



BORAL ANNUAL REPORT 2016

BORAL LIMITED
ANNUAL REPORT
FOR THE YEAR
ENDED 30 JUNE 2016

The Annual General Meeting
of Boral Limited will be held at
the Civic Pavilion, The Concourse,
Chatswood on Thursday
3 November 2016 at 10.30am. ▶▶

Financial calendar

Please note dates are subject to review.

Record date for final dividend	31 August 2016
Final dividend payable	26 September 2016
Annual General Meeting	3 November 2016
Half year end	31 December 2016
Half year results announcement	15 February 2017
Ex dividend share trading commences	21 February 2017
Record date for interim dividend	22 February 2017
Interim dividend payable	10 March 2017
Year end	30 June 2017

Boral Limited Annual Report

For the year ended 30 June 2016

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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 the Company's strengthening results and clear strategy to deliver performance excellence and sustainable growth, together with Boral's well-recognised brand and leading positions, it's an exciting time for Boral.

Dr Brian Clark, Chairman



I was honoured to become Boral's Chairman in November last year and, together with Mike Kane, to be leading the Company in this the 70th year of Boral. I am pleased to report continued improved results from the Company in FY2016.

Profit after tax (PAT) (before significant items) of \$268 million was up 8% on last year.

Earnings before interest and tax (EBIT)¹ of \$398 million was 12% ahead of the prior year, and Boral's EBIT return on funds employed (ROFE)² improved from 8.2% to 9.0% in FY2016, despite unfavourable currency movements impacting overseas asset values.

Boral's net debt at 30 June 2016 of \$893 million was slightly higher than \$817 million a year ago, due to increased capital expenditure and exchange rate impacts. However, Boral's balance sheet is strong, with gearing³ of 20% remaining low.

The Board declared a final dividend of 11.5 cents per share for a full year fully franked dividend of 22.5 cents per share. This represents a payout ratio of 62%, which is in line with Boral's Dividend Policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position.

Boral delivered a solid total shareholder return⁴ of 11.7% for the year – ahead of the average 10.0% for ASX100 companies.

A strong safety culture

FY2016 also saw continued improvement in Boral's safety performance, with a significant 27% reduction in the recordable injury frequency rate (RIFR) down to 8.8⁵ and a 28% reduction in the lost time injury frequency rate to 1.3⁵. All divisions performed well in the area of safety, reflecting the fact that safety is the number one priority across the Company and that Boral's people are committed to a culture of Zero Harm Today.

Strength in Boral's markets

In FY2016, Australia's housing market remained very strong – particularly multi-residential activity. This has helped to smooth Australia's transition from the end of the resources boom to increased investment in major roads and infrastructure work. As Boral's multi-year supply of materials to Australia's large LNG projects continues to taper off, Boral has been capitalising on the strength of the housing market and is well-positioned to supply materials to the growing pipeline of infrastructure work, which is more pronounced in NSW.

Boral is also well positioned to supply continued growth in US housing. With US housing activity still well below 50 year average levels, there is considerable growth through market recovery expected over the coming years. Our increasing suite of innovative composite products together with our traditional product portfolio means that Boral will continue to benefit from this growth.

In Asia, despite recent slowdowns in Indonesia and Thailand, USG Boral will benefit from medium- and longer-term market growth in the region and is continuing to deliver impressive growth through its superior performing Sheetrock® brand products and complementary products.

1. Before significant items.

2. EBIT (before significant items) return on funds employed at 30 June.

3. Net debt/(net debt + equity).

4. Total shareholder return based on share price appreciation, dividends and franking benefits.

5. Per million hours worked.

A platform for more sustainable growth

Boral is well-positioned to leverage growth from demand cycles in all of our three major geographies – Australia, the USA and Asia. In Australia, however, our ability to grow through cycles is limited by the scale and scope of the market. This is why we have identified Asia and North America as our key growth platforms.

BORAL'S GEOGRAPHIC DIVERSIFICATION POSITIONS THE COMPANY WELL TO LEVERAGE GROWTH OPPORTUNITIES.

We are investing in innovation for more sustainable growth, and this is more pronounced in Asia and the USA where greater market opportunities exist. We continue to invest in Sheetrock® technologies in USG Boral and in the development of innovative composite products in the USA.

We are also assessing strategic M&A opportunities where it makes sense, and it makes most sense in the USA, where there are more opportunities and where Boral has four decades of experience.

We continue to maintain a very disciplined approach to assessing strategic M&A opportunities, and in the event that we do not find the right opportunities at the right price, capital management remains an option.

The Board

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

In March 2016, we welcomed Karen Moses as a new non-executive Director, filling the vacancy left when Dr Bob Every stepped down from the Board in November 2015. Karen brings extensive senior executive experience from the energy sector in Australia and overseas, with responsibilities spanning corporate strategy, finance, transactions, safety, environment, risk, compliance and insurance. Karen was a Director of Origin Energy and is currently a Director of Orica and has been appointed a Director of Charter Hall. We look forward to Karen's continued input on Boral's Board.

In May 2016, the Board visited USG Boral's operations in Vietnam as well as Boral's operations in Texas in the USA.

The Vietnam business is relatively small but it is an impressive, thriving operation, with excellent depth and breadth of local management.


In Texas we spent time with the US management team, and inspected Boral's fly ash operations and new Innovation Factory in San Antonio. The Board has confidence in the US team and its ability to strengthen Boral's innovation platform and to shift the portfolio toward lightweight building products.

Executive Team and Boral's people

During the year, there were some changes to Boral's Executive Committee membership. Matt Coren, who had contributed significantly to Boral as Group Director of Strategy and M&A since 2010, left the organisation.

Al Borm, who has been President & CEO of Boral USA since October 2012, stepped down from the role at the end of June 2016. He continues to be a member of the joint venture Board of USG Boral and work in an advisory capacity to Boral for a transition period. David Mariner, who joined Boral in 2010 and has been running Building Products in Australia since December 2014, became President & CEO of Boral USA from 1 July 2016. This change provided an opportunity in Australia to bring the smaller Building Products division together with Construction Materials & Cement (CM&C), forming a new division, Boral Australia. Previously responsible for CM&C, Joe Goss became Divisional Chief Executive of Boral Australia effective 1 July 2016.

With Joe Goss running Boral Australia, David Mariner leading Boral USA and Frederic de Rougemont the CEO of USG Boral, all under the leadership of Boral's highly capable CEO Mike Kane and expertly supported by experienced functional executives, the Board is confident that Boral has the right team in charge. We thank Mike Kane and Boral's Executive Committee, and all of Boral's people, for their considerable efforts and commitment to delivering Boral's goals and strategic priorities.



Dr Brian Clark
Chairman

In conversation with Mike Kane

The progress we are making across all divisions to transform Boral for performance excellence and sustainable growth is very encouraging.

Mike Kane, CEO & Managing Director



QUESTION: Did all Boral divisions perform well in FY2016?

MIKE KANE: Yes, all of Boral's divisions delivered on their promises and delivered good outcomes in FY2016.

Boral's largest division – Construction Materials & Cement (CM&C) – reported a solid 4% lift in earnings before interest and tax (EBIT) before property earnings. Including Property, EBIT of \$293 million was \$8 million lower than FY2015 because earnings from Property were not as high as FY2015, as anticipated.

Building Products delivered \$33 million of EBIT, which was \$3 million better than last year, due to improved pricing and operational performance, depreciation savings and a strong result from the Boral CSR Bricks joint venture.

Our 50%-owned USG Boral gypsum joint venture delivered a 21% increase in post-tax equity income to \$59 million and a 27% lift in underlying EBIT to \$179 million.

In the USA, with continuing market recovery, Boral USA delivered a positive A\$44 million (US\$32 million) EBIT for the year compared with A\$6 million (US\$5 million) in the prior year. After returning to profitability in FY2015, the growth in earnings is a highlight for the year.

Q: What's driving the improvement in performance?

MK: Over the past four years, we have worked hard to get the cost base right and to effectively manage costs and efficiencies on an ongoing basis. We are strengthening our ability to recover cost inflation through price, and we have improved the portfolio and the way we do things so that our businesses are more responsive to opportunities and external changes that drive demand.

In Australia, we are near the end of supplying materials to the major LNG work in northern Australia (QLD, NT and WA), which

have been significant projects for Boral in recent years. We have been working hard to secure upcoming project work from the growing pipeline of major roads and infrastructure. At the same time, we have been supplying record levels of activity in East Coast housing while realigning our business in WA as activity in that state slows.

In the USA, the recovery in the housing market continues, albeit slower than originally expected. A 9% lift in housing activity in FY2016 to around 1.15 million starts underpinned solid growth in Boral's US earnings. A one-off property sale also assisted the result.

In USG Boral, the continuing improved performance is coming from strong volume growth in Australia, cost reduction benefits and continued penetration of premium Sheetrock® and adjacent products across Asia, Australia and New Zealand.

Q: Are you pleased with Boral's health and safety focus and performance?

MK: We need the whole organisation to embrace the goal of Zero Harm, and I believe we have that commitment, and the improved results reflect this.

During the year, we held a two-day safety summit, where Zero Harm was discussed by 100 Boral leaders. Recognising the debate about Zero Harm in many industries – whether it's an achievable goal or something that can never be achieved, but you're always trying to get there – the idea to focus on Zero Harm for today was suggested. We asked the question, "Can we get through today without hurting anybody?" And the answer was, "Yes – we have done it many times". So that's our objective, to get through the work today without injuring anybody. And we'll do it again tomorrow. That's a very achievable goal, and that's how Boral is embracing Zero Harm as a safety philosophy.

I BELIEVE THERE IS A FIRM LINK BETWEEN STRONG LEADERSHIP, GOOD SAFETY OUTCOMES AND FINANCIAL PERFORMANCE. IF YOU MANAGE SAFETY WELL, YOU MANAGE YOUR BUSINESS WELL. WE SEE THAT ACROSS OUR BUSINESS IN BORAL.

In FY2016, we saw a 28% reduction in Lost Time Injury Frequency Rate (LTIFR) to 1.3 and a 27% reduction in the Recordable Injury Frequency Rate (RIFR) to 8.2.

In the broader industries in which we operate in Australia, the average LTIFR is around 7.2 to 9.3¹, compared with Boral Australia's LTIFR for FY2016 of 1.1¹. These very strong results indicate that we are getting it right – across the organisation.

Q: How are you transforming Boral?

MK: In addition to our goal of delivering world class health and safety outcomes, we are aiming to deliver returns that exceed the cost of capital through the cycle, and more sustainable growth. To deliver these goals, our strategy is to:

- Consistently apply best practice for performance excellence (including operational and commercial excellence).
- Draw on Boral's strength of geographic diversification, including leveraging growth platforms in Asia and the USA.
- Build a portfolio of businesses with a balance of traditional and innovative products and a more flexible cost structure. This is particularly important in the USA, so that we can better respond to market cycles and incrementally scale back in recessionary environments, if required.
- Invest in innovation and, where it makes sense, grow through strategically aligned M&A.

Q: What is the outlook for Boral?

MK: Boral is facing growth in key markets and across all geographies. In Australia, there is a growth trajectory for major roads and infrastructure. This will keep demand at very strong levels even if record highs of residential activity come off, as

expected. In Asia, we see product penetration continuing and a general trend of economic growth. And in the USA, the market recovery will continue for several years. So the outlook is very encouraging for Boral.

Looking at the near term, in FY2017 we expect:

Boral Australia will benefit from the strong pipeline in East Coast residential markets and the uplift in roads and infrastructure activity, which will benefit more in the second half of FY2017. CM&C is expected to deliver slightly higher EBIT compared with FY2016 (including property in both years), and this earnings growth should more than offset slightly lower earnings from Building Products due to weaker housing markets in WA and SA.

While property earnings will continue to contribute in FY2017, the contribution from property is currently expected to be lower than FY2016.

USG Boral is expected to deliver further improvements underpinned by strong volumes in Australia and some volume improvements in Asia together with continued penetration of Sheetrock® products, cost and price discipline, and joint venture synergy realisation.

Boral USA should report a further increase in earnings in FY2017 underpinned by continued market growth. At current market growth trajectories of around 10% per annum, this will see 1.26 million housing starts, broadly in line with external forecasters² who on average are projecting approximately 1.3 million housing starts in FY2017.



Mike Kane
CEO & Managing Director

1. Per million hours worked. Source: Safe Work Australia data 2013-14. Based on Safe Work Australia's definition of Lost Time Injury Frequency Rate using injuries that resulted in five or more days lost time from work. Boral data for Australia only is on the same basis for comparative purposes for FY2016.

2. Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) between June and July 2016.

Report from the CFO

Boral delivered a strong result across all business units, underpinned by strength in residential activity in Australia and the USA, as well as a continued focus on operating cost improvements.

Rosaline Ng, Chief Financial Officer



Income statement

Year ended 30 June	2016			2015		
	Group	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations
\$ millions						
Sales revenue	4,311.2	4,311.2	–	4,414.7	4,297.6	117.1
EBIT ¹	397.9	397.9	–	356.7	345.4	11.3
Finance costs ¹	(63.2)	(63.2)	–	(63.7)	(63.7)	–
Tax expense ¹	(66.7)	(66.7)	–	(43.8)	(39.7)	(4.1)
Underlying profit after tax ¹	268.0	268.0	–	249.2	242.0	7.2
Net significant items	(12.0)	(16.0)	4.0	7.8	1.4	6.4
Net profit after tax	256.0	252.0	4.0	257.0	243.4	13.6

Financial performance

Revenue

Reported revenue of \$4.31b was down 2% on the prior year, reflecting the impact of a full year of equity accounting the Boral CSR Bricks joint venture, following its formation on 1 May 2015. Revenue from continuing operations was broadly steady, with revenue growth in the USA offsetting a decline in Construction Materials & Cement.

- Construction Materials & Cement revenue of \$2.91b was down 6%, with declines in Quarries, Concrete and Asphalt reflecting the fall in major project activity, including LNG projects in QLD, WA and NT, and the sale of the Landfill business in FY2015. Excluding these impacts, revenue remained at similar strong levels, underpinned by strong East Coast residential construction activity and pricing gains.

- Building Products revenue of \$372.0m was 23% lower than FY2015, however, revenues increased by 1% after adjusting for the impact of equity accounting the Boral CSR Bricks JV. Price gains and a shift towards higher-priced roofing products offset slower housing activity in WA. Timber revenues increased due to strong pricing in Hardwood, partially offset by competition from imported Softwood products creating price pressure.
- Gypsum underlying revenue of \$1.40b was up 10% on the prior year, driven by growth in premium Sheetrock® plasterboard sales and adjacent products.
- Boral USA revenue of A\$1.03b was up 23% on the prior year, benefiting from increased US housing construction activity. Total US housing starts increased by 9% to 1.15 million starts during FY2016.

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.

Earnings before interest and tax (EBIT)¹

Group EBIT before significant items of \$397.9m was up 12% on the prior year, reflecting strong performance from all divisions driven by operational improvements and cost savings.

- Construction Materials & Cement EBIT of \$293.0m was down 3% due to lower Property earnings of \$27.8m in FY2016 compared to \$46.0m in FY2015. Excluding Property, EBIT of \$265.2m was up 4% compared to the prior year, with higher earnings across all key business units driven by operational cost improvements and falling fuel and energy costs. The improved performance was despite various restructuring costs and \$9m in lower earnings from the divested Landfill business, which more than offset the \$4m in damages received from the CFMEU settlement.
- Building Products EBIT of \$32.6m was an 11% improvement on the prior year. The result was underpinned by energy cost savings, operational efficiency improvements in Hardwood and benefits from previous restructuring, which offset impacts from the declining WA brick market and ongoing import competition in Softwood.
- Gypsum contributed \$59.0m of equity accounted income to the Group, a 21% increase on prior year. The underlying performance of the joint venture improved by 27%, reflecting strong cost management, growth in premium Sheetrock® sales and adjacent products, improvement initiatives, and falling energy and fuel prices. Australia, Korea, Thailand and China all reported earnings growth, while Indonesia was impacted by a decline in the local market.
- Boral USA EBIT of A\$44.2m was a A\$38.3m improvement on the prior year. Margins improved with operational cost savings and easing of energy costs. The result also included a one-off benefit of A\$10m from the sale of land resumed in our Denver business.

Finance costs

Net underlying interest expense for FY2016 was \$63.2m, in line with FY2015. Underlying interest cover improved from 5.6 times last year to 6.3 times in FY2016.

Tax expense¹

The average underlying tax rate for the year increased from 15% in FY2015 to 20% in FY2016. The prior year benefited from the recovery of capital losses, which was significantly lower in FY2016. The current year also included a benefit arising from share acquisition rights that vested in the year. Excluding this, the effective tax rate for FY2016 was 21%.

Net profit after tax¹

Net profit after tax before significant items was \$268.0m, an 8% increase over the prior year. This improvement was due to a 12% increase in EBIT, partially offset by a \$23m increase in tax expense. Reported profit after tax of \$256.0m included a net expense of \$12.0m from significant items and compares to a profit of \$257.0m in the prior year, which included significant gains of \$7.8m.

Significant items

During the year, the Group recorded an after-tax significant loss of \$12.0m in respect of items that were excluded from the underlying trading result. This primarily relates to the impairment of the USG Boral earnout receivable, partially offset by the finalisation of various tax matters and the settlement of a long standing working capital adjustment from the sale of our Indonesian Construction Materials business in FY2012.

USG Boral earnout adjustment

As part of the divestment of Boral's 50% interest in its Gypsum division, and the formation of the USG Boral Gypsum joint venture in FY2014, Boral is entitled to receive up to US\$75m in further payments from USG, contingent on the achievement of various US dollar denominated earnings targets in the joint venture. The fair value of this earnout was reflected as part of the proceeds received on completion of the transaction.

While the underlying performance of the business has remained in line with expectations on a constant currency basis, the deterioration of the Australian and Asian currencies against the US dollar has resulted in the recoverability of the US dollar denominated earnout no longer being probable. An impairment of A\$50.5m was recorded to fully impair the receivable at 30 June 2016.

Finalisation of tax matters

The Group finalised a number of outstanding tax matters during the year, resulting in an income tax benefit of A\$28.9m.

Other

Other relates to additional proceeds attributable to final working capital adjustments from the sale of the Indonesian Construction Materials business in FY2012. At the time of the sale, a number of matters remained outstanding that were subject to finalisation. These matters were resolved in the period, leading to a favourable adjustment to the proceeds on sale of A\$4.0m.

1. Excluding significant items.

Reconciliation of underlying results to reported results for FY2016

\$ millions	EBIT	Finance costs	Tax	Profit after tax
Underlying results	397.9	(63.2)	(66.7)	268.0
Significant items				
USG Boral earnout adjustment	(50.5)	–	5.6	(44.9)
Finalisation of tax matters	–	–	28.9	28.9
Other	4.0	–	–	4.0
Total significant items	(46.5)	–	34.5	(12.0)
Reported results	351.4	(63.2)	(32.2)	256.0

Cash flow

For year ended 30 June, \$ millions	2016	2015
EBITDA ¹	645	605
Change in working capital	40	37
Share acquisition rights vested	(15)	–
Interest paid	(61)	(63)
Income taxes paid	(69)	(45)
Equity earnings less dividends	(15)	(34)
Profit on sale of assets	(27)	(41)
Other items	15	4
Restructuring costs paid	(35)	(44)
Operating cash flow	478	418
Capital expenditure	(324)	(250)
Proceeds on disposal of assets	56	45
Proceeds on disposal of controlled entities	–	149
Free cash flow	210	363
Dividends paid	(154)	(129)
On-market share buy-back	(115)	(116)
Other items	7	–
Cash flow	(52)	118

Operating cash flow increased by \$60m to \$478m in FY2016, reflecting improved earnings and dividends from equity accounted investments, offset by higher tax payments and the impact of the vesting of share acquisition rights.

Equity earnings less dividends

The Group recorded an increase in dividends received of \$35m from equity accounted investments, in particular the USG Boral Gypsum JV and the Boral CSR Bricks JV. This was partially offset by increased equity accounted earnings in FY2016.

Change in working capital

The Group recorded a net cash inflow in FY2016 of \$40m. The current year performance was driven by further improvements in debtor management, timing of capital spending, and a slight reduction in Hardwood inventory levels.

Interest and tax

The Group reported increased tax payments as a result of capital gains arising from the Landfill sale in FY2015, as well as a higher instalment rate during FY2016.

Capital expenditure

Capital expenditure at \$324m in FY2016 was \$74m higher than in FY2015. Stay-in-business expenditure increased due to plant upgrades in Deer Park (VIC), Orange Grove (WA) and Holton Morton (Colorado), new and upgraded concrete plants, a roofing plant acquisition in Texas, and capital projects to improve manufacturing costs, particularly in Timber. Growth expenditure increased from \$39m in FY2015 to \$43m in FY2016.

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

Debt and gearing

As at 30 June	2016 \$ millions	2015 \$ millions
Total debt	1,345	1,323
Total cash and deposits	452	506
Net debt	893	817
Total shareholders equity	3,506	3,524
Gearing ratios		
Net debt: equity (%)	25	23
Net debt: equity plus net debt (%)	20	19
Interest cover ¹ (times)	6.3	5.6

Net debt

Net debt increased by \$76m to \$893m, primarily due to the \$115m cash outflow related to the share buy-back which completed on 21 September 2015.

Gearing ratios

Boral's gearing covenant with its financiers, measured as gross debt to gross debt plus equity less intangibles, increased slightly to 30%, remaining comfortably within the 60% threshold. Gearing as measured by net debt to net debt plus equity is broadly in line with FY2015 at 20%.

Financial risk management

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

Capital management

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

In FY2016, an interim dividend of 11.0 cents per share and a final dividend of 11.5 cents per share were declared. Both were fully franked.

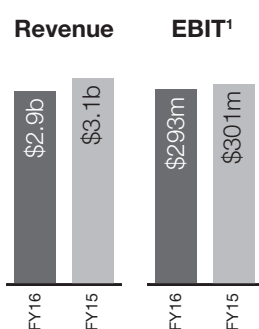
The Group's Dividend Reinvestment Plan remains suspended until further notice.

Divisional results at a glance

Boral Construction Materials & Cement

(A\$)	FY2016	
Revenue	\$2,907m	▼ 6%
EBITDA ¹	\$480m	▼ 1%
EBIT ¹	\$293m	▼ 3%
Net assets	\$2,065m	▼ 1%
ROFE ¹	14.2%	▼
Employees ²	5,012	

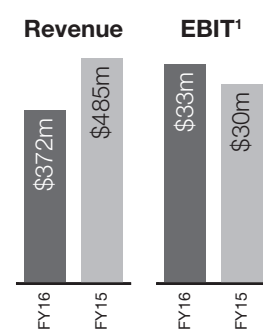
EBIT of \$293m was \$8m lower than FY2015, with lower earnings from Property, as anticipated. Excluding Property, EBIT was up \$10m primarily due to cost improvements, pricing gains and continued strong East Coast residential construction activity offsetting lower construction activity in WA, and regional QLD and VIC.



Boral Building Products

(A\$)	FY2016	
Revenue	\$372m	▼ 23%
EBITDA ¹	\$42m	▼ 15%
EBIT ¹	\$33m	▲ 11%
Net assets	\$347m	▲ 6%
ROFE ¹	9.4%	▲
Employees ²	1,073	

EBIT of \$33m was \$3m above FY2015, reflecting a continuation of strong East Coast housing activity, price gains and depreciation savings, offsetting the equity accounting impact for Boral CSR Bricks and declining housing activity in WA.



Boral Gypsum

Boral's full year reported result (A\$)	FY2016	
Reported EBIT ¹ or equity income ³	\$59m	▲ 21%

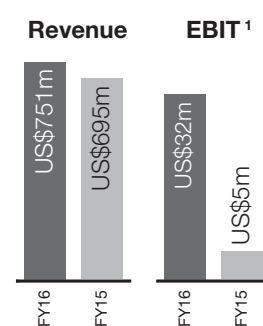
Underlying USG Boral result (A\$)	FY2016	
Revenue	\$1,397m	▲ 10%
EBITDA ¹	\$251m	▲ 25%
EBIT ¹	\$179m	▲ 27%
Net assets	\$1,902m	–
ROFE ¹	9.4%	▲
Employees ²	3,453	

Boral's reported equity accounted income of \$59m represents our 50% share of post-tax earnings from the USG Boral joint venture for the full year of FY2016, and is a \$10m increase on FY2015. Underlying EBIT of \$179m was up \$38m on FY2015 due to strong growth in Australia, continued penetration of premium and adjacent products and cost reduction benefits.

Boral USA

(A\$)	FY2016	
Revenue	\$1,033m	▲ 23%
EBITDA ¹	\$93m	▲ 85%
EBIT ¹	\$44m	▲
Net assets	\$886m	▲ 7%
ROFE ¹	5.0%	▲
Employees ²	2,457	

Boral USA delivered EBIT of A\$44m, which is A\$38m higher than FY2015, reflecting further recovery in US housing activity, benefits from operational cost savings and a one-off land sale of A\$10m.



1. Excluding significant items.

2. Includes 50% owned joint venture employees.

3. Post-tax equity income from Boral's 50% share of the USG Boral joint venture.

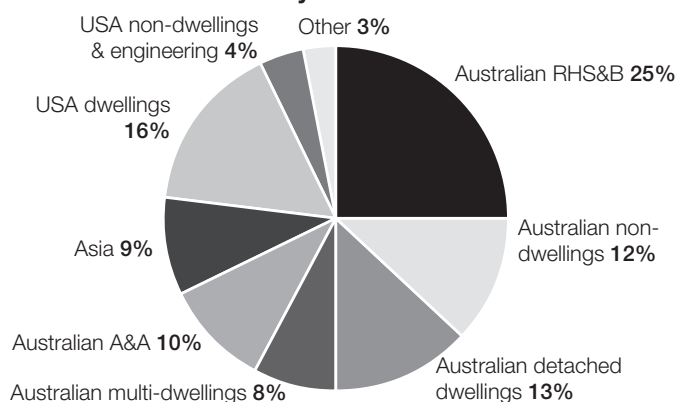
Market conditions and competition

FY2016 saw record Australian residential activity, further improvements in US markets, a transition period in Australian roads and engineering, and slower growth in key Asian markets.

Highlights include:

- Boral is continuing to capitalise on strength in the Australian residential market, offsetting the transition from resources and LNG projects to the expected pick-up in major roads and infrastructure investments from FY2017.
- Infrastructure pipeline is building, with Boral supplying NorthConnex from FY2017 and winning a number of other projects; and a growing pipeline of tendering opportunities.
- Continued recovery of the US housing market with single- and multi-family house construction improving; Boral is well positioned to benefit from further growth with an increasing suite of innovative composite products.
- Strengthened market position in Asia through Sheetrock® brand products with ongoing penetration opportunities despite slower construction activity in Indonesia, Thailand and China.

Boral external revenue¹ by market



Australia

Boral's largest exposure is to the **roads, highways, subdivisions & bridges** (RHS&B) segment in Australia. In FY2016, the value of work done (VWD) in RHS&B grew by an estimated 4%, and a further 26% growth in VWD is expected in FY2017².

Other engineering activity is continuing to contract in Australia² with the slowdown of the resources sector and associated infrastructure.

Housing starts in Australia increased by an estimated 4% in FY2016 on the prior year, to record high levels of ~226,000 starts³. **Detached housing starts** were down 3% while **multi-residential starts** increased by 11%³. Housing activity on the East Coast was strong, particularly for multi-residential, while housing starts in Western Australia and South Australia declined by an estimated 20% and 3%, respectively³. Market forecasters⁴ are expecting Australian housing activity to fall by around 17% on average in FY2017, but still remain at historically high levels of ~188,000 starts. Australian housing approvals in the year to June 2016 show an overall 1% increase, with NSW and QLD multi-residential construction remaining at strong levels⁵.

Detached housing starts as a proportion of total starts in Australia remain at historically low levels of 50% compared to the prior 20 year average of 65%³.

Australian alterations & additions (A&A) activity increased by an estimated 2% in FY2016 compared with the prior year⁶.

Non-residential activity is estimated to be 5% lower in FY2016 compared with the prior year⁶.

The accompanying list of current Australian project work, which includes major RHS&B, as well as larger non-residential and other engineering work, shows projects awarded to Boral and the potential pipeline of work being tendered. The major LNG project Ichthys in NT, commercial high-rise project Barangaroo in NSW, asphalt project Gateway in WA, and road projects Cooroy to Curra Section A in QLD and Reid Highway in WA were completed during the year.

1. Includes Boral's 50% share of underlying revenue from USG Boral, which does not appear in Boral's consolidated accounts.
 2. Average of Macromonitor and BIS Shrapnel forecasts for RHS&B. BIS Shrapnel forecast for Other Engineering.
 3. ABS original housing starts; Jun-16 quarter based on average of HIA, BIS Shrapnel and Macromonitor forecasts.
 4. HIA, BIS Shrapnel and Macromonitor.
 5. ABS original housing approvals.
 6. ABS value of work done 2013/14 constant prices; average of Macromonitor and BIS Shrapnel forecasts used for Jun-16 quarter.

