	Chief Financial Officer of Boral Limited from 15 September 2013

Former Executives
Mr Frederic de Rougemont held the position of Divisional Managing Director – Boral Gypsum until 28 February 2014, on which date he was appointed as CEO of the USG Boral Building Products Joint Venture.

Mr Andrew Poulter held the position of Chief Financial Officer until he ceased as a KMP, effective 15 September 2013.

KEY MANAGEMENT PERSONNEL COMPENSATION
The key management personnel compensation included in “employee benefits expense” in note 3 is as follows:

	CONSOLIDATED	
	2014 $'000	**2013 $'000**
Short-term employee benefits	**9,437.4**	7,682.3
Post-employment benefits	**273.9**	369.5
Termination benefits	**798.6**	2,144.1
Share-based payments	**1,526.1**	1,613.4
Long-term employee benefits	**52.1**	69.0
	12,088.1	11,878.3

June 2013 comparatives include key management personnel for that year.

Notes to the Financial Statements

Boral Limited and Controlled Entities

31. Auditors' remuneration

	CONSOLIDATED 2014 $'000	2013 $'000
Audit services:		
KPMG Australia – audit and review of financial reports	**1,519**	1,355
KPMG overseas firms – audit and review of financial reports	**696**	910
KPMG Australia – other assurance services	**127**	108
KPMG overseas firms – other assurance services	**6**	3
	2,348	2,376
Other services:		
KPMG Australia – taxation services	**119**	160
KPMG Australia – due diligence	**866**	217
KPMG Australia – advisory	**28**	36
KPMG Australia – other	**59**	16
KPMG overseas firms – taxation services	**144**	58
	1,216	487
	3,564	2,863

32. Acquisition/disposal of controlled entities

The following controlled entities were acquired or disposed of during the financial year ended 30 June 2014:

Entities acquired:
There were no acquisitions during the year ended 30 June 2014.

	Date of disposal
Entities disposed:	
Boral Window Systems Ltd	Nov 2013
Boral Gypsum Asia Sdn Bhd and controlled entities	Feb 2014
Boral Australian Gypsum Ltd and controlled entities	Feb 2014

Name changes during the financial period:
Boral Australian Gypsum Ltd to USG Boral Building Products Pty Limited

The following controlled entities were disposed of during the financial year ended 30 June 2013:

	Date of disposal
Entities disposed:	
PT Pion Quarry Nusantara	Aug 2012
Thailand Construction Materials	Dec 2012
Boral Concrete & Quarry Limited	
Ratchiburi Enterprise Company Ltd	

	Date of loss of control
Entities deregistered:	
Boral Timber Inc.	Jun 2013
Boral Investments Ltd	Jun 2013
LBGA Trading (Singapore) Pte Ltd	Jun 2013
MLOP Pty Ltd (in liquidation)	Aug 2012
Boral Johns Perry Ltd (in liquidation)	Aug 2012
Dowell Australia Ltd (in liquidation)	Aug 2012

Name changes during the financial period:
Boral Material Technologies Inc. to Boral Material Technologies LLC

Notes to the Financial Statements

Boral Limited and Controlled Entities

33. Controlled entities and non-controlling interests

i. Controlled entities

The financial statements of the following entities have been consolidated to determine the results of the consolidated entity.