Boral's Australian project pipeline as at August 2016	
Perth Stadium, WA	Est. completion Oct-16
Bringelly Road Stage 1, NSW	Est. completion Jun-17
Mitchell Fwy, WA	Est. completion Jun-17
Pacific Hwy Nambucca, NSW	Est. completion Jul-17
Wheatstone, WA	Est. completion Dec-17
Torrens to Torrens, SA	Est. completion Feb-18
Gateway Upgrade North, QLD	Est. completion Mar-18
NorthConnex, NSW	Est. completion Jun-19
Airport Link, WA	Commencing Apr-17
Amrun Project, QLD	Commencing Jul-16
Pacific Hwy W2B, NSW	Currently tendering
Toowoomba Bypass, QLD	Currently tendering
Roe 8, Main Roads, WA	Currently tendering
Northern Connector, SA	Currently tendering
Northlink stages 1, 2 & 3, WA	Currently tendering
Darlington Upgrade, SA	Currently tendering
Kingsford Smith Dr, QLD	Currently tendering
Cooroy to Curra Sect. C, QLD	Currently tendering
Sydney Metro City & SW, NSW	Currently tendering
Northern/Bringelly Rds, NSW	Currently tendering
Brisbane Airport Runway, QLD	Currently tendering
Western Distributor, VIC	Pre-tendering
Melbourne Metro, VIC	Pre-tendering
West. Sydney Stadium, NSW	Pre-tendering
Sunshine Coast Airport, QLD	Pre-tendering
WestConnex Stage 3, NSW	Pre-tendering

Asia

Market demand in **Korea** remained solid in FY2016, underpinned by residential construction. In **Indonesia** and **Thailand**, a slowdown in construction activity was seen as GDP growth rates eased. Activity in the high-end **China** market remains subdued. USG Boral's other construction markets in Asia, including Vietnam, India, the Philippines, Malaysia and Singapore, are continuing to grow.

USA

Market conditions continue to strengthen with **total US housing starts** increasing 9% to an annualised rate of 1.15 million starts¹.

Single-family starts increased by 13% nationally, up 16% in Boral's Tile States and up 6% in Boral's Brick States¹. With multi-family starts up 2% nationally, single-family starts as a proportion of total starts increased from 64% to 66%, but remains below the long-term average of 71%¹. At just over 3,600 bricks per housing start, brick intensity levels remained relatively flat on the prior period.

If the market improvement trajectory of the past three years of around 10% per annum continues in the US, housing starts in FY2017 will be around 1.26 million. On average, market forecasters expect total US housing starts to lift to ~1.3 million starts² in FY2017.

Competition

Boral generally faces robust competition from a range of large and small 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. Some businesses experience additional competition as a result of imports, including Boral's Timber business in Australia and the USG Boral joint venture in Asia.

In some cases, such as concrete and asphalt in Australia, barriers to entry are low and new entrants are attracted to enter markets when demand is strong. Specific challenges relating to competition are highlighted on page 17.

1. Seasonally adjusted US Census housing starts for national figures. McGraw Hill/Dodge raw data — Brick States: Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas. Tile States: Arizona, California, Florida, Nevada.

2. Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) between June and July 2016.

Boral Australia¹

Construction Materials & Cement performance

Revenue

Revenue decreased by 6% to \$2.9b, reflecting the decline in major project activity, including LNG projects in QLD, WA and NT and the Barangaroo project in NSW, and the sale of the Landfill business to Transpacific Industries in the prior year. Excluding these impacts, revenue remained at similar strong levels to the prior year, with continued strong East Coast residential construction activity and pricing gains, offset by lower activity in WA, and other construction activity in regional QLD and VIC.

EBIT²

EBIT decreased by 3% to \$293m, reflecting lower Property earnings compared to FY2015 as previously flagged. EBIT excluding Property increased by 4% due to the continued focus on operational cost improvements. Lower fuel and energy costs, together with the \$4m of damages received from the CFMEU settlement in the first half, were offset by \$9m lower earnings from the divested Landfill business and various restructuring costs, including the logistics fleet in WA and VIC, and a voluntary redundancy program in the Southern Highlands.

Concrete

Concrete delivered improved earnings with strong results in NSW and South-East Queensland (SEQ), partially offset by reduced resource-based activity in QLD and WA, falling residential activity in WA and a slight decline in VIC.

Volumes were 2% weaker, driven by the decline in LNG projects (Curtis Island and Wheatstone) in FY2016 compared with FY2015.

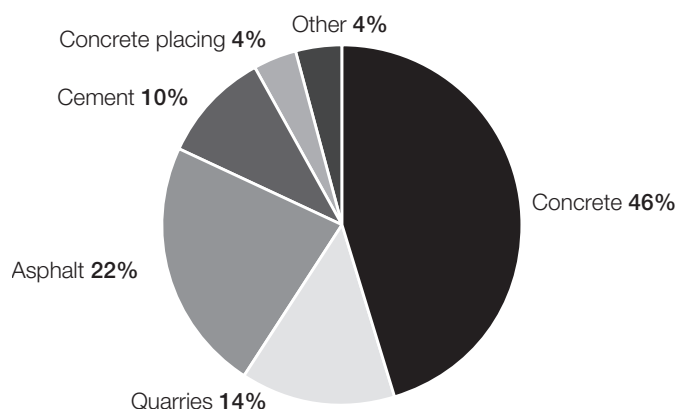
On a like-for-like basis, concrete prices were up by an average of 2%, with strength in SEQ and metro NSW in particular. However, average realised prices were only up 1% due to a change in mix.

Quarries

Quarries delivered stronger earnings despite lower volumes, as activity in NSW, metro VIC and SEQ was offset by weaker infrastructure and resource-based activity in regional QLD, and declining construction activity in WA and NT.

On a like-for-like basis, aggregate prices were up by an average of 1% nationally, while the average selling price across all quarry materials was down 1% due to a mix shift to lower value products. External sales in NSW continue to be impacted by an abundance of excavation materials from tunnel projects in the market.

Construction Materials & Cement external revenue



Asphalt

Asphalt delivered steady earnings through improved margins despite weaker volumes following the completion of key projects in WA during the year, and in QLD in the prior period. While new projects have been announced in QLD and SA, underlying conditions are highly competitive and interstate crews with excess capacity continue to migrate to NSW where activity is stronger and includes the ongoing Pacific Highway work. New road projects have been delayed in VIC and QLD but the pipeline remains encouraging.

Cement

External revenue increased by 3% to \$303m, benefiting from a 6% increase in cement volumes due to stronger NSW activity and 2% higher average prices, partially offset by lower wholesale clinker volumes due to kiln availability. Earnings also grew with cost improvement initiatives, including improved utilisation of assets and sourcing of lower cost raw materials and energy.

Concrete Placing

Revenue increased with stronger activity in Sydney's inner city high-rise multi-residential and commercial markets. The business delivered positive earnings although slightly down on the prior year.

Landfill

Contributed \$9m lower earnings following the sale of the business on 1 March 2015. Boral now receives a royalty-based payment from the new owner.

Property

Contributed \$28m to EBIT, compared to \$46m in FY2015. The FY2016 result included the first settlement at Nelsons Ridge, NSW (with the second contract expected to settle in FY2017) and sale of land at the former Staplyton quarry, QLD.

1. Effective 1 July 2016, Construction Materials & Cement and Building Products combined to form a new Boral Australia division.

2. Excluding significant items.

Boral Building Products performance

Revenue

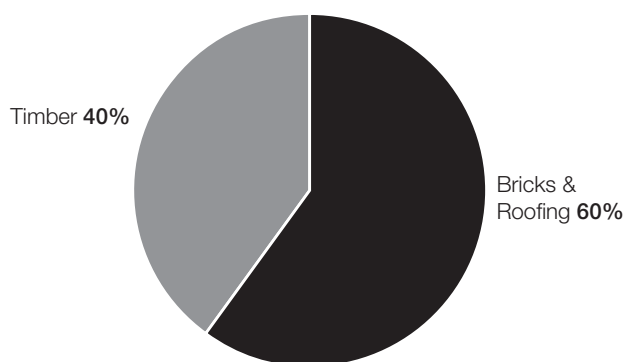
Reported revenue decreased by 23% to \$372m; however, adjusting for the impact of equity accounting which excludes our share of revenue from the Boral CSR Bricks JV, underlying revenue increased by 1%.

EBIT¹

EBIT increased 11% to \$33m with strength in Bricks, Roofing, Masonry and Hardwood Timber offsetting ongoing import competition in Softwood Timber. There were energy cost savings, operational efficiency improvements from investments made in the Hardwood business and depreciation savings from the \$70m asset write-down in FY2015.

An equity accounted post-tax earnings contribution of \$11.7m from Boral's 40% interest in the Boral CSR Bricks JV for the full year compares with \$1.5m in the two months following the transaction in FY2015. Strong earnings growth was delivered with continued strength in housing activity across the East Coast and solid pricing outcomes. To date, \$5m of synergies have been realised and synergies of ~\$10m in FY2017 remain on track.

Building Products external revenue



Bricks & Roofing

Bricks & Roofing delivered stronger earnings with price increases of between 1% and 4%, as well as a shift towards higher-priced roofing products, lower energy costs and depreciation savings. This is despite lower reported earnings from the East Coast bricks business as it moved from fully-consolidated pre-tax to equity accounted post-tax earnings despite underlying profit growth. In WA, slower housing activity in 2H FY2016 and restructuring costs following the mothballing of Kiln 8 were offset by stronger masonry volumes.

Timber

Revenue was up, with a 4% price rise in Hardwood. However, earnings benefits delivered from Hardwood operational improvements were more than offset by the impact of continued strong competition from imported Softwood products creating price pressure. A reduction in Hardwood inventory was achieved and managing working capital remains a priority.

Outlook

CM&C businesses are expected to continue to deliver strong results with slightly higher EBIT expected in FY2017 compared with FY2016 (including property earnings in both years).

Continued strength in the Sydney construction markets and stronger infrastructure volumes are expected to benefit Boral's downstream concrete and asphalt operations, offsetting the weaker WA market, while conditions in QLD and VIC are expected to remain broadly steady.

Typically, earnings from CM&C (excluding property) are skewed towards the first half of the year, reflecting available working days. However, in FY2017 earnings are expected to be broadly balanced between the first and second half, due to softer major project and WA activity ahead of the expected ramp-up of materials demand for infrastructure projects and the timing of announced price increases. A strong focus remains on commercial and operational excellence programs, with price rises overall aiming to at least offset cost inflation, and benefits from ongoing improvement initiatives and prior year restructuring expected to drive earnings growth.

The majority of the earnings contribution from property sales at Nelsons Ridge, totalling around \$20m, was recognised in 2H FY2016 with the remaining ~\$5m expected on settlement of the second contract in FY2017, subject to completion. Additional property sales are expected and while there is not yet visibility around the earnings impact, the contribution from property in FY2017 is currently expected to be lower than the contribution delivered in FY2016.

Building Products businesses are expected to continue to benefit from the strong pipeline of work in East Coast residential markets as well as the improvement initiatives in the Timber business. However, slightly softer earnings are expected primarily due to the impacts of weaker housing conditions in WA and SA.

1. Excluding significant items.

Boral Gypsum

The Boral Gypsum division represents Boral's 50% share of the USG Boral joint venture.

Performance

Boral Gypsum reported equity accounted income of \$59m, up 21% on the prior year. This represents Boral's 50% share of the post-tax earnings of USG Boral, and is reflected in Boral's EBIT result.

Earnings growth reflects strong business performance, with the continued penetration of Sheetrock® plasterboard and adjacent (non-board) products, stronger board volumes in Australia and strong cost management driving margin expansion. Plant utilisation remained broadly unchanged at 70%.

Underlying USG Boral result

Revenue

Revenue increased by 10%, with growth in premium Sheetrock® plasterboard sales resulting in higher pricing, and growth in adjacent product (non-board) sales. Strong volume growth in Australia was offset by contraction in key Asian markets and price competition in Korea.

Sheetrock® brand products attracted a price premium of around 5%, with adoption rates at year end ranging from 11% in China to over 70% in Vietnam. These outcomes are in line with expectations only 20 months after their launch across Australia, Korea, Thailand, Indonesia, China and Vietnam. The new product strengthens our leading positions in increasingly competitive markets.

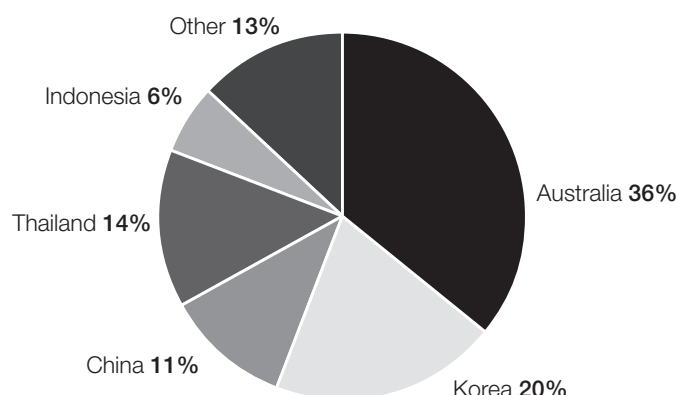
EBIT¹

EBIT increased 27% to \$179m, reflecting ongoing strong cost management, including manufacturing efficiency improvements, procurement savings, benefits from prior restructuring and improvement initiatives, as well as falling energy and fuel prices.

Australia/NZ

Revenue increased by 17% to \$504m, with board volumes up 13%, reflecting higher activity across all regions except SA, and stronger non-board sales. Average selling prices rose 4%, supported by the introduction of Sheetrock® products, with a further 4% price rise announced effective 1 September 2016.

External revenue



Asia

Revenue increased by 7% to \$893m in AUD terms. Earnings growth was delivered despite activity contracting in some key markets.

Korea achieved earnings growth with lower fuel and production costs. Stronger volumes were partially offset by intense price competition in the context of a key competitor overcoming production supply constraints in the prior year.

Thailand reported revenue and earnings growth with lower fuel and production costs. Stable market share and slightly higher prices offset contracting domestic activity.

Indonesia results were impacted by a decline in the domestic plasterboard market and lower margins, offsetting strong Sheetrock® sales.

Other regions delivered significant revenue and earnings growth, while China also delivered stronger earnings despite softer activity.

Outlook

USG Boral is expected to deliver further performance improvements on the back of continued penetration of new Sheetrock® products, strong cost and price discipline, and synergy realisation from the expanded product portfolio and technology roll-out. Continued strong volumes are expected in Australia together with some volume improvements in key markets in Asia.

1. Excluding significant items.

Performance

Revenue

Boral USA revenue increased by 8% on the prior period to US\$751m, with growth in Cladding, Roofing and Construction Materials. Australian dollar revenue increased by 23% to A\$1.0b.

The business continued to benefit from increased housing construction activity. US single-family starts grew 13% year on year, but grew 16% in Boral's Tile States and only 6% in Boral's Brick States.

EBIT¹

EBIT improved by US\$27m to a US\$32m profit. Margins improved with volume and price gains, operational cost savings and easing of freight, fuel and energy costs offsetting cost inflation and increasing costs associated with the accelerated growth plan in the Trim and Siding business. This result also includes a profit of US\$7m from the sale of resumed land in Denver to make way for a new rail line.

Cladding

Revenue from the Cladding business, which includes Bricks, Cultured Stone and Trim, grew 8% to US\$405m.

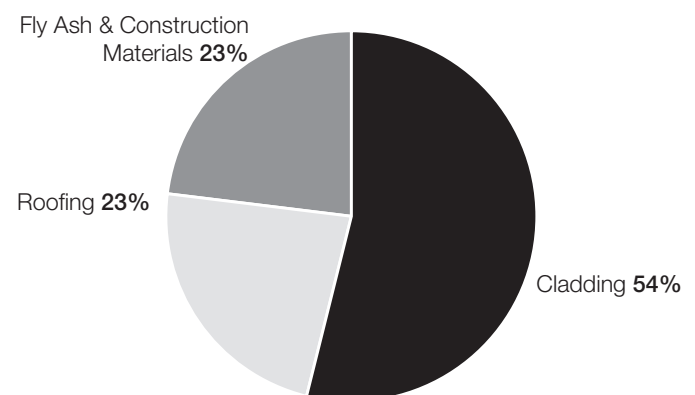
Bricks revenue increased by 8% to US\$266m, supported by a 14% increase in re-sale product revenue. Brick volumes increased ~4% compared to a ~6% rise in housing starts in Brick States, as activity remains skewed towards entry-level housing with lower brick intensity, as well as differences in geographic mix. Importantly, while single-family starts were down ~2% in Texas, Boral's brick volumes were steady in Texas and there was modest price growth. Overall, average prices were up 1%.

Cultured Stone volumes increased 7% while our second brand, ProStone, and the lightweight Versetta panel product experienced strong volume growth from a small base. Average prices rose 2% with solid price rises, particularly in lower-priced regions.

Brick plant utilisation remains broadly steady at 55%, while Stone utilisation rose to 40%, and inventories remain largely unchanged.

The **Trim and Siding** lightweight business continues to make progress with volume and price growth. Dealer stocking locations increased from 500 to 650. Costs rose in 4Q FY2016 as manufacturing and marketing plans were accelerated. The business is targeting a breakeven result in FY2017.

External revenue



Roofing

Revenue increased 11% to US\$176m. Volumes rose 11%, including 16% growth in the traditional Tile States of California, Arizona, Nevada and Florida, while emerging regions were more challenged. While like-for-like prices were up ~2%, average prices were steady, reflecting an adverse geographic mix shift. Concrete roofing plant utilisation increased to 31%.

Fly Ash and Construction Materials

Revenue of US\$170m increased 5%, reflecting strong pricing gains and strength in the Denver construction market, despite some volume interruptions during commissioning of the new Holton Morton quarry and constrained Fly Ash availability, impacted by a mild winter and lower natural gas prices.

Outlook

Boral USA is expected to report further growth in earnings on the back of increased housing activity. If the market improvement trajectory of the past three years of around 10% per annum continues in the US, housing starts in FY2017 will be around 1.26 million. On average, external forecasters are projecting housing starts to increase to approximately 1.3 million starts² in FY2017. We are positioned well to continue to supply the recovering market and continuing to grow Boral's lightweight products portfolio.

1. Excluding significant items.

2. Average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA) between June and July 2016.

SUMMARY OF OUR RISKS AND CHALLENGES

To deliver on our goals, we recognise the need to manage a number of risks and be responsive to the dynamic environments in which we operate. Here, we summarise the current challenges that we face and the responses we are taking.

► OUR DIVISIONS

BORAL AUSTRALIA¹

STRATEGIC DIRECTION

Maintaining and **strengthening** Boral's leading integrated construction materials and cement positions and **optimising returns** across all building products and construction materials businesses

PRODUCTS

Concrete	Asphalt	Bricks	Masonry
Quarries	Placing	Roofing	Timber
Cement	Property		

1. Effective 1 July 2016, Construction Materials & Cement and Building Products combined to form a new Boral Australia division

USG BORAL

STRATEGIC DIRECTION

Delivering USG Boral **synergies**, and leveraging this long-term **growth platform** through market growth, increasing product penetration, innovation and adjacent products

PRODUCTS

Plasterboard, ceilings and adjacent products via 50%-owned USG Boral

BORAL USA

STRATEGIC DIRECTION

Growing through **market recovery**, new product development and portfolio refinement, with potential for strategic M&A opportunities

PRODUCTS

Bricks	Roofing	Stone	Fly ash
Trim	Siding	Construction materials	

▶ SPECIFIC CHALLENGES	▶ SPECIFIC RESPONSES
<ul style="list-style-type: none"> • Safely managing 1,100 Company-owned and 1,500 contracted heavy fleet vehicles • Challenging pricing environment and competition in some markets • Declining demand and excess capacity in some markets, eg. WA • Taking advantage of shift from resources to roads, highways and infrastructure-based projects • High costs of manufacturing, eg. cement versus lower cost imports • Maintaining community support for operations • Increasingly complex contracting environments • Complex environmental consent and operating licence requirements • Building products businesses not delivering acceptable returns through cycle • Changes in consumer demand with imported, composite and substitute timber and roofing products • Management of enterprise bargaining agreements • Maintaining an effective IT environment 	<ul style="list-style-type: none"> • Heavy vehicle and technology improvements, driver behaviour training, eg. Imarda i360 to monitor speed and fatigue and rollover limitation technologies • Commercial excellence program commenced • Ongoing cost reduction programs and integrated business model to drive competitive advantage • Leading resource positions including Peppertree Quarry (NSW) and Deer Park (VIC) redevelopment • Strengthening contracting and major projects capability, including bid and tender management • Efficient and reliable importation of clinker to Australia • Active community consultation programs including Marulan limestone community awareness campaign, and in-house community liaison officers • Regional environmental management experts • East Coast brick business joint venture with CSR • Long-term hardwood timber supply contract with Forestry Corporation of NSW (FCNSW) aligned to demand forecasts; improving Hardwood operations and working with FCNSW to manage harvesting costs • Proactive involvement in all enterprise bargaining agreements from a dedicated team • Defined IT investment strategy to meet the needs of the businesses
<ul style="list-style-type: none"> • Continued roll-out of new technologies and associated high-performance Sheetrock® products • Delivering joint venture synergies including price premiums and penetration rates for Sheetrock® products • Decline in market activity in some markets, eg. Indonesia and Thailand • Pricing pressure through increased competition and new market entrants in key regional markets • Long-term regional resource and reserve access • Supplying the expected demand growth in key markets 	<ul style="list-style-type: none"> • Roll-out of Sheetrock® technologies ahead of original plan and achieving price premium • Focus on product diversification to adjacent products, compounds, substrates, ceiling tiles, etc • Operations in high-growth economies with leading market share positions • Regional sales and marketing plans centred on advanced technology product and supported centrally • US\$50m pa of synergies within three years of technology roll-out remains on track • Focus on high-end construction market in China • Ongoing cost reduction and management programs • Regionally-focused gypsum resource strategies • Plans in place to increase capacity in Korea
<ul style="list-style-type: none"> • Slower than expected USA housing recovery • Overcapacity in brick, stone and roofing markets • Strengthening regional and national production builders • Brick and stone intensity and share of wall • Less favourable housing mix remains, with lower proportion of single-family housing relative to past • Shifting from high fixed cost base to more variable cost model 	<ul style="list-style-type: none"> • Development of new lightweight products through dedicated innovation centre • New products introduced through existing channels, eg. thin brick and Versetta stone products • Focused price strategies and targeted customer incentive programs • Working with custom builders who are returning to the market as well as production builders, who represent a high proportion of current activity • Diversifying exposure to commercial construction through bricks and stone • Continuing review of bricks business • Strategic deployment of capital and risk-based maintenance scheduling • Assessing strategic M&A opportunities to optimise portfolio

GENERAL RISKS

Health, Safety & Environment (HSE) Risks

- Licence to operate
- Injury and accidents
- Environmental damage
- Regulatory requirements

Industry and Market Risks

- High input costs and inflationary pressures
- Structural and cyclical changes in demand
- Political cycles/uncertainty and impact on infrastructure spend

Competition Risks

- New market entrants, competition and legislative requirements
- Technology/R&D

Business Interruption Risks

- Plant and systems failure
- Cyber security
- Weather impacts
- Geopolitical impacts
- Industrial action

Foreign Exchange Risks

- Currency translation of overseas earnings in AUD
- Capital equipment transactions

GENERAL RESPONSES

- Formal, bottom-up risk management process
- Best practice HSE standards, policies, procedures and training
- Central support and monitoring of legislative/regulatory requirements
- Divisional strategies aligned to Group priorities to deliver strong earnings, balance sheet and growth
- Divisional cost management programs and global procurement discipline
- People strategy to attract, retain and develop talent with deep industry experience
- Business continuity planning and tested disaster recovery programs
- Cyber security maturity assessments, roadmaps and action plans
- US net assets matched with USD debt and other instruments to hedge against currency fluctuations

Sustainability Overview

At Boral, we recognise that sustainability is fundamental to our future success and our ability to *Build Something Great*. This means providing a safe, diverse and rewarding workplace for our people, minimising our environmental impacts and taking a socially responsible approach to how we operate. Delivering world-class safety performance and developing less resource- and energy-intensive products for our customers are also central to our vision of delivering performance excellence and sustainable growth.

In addition to this Sustainability Overview, information on Boral's sustainability performance is also provided in:

- the Corporate Governance, Remuneration, and Risks and Challenges sections of this Annual Report;
- case studies and information contained in Boral's Annual Review and Boral's employee magazine – Boral News;
- Boral's website, which includes supporting policies and information on our community engagement programs;
- pollutant emissions data reported to the National Pollutant Inventory for 94 of our Australian operations; and
- our voluntary response to the Carbon Disclosure Project.

This Sustainability Overview covers Boral's wholly owned operations and joint ventures that were at least 50% owned by Boral for the year ended 30 June 2016, unless stated otherwise.

Our people

Having a highly skilled, safe, motivated, and productive workforce is essential to delivering on our strategy. Our human resource strategies are focused on developing our people, building a diverse and inclusive culture, identifying and building talent, and enhancing productivity through strong engagement.

As at 30 June 2016, Boral employed 8,334 full-time equivalent (FTE) employees and approximately 4,800 contractors across our global operations, and 3,724 FTE employees and approximately 3,400 contractors in our joint venture operations.

The **average length of service** of a Boral employee remains broadly consistent with previous years – in Australia it is approximately 9.1 years, and in the US approximately 7.6 years.

Overall, 12% of our workforce has been working for Boral for more than 20 years.

At a glance	FY2016	FY2015	FY2014
Boral employees, FTE	8,334	8,356	8,953
Boral contractors, FTE	~4,800	~4,400	~4,000
JV employees, FTE	3,724	3,676	3,498
JV contractors, FTE	~3,400	~3,000	~2,600

Average length of service	FY2016	FY2015	FY2014
Australia	9.1 years	9.2 years	9.1 years
USA	7.6 years	7.8 years	7.5 years
Women in Boral	14%	14%	14%
Women on the Board	50%	38%	25%

Overall **employee turnover** in Australia remains broadly consistent with last year at 18%, with an increase in the USA to 17% in FY2016 from 15% in the prior year. The rate of employee-initiated turnover remains broadly consistent with last year at 10% in Australia and 8% in the USA.

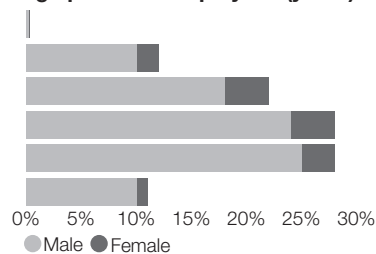
The average age of an employee in Boral is 45 years, with 38% of all employees aged 50 years and over.

Diversity

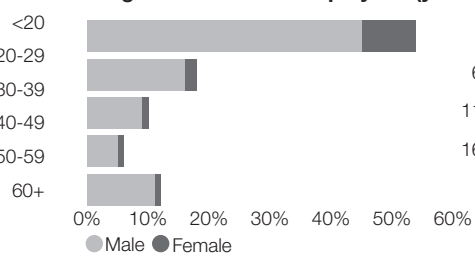
We are committed to delivering benefits through improved diversity throughout Boral, from senior leadership through to our operations, and embedding diversity in our culture. Our Diversity Policy underpins our actions and approach in fostering a positive work culture and inclusive workplace.

In FY2016, management, supported by Boral's Diversity Council, focused on delivering targeted outcomes outlined in Boral's diversity strategy and implementation plan, which was revised in FY2015. The plan outlines measurable objectives set by the Board across six strategic elements: leadership, communication and education, system and process design, gender equality and pay equity, generational diversity, and Indigenous relations.

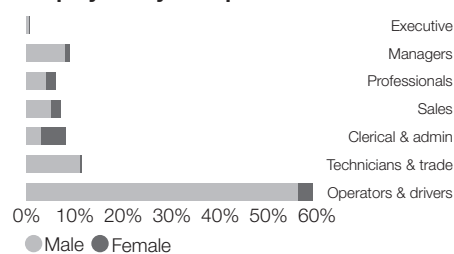
Age profile of employees (years)



Length of service of employees (years)



Employees by occupation



Increasing the **representation of women** across Boral, particularly in leadership roles, continues to be an important objective. At senior levels, Boral has a good representation of women. Four out of eight (50%) of our Directors of the Board and three out of 11 (27%) of our Executive Committee team are women, namely the Chief Financial Officer, Group Communications & Investor Relations Director and Group Human Resources Director. Women also fill 11% of Boral's management positions.

Across Boral, women represented 14% of Boral's employees at 30 June 2016, unchanged on the previous year, with the proportion of female employees continuing to vary by occupation. Women occupy 68% of clerical positions, 33% of sales positions and 32% of professional positions. In contrast, men accounted for 94% of Boral's trade, machinery operator and transport roles. In FY2016, 17% of new hires were women, with variation across occupations.

A comprehensive annual **gender pay equity** review was completed for our Australian and Asian operations during FY2016. This review indicated that while the female to male average base salary ratio was 1.01:1.00, on a total compensation basis, there remains opportunity to improve pay equity outcomes in Australia.

We strive to increase **Indigenous employment** in our workforce through proactive recruitment and retention strategies. The level of retention of Indigenous employees is over 85% for employees who joined Boral under a number of Indigenous employment programs since 2013.

For more information on Diversity refer to pages 39-41.

People development and leadership

Boral is focused on building a safe, capable and engaged workforce and attracting, developing and retaining talented leaders.

We have a structured and supportive approach to **employee development**. This encompasses three elements: we identify talent and assess capability, provide development pathways, and support this with a performance review process. Through the performance review process, managers work with employees to develop goals that incorporate business and personal development objectives, thereby establishing a plan to help employees fully develop their potential.

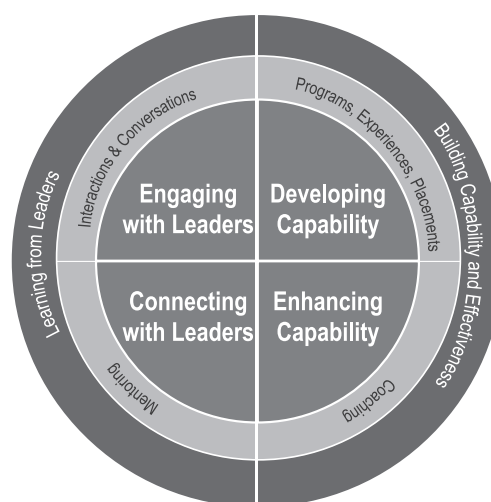
Learning@Boral, Boral's centre of excellence for training and development, delivers a wide range of training programs to build our people capability. In FY2016, we delivered:

- tailored learning solutions through our 'Skilled 4 Action' training program, which continued to focus on building capability of our employees and managers in safety, people development, Boral Production System, sales and marketing excellence, and innovation;
- Certificate II, III, IV or Diploma qualifications in disciplines such as Surface Extraction Operations, Civil Construction and Manufactured Mineral Products, Laboratory Skills and Techniques and Driving Operations, to over 170 employees through our Registered Training Organisation (RTO);
- Certificate III and IV qualifications in Boral's Competitive Systems and Practices and Work Health & Safety, which were completed by 115 employees;

- over 2,700 units of competency across a wide range of disciplines such as working at heights, conducting asphalt paver operations, conducting risk assessments and implementing traffic management plans;
- 'Creating Value Through Finance', a training initiative developed in partnership with Deloitte, to enhance skills and capability in finance and business partnering; more than 100 finance employees completed the first phase of this initiative; and
- Boral's refreshed online Code of Business Conduct training to over 2,200 employees.

These programs and units of competency, complemented with on-the-job support and local initiatives, work to ensure that our people have the opportunity to develop their careers with us, and have skills and knowledge to deliver Boral's plans and objectives.

Ongoing development of our leadership teams is vital for delivering on Boral's vision of performance excellence and sustainable growth. Boral has a multi-pronged approach to **leadership development** encompassing: training programs, work experience, placements, and coaching to develop leaders' capability to effectively engage our people, combined with learning from experienced leaders through mentoring, interactions and conversations. Our approach is set out below:



In FY2016, Boral's 'Learn from Leaders' series saw employees from across Boral participating in lunches with the CEO & Managing Director, the Board and key executives, as well as Diversity in Leadership Forums to provide learning opportunities and access to our senior leaders.

During the year, 43 employees participated in specialised leadership programs, developed and delivered in partnership with the Australian Graduate School of Management, and our top 100 leaders participated in a new, tailored program focused on improving organisational effectiveness through enhancing self-competence.

We believe that building a culture of engagement is crucial to our ability to retain our people and leadership talent. To identify opportunities to further engage and develop our people, we **measure employee engagement** through an independent employee survey across at least one division on a biennial basis. The last survey was completed last year with the next one to be completed in FY2017.

Enabling high performing leaders

Our leadership programs build the knowledge and capability of managers to motivate and stimulate their teams towards superior organisational performance.

In FY2016, we established a new program focused on our leaders recognising and developing the qualities of great leadership – through building self-awareness of their strengths and limitations, and their understanding of how to connect who they are with how they lead their people most effectively.

More than 30 facilitated sessions were held with Boral's top 100 leaders, accounting for 13% of our executive and middle managers. Over 90% of Australian senior leaders subsequently completed a Boral "Working Together" session with their teams. This program helps teams constructively engage to establish how they will work together to achieve performance excellence.

Health, safety and environment

Our goal is Zero Harm Today to people and the environment. Ensuring that our people, customers and the communities in which we operate are free from harm is a key driver in our decision making and is central to how we operate.

Boral's commitment to achieving Zero Harm was renewed and strengthened following a two day Leadership Summit held on Zero Harm in November 2015. Sponsored by Boral's CEO & Managing Director, the summit brought together over 100 of Boral's senior leaders, Board members and managers from our global operations to consider how the next stage of our safety journey to Zero Harm could be achieved. Our goal of Zero Harm became Zero Harm Today – reflecting the commitment and heightened urgency by our leaders to deliver Zero Harm, today and every day. Cascading initiatives are being implemented throughout our businesses, including Zero Harm Today safety workshops, which are successfully engaging all of our people in this goal.

From an environmental perspective, we acknowledge that the very nature of our operations means there will be impacts on the environment. However, we remain committed to a goal of Zero Harm and working to eliminate adverse environmental impacts. Where elimination is not possible, we seek to minimise the adverse environmental impacts of our operations and, wherever practicable, secure improved environmental outcomes.

Management approach

Boral's line management is accountable for health, safety and environment (HSE) performance, with HSE objectives considered an integral component of their leadership role rather than part of any incentive payment. They are supported by a network of HSE professionals working in Boral's divisions, and a small corporate team headed by Boral's Group HSE Director.

All employees are expected to lead by example, take personal responsibility for HSE outcomes, and adhere to Boral's strict HSE requirements. Our contractors must satisfy selection and qualification criteria incorporating Boral's HSE requirements, as outlined in Boral's contractor safety requirements. We also actively work with our customers to ensure delivery of their HSE targets when working on major projects and other work.

Safety training is provided through a number of means including: internal leadership courses, front line manager and supervisors (eg. 'Skilled 4 Action') and operator level training. In Australia, Boral is a registered training organisation and offers many vocational courses including safety and LEAN related courses at the Certificate II, III and IV and Diploma level.

Divisional management teams and the corporate HSE function provide formal reports on HSE performance, risks and management actions to the Board's HSE Committee on a quarterly basis, and to Boral's Executive Committee on a monthly basis. At a site level, safety performance and actions are discussed in various forums including daily pre-start meetings. More serious HSE incidents, including near miss events, are directly communicated to the CEO & Managing Director, with formal investigations and discussions involving local line management, relevant divisional executives and the Group HSE Director.

Our HSE reporting framework and systems, in conjunction with a culture of transparent reporting, ensure that reliable HSE information is provided both to our internal and external stakeholders. Open and transparent engagement in respect of HSE matters forms an integral part of our community consultation programs.

In FY2016, Boral commenced implementation of its revised Health, Safety, Environment and Quality Management System (HSEQ MS) which integrates a number of previously separate management systems. The HSEQ MS is a Group-level system which clarifies and targets the responsibilities and actions needed to deliver improved performance and strong governance.

Strategy

Boral's Group strategy for HSE, which was revised and re-initiated in FY2014, is focused on incorporating 20 improvement programs within five focus areas across the themes of people, systems, and products, plant and equipment.

In FY2016, we made substantial progress in implementing a broad range of new HSE initiatives including ambitious change programs to effect further cultural change and accelerate the rate of HSE performance improvements – these apply to leadership development and further transferring ownership of HSE activities into line management.

PEOPLE

Objective 1 – Capable and confident leaders

- HSE stewardship
 - Skilled 4 Action
- ✓ 'Leading Zero Harm' summit, and cascading activity to engage entire workforce in Zero Harm Today goal
 - ✓ 'Skilled 4 Action' program now considered 'business as usual' with operational managers better equipped to manage day-to-day HSE activities without direct support of HSE experts
-

Objective 2 – Engaged, empowered and competent workforce

- Human error reduction
 - Manual handling interventions
 - Leveraging LEAN
 - Roles and responsibilities
 - Consequence management
- ✓ Continued roll-out of human error reduction and allied behavioural programs across Boral Building Products, most of Construction Materials & Cement (CM&C), and USG Boral JV
 - ✓ Clearer definition of HSE-related roles and responsibilities providing focus to training content development and delivery
 - ✓ Adoption of LEAN skills and techniques, including LEAN safety principles in some areas, supporting continual improvement culture
 - ✓ 'Safety Absolutes' program (key safety rules), engrained across CM&C and introduced to other businesses
-

SYSTEMS

Objective 3 – Fit-for-purpose systems

- Contractor safety
 - Learning management system
 - Serious harm prevention
 - Incident management system
 - 1Boral SMS review
 - Self insurance
- ✓ Phase 1 of contractor safety program (selection and qualification) underway in CM&C
 - ✓ Roll-out of Boral's new learning management system, My Learning Space, completed across Asphalt and progressing into Concrete, Quarries and Cement
 - ✓ Serious Harm Prevention program further progressed, including reporting and phased review of controls around Serious Harm Precursors
 - ✓ HSE incident management system, adopted in Australia in FY2015, further developed; new system introduced within USG Boral JV
 - ✓ Commenced implementation of revised and integrated Health, Safety, Environment and Quality Management System (HSEQ MS)
-

PRODUCTS, PLANT AND EQUIPMENT

Objective 4 – Sustainable solutions

- Lifecycle analysis and environmental product disclosures
 - Occupational health and hygiene
 - Chemical management
- ✓ Increased resource capacity for hygiene assessments
 - ✓ Greater governance of material issues and programs, and greater systemisation of procedures and protocols around occupational health and hygiene key hazards and risks
-

Objective 5 – Fit-for-purpose plant and equipment

- Energy efficiency
 - Driver safety
 - Plant and equipment procurement
 - Product Council support
- ✓ Development and adoption of higher-stability concrete agitator design, and specification of advanced driver aids and technology across segments of heavy vehicle fleet; enhanced driver 'onboarding' process being introduced
 - ✓ Product Councils well established within CM&C, with senior HSE personnel assigned to support the development and adoption of operating standards and practices consistent with Zero Harm Today
-

Work health and safety

Performance

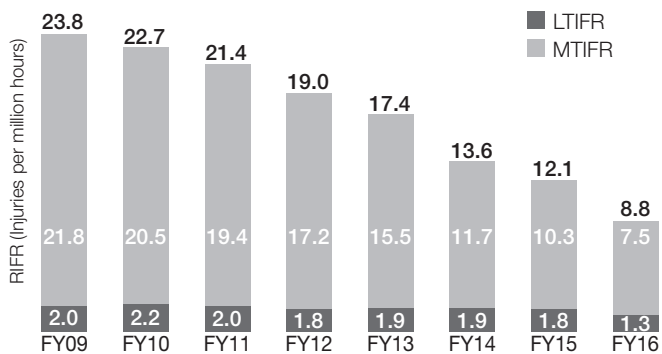
27% improvement in Recordable Injury Frequency Rate to 8.8

28% improvement in Lost Time Injury Frequency Rate to 1.3

Nil fatalities since 2013

Our safety performance continued to show solid improvement in FY2016. The rate of improvement in the Recordable Injury Frequency Rate (RIFR) for employees and contractors, our preferred indicator of injury performance, was well over twice the annual average improvement experienced over the past five years.

Employee and contractor injury rates



RIFR includes both Medical Treatment Injury Frequency Rate (MTIFR) and LTIFR for employees and contractors per million hours worked.

Boral's Construction Materials & Cement division achieved the largest improvement in RIFR, with Building Products and the USA division reporting solid improvements, and the USG Boral JV maintaining a low injury rate including a Lost Time Injury Frequency Rate (LTIFR) below one – considered by many to be a threshold into world best practice.

Recordable Injury Frequency Rate (RIFR)	FY2016	FY2015	Improvement
Boral Construction Materials & Cement	12.2	18.7	35%
Boral USA	5.2	6.1	15%
Boral Building Products	14.2	16.4	13%
Boral Gypsum	3.0	3.0	0%
Boral Corporate	0	0	–
Boral total	8.8	12.1	27%

Percentage Hours Lost¹, and Hours Away on Restricted or Transferred Duties¹, both measures of the impact of injuries at an organisational level, were largely unchanged at historically low levels of 0.03% and 0.16% respectively.

Boral also tracks Near Miss Events, which are those incidents that could have resulted in loss. The rate of reporting continued to increase across Boral in FY2016, which we view positively, as it reflects greater maturity in our safety reporting and allows us to secure learnings from a broader pool of incidents.

1. Defined as a percentage of total hours worked for employees and contractors in Boral's fully owned businesses.

During FY2016, a number of enhancements to Boral's HSE information management systems were made in Australia and within the USG Boral JV. These have improved our ability to monitor and report additional metrics; incorporate corrective and preventative action management, and behavioural observations; and facilitate advanced analysis to better focus our interventions and resources. Hazard reporting was also formally included in management reporting across Boral, although the identification and management of hazards has long been a standard operational practice.

Building knowledge and awareness of Serious Harm Exposures

While we seek to eliminate all injuries, our HSE strategy places greater emphasis on eliminating events that do, or have the potential to, cause fatalities, or life threatening and life changing injuries – referred to as Serious Harm Exposures.

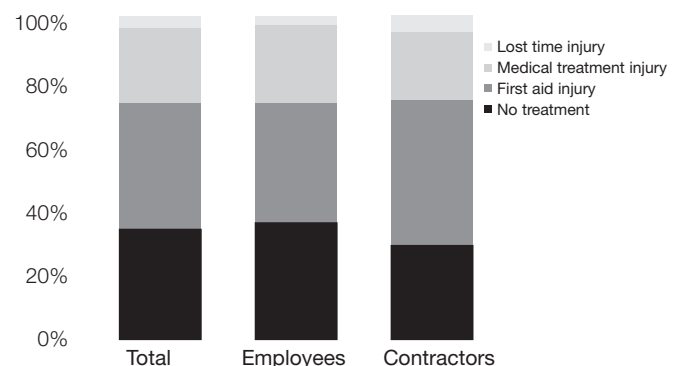
Boral's Serious Harm Prevention program, initiated in FY2015, is helping us better understand our operational risk profiles and focus management resources and on-the-ground operations teams on the more critical safety controls. Key to this program is understanding and managing Serious Harm Precursors, which are high hazard activities such as driving, and elevated and electrical work.

In FY2016, Boral joined a global research project conducted by DEKRA, where like-minded companies share data to better understand these events and the precursors to them, and improve preventative strategies. As part of this project, we identified that the vast majority of our Serious Harm Events are Near Miss Events that do not result in loss. This emphasises the importance of mature reporting systems that ensure heightened organisational attention on responding to, and preventing, serious Near Miss Events.

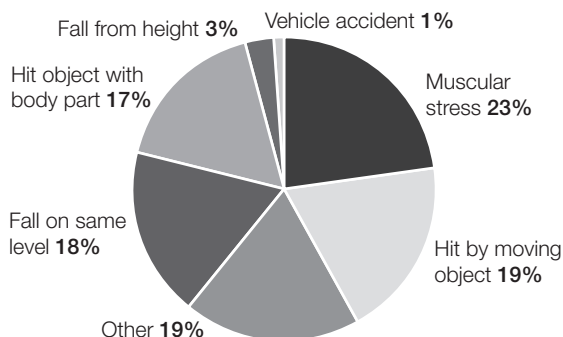
Injury analysis

Injury analysis assists in the development of corrective action plans, training and process redesign. In Australia, our systems allow us to analyse our injury experience in further detail for our fully owned businesses.

Of all injuries reported in FY2016, 34% required no treatment, 39% required first aid only, 23% required medical treatment without lost time, and 4% resulted in lost time.



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



In FY2016, an in-depth review of the 'Other' mechanism of injury category was undertaken, resulting in a reclassification of a significant proportion of these injuries to the six defined categories. This improved reporting accuracy is further enabling management focus and resources to be directed to the right areas.

The marked decline in the relative contribution of 'Other' injuries from 31% last year to 19% in FY2016 reflects this reclassification. Muscular stress injuries rose to 23%, from 13% in FY2015, largely reflecting the reclassification of the 'Other' category. Injuries from being hit by a moving object declined slightly, while injuries from hitting an object and falling on the same level increased slightly. Vehicle incidents decreased from 2% to 1%, which encourages the efforts being made in regard to driver training, GPS tracking and chain of responsibility compliance.

In FY2016, contractors were less likely than employees to be involved in falls on the same level. Similarly, employees continue to be more likely to be injured than contractors by incidents involving falls from height, muscular strains, vehicle incidents, being hit by an object and hitting an object with their body.

Outperforming industry safety benchmarks

The broader industries in which Boral operates in Australia experience lost time accidents six to eight times more frequently than Boral's employees and contractors.

In Australia, Boral has around 6,000 full-time equivalent (FTE) employees and 4,700 FTE contractors in our Construction Materials & Cement and Building Products divisions. Across these divisions, we have businesses that pour concrete and lay asphalt across major projects and construction sites. In addition, we have over 100 quarries and over 300 manufacturing operations producing cement, concrete, asphalt, bricks, roof tiles and timber products. With a fleet of around 3,000 Company-owned and contracted heavy vehicles transporting Boral products and materials, we are also one of Australia's largest transport managers.

Boral's safety performance can therefore be benchmarked against the transport, construction and manufacturing sectors.

The latest figures published by Safe Work Australia report the average injury rate across the transport, construction and manufacturing industries to range from 7.2 to 9.3 injuries¹ for every million hours worked. This compares with Boral's injury rate in Australia for employees and contractors in FY2016, measured on the same basis, of 1.1.

Managing our heavy vehicle road transport risks

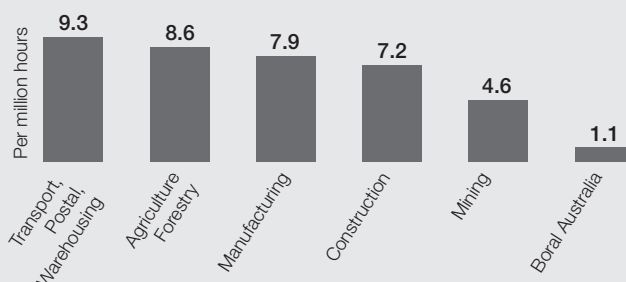
Heavy vehicle road transport comes with risks, but we are very good at managing them through operational, engineering and compliance management.

We take a highly proactive and focused approach to managing safety risks across all our operations, striving for Zero Harm, but this is particularly so for vehicle transport.

We work with suppliers, customers, regulators, contractors and industry groups to innovate, share knowledge and implement the safest standards, train our people on safe use of plant and equipment and identifying behavioural triggers that contribute to critical errors and unsafe behaviour.

Our long-term safety performance in relation to truck-related work fatalities is better than the national average, and Boral has not experienced a fatality in any of its businesses since 2013. Nevertheless, between 2007 and 2013 there were four fatalities associated with Boral's operations in Australia – all involving contractors in transport-related accidents. So ensuring that our operations remain fatality free is critically important to us.

Boral's relative performance to Australian industry average lost time injuries¹



1. Source: Safe Work Australia data 2013-14. Based on Safe Work Australia's definition of Lost Time Injury Frequency Rate using injuries that resulted in five or more days lost time from work. Boral data for Australia only for comparative purposes for FY2016.

Environment

Priorities

As outlined in Boral's Environmental Policy, we are 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:
 - efficient use of energy;
 - conservation of water;
 - minimising and recycling of waste production materials and energy;
 - prevention of pollution; and
 - effective use of virgin and recovered resources and supplemental materials;
- open, constructive engagement with communities surrounding our operations; and
- protecting biodiversity values at and around our facilities.

Environmental management system

In FY2016, our environmental management system was reviewed and integrated into our revised HSEQ MS. Boral's revised HSEQ MS is providing a clearer definition of the standards we expect our operations to achieve, and the practices required to achieve them. It is also requiring re-assessment of the environmental risks posed by each of our operations. For example, while handling of toxic chemicals or hazardous wastes are not material issues at a Boral Group level, at a particular local level these risks may be more relevant. Our system is ensuring that the framework and procedures in place at each of our operations are appropriate to optimally manage such risks.

The HSEQ MS has also enhanced our capacity to certify operations to the international environmental management standard ISO 14001, if and when required by tender processes or customers. Currently, 22 Boral locations across NSW, QLD and the ACT, mainly asphalt businesses, are ISO 14001 certified.

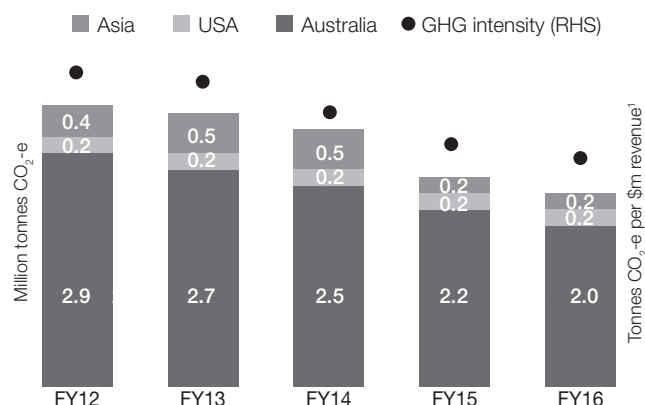
We have continued to strengthen our internal controls and systems to improve our compliance with the increasingly stringent regulatory requirements in Australia. In FY2016, we implemented a new online safety information management system that is also helping us more effectively manage breaches of environmental licence conditions. Formal regulatory notifications continue to be reviewed by our internal HSE function and reported to Boral's Executive Committee, with any material breaches also reported and discussed at Board Committee level, even if no penalty results.

Greenhouse gas emissions and energy use

In FY2016, Boral's greenhouse gas (GHG) emissions (Scope 1 and 2) totalled 2.46 million tonnes of carbon dioxide equivalent (CO₂-e), down 7% from FY2015. Compared to the prior year, emissions from Boral's Australian operations were down by 8%, the US operations down 2%, and Asian operations down 6%.

Boral's operations consumed 20 petajoules of energy during FY2016, down 8% from FY2015. Energy consumption in our Australian operations declined by 12%, US operations increased by 3%, and Asian operations fell by 6% compared to the prior year.

GHG emissions from operations



Changes in Boral's business portfolio during FY2015 underpinned the reported decline in GHG emissions and energy use in our Australian operations in FY2016. These portfolio changes included: formation of the Boral CSR Bricks joint venture in May 2015 (40% owned by Boral) which resulted in CSR thereafter fully reporting emissions and energy use of the joint venture, divestment of the Western Landfill business in March 2015, and cessation of operations at Maldon clinker kiln in October 2014.

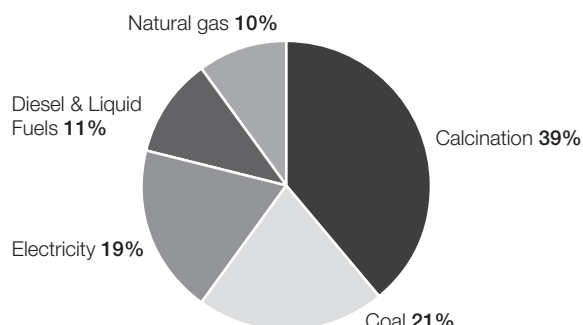
On a like-for-like basis, GHG emissions were broadly flat while energy use was marginally up for Australia and Boral overall in FY2016. Increased activity in NSW, resulting in higher production at cement manufacturing operations, offset reductions in emissions and energy use across other businesses. The Cement business accounted for 75% of our GHG emissions and 52% of our energy use in Australia during the year.

Boral's emissions intensity, based on GHG tonnes of CO₂-e per \$m revenue, declined 6% year on year¹. This improvement largely reflects the changes in our business portfolio in FY2015 combined with revenue growth of our less energy-intensive Gypsum business.

Boral's businesses continue to focus on energy and emission reduction initiatives including through LEAN management principles, plant efficiency projects and fuels programs. At the Berrima cement works, an alternative fuels program is being developed to lower local manufacturing costs and emissions. In the Timber business, a 'biofutures' project is exploring a range of opportunities to increase the use of residues, including for electricity generation and as new additives in the formulation of asphalt for roads to improve the properties of bitumen.

1. Boral reported revenue adjusted to include underlying revenue of Boral's 50% interest in the USG Boral.

Boral's Australian GHG emissions



Climate change and carbon policy

The safeguard mechanism of the Federal Government's Emissions Reduction Fund (ERF), which forms part of the Government's strategy to meet emissions reduction targets of 5% by 2020, came into force on 1 July 2016. The safeguard mechanism establishes emissions baselines for facilities with high levels of emissions and applies to Boral's operations at Berrima (Cement) and Marulan (Lime). We are currently in negotiation with the federal regulator in respect of appropriate emissions baselines to be used for the two facilities.

Boral continues to investigate potential ways that we may access funds from the ERF to apply towards improving the emissions efficiency of our operations.

In FY2016, we commenced developing programs to increase resilience and adaptation of Boral's operations to extreme weather events, with an initial focus on extreme rainfall events on Australia's East Coast.

Strengthening our resilience to extreme weather events

Expansion of operations at our Ormeau Quarry in QLD necessitated compliance with various environmental conditions for managing stormwater discharges into the Pimpama Creek, which flows through the site. In response, a comprehensive new stormwater system was designed which draws on best practice remediation processes and considered numerous other challenges including: ensuring flood immunity, preserving the creek riparian zone, and providing sufficient operational area to meet increased activity demands.

The new stormwater management infrastructure, which incorporates sediment pre-treatment basins, an engineered construction system using waste tyres and steep-sided walls made from waste concrete, is setting new standards within the quarrying industry. Importantly, it is also strengthening the quarry's resilience to extreme rain events.

Water, waste, recycling and re-use

While the management of water and waste materials is not considered a material risk for Boral at a Group level, Boral's businesses are committed to conserving water, minimising production of waste, and maximising recycling and re-use opportunities. For example, throughout Boral's operations, our own returned waste materials are re-used to produce the same product, including concrete washout slurry, recycled asphalt pavement (RAP), plasterboard waste from production and building sites, brick bats and bricks from customers' sites. External waste products or secondary resources that we use to manufacture our products include: cementitious waste materials including fly ash in our lightweight composite building products in the USA, by-products in cement, and crushed demolition concrete in new concrete and asphalt.

Boral's businesses only deal with minor amounts of hazardous waste, and this is managed in accordance with government regulations. Similarly, we only use relatively small amounts of packaging, as the vast majority of our products are delivered in bulk. Boral businesses that do use some packaging, such as Midland Brick and USG Boral, are signatories to the Australian Packaging Covenant; Boral Cement, through its membership of Cement Concrete Aggregates Australia, is also a signatory.

Infringements and penalties

	FY2016	FY2015	FY2014	FY2013
Number	9	3	15	7
Fines ¹	\$33,888	\$11,658	\$26,849	\$31,960
Penalties ¹	\$250,000	\$0	\$12,000	
Undertakings	\$0	\$0	\$100,000	

In FY2016, Boral was charged with eight regulatory infringements related to environmental contraventions in Australia and the USA, resulting in \$33,888 in fines, in addition to one major penalty from the prosecution discussed below. The fines relate to:

- turbid water discharge during a high rainfall event at Peppertree Quarry in NSW;
- a breached stormwater bund at a remote QLD quarry;
- noise from a before approved hours concrete delivery; and
- five separate fines in the USA for various reporting non-compliances.

In May 2016, there was one regulatory infringement in China; however at the time of publication, the potential penalty is unknown.

Legal proceedings in relation to aggregate allegedly being washed into a water course at Narangba Quarry, QLD, were resolved in September 2015. After pleading guilty to a reduced number of charges in relation to discharge of aggregate into Browns Creek, Boral received a penalty of \$250,000 and was required to pay the prosecuting authority's legal costs. No conviction was recorded. A portion (\$27,154) of the penalty was allocated to impacted landowners and a further \$75,000 to three regional environmental groups to fund various land rehabilitation projects.

1. Fines are directly issued by the regulator and penalties by a court hearing.

At the time of publication, Boral is engaged in legal proceedings with the Victorian Environment Protection Authority, which has commenced proceedings on three counts related to accepting concrete material at our Cosgrove Quarry near Shepparton. The material had been received for processing and recycling into construction materials.

Boral Timber

Boral Timber is the largest customer of Forestry Corporation of NSW, the state-owned largest manager of commercial native and plantation forests in NSW. With a substantial proportion of volumes supplied to Boral being valuable blackbutt timber, it is vitally important that we work closely with the Government to ensure sustainable harvesting of the north coast forests. Forestry Corporation of NSW is certified to meet the Australian Forestry Standard (AFS), an independently audited forest management standard that provides assurance that it is managing its forests in a sustainable manner.

Boral Timber's solid hardwood products are certified to the AFS Chain of Custody standard, which provides our customers with assurance that our products are sourced from certified, legal and sustainable resources by tracking our products back to their source of supply.

Biodiversity and heritage management

Protecting Australia's biodiversity and cultural heritage at our operational sites and in our local communities is a core component of our land management efforts to minimise our environmental footprint. Our long-standing community partnerships with Conservation Volunteers Australia and Taronga Conservation Society are also aimed at biodiversity, conservation and education, both in our local communities and more broadly.

In addition to our land rehabilitation efforts to re-establish natural ecosystems as part of our licensing requirements, we have undertaken a number of projects to protect biodiversity and Aboriginal heritage in the communities in which we operate, including:

- maintaining and inspecting bat boxes at our Dunmore Quarry in NSW for a number of threatened species;
- the ongoing supply of koala fodder from our plantations at our Narangba and Petrie quarries in QLD which commenced in 2002;
- working with local Aboriginal representatives at our Peppertree Quarry, which has resulted in the identification of nearly 100,000 Aboriginal artefacts; and
- relocating an Aboriginal scarred tree from our Dunmore Quarry to Killalea State park, where it was presented to the public in an official 'Close the Gap' ceremony.

Demonstrating our commitment to Peppertree's heritage management

During the initial approval process of Boral's Peppertree Quarry, a number of sites of significant heritage value were identified. Recognising the cultural importance of these sites, Boral revised the initial Aboriginal Heritage Management Plan in conjunction with the Ngunawal people and Pejar Local Aboriginal Land Council, which went over and beyond our regulatory approval requirements.

Representatives from the site's Aboriginal Heritage Management Committee were invited to undertake topsoil monitoring of any excavation work undertaken within an agreed identified area – involving an additional investment of 24,000 hours to salvage the areas. To date, nearly 100,000 artefacts have been salvaged which will be returned to Country within the quarry site under the direction of local Aboriginal leaders.

Community partnerships

\$880,000 contributed to 10 community partnerships and other corporate support initiatives

We have a strategic approach to community investment, focusing on supporting community groups and organisations that share our values and where there is relevance to our people, places and products. We want our community investment to provide a valued and sustained contribution to the communities in which we operate. Our focus is therefore on building meaningful long-term relationships with non-profit community organisations that are mutually beneficial.

In FY2016, Boral contributed approximately \$830,000 of cash to 10 corporate community partnerships and other corporate community support initiatives; a small increase on the \$820,000 contributed in the prior year. In addition, we provided approximately \$50,000 of materials in-kind support to assist with building projects undertaken by four of our partners: Habitat for Humanity Australia, Conservation Volunteers Australia, Touched by Olivia and HomeAid.