	Country of incorporation	Beneficial ownership by Consolidated entity 2014 %	Beneficial ownership by Consolidated entity 2013 %
Boral Limited	Australia		
Boral Cement Limited >*	Australia	**100**	100
Barnu Pty Ltd*	Australia	**100**	100
Boral Building Materials Pty Ltd >*	Australia	**100**	100
Boral International Pty Ltd >*	Australia	**100**	100
MJI (Thailand) Ltd	Thailand	**100**	100
Boral Concrete (Thailand) Ltd	Thailand	**100**	100
Boral USA <	USA	**100**	100
Boral International Holdings Inc.	USA	**100**	100
Boral Construction Materials LLC	USA	**100**	100
Ready Mixed Concrete Company	USA	**100**	100
Sprat-Platte Ranch Co. LLLP	USA	**100**	100
Morton Lakes LLC	USA	**100**	100
Aggregate Investments LLC	USA	**100**	100
BCM Oklahoma LLC	USA	**100**	100
McCanne Ditch and Reservoir Company	USA	**100**	100
Boral Industries Inc.	USA	**100**	100
Boral Finance Inc.	USA	**100**	100
Boral Lifetile Inc.	USA	**100**	100
Boral Concrete Tile Inc.	USA	**100**	100
Boral Roofing LLC	USA	**100**	100
Boral Roofing de Mexico S. de R.L. de C.V.	Mexico	**100**	100
E.U.M. Teja de Concreto Servicio Compania S.R.L. de C.V.	Mexico	**100**	100
Tile Service Company LLC	USA	**100**	100
Boral Bricks Inc.	USA	**100**	100
Dennis Brick Distributors	USA	**50**	50
Boral Composites Inc.	USA	**100**	100
Boral Material Technologies LLC	USA	**100**	100
Boral Stone LLC	USA	**100**	100
Boral Stone Products LLC	USA	**100**	50
Boral IP Holdings LLC	USA	**100**	100
Boral (UK) Ltd	UK	**100**	100
Boral Investments BV	Netherlands	**100**	100
Boral Industrie GmbH	Germany	**100**	100
Boral Klinker GmbH	Germany	**100**	100

33. Controlled entities and non-controlling interests (continued)

	Country of incorporation	Beneficial ownership by Consolidated entity 2014 %	Beneficial ownership by Consolidated entity 2013 %
Boral Mecklenburger Ziegel GmbH	Germany	**100**	100
Boral Industries Ltd (in liquidation)	NZ	**100**	100
Boral Building Products (NZ) Ltd (in liquidation)	NZ	**100**	100
Boral Gypsum Asia Sdn Bhd***	Malaysia	**–**	100
Boral Management Services Shanghai Co Ltd***	China	**–**	100
Boral Building Materials (Malaysia) Sdn Bhd***	Malaysia	**–**	100
Boral Plasterboard (Malaysia) Sdn Bhd***	Malaysia	**–**	100
Boral Plasterboard (Marketing) Sdn Bhd***	Malaysia	**–**	100
Siam Gypsum Industry Co Ltd***	Thailand	**–**	71
Siam Gypsum Industry (Saraburi) Co Ltd***	Thailand	**–**	71
Siam Gypsum Industry (Songkla) Co Ltd***	Thailand	**–**	71
Siam Gypsum Industry Development Co Ltd***	Thailand	**–**	71
Gypsum Business Limited***	Thailand	**–**	100
Boonyavajara Mining Co Ltd***	Thailand	**–**	100
Boral Prestia Co Ltd***	Thailand	**–**	100
Boral Middle East FZE***	UAE	**–**	100
Boral Middle East (Dubai) LLC***	UAE	**–**	49
PT Petrojaya Boral Plasterboard***	Indonesia	**–**	100
BGA Holdings Limited***	Labuan	**–**	100
China Plasterboard Corporation***	British Virgin Islands	**–**	100
Boral Plasterboard (Shanghai) Co Ltd***	China	**–**	96.8
Boral Gypsum (Chongqing) Co Ltd***	China	**–**	100
Boral Gypsum (Chengdu) Co Ltd***	China	**–**	100
Boral Gypsum (Shanghai) Co Ltd***	China	**–**	100
Boral Gypsum India Private Ltd***	India	**–**	100
Boral Gypsum (Shandong) Co Ltd***	China	**–**	100
Boral Gypsum Korea Co Ltd***	South Korea	**–**	100
South Korean Plasterboard Corporation***	Labuan	**–**	100
Boral Plasterboard System Co Ltd***	South Korea	**–**	100
Siamsum Corporation***	Labuan	**–**	100
Boral Gypsum Vietnam Co Ltd***	Vietnam	**–**	100
Boral Plasterboard Philippines Inc***	Philippines	**–**	100
Boral Australian Gypsum Ltd***	Australia	**–**	100
Waratah Gypsum Pty Ltd (in liquidation)***	Australia	**–**	100
Boral Plaster Fixing Pty Ltd***	Australia	**–**	100
Lympike Pty Ltd***	Australia	**–**	100

Notes to the Financial Statements

Boral Limited and Controlled Entities

33. Controlled entities and non-controlling interests (continued)

		Beneficial ownership by	
	Country of incorporation	Consolidated entity 2014 %	Consolidated entity 2013 %
Boral Investments Pty Ltd >*	Australia	**100**	100
Boral Construction Materials Ltd >*	Australia	**100**	100
Boral Resources (WA) Ltd >*	Australia	**100**	100
Boral Contracting Pty Ltd*	Australia	**100**	100
Boral Construction Related Businesses Pty Ltd >*	Australia	**100**	100
Boral Resources (Vic) Pty Ltd >*	Australia	**100**	100
Bayview Quarries Pty Ltd*	Australia	**100**	100
Boral Resources (Qld) Pty Ltd >*	Australia	**100**	100
Allen's Asphalt Pty Ltd >*	Australia	**100**	100
Q-Crete Premix Pty Ltd >*	Australia	**100**	100
Boral Resources (NSW) Pty Ltd >*	Australia	**100**	100
Dunmore Sand & Soil Pty Ltd*	Australia	**100**	100
Boral Recycling Pty Ltd >*	Australia	**100**	100
De Martin & Gasparini Pty Ltd >*	Australia	**100**	100
De Martin & Gasparini Concrete Placers Pty Ltd*	Australia	**100**	100
De Martin & Gasparini Pumping Pty Ltd*	Australia	**100**	100
De Martin & Gasparini Contractors Pty Ltd*	Australia	**100**	100
Boral Precast Holdings Pty Ltd >*	Australia	**100**	100
Boral Construction Materials Group Ltd >*	Australia	**100**	100
Concrite Pty Ltd >*	Australia	**100**	100
Boral Resources (SA) Ltd >*	Australia	**100**	100
Bitumax Pty Ltd >*	Australia	**100**	100
Road Surfaces Group Pty Ltd >*	Australia	**100**	100
Alsafe Premix Concrete Pty Ltd >*	Australia	**100**	100
Boral Transport Ltd >*	Australia	**100**	100
Boral Corporate Services Pty Ltd	Australia	**100**	100
Bitupave Ltd >*	Australia	**100**	100
Boral Resources (Country) Pty Ltd >*	Australia	**100**	100
Bayview Pty Ltd*	Australia	**100**	100
Dandenong Quarries Pty Ltd*	Australia	**100**	100
Boral Insurance Pty Ltd	Australia	**100**	100
Allen Taylor & Company Ltd >*	Australia	**100**	100
Oberon Softwood Holdings Pty Ltd >*	Australia	**100**	100
Duncan's Holdings Ltd >*	Australia	**100**	100
Boral Bricks Pty Ltd >*	Australia	**100**	100
Boral Masonry Ltd >*	Australia	**100**	100

33. Controlled entities and non-controlling interests (continued)

	Country of incorporation	Beneficial ownership by Consolidated entity 2014 %	Consolidated entity 2013 %
Boral Hollostone Masonry (South Aust) Pty Ltd >*	Australia	**100**	100
Boral Montoro Pty Ltd >*	Australia	**100**	100
Boral Window Systems Ltd >**	Australia	**–**	100
Boral Timber Fibre Exports Pty Ltd >*	Australia	**100**	100
Boral Shared Business Services Pty Ltd >*	Australia	**100**	100
Boral Building Products Ltd >*	Australia	**100**	100
Boral Bricks Western Australia Pty Ltd >*	Australia	**100**	100
Boral IP Holdings (Australia) Pty Ltd	Australia	**100**	100

> Granted relief by the Australian Securities and Investments Commission from specified accounting requirements in accordance with Class Order (refer to note 36).
* Entered into cross guarantee with Boral Limited (refer to note 37).
** Disposed of during the year.
*** Became part of a joint venture during the year.
< A Delaware general partnership.

All the shares held by Boral Limited in controlled entities are ordinary shares.

ii. Non-controlling interests
During the year the Group disposed of its 29% non-controlling interest in Siam Gypsum Industry Co Ltd, as part of the deconsolidation of its investments in the Gypsum operations following the formation of the Gypsum joint venture with USG Corporation.