Boral's businesses and employees also support local activities, including charities, emergency services and sporting and environmental groups. Boral entered a two year sponsorship of the Australian Baseball League All-Star Game and Championship Series in FY2016, providing very cost-effective brand exposure through international television broadcasts to countries where Boral operates including Australia, the USA and Korea. This partnership also supports the growth of the sport at the grass roots in Australia and has allowed Boral employees and their families to experience baseball at the elite level.

Boral does not participate in or donate to any political or politically associated organisations.

Anzac Centenary Public Fund

Our donations to the Anzac Centenary Public Fund are supporting nationally significant Anzac centenary projects and commemoration events taking place between 2014 and 2018, marking 100 years since Australia's involvement in the First World War.

Bangarra Dance Theatre

Boral has been supporting Bangarra, Australia's leading Indigenous contemporary dance company, for 13 years. As Bangarra's Production Partner, this enabled Boral employees, families, customers and suppliers to attend Bangarra performances in Sydney, Melbourne, Brisbane and Townsville during the year.

Boral's sponsorship funding also contributed to supporting two graduate dancers selected through Bangarra's Graduate Program, and the employment and training of a behind-the-scenes production trainee.

Conservation Volunteers Australia (CVA)

We have been supporting conservation efforts around Australia through our partnership with CVA since 1988. Last year, Boral and CVA refreshed our approach and launched the Connected Communities Program, which is strategically linked to our community engagement program, forming an integral part of our commitment to supporting local communities. With the help of CVA volunteers, the program aims to assist in educating and inspiring youth to take action for the future of their environment.

In FY2016, 45 schools and communities relevant to Boral's operational footprint across Australia received assistance to undertake practical conservation and biodiversity projects through the partnership. Boral employees also joined CVA volunteers in working on these projects.

Habitat for Humanity Australia

Our partnership with Habitat for Humanity Australia, formed two years ago, is helping to provide decent and affordable housing solutions for families in need. As Habitat for Humanity Australia's Building Community Resilience partner, Boral is providing support to disaster resilience projects in the Quang Nam province in Vietnam and two urban slum projects in the Yogyakarta region in Indonesia.

In Australia, Boral and USG Boral donated in-kind building and construction materials for four homes in Yea, VIC and two homes in Tamworth, NSW. Over 30 Boral and USG Boral staff also volunteered with Habitat's Australian Build and Brush with Kindness programs.

HomeAid

In the USA, we continued to support HomeAid, our partner since 2006, through a cash donation and in-kind contribution towards housing projects for homeless families and individuals. The in-kind materials, including bricks and concrete roofing, were used for a shelter for at-risk children and an apartment building providing transitional housing.

Boral employees also supported HomeAid Atlanta's annual Christmas and Baby Essentials fundraising drives by donating goods and gifts.

Outward Bound

As part of our commitment to our local communities, we continued to support Outward Bound's Youth Leadership Program to assist disadvantaged youth.

The program provided an opportunity for 26 Year 9 students from the Southern Highlands and Southern Tablelands in NSW to engage in personal development through a seven day leadership program and camp. In addition to providing financial scholarships, Boral staff provided ongoing mentoring support to help the students implement their community service projects.

Redkite

Boral supports Redkite's Financial Assistance Program, which helps families of a child with cancer meet their day-to-day needs, such as paying utility bills and accommodation relating to treatment. Over the last four years, Boral and our staff have contributed more than \$500,000 to Redkite.

In FY2016, Boral's support assisted more than 156 families across Australia through our corporate donation and an additional \$43,000 in funds raised by Boral employees.

Taronga Conservation Society

With a focus on wildlife conservation and employee engagement, Boral's partnership with Taronga Zoo and Taronga Western Plains Zoo has been in place for 13 years. For the past 10 years, Boral has also sponsored the Youth at the Zoo (YATZ) educational program, which focuses on connecting teenagers with nature. More than 1,350 teenagers have participated in the program since 2006.

As Boral is a Crown Partner of Taronga Zoo, Boral staff can benefit from free entry and discounted tickets, with 1,474 visits made by Boral families during FY2016. More than 600 employees and their families attended Family Days at Taronga Zoo in October 2015.

Touched by Olivia Foundation

Through our partnership with Touched by Olivia Foundation, we help create vibrant, all abilities playgrounds that provide all children, including children with disabilities, the opportunity to play.

In FY2016, Touched by Olivia publicly opened Livvi's Place Casey and Livvi's Place Ballarat in VIC, both inclusive playgrounds to which Boral donated concrete. We also committed to donating concrete to Livvi's Place Jordan Springs, NSW and Livvi's Place Craigieburn, VIC.

University of Sydney

Boral has partnered with the University of Sydney's US Studies Centre in a multi-year public policy research program supported by the Australian Government. The Alliance 21 Program focuses on the relationship between Australia and the US, and the challenges and opportunities as it evolves in a changing Asian economy. The research program encompasses public and private conferences, seminars and roundtables as well as research studies and publications.

Executive Committee

Mike Kane
Chief Executive Officer & Managing Director

Joseph Goss
Divisional Chief Executive, Boral Australia

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

David Mariner
President and CEO, Boral Industries Inc

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

Frederic de Rougemont
CEO, USG Boral

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

Ross Harper
Executive General Manager, Boral Cement

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

Dominic Millgate
Company Secretary

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

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

Rosaline Ng
Chief Financial Officer

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.

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.

Damien Sullivan
Group General Counsel

Linda Coates
Group Human Resources Director

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.

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

Michael Wilson
Group Health, Safety & Environment Director

Board of Directors



Brian Clark

Non-executive Chairman, Age 67

Dr Brian Clark joined the Boral Board in May 2007 and became Chairman at the conclusion of Boral's 2015 AGM. Dr Clark has experience as an executive and director in Australasia, Japan, China, Italy, the UK and South Africa. He was previously a Director of AMP Limited and Chairman of AMP Capital Limited, and was previously on the Board of National Australia Bank and a member of the Merrill Lynch Australian Advisory Board. In South Africa, he was President of the Council for Scientific and Industrial Research (CSIR) and CEO of Telkom SA. He also spent 10 years with the UK's Vodafone Group as CEO Vodafone Australia, CEO Vodafone Asia Pacific and Group Human Resources Director. He holds a Doctorate in physics from the University of Pretoria, South Africa and completed the Advanced Management Program at the Harvard Business School.



Catherine Brenner

Non-executive Director, Age 45

Catherine Brenner joined the Boral Board in September 2010. Ms Brenner is Chairman of AMP Limited, a Director of Coca-Cola Amatil Limited and SCEGGS Darlinghurst Limited, and Panel Member of Adara Partners. She was previously Chairman of AMP Life Limited and the National Mutual Life Association of Australasia. Ms Brenner also previously held directorships including Centennial Coal Company Limited and the Australian Brandenburg Orchestra, and was previously a member of the Takeovers Panel. She has extensive experience in corporate finance and capital markets, previously holding the position of Managing Director, Investment Banking of ABN AMRO Australia. She holds an MBA from the Australian Graduate School of Management and a Bachelor of Laws and Bachelor of Economics from Macquarie University.

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



Eileen Doyle

Non-executive Director, Age 61

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

Her extensive executive and non-executive experience includes manufacturing and marketing in building and industrial materials throughout Australasia, Asia and North America. She holds a PhD in Applied Statistics from the University of Newcastle, is a Fulbright Scholar and has an Executive MBA from Columbia University Business School. She is a Fellow of the Australian Institute of Company Directors.

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



Kathryn Fagg

Non-executive Director, Age 55

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

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



Mike Kane

CEO & Managing Director, Age 65

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

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



John Marlay

Non-executive Director, Age 67

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

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



Karen Moses

Non-executive Director, Age 58

Karen Moses joined the Boral Board in March 2016. Ms Moses is a Director of Orica Limited, Sydney Symphony Limited, SAS Trustee Corporation and Sydney Dance Company. She has also been appointed as a Director of Charter Hall Group, which will take effect from 1 September 2016. Ms Moses was previously a Director of Australia Pacific LNG Pty Limited, Origin Energy Limited, Contact Energy Limited, Energia Andina S.A., Australian Energy Market Operator Ltd, VENCORP and Energy and Water Ombudsman (Victoria) Limited. Ms Moses has over 30 years' experience in the energy industry spanning oil, gas, electricity and coal commodities and upstream production, supply and downstream marketing operations. This experience has been gained both within Australia and overseas. She holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.

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



Paul Rayner

Non-executive Director, Age 62

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

Mr Rayner is Chairman of the Audit & Risk Committee.

Corporate Governance Statement

Introduction

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

Throughout FY2016, Boral's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

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

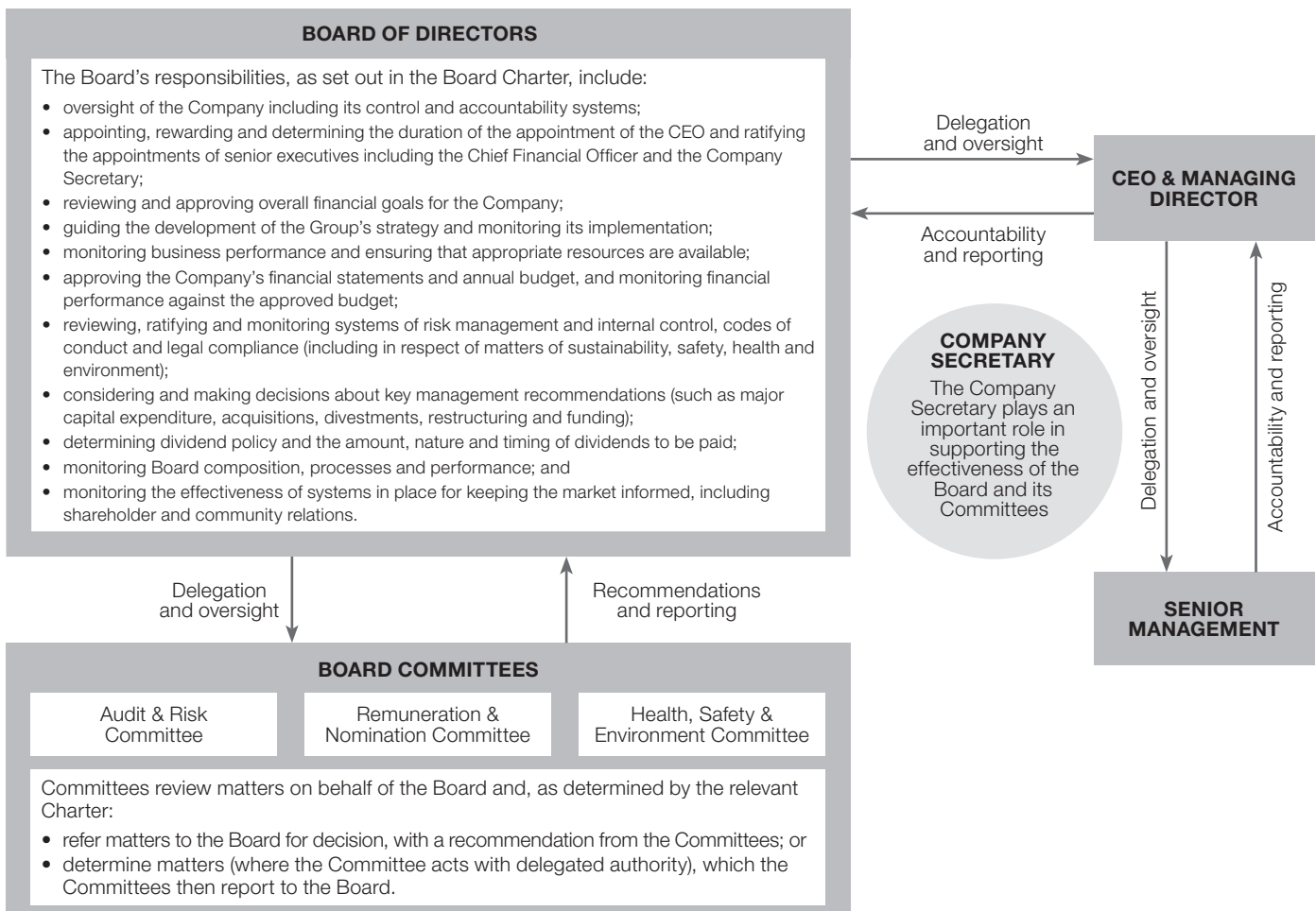
This Corporate Governance Statement is current as at 30 June 2016 and has been approved by the Board of Boral Limited.

The Board and its role

Responsibilities of the Board

Directors are accountable to shareholders for the Company's performance and governance. The Board has delegated to the CEO & Managing Director and, through the CEO & Managing Director, to other senior executives, responsibility for the day-to-day management of the Company's affairs and implementation of the Company's strategy and policy initiatives. The CEO and other senior executives have written agreements in place which set out their terms of appointment, and all executives are to operate in accordance with Board approved policies and delegated limits of authority, as set out in Boral's management guidelines.

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



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

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

During the year, the Board visited operations at a number of sites, including USG Boral's plasterboard operations in Ho Chi Minh, Vietnam, Boral's fly ash operations at the Deely Spruce power plant in the USA and Boral's Innovation Factory at its newly opened facility known as the Discovery Centre in San Antonio, USA. Health, Safety & Environment Committee members also visited Boral's operations at Seaham Quarry in New South Wales.

Composition of the Board

Membership

The accompanying diagram illustrates the current composition of the Board.

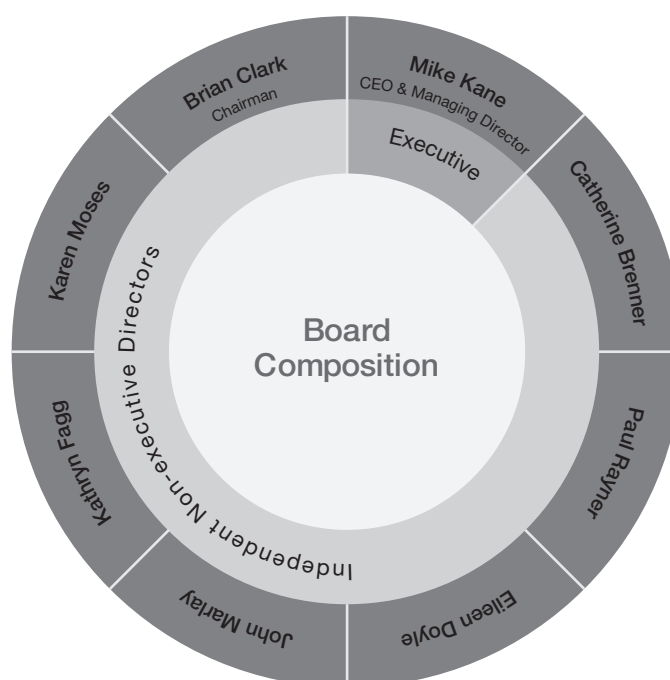
Boral's Constitution provides that there will be a minimum of three Directors and a maximum of 12 Directors on the Board.

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

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

Chairman's appointment and responsibilities

The Board selects the Chairman from the non-executive independent Directors. The Chairman leads the Board and is responsible for the efficient organisation and effective 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.



Skills and diversity of the Board

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

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

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

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

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

Board skills matrix – skills and experience across the Board as a whole support Boral's strategy to "Fix, Execute and Transform"	
Element	Skills
Leadership	Executive Leadership
	Health, Safety & Environment
Portfolio	Strategy / M&A
	Financial acumen
	Risk management
	Global experience
	Market and customer knowledge
	Innovation
People	Change and transition
	Information technology
	Organisational sustainability
Governance	Remuneration and rewards
	Governance and regulation
	Board experience

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

The Board skills matrix was utilised in the Company's appointment of Ms Karen Moses in March 2016, and as part of the Board's orderly succession planning process with Dr Brian Clark appointed as Chairman in place of Dr Bob Every, who stepped down from the Board at the conclusion of Boral's 2015 Annual General Meeting.

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

Director independence

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

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder;
- is not employed, or has not previously been employed in an executive capacity by a Boral company or, if the Director has been previously employed in an executive capacity, there has been a period of at least three years between ceasing such employment and serving on the Board;
- has not within the last three years been a partner, director or senior employee of a provider of material professional services to a Boral company;
- has not been within the last three years, in a material business relationship (ie. as a supplier or customer) with a Boral company, or an officer of or otherwise associated with someone with such a relationship;
- has no material contractual relationship with a Boral company other than as a Director;
- does not have close family ties with any person who falls within any of the categories described above; or
- has not been a Director of Boral for such a period that his or her independence may have been compromised.

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

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

Tenure

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

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

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

The Board has determined that as a general rule, the Chairman must retire from that position at the expiration of 10 years in that role unless the Board decides otherwise. Dr Every stepped down from the Board as Chairman and Dr Clark succeeded him at the conclusion of Boral's 2015 AGM.

Induction

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

In FY2015, the induction process for new non-executive Directors was refreshed and modernised. The new process provides non-executive Directors with greater exposure to the Company's strategy and operations and its governance arrangements before joining the Board.

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

Succession planning

Board succession planning, and the progressive and orderly renewal of Board membership, are an important part of the governance process. The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively. The Board is also committed to maintaining gender diversity in its membership. Currently, four of the seven non-executive Directors on the Boral Board are women. As part of the appointment process, Directors consider Board renewal and succession plans and whether the Board is of a size and composition that is conducive to making appropriate decisions.

The non-executive Directors meet on a regular basis without management present in a forum intended to allow for open discussion, including in relation to Board and management performance.

Process	Explanation
Board review	<ul style="list-style-type: none"> The appointment of Directors follows a process during which the full Board (with the assistance of external search consultants) assesses the necessary and desirable competencies of potential candidates and considers a number of candidates before deciding on the most suitable candidate for appointment. The selection process includes obtaining background checks on candidates and assistance from an external consultant, where appropriate, to identify and assess suitable candidates. Background checks are conducted before appointing a Director and putting forward to shareholders a candidate. Candidates identified as being suitable are interviewed by a number of Directors. Confirmation is sought from prospective Directors that they would have sufficient time to fulfil their duties as a Director.
Remuneration & Nomination Committee recommendation	<ul style="list-style-type: none"> The Remuneration & Nomination Committee has responsibility for making recommendations to the Board on matters such as succession plans for the Board, suitable candidates for appointment to the Board, Board induction and Board evaluation procedures.
Appointment	<ul style="list-style-type: none"> At the time of appointment of a new non-executive Director, the key terms and conditions relative to that person's appointment, the Board's responsibilities and the Company's expectations of a Director are set out in a letter of appointment. All current Directors have been provided with a letter confirming their terms of appointment.
Shareholder communications	<ul style="list-style-type: none"> When candidates are submitted to shareholders for election or re-election, the Company includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate.

Conflicts of interest

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

Access to information, independent advice and indemnification

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

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

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

Board Committees

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

Audit & Risk Committee

Composition and role

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

Paul Rayner (Chairman)
Eileen Doyle
Catherine Brenner
Karen Moses

The Committee met four times during FY2016.

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

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

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

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

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

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

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

Responsibilities in relation to the internal and external audit

Boral's external auditor is KPMG. At least annually, as occurred in FY2016, the Audit & Risk Committee reviews the scope of the external audit and evaluates the quality of the performance, the effectiveness and the independence of the external auditor.

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

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

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

The Independence Declaration by the external auditor is set out on page 50. The Committee's role in relation to the internal audit function is discussed on page 38.

Remuneration & Nomination Committee

Composition and role

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

The members of the Committee are:

Kathryn Fagg (Chairman)
Catherine Brenner
John Marlay

The Committee met on four occasions during FY2016.

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

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

Part of the role of the Remuneration & Nomination Committee is to advise the Board on the remuneration policies and practices for Boral generally and the remuneration arrangements for senior executives. In 2015, the Remuneration & Nomination Committee oversaw the search for a new independent non-executive Director by an external service provider. The Remuneration & Nomination Committee recommended the final candidate to the Board for approval, which resulted in the appointment of Karen Moses in March 2016. In accordance with the Company's Constitution, Ms Moses will offer herself for election by shareholders at Boral's Annual General Meeting in November 2016.

Health, Safety & Environment Committee

Composition and role

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

The members of the Committee are:

Eileen Doyle (Chairman)
Kathryn Fagg
John Marlay
Karen Moses

The Committee met on three occasions during FY2016.

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

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

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

Performance evaluation and remuneration

Performance evaluation process

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

Board, Committees and Directors	CEO & Managing Director	Senior executives
<p>The Board undertakes an evaluation of the performance of the Board, its Committees, individual Directors and the Chairman at least annually.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>	<p>The CEO & Managing Director annually reviews the performance of each of Boral's senior executives, being members of the Executive Committee, using criteria consistent with those used for reviewing the CEO & Managing Director.</p> <p>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.</p> <p>The CEO & Managing Director reports to the Board through the Remuneration & Nomination Committee on the outcome of those reviews.</p>
<p>An evaluation of the performance of the Board, its Committees and individual Directors took place in FY2016 in accordance with the process described above.</p>	<p>An evaluation of the performance of the CEO & Managing Director took place in FY2016 in accordance with the process described above.</p>	<p>An evaluation of the performance of senior executives of Boral took place in FY2016 in accordance with the process described above.</p>

Remuneration

Remuneration of non-executive Directors

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

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

Remuneration of senior executives

Boral's remuneration policy and practices for senior executives, including the CEO & Managing Director, are designed to attract, motivate and retain high quality people. The policy is built around principles that:

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

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

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

Boral policies and risk framework

Risk identification and management

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

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

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

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

Boral's senior management has reported to the Board (through the Audit & Risk Committee) on the effectiveness of the management of the material business risks faced by Boral during FY2016. The Audit & Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

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

Internal audit

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

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

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

Business and sustainability risks

Details regarding our approach to managing business and sustainability risks are contained in the OFR (pages 2 to 17 of the Annual Report), Sustainability Overview (pages 18 to 27 of the Annual Report) and the risks section of the Annual Report (including at pages 16 to 17 and 44 to 45). These explain the Company's exposure to economic, environmental and social sustainability risks and how that exposure is managed.

Chief Executive Officer and Chief Financial Officer declaration

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

The CEO & Managing Director and the Chief Financial Officer gave this declaration to the Directors for the full year ended 30 June 2016 and the half year ended 31 December 2015.

Compliance with laws and policies

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

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

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

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

Diversity at Boral

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

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

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

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

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

Diversity at Boral is underpinned by the following principles:

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

Diversity – Measurable objectives for FY2016

Boral's diversity plan has six strategic elements against which the Board has set measurable objectives for FY2016, as outlined below:

Strategic Element and Objective	Status	Key Outcomes
1 Leadership		
1.1 Leadership Engagement: engage senior leaders to take carriage of deploying diversity communication, education	Completed	<ul style="list-style-type: none"> • Australian executives attended Executive Diversity Awareness and unconscious bias training sessions. • Leadership Development Program curriculums include modules on leaders' role and responsibility for diversity.
	In progress	<ul style="list-style-type: none"> • Deployment of Senior Leader Diversity Awareness and unconscious bias training across Boral.
2 Communication & Education		
2.1 Communication: develop communications engagement framework and packages to raise knowledge and understanding of diversity	Completed	<ul style="list-style-type: none"> • Consultation with employees on Diversity and narrative to shape future education and communication programs and initiatives. • Boral intranet updated to provide easier access to information on diversity strategy and how employees can be more involved in diversity initiatives.
	In progress	<ul style="list-style-type: none"> • Diversity narrative being deployed across Boral to communicate the purpose of Boral's Diversity program.
2.2 Education: develop diversity educational framework to provide management with capability to lead and manage diversity and diverse teams	Ongoing	<ul style="list-style-type: none"> • Increasing the representation of women in leadership development programs with a target of 20% in the next intake and up to 25% in subsequent intakes. • Participation of women in Leadership Development Programs increased in FY2016 to 19% of all participants, from 13% in FY2015.

Diversity – Measurable objectives for FY2016 (continued)

Strategic Element and Objective	Status	Key Outcomes
2.3 Networking: establish Women in Leadership Forum series to provide networking opportunities for key leaders, with an emphasis on women leaders, across Boral	Completed	<ul style="list-style-type: none"> Diversity in Leadership Forum series attended by 31 participants in FY2016 and 90% of the participants were women in leadership roles. Forums provide opportunities for women leaders to develop networks, discuss gender issues in leadership and consult with key leaders on issues of gender and diversity in their businesses. Forum series is sponsored by the CEO & Managing Director and is chaired by the Chair of the Diversity Council. Since FY2014, 73 employees have participated in a Forum, 92% of participants were women in leadership roles. Forum Alumni established to provide networking, advocacy and other opportunities to contribute to Diversity matters for Boral.
	Ongoing	<ul style="list-style-type: none"> The forum series is an ongoing initiative with two forums scheduled for each financial year. Target of 90% of participants being female adjusted to 80% to broaden the participation in the diversity and gender equality discussion.
2.4 Track and Report: develop key performance indicators to measure, track and report on change and progress	Completed	<ul style="list-style-type: none"> Reporting and analysis of workforce by gender, pay levels, selection, retention and promotion trends completed with results provided to the Diversity Council for planning and program development. Diversity Dashboard established to provide standardised metrics and reporting to leadership teams.
2.5 Benchmark: adopt external metric to measure and benchmark effectiveness of diversity strategy	Completed	<ul style="list-style-type: none"> Founding member of Construction and Infrastructure Industry Roundtable on Diversity to work on industry initiatives to progress diversity and gender equality.
	In progress	<ul style="list-style-type: none"> Long-term partnership with the Diversity Council of Australia continuing to identify best practice and benchmark the effectiveness of Boral's diversity strategy and plan against external organisations.
3 System and Process Design		
3.1 Search and Selection: embed diversity principles in standardised recruitment	Completed	<ul style="list-style-type: none"> Targeted process embedded in Executive Recruitment Strategy to place women in key leadership roles. 66% of hires in senior management and executive roles were women, 39% of recruitment into professional roles were women and 27% of the new graduate intake were women in professional disciplines. Focus for FY2016 is to increase the intake of women graduates, targeting 50% of the total graduate intake.
	Completed	<ul style="list-style-type: none"> Development of policy, guidelines and education program to improve availability of flexible work practices. Research on best practice approaches to improve return and retention of women on maternity leave scheduled for FY2017. Parental Leave policy updated to provide 14 weeks of paid maternity leave.
	In progress	<ul style="list-style-type: none"> Deployment of policy, communication and education on flexible work practices.

Strategic Element and Objective	Status	Key Outcomes
4 Gender Equality and Equity		
4.1 Analysis: complete an analysis of Boral pay equity at least annually to monitor pay rates and identify issues	Completed	<ul style="list-style-type: none"> High level external industry benchmarking of pay equity completed. Annual comprehensive gender remuneration gap analysis completed for the last four years. Ratio of female to male average base salary is 1.01:1.00, renewed focus on improving pay equity outcomes on a total compensation basis.
5 Generational Diversity		
5.1 Investigate: work/life needs of different generations to understand needs to develop programs to lift capability of managers to effectively lead multi-generational teams	In progress	<ul style="list-style-type: none"> Analysis of work/life needs of generations is underway to identify programs to assist leaders in managing cross generational teams.
6 Indigenous Relations		
6.1 Indigenous Employment: through Indigenous Employment strategy increase the representation of Indigenous employees in Boral's workforce	Completed	<ul style="list-style-type: none"> Implemented Indigenous Employment and Training Plan from 2016-2020 as follow up to work in previous plans from 2006 to 2015. 85% of Indigenous employees employed through Indigenous employment initiatives such as the FY2011 Indigenous Relations and Employment Plan continue to work at Boral.
	In progress	<ul style="list-style-type: none"> Development of Reconciliation Action Plan is underway to build on relationships, respect and opportunities for Indigenous communities.

Proportion of female and male employees at Boral

The table below is a detailed representation of women and men working in Boral¹ as at 30 June 2016:

Role	Female		Male	
	Number	Percentage	Number	Percentage
Board	4	50%	4	50%
Executive Management ²	31	16%	160	84%
Middle Management ³	64	12%	458	88%
Other Roles ⁴	1,086	14%	6,587	86%
Total	1,181	14%	7,206	86%

1. Includes all full time, part time and casual employees of Boral, its wholly owned subsidiaries, excluding employees in joint ventures and contractors.

2. Executive management includes leadership positions three reporting levels from the CEO & Managing Director.

3. Middle management includes management and leadership positions four and more reporting levels from the CEO & Managing Director, excluding supervisor and team leader positions.

4. Other Roles includes key functional support roles such as finance, legal, human resources, technical, support services and front line employees.

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

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

For more information regarding People and Diversity see the Sustainability Overview at pages 18 to 27.

Conduct and ethics

The Board's policy is that Boral companies and employees must observe both the letter and the spirit of the law, and adhere to high standards of business conduct and comply with best practice. As part of Boral's commitment to continually promoting ethical and responsible decision making, the Group rolled out its refreshed online Code of Business Conduct training in FY2016.

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 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 restricted to the following trading windows:

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

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

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

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

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

Directors' shareholdings

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

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

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

Progress is monitored on an ongoing basis and Boral's non-executive Directors are continuing to track well against these guidelines.