In addition, during the current year the Group made the final payment in respect of the acquisition of the remaining 50% membership interest in Owens Corning Masonry Products LLC ("Cultured Stone"). This resulted in the Group's shareholding increasing to 100%. The Group previously assumed Board control and management control of operations, and consolidated the results and recognised a non-controlling interest in the financial statements.

As a result of the transactions above, there are no non-controlling interests as at 30 June 2014.

34. Related party disclosures

CONTROLLED ENTITIES
Interests held in controlled entities are set out in note 33.

ASSOCIATED ENTITIES
Interests held in associated entities are set out in note 12. The business activities of a number of these entities are conducted under joint venture arrangements. Associated entities conduct business transactions with various controlled entities. Such transactions include purchases and sales of certain products, dividends and interest. All such transactions are conducted on the basis of normal commercial terms and conditions.

DIRECTOR TRANSACTIONS WITH THE GROUP
Transactions entered into during the year with Directors of Boral Limited and the Group are within normal employee, customer or supplier relationships on terms and conditions no more favourable than dealings in the same circumstances on an arm's length basis and include:

- the receipt of dividends from Boral Limited;
- participation in the Boral Long Term Incentive Plan;
- terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services.

A number of Directors of the Company hold directorships in other entities. Several of these entities transacted with the Group on terms and conditions no more favourable than those available on an arm's length basis.

Notes to the Financial Statements

Boral Limited and Controlled Entities

35. Notes to statement of cash flows

		Note	CONSOLIDATED 2014 $ millions	2013 $ millions
(i)	Reconciliation of cash and cash equivalents:			
	Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts. Cash as at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
	Cash and cash equivalents	9	**383.2**	149.9
	Bank overdrafts	18	**–**	(14.2)
			383.2	135.7

At 30 June 2013, the Group also held $70.6 million of bank deposits maturing in less than 180 days.

		2014 $ millions	2013 $ millions
(ii)	Reconciliation of net profit/(loss) to net cash provided by operating activities:		
	Net profit/(loss)	**176.2**	(205.7)
	Adjustments for non-cash items:		
	Depreciation and amortisation	**261.4**	307.0
	Discount unwinding	**2.3**	2.5
	Gain on sale of assets	**(41.4)**	(38.2)
	Impairment of assets, businesses and demolition costs	**60.0**	386.3
	Share-based payment expense	**7.2**	8.7
	Fixed asset impairment	**–**	5.0
	Non-cash equity income	**(24.6)**	(2.5)
	Net cash provided by operating activities before change in assets and liabilities	**441.1**	463.1
	Changes in assets and liabilities net of effects from acquisitions/disposals		
	– Receivables	**(22.6)**	(70.4)
	– Inventories	**49.5**	10.2
	– Payables	**25.8**	(1.7)
	– Provisions	**1.9**	(26.6)
	– Current and deferred taxes	**22.3**	(95.3)
	– Other	**(10.7)**	29.7
	Net cash provided by operating activities	**507.3**	309.0
(iii)	The following non-cash financing and investing activities have not been included in the statement of cash flows:		
	Dividends reinvested under the Dividend Reinvestment Plan	**43.8**	29.4
(iv)	Restructure costs		
	During the year, the Group incurred costs associated with:		
	Restructure and business closure costs	**(33.5)**	(73.2)

(v) Details of credit standby arrangements and loan facilities are included in note 28.

(vi) The Group paid $48.4 million in respect of the outstanding liability relating to the acquisition of the Cultured Stone business in the USA.

36. Parent entity disclosures

For the year ended 30 June	BORAL LIMITED 2014 $ millions	2013 $ millions
RESULT OF THE PARENT ENTITY		
Profit after tax	**61.1**	46.3
Other comprehensive income after tax	**(3.0)**	(1.8)
Total comprehensive income/(loss) for the period	**58.1**	44.5
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	**6,272.5**	6,503.6
Non-current assets	**475.5**	440.1
Total assets	**6,748.0**	6,943.7
Current liabilities	**2,645.3**	2,447.9
Non-current liabilities	**754.1**	1,155.5
Total liabilities	**3,399.4**	3,603.4
Net assets	**3,348.6**	3,340.3
Issued capital	**2,477.6**	2,433.8
Reserves	**58.8**	54.5
Retained earnings	**812.2**	852.0
Total equity	**3,348.6**	3,340.3

PARENT ENTITY CONTINGENCIES
Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below.

Unsecured contingent liabilities:		
Bank guarantees	**5.0**	6.1

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

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

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

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

Parent entity guarantees in respect of debts of its subsidiaries
Under the terms of ASIC Class Order 98/1418, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. The Company has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities identified in note 33.

Parent entity capital commitments
The parent entity does not have any capital commitments for acquisition of property, plant and equipment at 30 June 2014 (2013: Nil).

Notes to the Financial Statements

Boral Limited and Controlled Entities

37. Deed of cross guarantee

The following consolidated statement of comprehensive income and balance sheet comprises Boral Limited and its controlled entities which are party to the Deed of Cross Guarantee (refer to note 33), after eliminating all transactions between parties to the Deed.

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
STATEMENT OF COMPREHENSIVE INCOME		
Continuing operations		
Revenue	**3,791.0**	4,069.8
Profit/(loss) before income tax expense	**140.4**	(404.6)
Income tax (expense)/benefit	**9.2**	192.5
Profit/(loss) from continuing operations	**149.6**	(212.1)
Discontinued operations		
Profit from discontinued operations (net of income tax)	**17.6**	12.7
Net profit/(loss)	**167.2**	(199.4)
Other comprehensive income		
Items that will not be reclassified to Income Statement:		
Actuarial gain/(loss) on defined benefit plans	**–**	4.1
Income tax on items that will not be reclassified to Income Statement	**–**	(1.2)
Items that may be reclassified subsequently to Income Statement:		
Exchange differences from translation of foreign operations taken to equity	**(14.4)**	1.3
Fair value adjustment on cash flow hedges	**(10.5)**	7.7
Income tax on items that may be reclassified subsequently to Income Statement	**3.2**	(2.5)
Total comprehensive income/(loss)	**145.5**	(190.0)
Attributable to:		
Members of the parent entity	**145.5**	(190.0)
Non-controlling interest	**–**	–
	145.5	(190.0)
Reconciliation of movements in retained earnings		
Balance at the beginning of the year	**801.5**	1,062.9
Net profit/(loss) attributable to members of the parent entity	**167.2**	(199.4)
Dividends recognised during the year	**(100.9)**	(64.9)
Actuarial gains/(loss) on defined benefit plans, net of tax	**–**	2.9
Balance at the end of the year	**867.8**	801.5

37. Deed of cross guarantee (continued)

	CONSOLIDATED	
	2014 $ millions	2013 $ millions
BALANCE SHEET		
CURRENT ASSETS		
Cash and cash equivalents	**314.0**	15.4
Receivables	**623.2**	713.7
Inventories	**372.2**	411.6
Other financial assets	**8.3**	11.3
Other	**33.6**	26.7
TOTAL CURRENT ASSETS	**1,351.3**	1,178.7
NON-CURRENT ASSETS		
Receivables	**54.5**	8.2
Inventories	**23.6**	94.0
Investments accounted for using the equity method	**851.8**	34.6
Other financial assets	**1,286.8**	2,410.5
Property, plant and equipment	**2,108.6**	2,395.6
Intangible assets	**70.7**	87.1
Deferred tax asset	**2.3**	–
Other	**30.4**	27.9
TOTAL NON-CURRENT ASSETS	**4,428.7**	5,057.9
TOTAL ASSETS	**5,780.0**	6,236.6
CURRENT LIABILITIES		
Payables	**896.5**	1,045.2
Loans and borrowings	**215.3**	1.7
Other financial liabilities	**12.1**	7.3
Current tax liabilities	**81.1**	2.0
Provisions	**188.4**	197.3
TOTAL CURRENT LIABILITIES	**1,393.4**	1,253.5
NON-CURRENT LIABILITIES		
Payables	**18.2**	9.4
Loans and borrowings	**886.0**	1,538.3
Other financial liabilities	**38.8**	25.3
Deferred tax liabilities	**–**	54.6
Provisions	**95.9**	103.4
TOTAL NON-CURRENT LIABILITIES	**1,038.9**	1,731.0
TOTAL LIABILITIES	**2,432.3**	2,984.5
NET ASSETS	**3,347.7**	3,252.1
EQUITY		
Issued capital	**2,477.6**	2,433.8
Reserves	**2.3**	16.8
Retained earnings	**867.8**	801.5
TOTAL EQUITY	**3,347.7**	3,252.1