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

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

Continuous disclosure

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

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

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

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

Communications with shareholders

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

Annual reporting	Shareholders may elect to receive annual reports electronically or to receive notifications via email when reports are available online. Hard copy annual reports are provided to those shareholders who elect to receive them. While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary of the Annual Report, called the Boral Review.
Company announcements	All formal reporting and Company announcements made to the ASX are published on Boral's website after confirmation of lodgment has been received from the ASX. These documents are also available for download by mobile devices from Boral's Investor Relations (IR) App, which is available for no cost from the App Store or Google Play. Furthermore, Boral has an email list of investors, analysts and other interested parties who are sent relevant announcements via email alert after those announcements have been lodged with the ASX. Announcements are also sent to major media outlets and newswire services for broader dissemination.
General meetings	Boral encourages shareholders to attend and participate in all general meetings including annual general meetings. Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and preparation of its reports. Notices of Meeting are accompanied by explanatory notes to provide shareholders with information to enable them to decide whether to attend and how to vote upon the business of the meeting. Full copies of Notices of Meeting and explanatory notes are posted on Boral's website. If shareholders are unable to attend general meetings, they may vote by appointing a proxy using the form attached to the Notice of Meeting or an online facility.
Annual General Meeting	Shareholders are invited, at the time of receiving the Notice of Meeting, to put forward questions that they would like addressed at the Annual General Meeting. At the Annual General Meeting, shareholders have a reasonable opportunity to ask the external auditor questions in relation to the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted by the Company in relation to the preparation of the financial statements of the Company, and the independence of the external auditor in relation to the conduct of the audit.
Investor relations	To encourage two-way communication, the Company's dedicated investor relations team and share registry can be contacted directly by shareholders by telephone or electronically via email. The links to these contacts are available on the Boral website at www.boral.com.au .

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

Conclusion

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

Directors' Report

The Directors of Boral Limited ("Company") report on the consolidated entity, being the Company and its controlled entities ("Group" or "Boral"), for the financial year ended 30 June 2016:

(1) Review and results of operations

Information on the operations and financial position of Boral is set out in our operating and financial review (OFR), which comprises the Chairman's Review, the Chief Executive's Review, the Financial Review and Divisional Performance on pages 2 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 Group reported a net profit after tax of \$256 million after recognising a net significant item loss of \$12 million as detailed in Note 2.6 to the financial statements.

(3) Principal activities and changes

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

(4) Events after end of financial year

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

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

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

Likely developments, business strategies and prospects

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

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

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

Risks

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

Additional information regarding Boral's material business risks is included in the OFR, Risks & Challenges section and Sustainability Overview section of this Annual Report. The Group's broader risk identification and management framework is also set out in the Corporate Governance Statement on pages 30 to 43 of the Annual Report.

Industry and market risks

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

- 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 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 operating scale of the construction and building materials industry, there is a risk of incidents occurring that may cause injury to Boral's staff or contractors, or damage to the environment. Boral operates a fleet of over 2,600 on-road heavy vehicles, exposing it to a risk of traffic accidents. Any such events may result in additional costs and fines, and may adversely affect Boral's reputation.

To manage these risks, Boral applies strict operating standards, policies, procedures and training to ensure compliance with all applicable health, safety and environmental laws. We are focused on achieving better safety outcomes across the Group as part of our broader strategy to deliver world-class safety performance. The Group also has established reserves for known environmental liabilities, including quarry remediation. Further details regarding our approach to managing health, safety and environment risks are contained in the OFR and in the Sustainability Overview on pages 18 to 27 of the Annual Report.

Business interruption risks

Due to the high fixed-cost nature of the construction and building materials industry, interruptions in production capabilities and lower capacity utilisation at key manufacturing and processing facilities may have 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 shortages of raw material which are critical to Boral's ability to manufacture certain products and to meet market demand, as a result of force majeure type events.

To mitigate against potential losses from such risks, Boral has instigated a comprehensive risk management program which actively manages and mitigates risks from a Group through to local site operating level through both management intervention and business continuity planning. Boral 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 24 to 26 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 9.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2015 was paid on 28 September 2015	72.4
the interim dividend of 11.0 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2016 was paid on 11 March 2016	81.8

The Directors have resolved to pay a final dividend of 11.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for FY2016. The dividend is expected to be paid on 26 September 2016.

(9) Names of Directors

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

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

Dr Clark, Mr Kane, Ms Brenner, Dr Doyle, Ms Fagg, Mr Marlay and Mr Rayner have been Directors at all times during and since the end of the year. Ms Moses was appointed a Director on 1 March 2016 and has been a Director at all times since that date. Dr Every was a Director from 1 July 2015 through to Boral's Annual General Meeting on 5 November 2015, on which date he stepped down from the Board.

(10) Options

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

(11) Indemnities and insurance for officers and auditors

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

During the year, Boral paid premiums in respect of Directors' and Officers' Liability and Legal Expenses insurance contracts for the year ended 30 June 2016 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 2017. The insurance contracts insure against certain liability (subject to exclusions) in respect of persons who are or have been Directors or officers of the Company and its controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

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

Each Director's qualifications, experience and special responsibilities are set out on page 29 of the Annual Report.

Details for each Director of all directorships of other listed companies held at any time in the three years before the end of the financial year (in the case of Bob Every, as at the date on which he ceased to be a Director) and the period for which such directorships have been held are:

Brian Clark

AMP Limited from January 2008 to May 2016

Mike Kane

No other directorships to be disclosed

Catherine Brenner

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

Eileen Doyle

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

Bob Every

Wesfarmers Limited from February 2006 to November 2015

Kathryn Fagg

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

John Marlay

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

Karen Moses

Origin Energy Limited from March 2009 to October 2015
Contact Energy Limited from October 2004 to August 2015

Paul Rayner

Qantas Airways Limited from July 2008 (current)
Treasury Wine Estates Limited from May 2011 (current)
Centrica plc from September 2004 to 31 December 2014

(13) Meetings of Directors

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

	Board of Directors		Audit & Risk Committee		Remuneration & Nomination Committee		Health, Safety & Environment Committee	
	Meetings held while a Director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Catherine Brenner	9	9	4	4	4	4	–	–
Brian Clark	9	9	–	–	1	1	–	–
Eileen Doyle	9	9	4	4	–	–	3	3
Bob Every	4	4	1	1	1	1	–	–
Kathryn Fagg	9	9	–	–	4	4	3	3
Mike Kane	9	9	–	–	–	–	–	–
John Marlay	9	8	–	–	4	4	3	3
Karen Moses	2	2	1	1	–	–	–	–
Paul Rayner	9	9	4	4	–	–	–	–

(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 (in the case of Bob Every, as at the date on which he ceased to be a Director):

	Shares	Non-executive Directors' Share Plan ^a
Catherine Brenner	33,371	–
Brian Clark	75,558	5,329
Eileen Doyle	27,541	–
Bob Every	65,605	4,616
Kathryn Fagg	26,586	–
Mike Kane ^b	363,566	–
John Marlay	27,101	–
Karen Moses	15,000	–
Paul Rayner	69,326	1,790

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

- Catherine Brenner, 28,000 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 26,565 shares are held by MCG Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- Eileen Doyle, 26,215 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>;
- John Marlay, 23,069 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 41,000 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 Director of the Company:

- 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 FY2016.
- Mike Kane holds Share Acquisition Rights (SARs) under Boral's Equity Incentive Plan, details of which are set out in the Remuneration Report on pages 51 to 72.

(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 \$1,026,000. These services consisted of:

Taxation compliance in Australia	\$185,000
Taxation compliance/due diligence related services in jurisdictions other than in Australia	\$319,000
Australian due diligence and other services	\$522,000

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

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

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

(18) Auditor's Independence Declaration

The auditor's independence declaration made under section 307C of the *Corporations Act* is set out on page 50 of the Annual Report and forms part of this Report.

(19) Remuneration Report

The Remuneration Report is set out on pages 51 to 72 of the Annual Report and forms part of this Report.

(20) Proceedings on behalf of the Company

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

(21) Rounding of amounts

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

Signed in accordance with a resolution of the Directors.



Dr Brian Clark
Director



Mike Kane
Director
Sydney, 24 August 2016

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 2016 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



Kenneth Reid

Partner

Sydney, 24 August 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

2016 Remuneration Report

Introduction from the Chairman of the Remuneration & Nomination Committee

Dear Shareholders

I am pleased to present our Remuneration Report for 2016. The Report is designed to provide a clear summary of the remuneration strategy arrangements and outcomes for your Directors and members of the Senior Executive team.

Our remuneration framework is intended to ensure remuneration arrangements align with the Company's strategy, business performance and shareholder expectations. Following previous years of structural change, we have not introduced any material remuneration changes in FY2016.

In order to ensure stable leadership and continuity in delivering business transformation initiatives, in FY2016 the Board introduced a one-off additional retention incentive for certain key executives who report to the CEO or to members of the Executive Committee.

For FY2016, Boral delivered total shareholder returns (TSR) of 11.7%¹, a 12% increase in earnings before interest and tax (EBIT)² and an 8% increase in profit after tax (PAT)². It was pleasing to see EBIT financial targets for the Group and for most of Boral's businesses achieved or exceeded. This triggered the payment of \$3.57 million of short-term incentives (STI) to executive Key Management Personnel (KMP) for FY2016 which was 9% higher than STI payments for FY2015.

In FY2016, the long-term incentive (LTI) performance hurdle was achieved for the 2012 grant, with Boral delivering top quartile total shareholder returns relative to the ASX100 comparator group for the three year period from September 2012 to September 2015. Boral also delivered a solid TSR of 11.7% in FY2016, ranking 42nd in the ASX100 group of companies, and Boral's EBIT return on average funds employed (ROFE)² lifted from 8.5% to 9.1%.

On behalf of the Board and Remuneration & Nomination Committee, I invite you to read the 2016 Remuneration Report and welcome your feedback on our approach to, and disclosure of, Boral's remuneration arrangements.



Kathryn Fagg

Chairman, Remuneration & Nomination Committee

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1. Total shareholder returns is calculated based on the change in Boral's share price, reinvestment of dividends and franking credits applied to dividends for the period from 1 July 2015 to 30 June 2016.
2. Excludes financial impact of significant items. See note titled 'Non-IFRS information' on page 1 of the Annual Report.

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 2016 (FY2016). This Report forms part of the Directors’ Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report sets out remuneration information for the Company’s Key Management Personnel (KMP).

Key Management Personnel

The table below details the KMP for FY2016. For those who served in a KMP role for only part of FY2016, 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 (CEO)
Al Borm	President and CEO, Boral Industries USA
Joseph Goss	Divisional Managing Director, Boral Construction Materials & Cement
Ross Harper	Executive General Manager, Cement (effective as KMP from 1 July 2014)
David Mariner	Executive General Manager, Boral Building Products (appointed 1 January 2015)
Rosaline Ng	Chief Financial Officer
Non-executive Directors	
Brian Clark	Chairman and non-executive Director (appointment as Chairman effective 5 November 2015)
Catherine Brenner	Non-executive Director
Eileen Doyle	Non-executive Director
Bob Every	Chairman and non-executive Director (ceased as Director, effective 5 November 2015)
Kathryn Fagg	Non-executive Director (appointment effective 15 September 2014)
John Marlay	Non-executive Director
Karen Moses	Non-executive Director (appointment effective 1 March 2016)
Paul Rayner	Non-executive Director

FY2017 Executive KMP changes

Effective 1 July 2016, David Mariner, Executive General Manager of Boral’s Building Products division in Australia, returned to the USA to take up the role of CEO and President, Boral Industries USA. Al Borm, who has held the position of President and CEO of Boral Industries USA since October 2012, retired from that role and ceased to be a KMP effective 1 July 2016. To ensure Boral does not lose the benefit of Mr Borm’s experience and deep business knowledge of Boral’s operations and the gypsum industry, Mr Borm will continue in his role as a director on the Board of the USG Boral joint venture and in an advisory capacity to Boral for a transition period.

With David Mariner’s return to the USA, effective 1 July 2016, the smaller Building Products division in Australia was combined with Boral’s Construction Materials & Cement division to form a new Boral Australia division. This will further reduce costs and improve efficiencies. Joe Goss, previously Divisional Managing Director Construction Materials & Cement, became Divisional Chief Executive Boral Australia, responsible for the new merged division, effective 1 July 2016.

Section 1: Senior Executive remuneration outcomes

Outcomes summary

FY2016 was another year in which Boral achieved good returns for shareholders. Group EBIT was up 12% to \$398 million. These positive results for shareholders have been reflected in Senior Executive remuneration outcomes in FY2016. The key remuneration outcomes for Boral's Senior Executives in FY2016 were as follows:

Component	Key FY2016 Outcomes
Fixed Annual Remuneration (FAR)	<p>During FY2016:</p> <ul style="list-style-type: none"> – CEO FAR was increased by 3% to \$1,789,000 – the FAR of other Senior Executives was increased on average by 2.9%.
Short-Term Incentive (STI)	<p>Boral's continued strong financial performance in FY2016 resulted in:</p> <ul style="list-style-type: none"> – the CEO receiving an STI of \$2.09 million representing 116.6% of his target STI, with 80% of this amount paid in cash and 20% deferred into equity for two years – the total value of STI paid to other Senior Executives (excluding the CEO) was \$2.38 million, with 80% of this amount paid in cash and 20% deferred into equity for two years – for Senior Executives, outcomes reflected an overall performance achievement of 136.5% on average for target STI and 76.74% on average for the maximum STI potential – the total STI payments for FY2016 was \$23.7 million (including both cash and deferred equity) to 309 participants including Senior Executives, who received 18.9% of the total.
Long-Term Incentive (LTI)	<ul style="list-style-type: none"> – The 2012 LTI grant was subject to its first performance test on 1 September 2015. The Company achieved a superior relative TSR performance outcome, reaching the 78th percentile of the comparator group. This outstanding outcome for shareholders resulted in 100% vesting for participating executives. – The 2010 LTI grant failed to vest on its second performance test in November 2015 and will be tested for the final time in November 2017. – The 2008 LTI grant failed to vest on its final performance test in November 2015 and as a result the equity lapsed. <p>It should be noted that effective 1 September 2013, multiple performance tests were removed and performance is currently tested once on the third anniversary of the grant date.</p>
Targeted Retention Incentive (TRI)	<p>Boral's success as a company and the resulting benefits for shareholders are dependent upon the contribution and ongoing commitment of key executives. This one-off targeted retention incentive is intended to ensure stable leadership and continuity for Boral's business transformation initiatives. It is also intended to ensure we minimise the risk of further targeted approaches from our competitors and retain our key talent for potential future succession opportunities across a number of senior roles. The Board approved a one-off grant of TRIs to eight executives in FY2016, effective 1 September 2015. Further details are provided on pages 62 and 68 of this report.</p>

The remuneration outcomes table below has been prepared to provide shareholders with a view of the remuneration that was actually paid to current Senior Executives for FY2016. The Board believes that presenting information this way provides shareholders with increased clarity and transparency.

Remuneration details prepared in accordance with statutory obligations and accounting standards are contained on page 67 of this Report. The totals in the table below differ from the amounts shown in the statutory remuneration table, because:

1. the statutory remuneration table captures annual and long service leave movements (which are generally movements in statutory accruals rather than cash payments)
2. the value of rights in the table below reflects the realised value of rights that have vested during the year (the statutory table amortises the value of rights over the vesting period, regardless of future vesting outcomes)
3. only the 2012 grant of LTI rights vested during the year. As in previous years, the value of unvested rights – including deferred STI Rights – is not included in the table below, unless and until those rights vest. Unvested rights remain subject to forfeiture and executives may not realise any value from them.

FY2016 remuneration outcomes table

AS'000s	Fixed remuneration ^a	STI ^b	Superannuation or pension payments	LTI ^c	Other benefits ^d			Total
					Expat allowances	Other non-cash ^e	FBT	
Mike Kane	1,780.3	1,668.1	–	3,720.9	329.1	10.0	282.9	7,791.3
Al Borm	730.0	290.1	123.3	193.3	–	61.3	–	1,398.0
Joseph Goss	796.6	565.3	–	–	149.1	10.1	122.4	1,643.5
Ross Harper	540.4	305.3	19.3	205.8	–	5.3	4.2	1,080.3
David Mariner ^f	744.1	247.1	82.5	170.3	390.5	4.9	298.1	1,937.5
Rosaline Ng	746.3	494.8	19.3	227.3	43.1	10.0	41.8	1,582.6

a. Fixed remuneration is cash salary paid to the Senior Executive for their period as a KMP.

b. The value of short-term incentives (STI) represents 80% of the total STI with the remaining 20% deferred into equity for two years.

c. The value of 2012 LTI grant which vested during the year is calculated using the VWAP of Boral ordinary shares traded in the five days following the release of the FY2015 results which was \$5.5814 multiplied by the number of rights that vested.

d. Expat allowances, other non-cash benefits and associated FBT are not taken into account for the purposes of calculating an executive's STI or LTI opportunity.

e. Other non-cash comprises non-monetary benefits, such as car parking, or in the case of Mr Borm who is based in the USA and aligned to USA remuneration market practice, the cost of providing a company vehicle, medical and life insurances. These amounts are not taken into account for the purposes of calculating an executive's STI or LTI opportunity.

f. Expat allowances for David Mariner relates to a one-off relocation allowance for relocating Mr Mariner and his family from Sydney back to his base in USA, an amount of \$103,872 in tax equalisation costs, incurred to ensure that as an expatriate employee he is not disadvantaged by US tax regulations in his home state for the period of his expatriate assignment. No tax equalisation costs were required for any other expatriates in the preceding table, due to different taxation rules applicable in their respective home states in the USA. David Mariner's relocation allowance and tax equalisation benefits are not taken into account for the purposes of calculating his STI and LTI opportunities.

Other benefits

Other benefits noted in the above table are not included in FAR when determining STI payments or LTI grants. They may be paid as cash or non-cash benefits and in addition to associated Fringe Benefits Tax (FBT), the benefits fall into two broad categories: expatriate allowances and other non-cash payments.

For expatriate allowances, where Senior Executives have been recruited from overseas, appropriate arrangements to secure their employment were negotiated. This can include overseas relocation benefits in accordance with our relocation policies or the Senior Executive's contract of employment. The range of benefits and services provided to these Senior Executives under those arrangements may include:

- travel to Australia for themselves and their immediate family on commencement and return flights at the end of their tenure;
- a defined number of home trips for themselves and their family during their tenure;
- furniture storage and removal costs, and rental assistance while in Australia;
- a relocation allowance to cover incidental and miscellaneous expenses on expatriation and repatriation;
- health, life and disability insurance; and
- tax advice and in some cases (excluding the CEO) tax equalisation.

Other non-cash payments provided to Senior Executives may include the value of car parking, or in the case of Mr Borm who is based in the USA and aligned to USA remuneration market practice, the cost of providing a company vehicle, medical and life insurances.

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 non-executive Directors, the CEO & Managing Director, other Senior Executives and other executives. This includes recommendations relating to Directors’ fees, annual executive remuneration reviews, short-term incentive (STI) and long-term incentive (LTI) structures, 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: Kathryn Fagg (Committee Chairman), Brian Clark, Catherine Brenner, and John Marlay. The responsibilities of the Committee are outlined in its Charter, which is reviewed annually by the Board. A copy of the Charter is available at the corporate governance section of Boral’s website at www.boral.com.au.

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 FY2016, EY provided information only. No advice was provided by EY that contained “remuneration recommendations” relating to the remuneration of KMP.

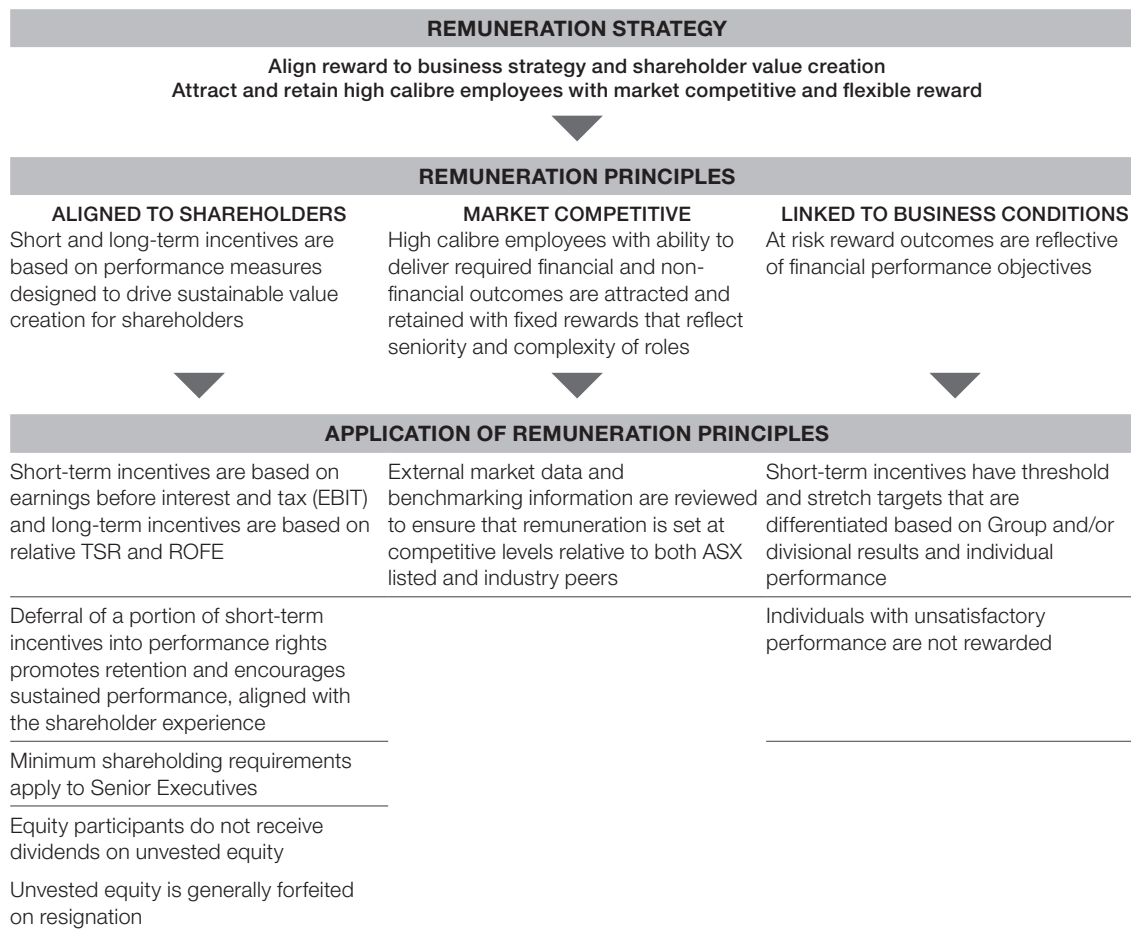
The main information received from the Committee’s remuneration consultant related to benchmarking of the CEO, the CEO’s direct reports and non-executive Director remuneration.

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

The protocol provides that before Boral enters into a contract to engage a consultant to provide remuneration recommendations, the proposed consultant must be approved by the Committee or the non-executive Directors. The remuneration consultant must report directly to the Committee or the non-executive Directors. If a consultant makes a recommendation concerning the remuneration of a Senior Executive, the recommendation must be provided directly to the Committee or the non-executive Directors. This arrangement was reviewed in FY2016 by the Remuneration & Nomination Committee and no changes were considered necessary.

Remuneration framework

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

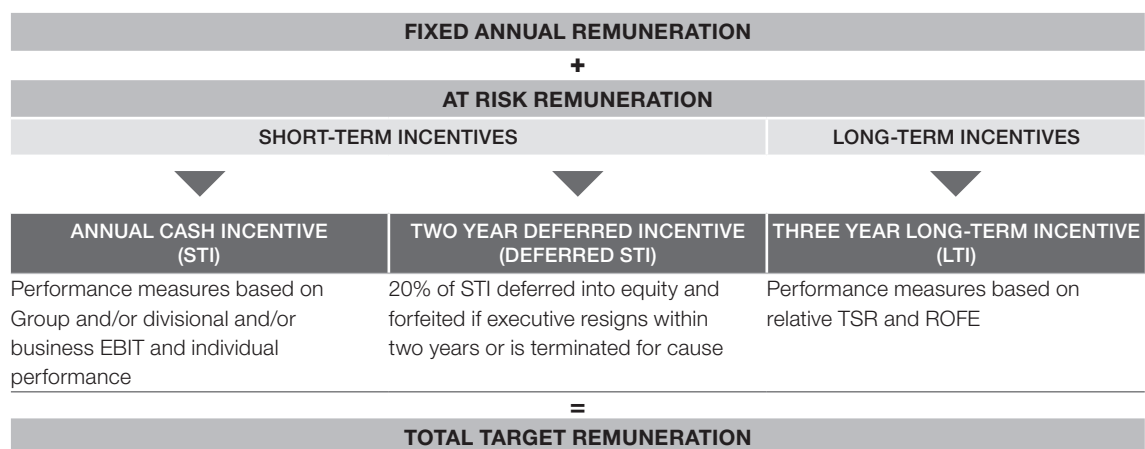


Treatment of USG Boral Building Products employees

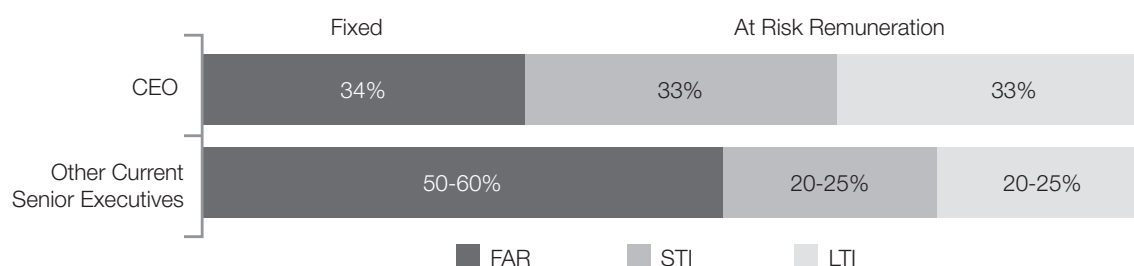
The USG Boral joint venture Board has assumed accountability for the remuneration arrangements of USG Boral Building Products employees. Remuneration for those employees continues to be aligned to the market conditions of the countries in which the joint venture operates. In designing at risk remuneration 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 executives are tied back to the specific performance targets necessary for Boral to achieve up to US\$75 million over five years as earnout 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 the following components:



Total target remuneration mix for FY2016



The actual remuneration mix will vary due to the variable nature of the at risk remuneration components. The FY2016 TRI awards are not included in the mix due to their one-off nature.

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. FAR does not include costs associated with relocation or tax equalisation payments, as these are considered to be compensation for reasonable costs and expenses incurred by the Senior Executive when moving or performing duties in a different location at the request of the Company, as opposed to being part of their normal salary. These expenses are not taken into account when determining a Senior Executive's LTI and STI opportunity.

Total remuneration levels are reviewed annually by the Committee and the Board through a process that ensures 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 industrials or materials sector entities in the S&P/ASX 200 within 33% and 300% of Boral's market capitalisation and revenue. For FY2016 the industrials and materials sector's range was broadened to ensure a meaningful sample size for comparison. 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 FY2016 is provided below:

Feature	Description									
Objective	To support Boral's strategic objectives by providing rewards that are based on achievement against financial performance targets.									
Participation	Executives who have significant influence on annual financial outcomes of Boral and its businesses.									
STI value	<table border="1"> <thead> <tr> <th>Position</th> <th>Target STI</th> <th>Maximum STI potential</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>100% of FAR</td> <td>140% of FAR</td> </tr> <tr> <td>Senior Executives^a</td> <td>between 35% and 50% of FAR</td> <td>between 70% and 100% of FAR</td> </tr> </tbody> </table> <p>a. Varies depending on their role.</p> <p>The Board has agreed total expenditure on STI awards should not exceed 4% to 6% of annual EBIT.</p>	Position	Target STI	Maximum STI potential	CEO	100% of FAR	140% of FAR	Senior Executives ^a	between 35% and 50% of FAR	between 70% and 100% of FAR
Position	Target STI	Maximum STI potential								
CEO	100% of FAR	140% of FAR								
Senior Executives ^a	between 35% and 50% of FAR	between 70% and 100% of FAR								
Performance hurdle	<p>Boral continued to use a single financial hurdle for STI awards in FY2016 to create a clear line of sight for Senior Executives and transparency for shareholders as to how STI awards are determined.</p> <p>While safety is not used as an additional determinant for STI payments, managing safety well is considered a fundamental part of everyone's role at Boral, and is taken into consideration in reviewing performance and setting fixed remuneration.</p> <p>EBIT (excluding significant items) was chosen as the financial target because the Board believes that it effectively aligns rewards for Senior Executives with Boral's strategic focus on delivering strong earnings through the business cycle. The focus on EBIT is considered appropriate in light of difficult market conditions Boral has faced over the past few years, and continues to face in some markets.</p> <p>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. No STI awards are made if relevant EBIT performance targets are not met. The table below provides an overview of the STI performance targets for FY2016 for current Senior Executives.</p> <table border="1"> <thead> <tr> <th>Position</th> <th>Weighting and target</th> </tr> </thead> <tbody> <tr> <td>CEO, CFO</td> <td>100% Group EBIT</td> </tr> <tr> <td>Other current Senior Executives</td> <td> 50% Group EBIT plus or 50% Group EBIT plus or 50% Group EBIT plus 50% relevant 20% relevant 50% relevant divisional EBIT divisional EBIT plus business EBIT 30% relevant business EBIT </td> </tr> </tbody> </table> <p>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 FY2016 the evaluations were conducted in July and August 2016.</p>	Position	Weighting and target	CEO, CFO	100% Group EBIT	Other current Senior Executives	50% Group EBIT plus or 50% Group EBIT plus or 50% Group EBIT plus 50% relevant 20% relevant 50% relevant divisional EBIT divisional EBIT plus business EBIT 30% relevant business EBIT			
Position	Weighting and target									
CEO, CFO	100% Group EBIT									
Other current Senior Executives	50% Group EBIT plus or 50% Group EBIT plus or 50% Group EBIT plus 50% relevant 20% relevant 50% relevant divisional EBIT divisional EBIT plus business EBIT 30% relevant business EBIT									
Assessment of performance	STI plan outcomes are assessed against EBIT performance in the September pay cycle. The 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	80% of any STI that becomes payable will be paid in cash. The remaining 20% will be deferred into equity and will only convert to shares after a further two years' employment. The Board believes that this additional exposure to the share price for Senior Executives will assist to drive behaviours aimed at increasing shareholder value. No dividends are paid on deferred STI rights, and those rights will lapse on cessation of employment except for "good leavers", eg. redundancy, bona fide retirement.									
Board discretions and clawback	<p>The Board has the discretion to apply clawback provisions in circumstances where an employee has acted fraudulently or dishonestly, has breached their obligations to the Group, 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.</p> <p>The Board also 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 before the final award is determined.</p>									

LTI plan

A summary of the LTI plan in effect during FY2016 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. Refer to Glossary on page 72.
LTI value	The CEO has a maximum LTI equal to 100% of FAR. Senior Executives have a maximum LTI equal to 35% to 50% of FAR. The number of performance rights allocated depends on each executive's maximum LTI and the fair value of the rights as determined by an independent valuer (see Glossary for more information). Fair value takes into account the likelihood of an executive deriving value from the LTI award at vesting. A fair value approach, transparently and consistently applied, assists stakeholders in understanding the value of what an executive will receive at the time of grant of their LTI award.