Statutory Statements

Boral Limited and Controlled Entities

Directors' Declaration

1. In the opinion of the Directors of Boral Limited:
   (a) the consolidated financial statements and notes set out on pages 60 to 123 and the Remuneration Report in the Directors' Report, set out on pages 42 to 57, are in accordance with the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Boral Limited and the controlled entities identified in note 33 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between Boral Limited and those controlled entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.
4. The Directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dr Bob Every AO
Director

Mike Kane
Director

Sydney, 27 August 2014

Independent auditor's report to the members of Boral Limited

Report on the Financial Report

We have audited the accompanying financial report of Boral Limited ("the Company"), which comprises the consolidated balance sheet as at 30 June 2014, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.
In note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in clause 19 of the Directors' Report for the year ended 30 June 2014. 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 2014 complies, with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kenneth Reid
Partner

Sydney, 27 August 2014

Shareholder Information

Boral Limited and Controlled Entities

Shareholder communications

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

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

Hand deliveries to:
Level 12, 680 George Street
Sydney NSW 2000 Australia
Telephone 1300 730 644
International +61 1300 730 644
Facsimile (02) 9287 0303
International +61 2 9287 0303

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

Internet: www.linkmarketservices.com.au

Email: boral@linkmarketservices.com.au

Online services

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

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

Dividends

The final dividend for FY2014 of 8.0 cents per share is expected to be paid by Boral on 26 September 2014. The dividend will be fully franked.

Dividend Reinvestment Plan (DRP)
Following payment of the interim dividend on 24 March 2014, Boral's DRP was suspended until further notice. Additional amendments to the terms and conditions of the DRP were notified to shareholders on 24 March 2014. For further information on the suspension and amendments to the DRP, please visit Boral's website. In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

Dividend payments
As foreshadowed in Boral's 2011 Annual Report, Boral implemented direct credit as the preferred method for the payment of cash dividends, effective from the interim dividend paid on 5 April 2012.

For those shareholders with a registered address in Australia or New Zealand, dividend payments will only be made by direct credit to your nominated bank account (rather than by cheque posted to your registered address). To provide or update your bank account details, please contact the share registry or visit its website at www.linkmarketservices.com.au

For those shareholders without a registered address in Australia or New Zealand, if you wish your dividends to be paid directly to a bank, building society or credit union account in Australia or New Zealand, please contact the share registry or visit its website at www.linkmarketservices.com.au for an application form. The payments are electronically credited on the dividend payment date and confirmed by payment advices mailed to the shareholder's registered address. All instructions received remain in force until amended or cancelled in writing.

Shareholders are also reminded to bank dividend cheques as soon as possible. Dividend cheques that are not banked are required to be handed over to the Chief Commissioner of State Revenue under the *Unclaimed Money Act 1995* (NSW).

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

Uncertificated forms of shareholding

Two forms of uncertificated holdings are available to Boral shareholders:

Issuer Sponsored Holdings: This type of holding is sponsored by Boral and provides shareholders with the advantages of uncertificated holdings without the need to be sponsored by any particular stockbroker.

Broker Sponsored Holdings (CHESS): Shareholders may arrange to be sponsored by a stockbroker (or certain other financial institutions) and are required to sign a sponsorship agreement appointing the sponsor as their "controlling participant" for the purposes of CHESS. This type of holding is likely to attract regular stock market traders or those shareholders who have their share portfolio managed by a stockbroker.

Holding statements are issued to shareholders not later than five business days after the end of any month in which transactions alter the balance of a holding. Shareholders requiring replacement holding statements should be directed to their controlling participant.

Shareholders communicating with the share registry should have to hand their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as it appears on the Issuer Sponsored/CHESS holding statements or dividend advices. For security reasons, shareholders should keep their Securityholder Reference Numbers confidential.