FY2016 Grants

- The CEO was granted 606,440 LTI rights following approval of shareholders at the 2015 AGM, calculated by dividing his total fixed remuneration as at 1 September 2015 (being \$1,789,000) by the fair value determined by the independent valuer PricewaterhouseCoopers (being \$2.95).
- The face value of this grant to the CEO may be calculated as approximately \$3.38 million, based on the volume weighted average price (VWAP) of ordinary shares in the Company on the ASX over the five trading days following the release of the FY2015 full year results (being \$5.5814), multiplied by the number of rights allocated.
- On the same basis described above, other Senior Executives were granted 447,844 LTI rights, which reflected an approximate fair value of \$1.32 million and approximate face value of \$2.5 million.
- Importantly, the actual value that executives will receive from any LTI award cannot be determined until after the end of the three year performance period, because it depends on whether the performance hurdles are achieved and the share price at the time of vesting.

In the interests of transparency, the face value and fair value of the FY2016 awards have been disclosed above. While the Company has for many years utilised fair value for setting the quantum of the LTI award opportunity, in light of investor feedback, the Company will consider moving to LTI allocations based on face value for next year. This change is not expected to alter the remuneration package of executives that is made up of LTI, nor is it meant to change the value of LTI awards delivered.

LTI plan (continued)

Feature	Description												
Performance hurdles	<p>The FY2016 LTI awards are measured against two performance hurdles:</p> <table border="1"> <thead> <tr> <th></th> <th>Relative TSR Component</th> <th>ROFE Component</th> </tr> </thead> <tbody> <tr> <td>Hurdle</td> <td>Relative TSR measured against the S&P/ASX 100 Index</td> <td>EBIT in year of testing as a percentage of average funds employed</td> </tr> <tr> <td>Portion of LTI grant</td> <td>Two thirds</td> <td>One third</td> </tr> <tr> <td>Performance period</td> <td>1 September 2015 to 1 September 2018</td> <td>Year ending 30 June 2018</td> </tr> </tbody> </table> <p>The Board believes that a relative TSR hurdle ensures alignment between comparative shareholder return and reward for the executive.</p> <p>The ROFE performance hurdle is intended to reward achievement linked to improving the Company's ROFE performance through the cycle. Our longer term goal is to exceed the weighted average cost of capital and the ROFE targets for annual LTI awards are set progressively with a view to achieving this goal.</p> <p>By way of background, ROFE was adopted as a second LTI performance hurdle in FY2014. At that time, the Board considered a number of return measures with EBIT return on average funds employed selected as the most appropriate measure because it encourages appropriate use of capital, while utilising measures that are readily understood and reported. It also allows divisional performance to be easily tracked which helps executives to drive overall performance against the target.</p> <p>The Board will continue to review the appropriateness of each performance hurdle in promoting the longer term objectives of the Company.</p>		Relative TSR Component	ROFE Component	Hurdle	Relative TSR measured against the S&P/ASX 100 Index	EBIT in year of testing as a percentage of average funds employed	Portion of LTI grant	Two thirds	One third	Performance period	1 September 2015 to 1 September 2018	Year ending 30 June 2018
	Relative TSR Component	ROFE Component											
Hurdle	Relative TSR measured against the S&P/ASX 100 Index	EBIT in year of testing as a percentage of average funds employed											
Portion of LTI grant	Two thirds	One third											
Performance period	1 September 2015 to 1 September 2018	Year ending 30 June 2018											
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.												
Relative TSR vesting schedule	<table border="1"> <thead> <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> </thead> <tbody> <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% (ie. 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> </tbody> </table>	If at the end of the performance period, the TSR of the Company:	The percentage of the TSR Component which will vest is:	Does not reach the 50th percentile of the TSRs of the S&P/ASX 100	NIL	Reaches the 50th percentile of the TSRs of the S&P/ASX 100	50%	Exceeds the 50th percentile of the TSRs of the S&P/ASX 100 but does not reach the 75th percentile	Progressive pro rata vesting from 50% to 100% (ie. on a straight-line basis)	Reaches or exceeds the 75th percentile of the TSRs of the S&P/ASX 100	100%		
If at the end of the performance period, the TSR of the Company:	The percentage of the TSR Component which will vest is:												
Does not reach the 50th percentile of the TSRs of the S&P/ASX 100	NIL												
Reaches the 50th percentile of the TSRs of the S&P/ASX 100	50%												
Exceeds the 50th percentile of the TSRs of the S&P/ASX 100 but does not reach the 75th percentile	Progressive pro rata vesting from 50% to 100% (ie. on a straight-line basis)												
Reaches or exceeds the 75th percentile of the TSRs of the S&P/ASX 100	100%												
ROFE vesting schedule	<p>The ROFE vesting schedule to be applied for the FY2016 LTI grant is:</p> <table border="1"> <thead> <tr> <th>If the Company's ROFE performance for FY2018 is:</th> <th>The percentage of the ROFE Component which will vest is:</th> </tr> </thead> <tbody> <tr> <td>Less than 11.5%</td> <td>NIL</td> </tr> <tr> <td>11.5%</td> <td>50%</td> </tr> <tr> <td>Greater than 11.5% and less than 12.0%</td> <td>Progressive pro rata vesting from 50% to 100% (ie. on a straight-line basis)</td> </tr> <tr> <td>12.0% or above</td> <td>100%</td> </tr> </tbody> </table> <p>The ROFE vesting schedule to be applied for the proposed FY2017 grants is disclosed on page 62.</p>	If the Company's ROFE performance for FY2018 is:	The percentage of the ROFE Component which will vest is:	Less than 11.5%	NIL	11.5%	50%	Greater than 11.5% and less than 12.0%	Progressive pro rata vesting from 50% to 100% (ie. on a straight-line basis)	12.0% or above	100%		
If the Company's ROFE performance for FY2018 is:	The percentage of the ROFE Component which will vest is:												
Less than 11.5%	NIL												
11.5%	50%												
Greater than 11.5% and less than 12.0%	Progressive pro rata vesting from 50% to 100% (ie. on a straight-line basis)												
12.0% or above	100%												

LTI plan (continued)

Feature	Description
Cessation of employment	<p>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 based on the portion of the performance period elapsed at the cessation date) and will be tested on the usual test date against the performance hurdles before vesting.</p> <p>For other leavers, rights will lapse upon cessation of employment unless the Board determines otherwise.</p>
Forfeiture and clawback	<p>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.</p> <p>The Board has a further discretion to apply clawback provisions 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.</p>
Change of control	<p>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.</p>
Dealing restrictions	<p>Boral's Share Trading Policy prohibits executives from entering into hedge and other derivative transactions in relation to rights granted under the LTI plan.</p> <p>Shares allocated to participants upon vesting of their LTIs may only be dealt with in accordance with the Share Trading Policy.</p> <p>Any contravention of the Policy would result in disciplinary action.</p>
Dividends	<p>No dividends are paid on unvested LTI awards.</p>
Retesting	<p>There is no retest. Rights that do not vest based on performance over the three year measurement period will lapse on the third anniversary of the grant date.</p>
Total shares issued	<p>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.</p>

LTI grant for FY2017

The FY2017 LTI grant, expected to be made in September 2016, will be on similar terms to the plan in effect during FY2016, 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 2019 in accordance with the following vesting schedule:

If the Company's ROFE performance for FY2019 is:	The percentage of the ROFE Component which will vest is:
Less than 12.0%	NIL
12.0%	50%
Greater than 12.0% and less than 12.5%	Progressive pro rata vesting in a straight line from 50% to 100%
12.5% or above	100%

For each subsequent year's LTI grant, the ROFE targets, and the continued appropriateness of ROFE as a performance hurdle, will be reviewed.

The Company's ROFE performance will be reported annually in the Company's Remuneration Report. Refer to the table in Section 4 for the Company's ROFE performance (EBIT to average funds employed) from FY2012 to FY2016. For FY2016, the Company's ROFE performance was 9.1%.

In light of investor feedback, the Company will consider moving to LTI allocations based on face value from next year. However, this change is not expected to alter the remuneration package of executives that is made up of LTI, nor is it meant to change the value of LTI awards delivered.

Targeted retention incentive (TRI) grant

In FY2016, the Board approved a grant of performance rights as an additional retention incentive for eight key executives. This one-off targeted retention incentive is intended to ensure stable leadership and continuity for Boral's business transformation initiatives. It is also intended to ensure we minimise the risk of further targeted approaches from our competitors and retain our key talent for potential future succession opportunities across a number of senior roles.

The quantum of the award was based on 50% of the annual FAR of the relevant executive divided by the face value of an ordinary share in Boral Limited (in this case, the volume weighted average price traded on the ASX over the five trading days following the release of Boral's FY2015 full year results, being \$5.5814). TRI grants to Senior Executives are included in the equity grants and movement table on page 68. Mr Kane and Mr Borm did not receive a TRI award.

TRI awards are subject to a continuous service condition for three years, with 100% vesting on the third anniversary of the grant. If the executive resigns or is terminated for cause during the three year period, any unvested TRI awards will be forfeited.

The Board has the discretion to apply clawback provisions in circumstances where an executive has acted fraudulently or dishonestly, has breached their obligations to the Group, and in the event that there is a material misstatement or omission in Boral's financial statements.

Minimum shareholding requirements

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

Senior Executives are required to accumulate a minimum shareholding in the Company over a period of up to five years from the later of 1 July 2013 or their date of appointment as a KMP. The CEO & Managing Director is required to build a minimum shareholding equivalent to 100% of fixed annual remuneration and other Senior Executives must build a minimum shareholding equivalent to 50% of their fixed annual remuneration.

The Company's policy for non-executive Directors' minimum shareholdings is set out on page 42 of the Corporate Governance Statement.

Section 4: Linking remuneration to performance

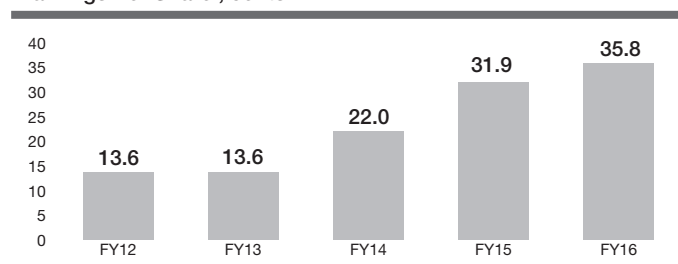
Overview of 2016 financial performance

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 in recent years.

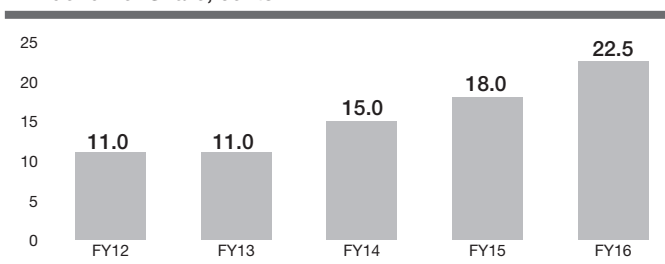
The effect of the business cycle on Boral's performance is demonstrated in the charts below.

In FY2016, Boral's improved returns reflect the benefits of business improvement initiatives and portfolio realignment, together with strong housing in most Australian markets, early stages of market recovery in the USA, and earnings growth in Asia.

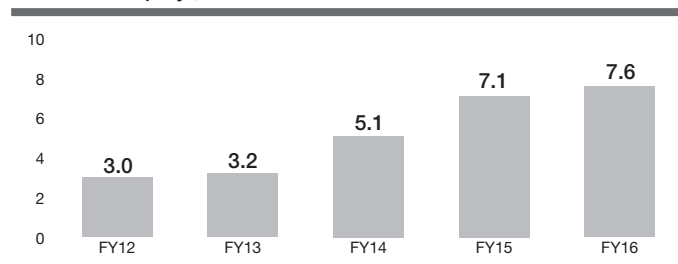
Earnings Per Share¹, cents



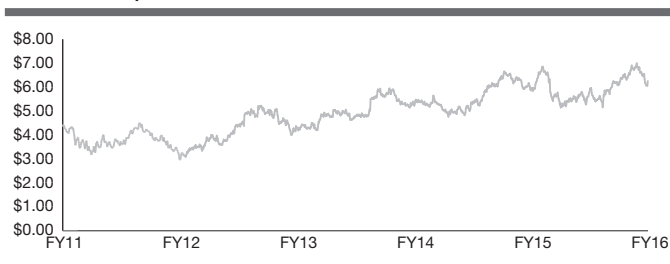
Dividend Per Share, cents



Return on Equity¹, %



Boral share price



1. Excludes financial impact of significant items.

Short-term performance – FY2016

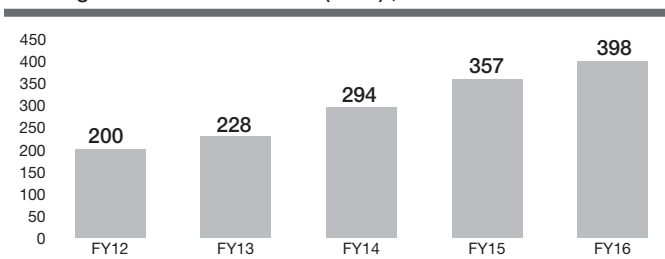
EBIT performance and STI outcomes

While it is too commercially sensitive for Boral to disclose future budgeted EBIT targets, we do disclose performance against target for the prior year, as can be seen in the Senior Executive remuneration table on page 67 of this Report.

On average, 136.5% of target STI was paid out to current Senior Executives for FY2016 performance, which means that overall the Business, Divisional and Group EBIT targets were exceeded. In the prior year, 133% of target STI was paid for FY2015 performance, reflecting improvements in the delivery of EBIT (before significant items) versus target at the Business, Divisional and Group level. Boral's EBIT was higher in FY2016 versus FY2015 as a result of ongoing improvement programs including cost management and revenue enhancement initiatives and portfolio enhancements, together with the benefits of volume improvements in some markets, particularly in the USA.

Boral's EBIT over the past five years is shown in the chart below.

Earnings Before Interest & Tax (EBIT)¹, \$ millions

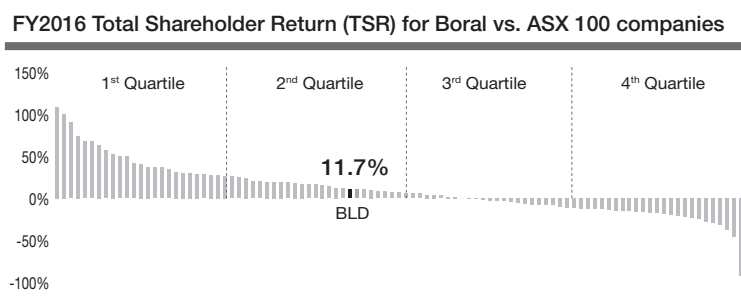


1. Before significant items.

Long-term performance

TSR performance

In FY2016, Boral's relative TSR performance was strong. Taking into account share price appreciation and dividends paid, Boral delivered a TSR of 11.7% for shareholders between 1 July 2015 and 30 June 2016. As shown in the graph below, this TSR ranked Boral in the second quartile of ASX 100 companies for FY2016 or 42nd out of the 99 companies that were in the ASX100 at the start of the year and remained listed on the ASX for the period.



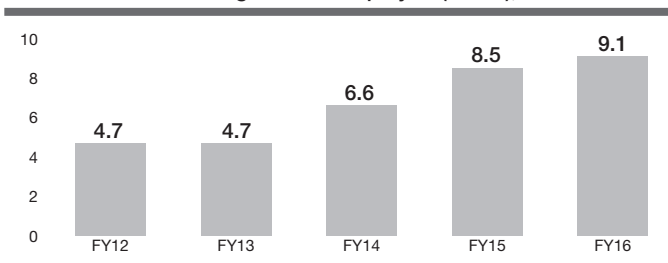
ROFE performance

Boral's performance as measured by EBIT return on average funds employed (ROFE) continued to improve in FY2016 from a low of 4.7% in FY2012 and FY2013.

At 9.1%, Boral's ROFE performance in FY2016 is an improvement on 8.5% achieved in FY2015, but remains short of our longer term goal to exceed the cost of capital.

The LTI ROFE targets of 8.0% in FY2016, 11.5% in FY2017, 12% in FY2018 and 12.5% in FY2019 which are set with a three year time horizon, are on a challenging but achievable improvement trajectory. For every 1% lift in ROFE, an EBIT improvement of approximately \$44 million or around 11% is required assuming a constant level of funds employed at current levels.

EBIT¹ Return on Average Funds Employed (ROFE), %



1. Before significant items.

LTI performance outcomes

For the 2012 LTI grant which was subject to its first performance test on 1 September 2015, the Company achieved a superior relative TSR performance outcome for the period 1 September 2012 to 1 September 2015, ranking Boral at the 78th percentile or top quartile of the comparator group. This outstanding outcome for shareholders resulted in 100% vesting for participating executives. This result is reflective of improved Company performance since 2012 and clearly demonstrates an alignment between LTI outcomes and Company performance.

The other LTI grants that were available for testing in FY2016 were the grants for FY2008 and FY2010. Grants from FY2008 to FY2012 are tested at years 3, 5 and 7.

The FY2008 grant failed to vest on its third test and lapsed in November 2015. The FY2010 grant failed to vest on its second test date in November 2015 and will be tested for the final time in November 2017.

The following table sets out additional information on the level of performance achieved on the most recent tests for each of the outstanding LTI grants up to 30 June 2016.

Grant date	Next test date	Expiry date	Applicable performance hurdles	Performance against hurdle(s)	Vesting level
Nov 08	Nov 15	Nov 15	100% Relative TSR	Grant lapsed on final test (Nov 2015)	0%
Nov 09	Nov 16	Nov 16	100% Relative TSR	29th percentile at 2nd test date (Nov 2014)	0%
Nov 10	Nov 15	Nov 17	100% Relative TSR	49th percentile at 2nd test date (Nov 2015)	0%
Sep 11	Sep 16	Sep 18	100% Relative TSR	44th percentile as at 1st test date (Sep 2014)	0%
Sep 12	Sep 15	Sep 19	100% Relative TSR	78th percentile at 1st test date (Sep 2015)	100%
Sep 13	N/A	Sep 16	67% Relative TSR 33% ROFE	Test date Sep 2016	N/A
Sep 14	N/A	Sep 17	67% Relative TSR 33% ROFE	Test date Sep 2017	N/A
Sep 15	N/A	Sep 18	67% Relative TSR 33% ROFE	Test date Sep 2018	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	<p>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.</p> <p>The group includes companies from the S&P/ASX 200 Index with a 12 month average market capitalisation and revenue of between 50% and 200% of Boral, as well as industrials and materials sector companies with market capitalisation and revenue between 33% and 300% of Boral's.</p>
Total reward summary	<p>FAR of \$1.789 million as at 1 September 2015.</p> <p>STI entitlement is 100% of FAR for "target" performance with a maximum of 140% of FAR for "stretch" performance.</p> <p>LTI entitlement is a maximum of 100% of FAR and is granted under the terms of the LTI plan (described on pages 59 to 61 of this Report).</p> <p>Shareholders approved a grant of 606,440 performance rights to Mr Kane at the 2015 Annual General Meeting (AGM).</p>
Contract duration	<p>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.</p>
Performance expectations	<p>The remuneration structure for Mr Kane includes short and long-term incentives linked to Boral's financial performance and shareholder returns. The Board also considers the management of non-financial performance when setting CEO remuneration and assessing the CEO's performance.</p> <p>For example, managing safety well is considered a fundamental part of the CEO's role. The Board believes that attracting and retaining a leader who has the right focus, commitment and track record in safety management, and reflecting this in the fixed remuneration component of the CEO, will lead to a more sustainable journey towards a zero harm workplace. As such, the Board takes safety performance into consideration in reviewing the performance of the CEO and setting the fixed remuneration, rather than it being an additional determinant of STI payments.</p>
Termination of employment (without cause)	<p>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.</p> <p>In such circumstances, Mr Kane will forfeit his entitlement to any STI in respect of the year of termination (ie. the STI is not pro rated), unless the Board determines otherwise.</p> <p>In relation to the FY2016 LTI award, any performance rights that are unvested will remain on foot and vest on the usual test date if the performance hurdles are satisfied. If vesting does not occur at that time, the rights will lapse.</p> <p>For 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.</p>
Termination of employment (with cause) or resignation	<p>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.</p>
Relocation expenses	<p>Mr Kane is entitled to relocation expenses to and from Sydney. 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.</p>

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 12 months' fixed remuneration.

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

Section 6: Senior Executive remuneration tables

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

Senior Executive remuneration table

AS'000s		Short-term		Post-employment			Share-based payments ^a			Other	Total	At Risk Remuneration	
		Cash salary ^b	Short-term incentive ^c	Non-monetary benefits ^d	Super-annuation	Termination benefit	Rights	Deferred equity	Retention	Long service leave accrual	Total	% of remuneration related to performance	% of target STI paid
Senior Executives													
	2016	1,837.9	1,668.1	622.0	–	–	2,410.8	393.4	–	31.3	6,963.5	64.2%	116.6%
	2015	1,773.0	1,687.4	548.4	–	–	1,691.4	254.4	–	28.5	5,983.1	60.7%	121.4%
	2016	730.0	290.1	61.3	123.3	–	367.6	74.9	–	–	1,647.2	44.5%	98.9%
	2015	629.0	391.9	44.6	76.2	–	240.6	44.5	–	–	1,426.8	47.4%	156.1%
	2016	801.9	565.3	281.6	–	–	567.7	105.6	133.3	13.6	2,469.0	50.2%	145.0%
	2015	763.6	385.8	227.6	–	–	290.1	58.5	–	28.1	1,753.7	41.9%	123.6%
	2016	552.3	305.3	9.5	19.3	–	297.1	56.4	93.8	12.6	1,346.3	48.9%	193.7%
	2015	537.5	202.8	2.9	18.8	–	155.9	31.0	–	10.0	958.9	40.6%	155.5%
	2016	750.4	247.1	693.5	82.5	–	282.0	53.1	98.0	9.6	2,216.2	26.3%	123.4%
	2015	379.7	163.8	299.3	18.9	–	74.5	20.3	–	4.5	961.0	26.9%	176.8%
	2016	702.1	494.8	94.9	19.3	–	665.3	103.1	125.0	16.6	2,221.1	59.9%	141.4%
	2015	726.0	447.2	41.6	18.8	–	328.0	61.9	–	15.4	1,638.9	51.1%	153.6%
	2016	5,374.6	3,570.7	1,762.8	244.4	–	4,590.5	786.5	450.1	83.7	16,863.3	53.1%	136.5%
	2015	4,808.8	3,278.9	1,164.4	132.7	–	2,780.5	470.6	–	86.5	12,722.4	–	–

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 grants issued from FY2014 the value is allocated evenly over the period of three years from the grant date. The value disclosed above is the portion of the fair market value of the options and rights for each relevant reporting period, including the value of deferred equity.

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

c. STI values for current KMP represent 80% of total STI with the remaining 20% to be deferred into equity and expensed over three years in accordance with the deferred STI plan introduced from FY2014. The deferred component is included in the "Deferred equity" column.

d. Non-monetary benefits includes parking, medical, life and disability insurance, home leave, housing allowances, vehicle costs, and applicable fringe benefits tax payable by the Company upon providing these benefits.

e. Al Borm's remuneration has been converted at the foreign exchange rate of AUD 1 = USD 0.727, being the average conversion for the FY2016 period (0.8287 for the FY2015 period).

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

g. Cash salary for David Mariner for FY2016 includes an amount of \$56,080 as a one-off relocation allowance for relocating Mr Mariner and his family from Sydney to his base in USA.

"Non-monetary benefits" for David Mariner for FY2016 includes an amount of \$103,872 in tax equalisation costs, incurred to ensure the expatriate employee is not disadvantaged by US tax regulations in his home state for the period of his expatriate assignment. No tax equalisation costs were required for any other expatriates in the preceding table, due to different taxation rules applicable in their respective home states in the USA. "Superannuation" for David Mariner includes a \$76,261 contribution into the US Supplemental Executive Retirement Plan (SERP) under the terms his employment contract. David Mariner's FY2015 details relate to the period 1 January 2015 to 30 June 2015.

h. The cash salary disclosed for Rosaline Ng is lower in FY2016 due to the impact of annual leave taken. That is, more annual leave was taken than accrued in the period, which resulted in Ms Ng's disclosed cash salary reflecting a lower value in FY2016 compared to the prior year.

Equity grants and movement during the year

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

Equity type	Balance as at	Granted during	Value of grant ^b	Exercised/ Vested during	Value of rights	Lapsed/ Cancelled	Balance as at
	30 June 2015	the year as remuneration ^a		the Year	vested ^c	during the year ^d	30 June 2016
	No.	No.	\$	No.	\$	No.	No.
Mike Kane	LTI Rights	2,196,081	606,440	2,239,785	(666,666)	3,720,930	2,135,855
	Deferred STI Rights	62,382	75,583	421,859	–	–	137,965
Al Borm	LTI Rights	293,680	109,050	402,758	(34,640)	193,340	368,090
	Deferred STI Rights	5,373	17,553	97,970	–	–	22,926
Joseph Goss	LTI Rights	306,114	135,560	500,668	–	–	441,674
	Deferred STI Rights	14,456	17,282	96,458	–	–	31,738
	TRI Rights	–	71,649	399,902	–	–	71,649
Ross Harper	LTI Rights	243,551	66,796	246,700	(36,866)	205,764	254,195
	Deferred STI Rights	7,730	9,082	50,690	–	–	16,812
	TRI Rights	–	50,435	281,498	–	–	50,435
David Mariner	LTI Rights	182,709	70,045	258,700	(30,520)	170,344	222,234
	Deferred STI Rights	3,631	17,236	96,201	–	–	20,867
	TRI Rights	–	52,684	294,050	–	–	52,684
Rosaline Ng	LTI Rights	426,376	127,118	469,489	(40,718)	227,263	495,978
	Deferred STI Rights	13,496	20,032	111,807	–	–	33,528
	TRI Rights	–	67,187	374,998	–	–	67,187

a. All rights were granted to Senior Executives effective 1 September 2015.

b. The fair market value of LTI Rights granted on 1 September 2015, calculated using a Monte Carlo simulation analysis, is \$2.95 per right for two-thirds of the grant relating to the TSR measure and \$5.18 per right for one-third of the grant relating to the ROFE hurdle. The fair market value of the Deferred STI Rights and TRI Rights is \$5.5814 per right, reflecting a face value at time of grant calculated by taking the volume weighted average price traded on the ASX over the five trading days following the release of Boral's FY2015 full year results.

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.

d. Rights that lapsed during the year were granted to Senior Executives in FY2008.

The number of rights included in the balance at 30 June 2016 for the Senior Executives is set out below:

		Year of grant							Balance as at 30 June 2016
		2009	2010	2011	2012	2013	2014	2015	
Senior Executives									
Mike Kane	LTI Rights	–	78,717	102,285	–	732,456	615,957	606,440	2,135,855
	Deferred STI Rights	–	–	–	–	–	62,382	75,583	137,965
Al Borm	LTI Rights	–	14,582	34,318	–	109,242	100,898	109,050	368,090
	Deferred STI Rights	–	–	–	–	–	5,373	17,553	22,926
Joseph Goss	LTI Rights	–	–	–	–	167,763	138,351	135,560	441,674
	Deferred STI Rights	–	–	–	–	–	14,456	17,282	31,738
	TRI Rights	–	–	–	–	–	–	71,649	71,649
Ross Harper	LTI Rights	18,670	26,319	36,136	–	58,114	48,160	66,796	254,195
	Deferred STI Rights	–	–	–	–	–	7,730	9,082	16,812
	TRI Rights	–	–	–	–	–	–	50,435	50,435
David Mariner	LTI Rights	–	11,512	30,236	–	57,352	53,089	70,045	222,234
	Deferred STI Rights	–	–	–	–	–	3,631	17,236	20,867
	TRI Rights	–	–	–	–	–	–	52,684	52,684
Rosaline Ng	LTI Rights	16,792	29,519	39,962	–	153,509	129,078	127,118	495,978
	Deferred STI Rights	–	–	–	–	–	13,496	20,032	33,528
	TRI Rights	–	–	–	–	–	–	67,187	67,187

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 at risk remuneration or other performance-related incentives such as options or rights to shares, and no retirement benefits are provided to non-executive Directors other than superannuation contributions.

The current aggregate fee limit of \$1,750,000 per annum was approved at the Company's AGM in November 2014.

Non-executive Director fee levels for FY2016 were as follows:

Fees	2016		2015	
	Chair	Member	Chair	Member
Board	428,200	142,500	417,800	139,100
Audit & Risk	38,900	19,900	38,000	19,500
Remuneration & Nomination	29,200	14,600	28,540	14,270
Health, Safety & Environment	29,200	14,600	28,540	14,270

The total annual non-executive Director remuneration for the current Board of seven non-executive Directors for FY2016 was \$1,465,125 including superannuation.

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 2016, base and committee fees for non-executive Directors were increased by 3.0%.