Annual report mailing list

Shareholders (whether Issuer or Broker Sponsored) not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Shareholders are also able to update their preference via the Link Market Services or Boral websites, and can nominate to receive email notification of the release of the Annual Report and then access it via a link. The share registry can provide forms for making annual report delivery elections.

While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary called the Boral Review.

Change of address

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

Information on Boral

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

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

- February – the interim results announcement for the December half year.
- August – the annual results announcement for the year ended 30 June.
- November – the Annual General Meeting.

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

Group Communications & Investor Relations Director
Boral Limited
PO Box 1228
North Sydney NSW 2059

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

Share trading and price

Boral shares are traded on the Australian Securities Exchange Limited (ASX). The stock code under which they are traded is "BLD" and the details of trading activity are available on the internet and published in most daily newspapers under that abbreviation.

Share sale facility

A means for Issuer Sponsored shareholders, particularly small shareholders, to sell their entire Boral shareholding is to use the share registry's sale facility by contacting Link Market Services' Share Sale Centre on 1300 730 644.

American depositary receipts (ADRs)

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

Holders of Boral's ADRs should contact BNY Mellon on all matters relating to their ADR holdings.

By mail:
BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170
USA

By telephone:
To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 201-680-6825.

By email:
You may also send an email enquiry to shrrelations@bnymellon.com or visit the website at www.bnymellon.com/shareowner

Share information as at 14 August 2014

Substantial shareholders
Perpetual Limited, by a notice of change of interests of substantial holder dated 14 August 2014, advised that it and its associates were entitled to 84,872,041 ordinary shares.

Commonwealth Bank of Australia, by a notice of change of interests of substantial holder dated 3 April 2014, advised that it and its associates were entitled to 72,548,143 ordinary shares.

Ausbil Dexia Limited, by a notice of change of interests of substantial holder dated 9 November 2010, advised that it and its associates were entitled to 44,499,371 ordinary shares.

Shareholder Information

Boral Limited and Controlled Entities

Distribution schedule of shareholders as at 14 August 2014

Size of shareholding	Number of shareholders	% of ordinary shares
(a) in the categories –		
1 to 1,000	24,614	1.58
1,001 to 5,000	25,615	7.56
5,001 to 10,000	4,582	4.16
10,001 to 100,000	2,755	7.28
100,001 and over	116	79.42
	57,682	100.00
(b) holding less than a marketable parcel (96 shares)	1,339	0.005

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

On-market buy-back
There is no current on-market buy-back of ordinary shares.

Twenty largest shareholders as at 14 August 2014

		Ordinary shares	% of ordinary shares
1	J P Morgan Nominees Australia Limited	138,877,884	17.74
2	HSBC Custody Nominees (Australia) Limited	129,959,072	16.60
3	National Nominees Limited	110,005,134	14.05
4	Citicorp Nominees Pty Limited	109,437,500	13.98
5	RBC Dexia Investor Services Australia Nominees Pty Limited	46,992,280	6.00
6	BNP Paribas Nominees Pty Ltd	32,919,081	4.21
7	UBS Wealth Management Australia Nominees Pty Ltd	9,816,152	1.25
8	AMP Life Limited	7,319,907	0.94
9	Australian Foundation Investment Company Limited	4,008,492	0.51
10	QIC Limited	3,253,301	0.42
11	Argo Investments Limited	3,075,132	0.39
12	Bond Street Custodians Limited	2,833,482	0.36
13	Equitas Nominees Pty Limited (PB-600744 A/C)	2,450,738	0.31
14	Gwynvill Investments Pty Ltd	1,987,750	0.25
15	Invia Custodian Pty Limited	1,941,098	0.25
16	Camrock Australia Pty Ltd	1,858,617	0.24
17	Milton Corporation Limited	1,666,463	0.21
18	William Ross Batstone	849,030	0.11
19	Djerriwarrh Investments Limited	827,519	0.11
20	Portman Trading Pty Limited	730,000	0.09

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Financial History

Boral Limited and Controlled Entities

30 June	2014 $ millions	2013 $ millions	2012 $ millions	2011 $ millions	2010 $ millions	2009 $ millions	2008 $ millions	2007 $ millions	2006 $ millions	2005 $ millions
Revenue	**5,204**	5,286	5,010	4,711	4,599	4,875	5,199	4,909	4,767	4,305
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	**556**	519	473	522	505	539	688	762	823	794
Depreciation and amortisation	**261**	291	273	245	253	263	240	231	209	191
Earnings before interest and tax [1]	**294**	228	200	277	252	276	448	531	614	603
Net financing costs [1]	**(83)**	(97)	(88)	(64)	(97)	(127)	(112)	(111)	(98)	(71)
Profit before tax [1]	**211**	130	111	213	155	149	336	420	516	532
Income tax expense [1]	**(37)**	(20)	(9)	(40)	(22)	(17)	(90)	(122)	(153)	(162)
Non-controlling interests	**(3)**	(6)	(1)	2	(1)	–	1	–	–	(1)
Net profit after tax [1]	**171**	104	101	175	132	131	247	298	362	370
Significant items – net of tax	**2**	(316)	75	(8)	(222)	11	(4)	–	–	–
Net profit/(loss) attributable to members of Boral Limited	**173**	(212)	177	168	(91)	142	243	298	362	370
Total assets	**5,559**	6,316	6,499	5,668	5,209	5,491	5,895	5,817	5,587	5,001
Total liabilities	**2,211**	2,923	3,096	2,512	2,583	2,738	2,985	2,829	2,832	2,594
Net assets	**3,348**	3,394	3,403	3,156	2,626	2,754	2,910	2,987	2,755	2,407
Shareholders' funds	**3,348**	3,394	3,403	3,156	2,626	2,754	2,910	2,987	2,755	2,407
Net debt	**718**	1,446	1,518	505	1,183	1,514	1,515	1,482	1,578	1,394
Funds employed	**4,066**	4,840	4,921	3,662	3,809	4,268	4,425	4,470	4,333	3,800
Dividends paid or declared	**117**	85	82	105	88	77	202	203	200	197
Statistics										
Dividend per ordinary share	**15.0**	11.0c	11.0c	14.5c	13.5c	13c	34c	34c	34c	34c
Dividend payout ratio [1]	**68%**	81%	81%	60%	67%	59%	82%	68%	55%	53%
Dividend cover [1]	**1.5**	1.2	1.2	1.7	1.5	1.7	1.2	1.5	1.8	1.9
Earnings per ordinary share [1]	**22.0c**	13.6c	13.6c	24.4c	22.1c	22.2c	41.4c	50.0c	61.7c	63.4c
Return on equity [1]	**5.1%**	3.2%	3.0%	5.6%	5.0%	4.8%	8.5%	10.0%	13.2%	15.4%
EBIT to sales [1]	**5.7%**	4.3%	4.0%	5.9%	5.5%	5.7%	8.6%	10.8%	12.9%	14.0%
EBIT to funds employed [1]	**7.2%**	4.7%	4.1%	7.6%	6.6%	6.5%	10.1%	11.9%	14.2%	15.9%
ROFE [2] (EBIT to average funds employed [1])	**6.6%**	4.7%	4.7%	7.4%	6.2%	6.3%	10.1%	12.1%	15.1%	17.0%
Net interest cover (times) [1]	**3.5**	2.3	2.3	4.4	2.6	2.2	4.0	4.8	6.3	8.5
Gearing (net debt to equity)	**21%**	43%	45%	16%	45%	55%	52%	50%	57%	58%
Gearing (net debt to net debt plus equity)	**18%**	30%	31%	14%	31%	35%	34%	33%	36%	37%
Net tangible asset backing per share	**$4.03**	$3.17	$3.31	$3.91	$3.92	$4.12	$4.41	$4.41	$4.07	$3.57

1 Excludes the impact of significant items in 2014, 2013, 2012, 2011, 2010, 2009 and 2008.
2 Refer to the 2014 Remuneration Report for a discussion of how ROFE will be used as an additional performance hurdle under the Company's long-term incentive plan.
Results for the years ended 2005 to 2014 have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS).
Figures may not add due to rounding.

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