Non-executive Directors' total remuneration

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

A\$'000s	2016			2015		
	Short-term Board and Committee fees	Post-employment superannuation	Total fees	Short-term Board and Committee fees	Post-employment superannuation	Total fees
Brian Clark, Chairman ^a	324.9	17.8	342.7	153.1	14.5	167.6
Catherine Brenner	161.7	15.4	177.1	157.9	15.0	172.9
Eileen Doyle	175.2	16.6	191.8	170.9	16.2	187.1
Bob Every, Chairman ^a	152.5	7.2	159.7	399.0	18.8	417.8
Kathryn Fagg ^b	165.7	15.7	181.4	121.8	11.6	133.4
John Marlay	156.9	14.9	171.8	153.1	14.5	167.6
Karen Moses ^c	53.9	5.1	59.0	–	–	–
Paul Rayner	165.8	15.8	181.6	161.7	15.4	177.1
Total	1,356.6	108.5	1,465.1	1,377.8	111.8	1,489.6

a. Brian Clark was appointed Chairman effective 5 November 2015 following Bob Every stepping down at the conclusion of the 2015 Annual General Meeting.

b. Kathryn Fagg was appointed on 15 September 2014.

c. Karen Moses was appointed on 1 March 2016.

Section 8: Senior Executive and non-executive Director transactions

Movements in shares

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

		Balance at the beginning of the year	Received during the year on the exercise of rights	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number
Current Senior Executives					
Mike Kane	2016	10,233	666,666	(313,333)	363,566
	2015	10,233	–	–	10,233
Al Borm	2016	–	34,640	(12,000)	22,640
	2015	–	–	–	–
Joseph Goss	2016	–	–	–	–
	2015	–	–	–	–
Ross Harper	2016	7,978	36,866	(36,866)	7,978
	2015	7,978	–	–	7,978
David Mariner	2016	–	30,520	(12,020)	18,500
	2015	–	–	–	–
Rosaline Ng	2016	28,586	40,718	(35,718)	33,586
	2015	28,586	–	–	28,586

		Balance at the beginning of the year	Received during the year on the exercise of rights	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number
Non-executive Directors					
Brian Clark, Chairman	2016	76,887	–	4,000	80,887
	2015	76,887	–	–	76,887
Catherine Brenner	2016	15,371	–	18,000	33,371
	2015	15,371	–	–	15,371
Eileen Doyle	2016	15,076	–	12,465	27,541
	2015	15,076	–	–	15,076
Bob Every	2016	70,221	–	–	70,221
	2015	70,221	–	–	70,221
Kathryn Fagg	2016	26,586	–	–	26,586
	2015	–	–	26,586	26,586
John Marlay	2016	25,101	–	2,000	27,101
	2015	25,101	–	–	25,101
Karen Moses	2016	–	–	15,000	15,000
Paul Rayner	2016	50,116	–	21,000	71,116
	2015	50,116	–	–	50,116

Loans

There were no loans made or outstanding to Senior Executives or non-executive Directors during FY2016.

Other transactions

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

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

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

Section 9: Glossary of key terms

Term	Description
Committee	The Remuneration & Nomination Committee.
Fair market value of LTI performance rights	The fair market value of LTI performance rights is determined from the face value of a Boral share on 1 September, discounted for a number of factors that impact the value of a TSR tested right, such as the possibility that the TSR performance hurdle will not be met. Other factors that are taken into account when determining the discount from face value include the time to vesting, expected volatility of the share price and the dividends expected to be paid in relation to the shares. This approach is in line with the methodology used for valuing TSR tested rights for accounting purposes. The fair value is determined by an independent valuer (being PwC).
FAR	Fixed Annual Remuneration (FAR) includes base salary, non-cash benefits such as provision of a vehicle (including any fringe benefits tax) and superannuation contributions.
KMP	The key management personnel of the Company. Defined as the people accountable for planning, directing and controlling the affairs of the Company and its controlled entities. Includes each of the: <ul style="list-style-type: none"> – non-executive Directors; and – Senior Executives.
Performance right	Upon vesting, each performance right entitles the executive to one ordinary share.
Relative TSR	Relative Total Shareholder Return (TSR) measures the compound growth in the Company's TSR over the performance measurement period compared with the TSR performance over the same period of a comparator group. TSR represents the change in capital value of a listed entity's share price over a three year performance period, plus reinvested dividends, expressed as a percentage of the opening value.
ROFE	Return on Funds Employed (ROFE) tests the efficiency and profitability of the Company's capital investments and is determined by the Board based on earnings before interest and tax (EBIT) (before significant items) in the year of testing as a percentage of average funds employed (where funds employed is the sum of net assets and net debt).
Senior Executives	The CEO & Managing Director as well as other current and former members of the senior executive team who are KMP of the Company. The broader management group (who also participate in the various reward programs) are referred to as executives .

FINANCIAL
STATEMENTS ▶▶

Financial Statements

Introduction

Boral Limited and Controlled Entities

This is the financial report of Boral Limited (the “Company”) and its controlled entities (the “Group”), including the Group’s interest in associates and jointly controlled entities.

Over the past year, we have reviewed the content and structure of the financial report looking for opportunities to make them less complex and more relevant to users. This included:

- a thorough review of content to eliminate immaterial disclosures that may undermine the usefulness of the financial report by obscuring important information;
- reorganisation of the notes to the financial statements into sections to assist users in understanding the Group’s performance; and
- improvements to the presentation of certain notes.

The purpose of these changes is to provide users with a clearer understanding of what drives the financial performance and the financial position of the Group and linkage to the Group’s strategy, whilst still complying with the provisions of the *Corporations Act 2001*.

What’s new in this financial report

Note disclosures are split into eight distinct sections to enable a better understanding of how the Group has performed.

We have included an introduction at the start of each section to explain its purpose and content. Accounting policies and critical accounting judgements applied to the preparation of the financial statements have been moved to where the related accounting balance or financial statement matter is discussed. We have also refined wording of the policies to allow them to be easily understood by users of this report.

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

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

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

Income Statement

Boral Limited and Controlled Entities

For the year ended 30 June	Note	2016 \$m	2015 \$m
Continuing operations			
Revenue	2.2	4,311.2	4,297.6
Cost of sales		(2,927.2)	(3,039.2)
Selling and distribution expenses		(819.4)	(767.6)
Administrative expenses		(302.9)	(270.1)
		(4,049.5)	(4,076.9)
Other income	2.2	45.2	166.3
Other expenses	2.2	(50.6)	(103.5)
Results of equity accounted investments	2.3	91.1	68.7
Profit before net financing costs and income tax		347.4	352.2
Financial income	2.2	7.6	12.8
Financial expenses	2.2	(70.8)	(76.5)
Net financing costs		(63.2)	(63.7)
Profit before income tax		284.2	288.5
Income tax expense	5.1	(32.2)	(45.1)
Profit from continuing operations		252.0	243.4
Discontinued operations			
Profit from discontinued operations (net of income tax)	6.1	4.0	13.6
Net profit		256.0	257.0
Attributable to:			
Members of the parent entity		256.0	257.0
Non-controlling interests		–	–
Net profit		256.0	257.0
Basic earnings per share	2.5	34.2c	32.9c
Diluted earnings per share	2.5	33.8c	32.6c
Continuing operations			
Basic earnings per share	2.5	33.7c	31.2c
Diluted earnings per share	2.5	33.3c	30.9c

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	2016 \$m	2015 \$m
Net profit		256.0	257.0
Other comprehensive income			
Items that may be reclassified subsequently to Income Statement:			
Net exchange differences from translation of foreign operations taken to equity		(7.0)	99.7
Fair value adjustment on cash flow hedges	4.4	(7.7)	8.7
Income tax on items that may be reclassified subsequently to Income Statement		10.4	45.1
Total comprehensive income		251.7	410.5
Total comprehensive income is attributable to:			
Members of the parent entity		251.7	410.5
Non-controlling interests		-	-
Total comprehensive income		251.7	410.5

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Balance Sheet

Boral Limited and Controlled Entities

As at 30 June	Note	2016 \$m	2015 \$m
CURRENT ASSETS			
Cash and cash equivalents	2.7	452.1	505.8
Receivables	3.1	623.9	659.8
Inventories	3.2	556.9	537.8
Financial assets		18.9	9.6
Other assets		32.4	28.3
TOTAL CURRENT ASSETS		1,684.2	1,741.3
NON-CURRENT ASSETS			
Receivables	3.1	16.0	75.4
Inventories	3.2	12.6	21.6
Investments accounted for using the equity method	6.2	1,054.6	1,048.1
Financial assets		23.1	29.7
Property, plant and equipment	3.3	2,517.7	2,448.4
Intangible assets	3.4	234.7	227.1
Deferred tax assets	5.2	237.4	243.6
Other assets		20.2	30.2
TOTAL NON-CURRENT ASSETS		4,116.3	4,124.1
TOTAL ASSETS		5,800.5	5,865.4
CURRENT LIABILITIES			
Trade creditors		607.9	641.5
Loans and borrowings	4.1	352.4	1.8
Financial liabilities		7.8	5.8
Current tax liabilities		36.6	94.8
Employee benefit liabilities	7.1	118.8	115.9
Provisions	3.6	58.2	63.4
TOTAL CURRENT LIABILITIES		1,181.7	923.2
NON-CURRENT LIABILITIES			
Deferred income		30.8	15.8
Loans and borrowings	4.1	992.8	1,320.8
Financial liabilities		18.6	0.8
Employee benefit liabilities	7.1	11.3	11.9
Provisions	3.6	59.0	68.8
TOTAL NON-CURRENT LIABILITIES		1,112.5	1,418.1
TOTAL LIABILITIES		2,294.2	2,341.3
NET ASSETS		3,506.3	3,524.1
EQUITY			
Issued capital	4.3	2,246.2	2,361.6
Reserves	4.4	162.0	166.2
Retained earnings		1,098.1	996.3
TOTAL EQUITY		3,506.3	3,524.1

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

For the year ended 30 June 2015	Issued capital \$m	Reserves \$m	Retained earnings \$m	Total equity \$m
Balance at 1 July 2014	2,477.6	2.1	868.4	3,348.1
Net profit	–	–	257.0	257.0
Other comprehensive income				
Translation of net assets of overseas entities	–	259.5	–	259.5
Translation of long-term borrowings and foreign currency forward contracts	–	(159.8)	–	(159.8)
Fair value adjustment on cash flow hedges	–	8.7	–	8.7
Income tax relating to other comprehensive income	–	45.1	–	45.1
Total comprehensive income	–	153.5	257.0	410.5
Transactions with owners in their capacity as owners				
On-market share buy-back	(116.0)	–	–	(116.0)
Dividends paid	–	–	(129.1)	(129.1)
Share-based payments	–	10.6	–	10.6
Total transactions with owners in their capacity as owners	(116.0)	10.6	(129.1)	(234.5)
Balance at 30 June 2015	2,361.6	166.2	996.3	3,524.1

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	2016 \$m	2015 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,635.7	4,847.4
Payments to suppliers and employees		(4,069.5)	(4,317.5)
		566.2	529.9
Dividends received		75.9	41.2
Interest received		8.5	8.8
Borrowing costs paid		(69.2)	(72.1)
Income taxes paid		(69.4)	(45.4)
Restructure costs paid		(34.5)	(44.1)
Net cash provided by operating activities	2.7	477.5	418.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(320.3)	(243.6)
Purchase of intangibles		(3.5)	(6.3)
Repayment of loans by associates		8.8	–
Proceeds on disposal of non-current assets		55.5	45.0
Proceeds on disposal of controlled entities (net of transaction costs)	6.1	–	149.2
Net cash used in investing activities		(259.5)	(55.7)
CASH FLOWS FROM FINANCING ACTIVITIES			
On-market share buy-back		(115.4)	(116.0)
Dividends paid		(154.2)	(129.1)
Proceeds from borrowings		2.2	245.2
Repayment of borrowings		(6.0)	(251.7)
Net cash used in financing activities		(273.4)	(251.6)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		(55.4)	111.0
Cash and cash equivalents at the beginning of the year		505.8	383.2
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		1.7	11.6
Cash and cash equivalents at the end of the year	2.7	452.1	505.8

The Statement of Cash Flows should be read in conjunction with the accompanying notes which form an integral part of the financial statements.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 1: About this report

Statement of compliance

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

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

The financial statements were authorised for issue by the Board of Directors on 24 August 2016.

Basis of preparation

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

The accounting policies and methods of computation in the preparation of the financial statements are consistent with those adopted and disclosed in Boral's Annual Report for the financial year ended 30 June 2015, except in relation to the relevant amendments and their effects on the current period or prior periods as described in note 1C "Changes in accounting policies".

Accounting estimates and judgements

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

Accounting estimates and judgements	Note	Page
Revenue	2.2	85
Receivables	3.1	93
Property, plant and equipment	3.3	94
Intangible assets	3.4	96
Carrying value assessment	3.5	97
Provisions	3.6	99
Income tax expense	5.1	113
Deferred tax assets	5.2	115
Share-based payments	7.3	123

Rounding of amounts

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

Significant accounting policies

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

A. Principles of consolidation

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

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

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

B. Foreign currencies

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

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

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

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 1: About this report (continued)

B. Foreign currencies (continued)

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

C. Changes in accounting policies

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

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

D. New accounting standards and interpretations not yet adopted:

The Group has not adopted the following new accounting standards which are available for early adoption for periods beginning after 1 July 2015:

- *AASB 9 Financial Instruments*: Assessment impact has determined that there would be no significant impact on Boral's financial performance or position.
- *AASB 15 Revenue from Contracts with Customers*: The impact on Boral's Income Statement and Balance Sheet is being assessed. No significant impact is currently anticipated.
- *AASB 16 Leases*: The impact on Boral's Income Statement and Balance Sheet is being assessed. It is likely the new standard will result in the recognition of a material value of right of use assets and borrowings on the Balance Sheet, as well as changes to the classification and phasing of expenses in the Income Statement.

E. Trade creditors

Trade creditors and other creditors 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.

Section 2: Business performance

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

2.1 Segments

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

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

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 (comprising West Coast bricks, East Coast bricks up to 30 April 2015 and Boral CSR bricks joint venture from 1 May 2015), roofing and masonry, and timber products.
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, trim, roof tiles, fly ash, concrete and quarries.
Unallocated	–	Non-trading operations and unallocated corporate costs.

* The results of the East Coast bricks operations for the prior comparative period is shown as part of "Discontinued Operations" in the Income Statement.

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

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

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

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

Section 2: Business performance (continued)

2.1 Segments (continued)

Reconciliations of reportable segment revenues and profits	Note	2016 \$m	2015 \$m
External revenue		4,311.2	4,414.7
Less: Revenue from discontinued operations	6.1	–	(117.1)
Revenue from continuing operations		4,311.2	4,297.6
Profit before tax			
Profit before net financing costs and income tax from reportable segments		351.4	358.6
Less: Profit before net financing costs and income tax from discontinued operations	6.1	(4.0)	(6.4)
Profit before net financing costs and income tax from continuing operations		347.4	352.2
Net financing costs from continuing operations		(63.2)	(63.7)
Profit before tax from continuing operations		284.2	288.5

(a) Reportable segments

	TOTAL REVENUE		INTERNAL REVENUE		EXTERNAL REVENUE	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Construction Materials & Cement	2,926.9	3,110.9	20.2	20.2	2,906.7	3,090.7
Building Products*	372.0	485.4	–	–	372.0	485.4
Boral USA	1,032.5	840.1	–	1.5	1,032.5	838.6
	4,331.4	4,436.4	20.2	21.7	4,311.2	4,414.7

	OPERATING PROFIT (EXC EQUITY ACCOUNTED INCOME)		EQUITY ACCOUNTED INCOME		PROFIT BEFORE NET FINANCING COSTS AND INCOME TAX EXPENSE	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Construction Materials & Cement	272.4	276.2	20.6	25.2	293.0	301.4
Building Products*	20.9	28.0	11.7	1.5	32.6	29.5
Boral Gypsum Joint Venture	–	–	59.0	48.7	59.0	48.7
Boral USA	44.4	6.2	(0.2)	(0.3)	44.2	5.9
Unallocated	(30.9)	(28.8)	–	–	(30.9)	(28.8)
	306.8	281.6	91.1	75.1	397.9	356.7
Significant items (refer to note 2.6)	(46.5)	8.3	–	(6.4)	(46.5)	1.9
	260.3	289.9	91.1	68.7	351.4	358.6

* The results of the East Coast bricks operations for the prior comparative period is shown as part of "Discontinued Operations" in the Income Statement.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.1 Segments (continued)

(a) Reportable segments (continued)

	SEGMENT ASSETS (EXC EQUITY ACCOUNTED INVESTMENTS)		EQUITY ACCOUNTED INVESTMENTS		TOTAL ASSETS	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Construction Materials & Cement	2,597.0	2,629.9	14.6	13.7	2,611.6	2,643.6
Building Products*	322.8	321.0	88.9	83.9	411.7	404.9
Boral Gypsum Joint Venture	–	–	951.1	950.5	951.1	950.5
Boral USA	1,078.9	1,010.6	–	–	1,078.9	1,010.6
Unallocated	57.7	106.4	–	–	57.7	106.4
	4,056.4	4,067.9	1,054.6	1,048.1	5,111.0	5,116.0
Cash and cash equivalents	452.1	505.8	–	–	452.1	505.8
Tax assets	237.4	243.6	–	–	237.4	243.6
	4,745.9	4,817.3	1,054.6	1,048.1	5,800.5	5,865.4

	LIABILITIES		ACQUISITION OF SEGMENT ASSETS**		DEPRECIATION AND AMORTISATION	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Construction Materials & Cement	547.0	557.9	222.0	189.1	187.4	183.9
Building Products*	65.0	76.7	22.3	13.9	9.8	20.2
Boral USA	192.8	183.7	78.7	45.9	48.8	44.3
Unallocated	107.6	105.6	0.8	1.0	0.6	0.4
	912.4	923.9	323.8	249.9	246.6	248.8
Loans and borrowings	1,345.2	1,322.6	–	–	–	–
Tax liabilities	36.6	94.8	–	–	–	–
	2,294.2	2,341.3	323.8	249.9	246.6	248.8

* The results of the East Coast bricks operations for the prior comparative period is shown as part of "Discontinued Operations" in the Income Statement.

** Excludes amounts attributable to the acquisition of controlled entities and businesses.

(b) Geographic location

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.

	EXTERNAL REVENUE		SEGMENT NON-CURRENT ASSETS ***	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Australia	3,278.7	3,576.1	2,473.8	2,509.3
Asia	–	–	642.0	646.5
USA	1,032.5	838.6	740.0	695.0
	4,311.2	4,414.7	3,855.8	3,850.8

*** Excludes deferred tax assets and other financial assets.

Section 2: Business performance (continued)

2.2 Profit for the period

(a) Revenue

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

Significant accounting judgements, estimates and assumptions

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

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

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

For the year ended 30 June	2016 \$m	2015 \$m
Revenue from continuing operations		
Sale of goods	4,246.2	4,217.0
Rendering of services	65.0	80.6
Revenue from continuing operations	4,311.2	4,297.6

(b) Other income and expenses

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

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

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

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

For the year ended 30 June	Note	2016 \$m	2015 \$m
Other income from continuing operations			
Significant items	2.6	–	116.7
Net profit on sale of assets		27.3	41.0
Net foreign exchange gain		–	5.7
Other income		17.9	2.9
Other income from continuing operations		45.2	166.3
Other expenses from continuing operations			
Significant items	2.6	50.5	103.5
Net foreign exchange loss		0.1	–
Other expenses from continuing operations		50.6	103.5

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.2 Profit for the period (continued)

(c) Net financing costs

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

For the year ended 30 June	2016 \$m	2015 \$m
Interest income received or receivable from:		
Associated entities	0.6	0.1
Other parties (cash at bank and bank short-term deposits)	7.0	9.6
Unwinding of discount	–	3.1
	7.6	12.8
Interest expense paid or payable to:		
Other parties (bank overdrafts, bank loans and other loans)*	67.6	72.7
Finance charges on capitalised leases	0.5	0.7
Unwinding of discount	2.7	3.1
	70.8	76.5
Net financing costs from continuing operations	(63.2)	(63.7)

* FY2016 included interest of \$1.0 million paid to other parties and capitalised in respect of qualifying assets. The capitalisation rate used was 5.4%.

2.3 Results of equity accounted investments

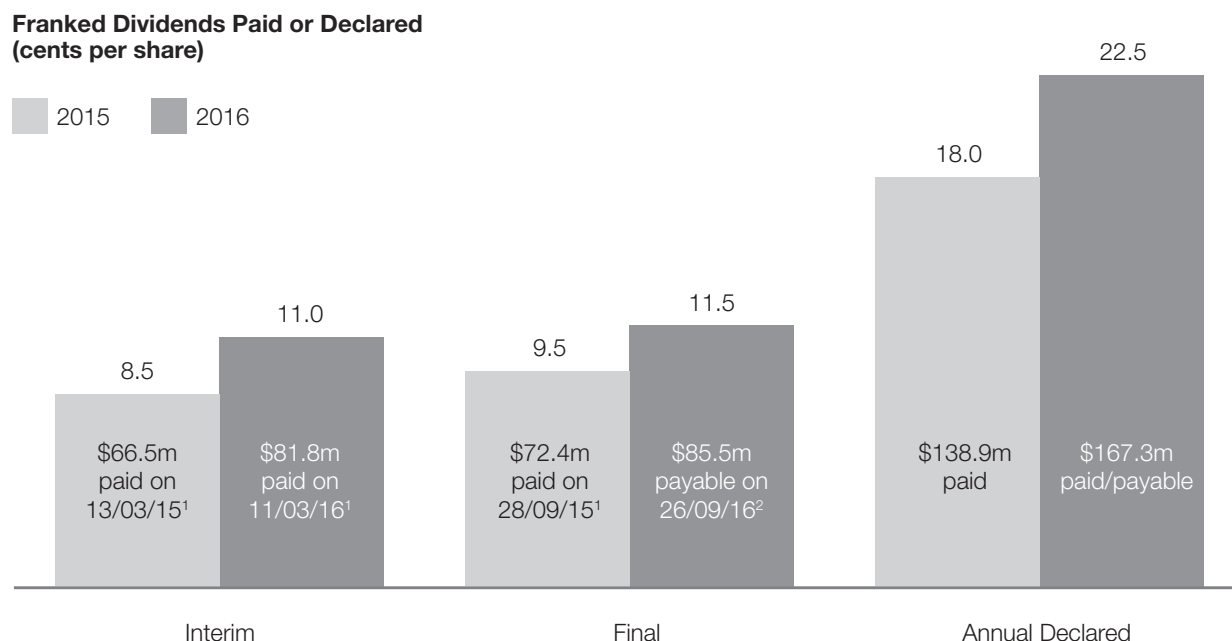
The Group's share of the results of equity accounted investments is reported in the Income Statement. The results of equity accounted investments are summarised below:

	Note	USG Boral Building Products		Total	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Summarised Income Statement at 100%					
Revenue		1,397.1	1,268.0	1,970.7	1,641.3
Profit before income tax		174.8	140.7	277.3	194.5
Income tax expense		(49.6)	(36.0)	(80.9)	(46.5)
Non-controlling interest		(7.1)	(7.3)	(7.1)	(7.3)
Net profit before significant items		118.1	97.4	189.3	140.7
Restructure costs disclosed as significant item net of tax		–	–	–	(16.0)
Net profit – equity accounted relating to continuing operations		118.1	97.4	189.3	124.7
The Group's share based on % ownership:					
Net profit before significant items		59.0	48.7	91.1	75.1
Restructure costs disclosed as significant item	2.6	–	–	–	(6.4)
Net profit – equity accounted relating to continuing operations		59.0	48.7	91.1	68.7

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

Section 2: Business performance (continued)

2.4 Dividends



1. Declared and paid.

2. Estimated final dividend payable, subject to variations in number of shares up to record date. The financial effect of the final dividend for the year ended 30 June 2016 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 2016 is \$57.5 million (2015: \$77.3 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 \$36.6 million (2015: \$31.1 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

Section 2: Business performance (continued)

2.5 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

	2016	2015
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	747,618,114	780,336,204
Effect of potential ordinary shares	8,972,636	8,327,214
Number for diluted earnings per share	756,590,750	788,663,418

	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	2016 \$m	2016 \$m	2016 \$m	2015 \$m	2015 \$m	2015 \$m
Earnings reconciliation						
Net profit attributable to members of the parent entity excluding significant items	268.0	–	268.0	242.0	7.2	249.2
Net significant items (refer note 2.6)	(16.0)	4.0	(12.0)	1.4	6.4	7.8
Net profit attributable to members of the parent entity	252.0	4.0	256.0	243.4	13.6	257.0
Basic earnings per share	33.7c	0.5c	34.2c	31.2c	1.7c	32.9c
Diluted earnings per share	33.3c	0.5c	33.8c	30.9c	1.7c	32.6c
Basic earnings per share (excluding significant items)	35.8c	–	35.8c	31.0c	0.9c	31.9c
Diluted earnings per share (excluding significant items)	35.4c	–	35.4c	30.7c	0.9c	31.6c

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

Section 2: Business performance (continued)

2.6 Significant items

Net profit includes the following significant items, which relate to material transactions that are disclosed separately in order to better explain financial performance.

2016 Significant items

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

(i) Non-current receivable impairment

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

(ii) Finalisation of tax matters

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

(iii) Other

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.6 Significant items (continued)

2015 Significant items

		Note	Asset impairment \$m	Redundancies and restructure \$m	Sale of business \$m	Total \$m
Gain on disposal of Western Landfill	Continuing	(i)	–	–	115.0	115.0
Impairment of Building Products businesses	Continuing	(ii)	(70.1)	(2.5)	–	(72.6)
Construction Materials & Cement restructure	Continuing	(iii)	(13.3)	(17.6)	–	(30.9)
Loss on disposal of East Coast Bricks	Discontinued	(iv)	–	–	(1.7)	(1.7)
Boral CSR Bricks Joint Venture restructure	Continuing	(v)	–	(6.4)	–	(6.4)
Other	Continuing	(vi)	–	–	1.7	1.7
Other	Discontinued	(vi)	–	–	(3.2)	(3.2)
			(83.4)	(26.5)	111.8	1.9

		Note	Asset impairment \$m	Redundancies and restructure \$m	Sale of business \$m	Total \$m
Continuing operations						
Other income		2.2	–	–	116.7	116.7
Other expenses		2.2	(83.4)	(20.1)	–	(103.5)
Share of equity accounted income		2.3	–	(6.4)	–	(6.4)
Discontinued operations						
		6.1	–	–	(4.9)	(4.9)
			(83.4)	(26.5)	111.8	1.9

			Asset impairment \$m	Redundancies and restructure \$m	Sale of business \$m	Total \$m
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Summary of significant items from continuing operations

Profit/(loss) before interest and tax			(83.4)	(26.5)	116.7	6.8
Income tax benefit/(expense)			25.0	6.0	(36.4)	(5.4)
Net significant items from continuing operations			(58.4)	(20.5)	80.3	1.4

Summary of significant items from discontinued operations

Loss before interest and tax			–	–	(4.9)	(4.9)
Income tax benefit*			–	–	11.3	11.3
Net significant items from discontinued operations			–	–	6.4	6.4

Summary of significant items

Profit/(loss) before interest and tax			(83.4)	(26.5)	111.8	1.9
Income tax benefit/(expense)			25.0	6.0	(25.1)	5.9
Net significant items			(58.4)	(20.5)	86.7	7.8

* Includes tax benefits attributable to tax losses recovered from previous sale transactions.

Section 2: Business performance (continued)

2.6 Significant items (continued)

2015 Significant items (continued)

(i) Gain on disposal of Western Landfill

In February 2015, the Group sold its Western Landfill business for net cash proceeds of \$139.0 million, and generated a profit before tax of \$115.0 million.

(ii) Impairment of Building Products businesses

Our ongoing review of the Building Products segment resulted in impairments of Building Products assets reflecting results and forecasts at the time. A value in use methodology was used to determine the recoverable amount of the West Coast Bricks and Roofing and Masonry businesses, leading to an impairment of \$31.3 million for West Coast Bricks and \$29.9 million for Roofing and Masonry. A pre-tax discount rate of 15% was used in the value in use model.

In the Hardwood business, a structural improvement program was implemented to improve operational efficiency and restructure its warehousing and distribution network, which led to an asset impairment of \$8.9 million and restructuring costs of \$2.5 million being incurred.

(iii) Construction Materials & Cement restructure

In response to market conditions at the time, a review of the asset portfolio of Construction Materials was performed, resulting in impairment costs of \$13.3 million and restructuring costs of \$7.6 million being incurred in the second half of the year. This related to the mothballing and closure of a number of operating sites, predominantly in Queensland, as well as make safe demolition costs at the Waurin Ponds clinker manufacturing facility. In addition, restructuring costs in the first half of \$10.0 million were incurred to streamline the division and align with current market conditions.

(iv) Loss on disposal of East Coast Bricks

During 2015, the Group received clearance by the Australian Competition and Consumer Commission for the East Coast Bricks business to enter into a joint venture with CSR Limited. On disposal of its interest, Boral deconsolidated its existing East Coast Bricks business and recognised an equity accounted investment in respect of its 40% shareholding in the Boral CSR Bricks Joint Venture. This resulted in a net loss of \$1.7 million.

(v) Boral CSR Bricks Joint Venture restructure

Following formation of the Boral CSR Bricks Joint Venture, the joint venture incurred restructuring and stamp duty costs of \$6.4 million (Boral's share) in order to realise overhead savings from consolidation of management structures and efficiency gains in sales and administration functions.

(vi) Other

Other items include the gain on disposal of the Oklahoma Quarries business of \$1.7 million, and a loss of \$3.2 million as a result of finalisation of completion adjustments associated with the disposal of the Gypsum shareholding.

	2016 \$m	2015 \$m
Asset impairment		
Property, plant and equipment	–	(74.2)
Receivables	(50.5)	–
Inventory	–	(9.2)
	(50.5)	(83.4)

	2016 \$m	2015 \$m
Summary of significant items before interest and tax by segment		
Construction Materials & Cement	–	84.1
Building Products	–	(79.0)
Boral USA	–	1.7
Discontinued operations	4.0	(4.9)
Unallocated	(50.5)	–
	(46.5)	1.9

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.7 Notes to Statement of Cash Flows

	2016 \$m	2015 \$m
(i) Reconciliation of cash and cash equivalents:		
Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts. Cash as at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash at bank and on hand	124.1	87.9
Bank short-term deposits	328.0	417.9
	452.1	505.8
The bank short-term deposits mature within 90 days and pay interest at a weighted average interest rate of 2.27% (2015: 2.28%).		
(ii) Reconciliation of net profit to net cash provided by operating activities:		
Net profit	256.0	257.0
Adjustments for non-cash items:		
Depreciation and amortisation	246.6	248.8
Discount unwinding	2.7	–
Gain on sale of assets and businesses	(27.3)	(156.8)
Impairment of assets, businesses and restructure costs	50.5	106.7
Share-based payment expense	14.7	10.6
Unrealised foreign exchange gains	–	(6.3)
Non-cash equity income	(15.2)	(27.5)
Net cash provided by operating activities before change in assets and liabilities	528.0	432.5
Changes in assets and liabilities net of effects from acquisitions/disposals		
Receivables	50.1	81.3
Inventories	(6.4)	(16.5)
Payables	(23.1)	(15.9)
Provisions	(18.0)	(53.8)
Current and deferred taxes	(37.2)	(7.5)
Other	(15.9)	(1.8)
Net cash provided by operating activities	477.5	418.3

Section 3: Operating assets and liabilities

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

3.1 Receivables

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

	2016 \$m	2015 \$m
Current		
Trade receivables	589.1	603.3
Associated entities	0.1	0.4
	589.2	603.7
Less: Allowance for impairment	(12.4)	(13.8)
	576.8	589.9
Other receivables	47.2	70.0
Less: Allowance for impairment	(0.1)	(0.1)
	47.1	69.9
	623.9	659.8

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 \$46.7 million (2015: \$50.5 million), which are past due but not impaired. These relate to a number of debtors with no significant change in credit quality or history of default. The ageing analysis is as follows:

Trade receivables – past due 0 – 60 days	44.8	46.9
Trade receivables – past due > 60 days	1.9	3.6

Total bad and doubtful debts expense for the period amounts to \$1.1 million (2015: \$2.4 million).

Significant accounting judgements, estimates and assumptions

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

Non-current

Loans to associated entities	14.6	21.0
Other receivables*	1.4	54.4
	16.0	75.4

* Decrease primarily due to impairment of the USG Boral earnout receivable. Refer to note 2.6 for further information.

No amounts owing by associates or included in other receivables were past due as at 30 June 2016.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.2 Inventories

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

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

	2016 \$m	2015 \$m
Current		
Raw materials and consumable stores	158.4	145.7
Work in progress	50.1	53.9
Finished goods	335.7	330.9
Land development projects	12.7	7.3
	556.9	537.8
Non-current		
Land development projects	12.6	21.6
Land development projects comprises:		
Cost of acquisition	3.6	6.2
Development costs capitalised	21.7	22.7
	25.3	28.9

3.3 Property, plant and equipment

Owned assets

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

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

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

Depreciation

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

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

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

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

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

	2016	2015
Buildings	1 – 10%	1 – 10%
Mineral reserves and licences	1 – 5%	1 – 5%
Plant and equipment	5 – 33.3%	5 – 33.3%

Significant accounting judgements, estimates and assumptions

Estimation of useful lives of assets has been based on historical experience. In addition, the condition of assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Section 3: Operating assets and liabilities (continued)

3.3 Property, plant and equipment (continued)

Reconciliation of movements in property, plant and equipment

	Land and buildings		Mineral reserves, licences and quarry stripping		Plant and equipment		Total	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Balance at the beginning of the year	893.3	916.7	163.2	161.6	1,391.9	1,483.6	2,448.4	2,561.9
Additions	0.4	0.3	7.4	28.0	312.5	215.3	320.3	243.6
Disposals	(14.1)	(18.9)	–	–	(14.5)	(7.3)	(28.6)	(26.2)
Disposals of entities or operations	–	(55.4)	–	(9.1)	–	(43.0)	–	(107.5)
Transferred (to)/from other property, plant and equipment	24.8	37.0	14.9	–	(39.7)	(37.0)	–	–
Impairment disclosed as significant items	–	(15.2)	–	(1.6)	–	(57.4)	–	(74.2)
Transfer (to)/from other assets or liabilities	–	(1.7)	6.8	(0.3)	(2.7)	(1.3)	4.1	(3.3)
Depreciation or amortisation expense	(17.0)	(15.9)	(20.4)	(20.3)	(206.0)	(209.9)	(243.4)	(246.1)
Net foreign currency exchange differences	8.0	46.4	0.7	4.9	8.2	48.9	16.9	100.2
Balance at the end of the year	895.4	893.3	172.6	163.2	1,449.7	1,391.9	2,517.7	2,448.4
At cost	1,086.6	1,076.4	310.8	284.7	4,179.1	4,039.4	5,576.5	5,400.5
Less: Accumulated depreciation, amortisation and impairment	(191.2)	(183.1)	(138.2)	(121.5)	(2,729.4)	(2,647.5)	(3,058.8)	(2,952.1)
Balance at the end of the year	895.4	893.3	172.6	163.2	1,449.7	1,391.9	2,517.7	2,448.4

Operating leases

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

Total operating lease rental charges for the year is \$73.9 million (2015: \$75.5 million).

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.4 Intangible assets

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment.

Other intangible assets

Other intangible assets, comprising brand names, technology, software development and government grant of carbon credits, are acquired individually or through business combinations and are stated at cost less accumulated amortisation and impairment losses.

Amortisation

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

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

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

Significant accounting judgements, estimates and assumptions

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

	2016 \$m	2015 \$m
Goodwill	213.1	208.6
Other intangible assets	44.0	38.3
Less: Accumulated amortisation	(22.4)	(19.8)
	21.6	18.5
Total	234.7	227.1
Reconciliation of movements in goodwill		
Balance at the beginning of the year	208.6	183.1
Net foreign currency exchange differences	4.5	25.5
Balance at the end of the year	213.1	208.6

Reconciliation of movements in other intangible assets

Balance at the beginning of the year	18.5	13.0
Additions	3.5	6.3
Australian carbon credit units	(0.4)	(0.7)
Amortisation expense	(3.2)	(2.7)
Transfer from other assets	2.7	–
Net foreign currency exchange differences	0.5	2.6
Balance at the end of the year	21.6	18.5

Section 3: Operating assets and liabilities (continued)

3.5 Carrying value assessment

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

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

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

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

Significant accounting judgements, estimates and assumptions

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

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

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

Impairment testing for cash generating units containing goodwill

For the purposes of impairment testing, goodwill is allocated to the Group's operating divisions according to business types and geographical span of operations. The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	2016 \$m	2015 \$m
US Bricks	109.0	105.6
Other*	104.1	103.0
	213.1	208.6

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.5 Carrying value assessment (continued)

US Bricks

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%. 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%.

Key assumptions relate to the number of housing starts, market share and the average selling price of bricks through the forecast period for the bricks business in the USA.

These assumptions have been determined with reference to current and historical 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 2016. A key assumption used in determining the recoverable amount is a continued recovery in US housing starts towards levels historically seen in previous market cycles. In the event that housing starts do not recover to these anticipated levels, the carrying value of the CGU may exceed its recoverable amount.

Impairment testing for other cash generating units

The recoverable amount of other CGUs has been reviewed and exceed their carrying values as at 30 June 2016. No reasonable changes in the key assumptions on which the estimates have been based for these businesses would cause the carrying amount to exceed the recoverable amount, nor have similar key assumptions been used in determining the recoverable amount.

Section 3: Operating assets and liabilities (continued)

3.6 Provisions

A provision is recognised in the Balance Sheet when:

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

Provision	Description	Significant accounting judgements, estimates and assumptions
Rationalisation and restructuring	Provisions for rationalisation and restructuring are recognised when the Group has a detailed formal plan identifying the business or part of the business concerned, the location and approximate number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the restructuring has either commenced or been publicly announced. Costs related to ongoing activities are not provided for.	Future costs associated with the restructuring and the expected time period.
Claims	Provisions are raised for liabilities arising from the ordinary course of business, in relation to claims against the Group, including insurance, legal and other claims. Where recoveries are expected in respect of such claims, these are included in other receivables.	Likelihood of settling customer and insurance claims.
Restoration and environmental rehabilitation	<p>The restoration and environmental rehabilitation provision comprise mainly:</p> <ul style="list-style-type: none"> • make-good provisions included in lease agreements for which the Group has a legal or constructive obligation; • restoration and decommissioning costs associated with environmental risks. <p>At a number of sites, there are areas of restoration and environmental rehabilitation required of areas from which natural resources are extracted. The provision includes costs associated with the clean-up of sites the Group owns, or contamination that the Group caused, to enable ongoing use of the land as an industrial property or development to a higher value end use, and costs associated with the decommissioning, removal or repair of sites.</p>	Future costs associated with dismantling and removing assets and restoring sites to their original condition, requiring assumptions on closure dates, application of environmental legislation, available technologies, regulatory requirements, expected future use of the site and consultant cost estimates.
Other	<p>Other primarily includes provision for onerous contracts.</p> <p>A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured as the lower of the cost of fulfilling the contract and any compensation or penalties arising from the failure to fulfil it and is recognised only in respect of the onerous element of the contract.</p>	Profitability assessment of contracts.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.6 Provisions (continued)

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

	Rationalisation and restructuring	Claims	Restoration and environmental rehabilitation	Other	Total
As at 30 June 2015	\$m	\$m	\$m	\$m	\$m
Reconciliations					
Balance at the beginning of the year	23.8	11.5	88.3	48.8	172.4
Provisions made during the year	13.2	1.4	3.8	10.4	28.8
Unwind of discount	–	–	1.9	1.2	3.1
Decrease through disposal of entity	–	(0.3)	(9.9)	(0.3)	(10.5)
Payments made during the year	(27.1)	(1.4)	(16.0)	(17.0)	(61.5)
Transferred to investments accounted for using the equity method	–	–	–	(2.4)	(2.4)
Net foreign currency exchange differences	1.3	0.7	0.2	0.1	2.3
Balance at the end of the year	11.2	11.9	68.3	40.8	132.2
Current	11.2	10.7	21.5	20.0	63.4
Non-current	–	1.2	46.8	20.8	68.8
Total	11.2	11.9	68.3	40.8	132.2

Section 4: Capital and financial structure

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

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

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

4.1 Loans and borrowings

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

	2016 \$m	2015 \$m
Current		
Other loans – unsecured	351.1	0.4
Finance lease liabilities	1.3	1.4
	352.4	1.8
Non-current		
Other loans – unsecured	990.0	1,317.1
Finance lease liabilities	2.8	3.7
	992.8	1,320.8
Total	1,345.2	1,322.6

TERM AND DEBT REPAYMENT SCHEDULE

Terms and conditions of outstanding loans were as follows:

	Currency	Effective interest rate 2016	Calendar year of maturity	30 June 2016		30 June 2015	
				Carrying amount \$m	Fair value \$m	Carrying amount \$m	Fair value \$m
Current							
US senior notes – unsecured	USD	5.85%	2017	351.0	355.2	–	–
Other loans – unsecured	Multi	5.00%	2016 – 2017	0.1	0.1	0.4	0.4
Finance lease liabilities	AUD	6.01%	2016 – 2017	1.3	1.3	1.4	1.4
				352.4	356.6	1.8	1.8
Non-current							
US senior notes – unsecured	USD	6.11%	2018 – 2030	784.6	810.9	1,104.9	1,152.8
CHF notes – unsecured	CHF	2.25%	2020	205.4	220.8	208.9	222.3
Other loans – unsecured	Multi	–	–	–	–	3.3	3.3
Finance lease liabilities	AUD	5.90%	2017 – 2021	2.8	2.8	3.7	3.7
				992.8	1,034.5	1,320.8	1,382.1
Total				1,345.2	1,391.1	1,322.6	1,383.9

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.1 Loans and borrowings (continued)

US SENIOR NOTES – UNSECURED

Borrower	Notional amount US\$m	Issue date	Interest rate	Maturity date	AUD equivalent \$m
Boral USA	53.5	05/2002	7.11%	05/2017	72.0
Boral USA	30.0	04/2008	7.12%	04/2018	40.4
Boral USA	76.2	04/2008	7.22%	04/2020	102.5
Boral Limited	200.0	05/2005	5.52%	05/2017	279.0
Boral Limited	276.0	04/2008	7.12%	04/2018	371.1
Boral Limited	135.0	05/2015	4.01%	05/2025	183.6
Boral Limited	41.0	05/2015	4.16%	05/2027	55.5
Boral Limited	24.0	03/2015	4.31%	03/2030	31.5
Total	835.7				1,135.6

CHF NOTES – UNSECURED

Borrower	Notional amount CHF \$m	Issue date	Interest rate	Maturity date	AUD equivalent \$m
Boral Limited	150.0	02/2013	2.25%	02/2020	205.4

BANK FACILITIES

Syndicated loan facility

A committed US\$400 million multi-currency syndicated loan facility was established on 1 July 2015 to provide liquidity for general corporate purposes. The maturity date of the facility is 1 July 2020. The facility was undrawn as at 30 June 2016.

Bank overdraft, lease liabilities and other

The Group operates unsecured bank overdraft facility arrangements in Australia and USA that have combined limits of A\$20.0 million (2015: A\$24.7 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 the above named facilities, the Group has complied with the respective borrowing covenants throughout the year ended 30 June 2016.

Section 4: Capital and financial structure (continued)

4.2 Financial risk management

Boral's Treasury function provides funding, risk management and specialist Treasury advice to the Group with the objective of ensuring Boral's strategic and operational objectives are met. The Group's business activities are exposed to a variety of financial risks, including credit, liquidity, foreign currency, interest rate and commodity price risks.

Derivative instruments are used to manage these financial risks. The Group does not use derivative or financial instruments for trading or speculative purposes. The use of financial derivatives is controlled by policies approved by Boral's Board of Directors.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in the Income Statement.

Fair value hedge

Fair value hedges are used to hedge exposure to changes in the fair value of recognised assets, liabilities or firm commitments. Changes in the fair value of derivatives, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are immediately recognised in the Income Statement.

Cash flow hedge

Cash flow hedges are used to hedge risks associated with highly probable forecast transactions. For cash flow hedges, changes in the fair value of the derivative are recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts deferred in equity are transferred to the Income Statement in the periods the hedged item is recognised in profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred to form part of the initial cost and carrying amount of the asset or liability.

If a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is immediately recognised in the Income Statement. If the hedging instrument expires or is sold, terminated, or no longer qualifies for hedge accounting, any gain or loss deferred in equity remains in equity until the forecast transaction occurs.

Hedge of net investment in a foreign operation

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

Derivatives that do not qualify for hedge accounting

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet. Accordingly, derivatives have been disclosed on a gross basis on the Balance Sheet.

CREDIT RISK

Credit risk is the risk of loss if a counterparty fails to fulfil their obligations under a financial instrument contract. The Group is exposed to credit risk arising from financing activities including cash at bank, trade and other receivables and other financial instruments.

Management has a counterparty credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk

Credit risk relating to cash at bank and derivative contracts is minimised by using financial counterparties that have a long-term credit rating 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.

For information on the management of credit risk relating to trade and other receivables, see note 3.1.

No more than 40% of Boral's total credit exposure is to be with any individual eligible counterparty.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

CREDIT RISK (continued)

The following table indicates the Group's maximum credit exposure from non-derivative financial assets.

	Carrying amount 2016 \$m	Carrying amount 2015 \$m
Non-derivative financial assets		
Loans to and receivables from associates	14.7	21.4
Trade and other receivables	625.2	713.8
Cash at bank, on hand and bank short-term deposits	452.1	505.8
Equity securities	15.3	14.1
	1,107.3	1,255.1

The following table indicates the Group's maximum credit exposure for derivative financial assets, the periods in which the cash flows associated with derivative financial assets are expected to occur and the impact on profit or loss:

	Carrying amount \$m	Fair value \$m	Contractual cash flows \$m	6 months or less \$m	6-12 months \$m	1-2 years \$m	2-5 years \$m	More than 5 years \$m
30 June 2016								
Derivative financial assets								
Forward exchange contracts ¹	0.1	0.1	0.1	0.1	-	-	-	-
Interest rate swaps ²	7.7	7.7	7.8	(1.4)	1.3	2.5	5.4	-
Commodity swaps ¹	1.2	1.2	1.2	1.2	(0.1)	0.1	-	-
Cross currency swaps ²	17.7	17.7	17.7	-	17.7	-	-	-
	26.7	26.7	26.8	(0.1)	18.9	2.6	5.4	-
30 June 2015								
Derivative financial assets								
Forward exchange contracts ¹	0.4	0.4	0.4	0.4	-	-	-	-
Interest rate swaps ²	1.5	1.5	1.4	(1.0)	1.4	1.5	(0.5)	-
Commodity swaps ¹	2.7	2.7	2.7	1.3	0.8	0.6	-	-
Cross currency swaps ²	20.6	20.6	21.3	2.6	4.0	14.7	-	-
	25.2	25.2	25.8	3.3	6.2	16.8	(0.5)	-

1. Designated as cash flow hedges.

2. Designated as fair value hedges.

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

LIQUIDITY RISK

Liquidity risk is the risk that the Company has insufficient funds to meet its financial obligations when they fall due. It is also associated with planning for unforeseen events or business disruptions that may cause pressure on liquidity.

The Group manages liquidity risk by ensuring that:

- Boral has a well spread debt maturity profile with a target of > 3.5 years;
- Current debt less cash deposits, is not to exceed 20% of the sum of Total Debt plus Committed Undrawn Facilities > 1 year;
- Committed Undrawn Facilities plus cash is > A\$500 million.

30 June 2016	Carrying amount \$m	Contractual cash flows \$m	6 months or less \$m	6-12 months \$m	1-2 years \$m	2-5 years \$m	More than 5 years \$m
Non-derivative financial liabilities							
US senior notes – unsecured	1,135.6	(1,330.5)	(21.6)	(374.7)	(459.4)	(150.3)	(324.5)
CHF notes – unsecured	205.4	(222.7)	–	(2.9)	(4.6)	(215.2)	–
Other loans – unsecured	0.1	(0.1)	–	(0.1)	–	–	–
Finance lease liabilities	4.1	(4.0)	(0.5)	(0.7)	(1.3)	(1.5)	–
Trade creditors	607.9	(607.9)	(607.9)	–	–	–	–
	1,953.1	(2,165.2)	(630.0)	(378.4)	(465.3)	(367.0)	(324.5)
Derivative financial liabilities							
Forward exchange contracts ¹	0.8	(0.8)	(0.8)	–	–	–	–
Commodity swaps ¹	4.5	(4.5)	(3.8)	(0.7)	–	–	–
Cross currency swaps ^{1,2}	20.8	(22.0)	(3.0)	0.1	(4.4)	(14.7)	–
Cross currency swaps ¹	0.3	(0.3)	(0.2)	(0.1)	–	–	–
	26.4	(27.6)	(7.8)	(0.7)	(4.4)	(14.7)	–
	1,979.5	(2,192.8)	(637.8)	(379.1)	(469.7)	(381.7)	(324.5)

30 June 2015	Carrying amount \$m	Contractual cash flows \$m	6 months or less \$m	6-12 months \$m	1-2 years \$m	2-5 years \$m	More than 5 years \$m
Non-derivative financial liabilities							
US senior notes – unsecured	1,104.9	(1,354.5)	(20.9)	(32.8)	(395.9)	(579.9)	(325.0)
CHF notes – unsecured	208.9	(231.5)	–	(3.0)	(4.7)	(223.8)	–
Other loans – unsecured	3.7	(5.2)	(0.6)	(0.1)	(0.7)	(1.9)	(1.9)
Finance lease liabilities	5.1	(5.6)	(0.8)	(0.8)	(1.7)	(2.3)	–
Trade creditors	641.5	(641.5)	(641.5)	–	–	–	–
	1,964.1	(2,238.3)	(663.8)	(36.7)	(403.0)	(807.9)	(326.9)
Derivative financial liabilities							
Forward exchange contracts ¹	0.3	(0.3)	(0.1)	(0.2)	–	–	–
Commodity swaps ¹	2.7	(2.8)	(1.8)	(0.8)	(0.2)	–	–
Cross currency swaps ^{1,2}	2.8	(2.1)	(2.9)	0.3	(4.0)	4.5	–
Cross currency swaps ¹	0.8	(0.8)	(0.2)	(0.2)	(0.4)	–	–
	6.6	(6.0)	(5.0)	(0.9)	(4.6)	4.5	–
	1,970.7	(2,244.3)	(668.8)	(37.6)	(407.6)	(803.4)	(326.9)

1. Designated as cash flow hedges.

2. Designated as natural investment hedge.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currency as a result of purchase of raw materials, interest expenses related to non Australian dollar borrowings, imported plant and equipment, some export related receivables and the translation of its investments in overseas assets.

The Group manages this risk by adopting the following policies:

- All global operational foreign exchange exposures are regarded as being within discretionary parameters. If hedging is elected then maximum hedging levels of 75% for Year 1 (months 1 to 12) and 50% for Year 2 (months 13 to 24) apply. The maximum hedging term permitted is two years.
- Capital expenditure related foreign currency exposures > A\$0.5 million must be 100% hedged at the time of Capex approval.
- Net investments, including net intercompany loans, in overseas domiciled investments are hedged, where regulatory conditions and available hedge instruments permit.

The Group uses forward exchange contracts to hedge foreign exchange risk. Most of the forward exchange contracts have maturities of less than one year. Where necessary and in accordance with policy compliance, forward exchange contracts can be rolled over at maturity.

(i) Translation risk

Foreign currency translation risk is the risk that upon consolidation for financial reporting the value of the Group's investment in foreign domiciled entities will fluctuate due to changes in foreign currency rates.

The Group uses foreign currency denominated borrowings and cross currency swaps to hedge the Group's net investment in overseas domiciled assets. The related exchange gains/losses on foreign currency movements are taken to the Foreign Currency Translation Reserve.

The table below shows the Group's net exposure to translation risk. The Group's investment in foreign operations is partially offset against foreign currency borrowings, reducing the Group's overall exposure to translation risk. Amounts below are calculated based on notional amounts:

	USD	Euro	GBP	Multi*
	Notional A\$ equivalent (\$m) ¹			
Currency				
30 June 2016				
Balance sheet				
Net investment in overseas domiciled entities	940.3	1.7	(2.0)	642.0
Cash	10.0	-	-	-
Foreign currency borrowings	(1,147.8)	-	-	-
Cross currency swaps	278.9	-	-	-
	81.4	1.7	(2.0)	642.0

	USD	Euro	GBP	Multi*
	Notional A\$ equivalent (\$m) ¹			
Currency				
30 June 2015				
Balance sheet				
Net investment in overseas domiciled entities	874.3	1.7	(2.2)	646.5
Cash	8.9	-	-	-
Foreign currency borrowings	(1,123.4)	-	-	-
Cross currency swaps	281.7	-	-	-
	41.5	1.7	(2.2)	646.5

* Exposure relates to investment in USG Boral Building Products Pte Ltd, which is denominated in multiple Asian currencies.

1. The notional amount shows the principal face value for each instrument.

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

FOREIGN CURRENCY RISK (continued)

(ii) Transaction risk

Foreign currency transaction risk is the risk that the value of financial commitments, recognised monetary assets or liabilities or cash flows will fluctuate due to changes in foreign currency rates.

The Group's foreign currency transaction risk is managed through the use of forward exchange contract derivatives. A forward exchange contract is an agreement between two parties to exchange two currencies at a given exchange rate at some point in the future with the aim of mitigating foreign currency transaction risk.

Based on notional amounts, the forward exchange contracts taken out to hedge foreign exchange transactional risk at balance date were as follows:

	Notional amount AUD ¹		Average exchange rate	
	2016 \$m	2015 \$m	2016	2015
US dollars				
Buy USD/sell AUD – One year or less	38.7	51.1	0.7280	0.7666
Euros				
Buy EUR/sell AUD – One year or less	11.9	25.1	0.6620	0.6731
Buy EUR/sell AUD – One to two years	–	3.5	–	0.6588
NZD				
Buy NZD/sell AUD – One year or less	–	7.7	–	1.1225
CNY				
Buy CNY/sell AUD – One year or less	–	3.8	–	4.7905

1. The notional amount shows the principal face value for each instrument.

The forward exchange contracts are considered to be highly effective hedges as they are matched against underlying foreign currency cash flows such as future interest payments, purchases and sales. There was no significant cash flow hedge ineffectiveness in the current or prior year.

As at balance date, most of the Group's US senior notes interest payables were hedged using forward exchange contracts. The unhedged foreign currency payables and receivables were Nil at 30 June 2016 (2015: A\$1.0 million). The related exchange gains/losses on foreign currency movements are taken to the Income Statement.

Sensitivity

At 30 June 2016, 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\$0.3 million (2015: equivalent A\$0.4 million) and equity would have increased/decreased respectively by around equivalent A\$10.6 million (2015: equivalent A\$8.0 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
USD	0.7270	0.8287	0.7432	0.7673
Euro	0.6572	0.6958	0.6692	0.6872
GBP	0.4948	0.5263	0.5532	0.4887
NZD	1.0868	1.0803	1.0479	1.1284

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

INTEREST RATE RISK

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates. Borrowings issued at or swapped to floating rates expose the Group to interest rate risk.

Interest rate swaps and cross currency swaps have been transacted to assist with achieving an appropriate mix of fixed and floating interest rate borrowings. All interest rate derivative instruments mature progressively over the next six years, with the duration applicable to the interest rate and cross currency swaps consistent with maturities applicable to the underlying borrowings.

The Group adopts a policy that ensures a minimum of 35% and a maximum of 75% of its borrowings are fixed interest rate borrowings. The use of interest rate derivative instruments provides the Group with the flexibility to raise term borrowings at fixed or variable interest rates where subsequently these borrowings can be converted to either variable or fixed rates of interest.

At the reporting date, all term funding for the Group was sourced from fixed rate instruments, which required pay floating swaps in order to meet the target range of fixed interest borrowings of between 35% and 75% of borrowings.

Borrowings are held at amortised cost, meaning that the borrowing's effective rate of interest is charged as a finance cost to the Income Statement (not the interest paid in cash) and changes in market rates of interest are ignored. Whilst generally close, the carrying value at amortised cost may be different to the principal face value.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2016 Carrying amount \$m	2016 Notional amount ⁴ \$m	2015 Carrying amount \$m	2015 Notional amount ⁴ \$m
Fixed rate instruments				
US senior notes – unsecured ^{1,2}	1,135.6	1,124.5	1,104.9	1,089.1
CHF notes – unsecured ³	205.4	206.0	208.9	209.7
Other loans – unsecured	0.1	0.1	3.7	3.7
Finance lease liabilities	4.1	4.1	5.1	5.1
	1,345.2	1,334.7	1,322.6	1,307.6
Pay variable interest rate derivatives				
Interest rate swap pay floating US\$ LIBOR ²	(7.7)	228.5	(1.5)	222.8
Cross currency swap pay floating A\$ BBSW ¹	(17.4)	278.9	(19.8)	281.7
	(25.1)	507.4	(21.3)	504.5
Other interest rate derivatives				
Cross currency swap pay fixed US\$ / receive fixed CHF ³	20.9	205.4	2.8	208.9
	20.9	205.4	2.8	208.9

1. US\$200 million (equivalent A\$278.9 million) fixed rate senior notes due May 2017 have been swapped to AUD floating rates via cross currency swaps.

2. US\$169.8 million (equivalent A\$228.5 million) fixed rate senior notes due February 2020 have been swapped to USD floating rate via interest rate swaps.

3. CHF150 million (equivalent A\$205.4 million) fixed rate notes due February 2020 have been swapped to USD fixed rate via cross currency swaps.

4. The notional amount shows the principal face value for each instrument.

Sensitivity

At 30 June 2016, 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\$0.3 million higher/lower (2015: A\$0.4 million) and the change in equity would have been A\$0.5 million (2015: A\$0.3 million) mainly as a result of a higher/lower interest cost applying to interest rate derivatives.

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

COMMODITY PRICE RISK

Commodity price risk is the risk that the Group is exposed to fluctuations in commodity prices from the purchase of diesel, natural gas, electricity and coal purchases under variable price contract arrangements. The Group uses commodity swaps to hedge these exposures.

The Group's policy is to hedge a minimum of 50% of purchases of diesel for the Australian business, for a period of six months. Other global commodity exposures may be hedged at the discretion of the Group. The maximum hedging levels are:

- 75% for Year 1 (months 1 to 12); and
- 50% for Year 2 (months 13 to 24).

The maximum permitted term for a hedge transaction is two years.

Commodities hedging activities

The notional and fair value of commodity derivative instruments at year end is as follows:

	2016 Notional A\$ equivalent ¹ \$m	2016 Fair value/ Carrying amount \$m	2015 Notional A\$ equivalent ¹ \$m	2015 Fair value/ Carrying amount \$m
Singapore gasoil 0.05%	30.8	(4.3)	45.8	1.0
Natural gas (NYMEX)	7.1	(0.2)	10.7	1.7
Newcastle Coal	–	–	5.9	(2.7)
Electricity	11.8	1.2	–	–

1. The notional amount shows the principal face value for each instrument.

The commodity swaps are considered to be highly effective hedges as they are matched against forward commodity purchases. The ineffective portion of the hedges transferred to the Income Statement was a \$0.3 million loss in 2016 (2015: Nil).

Sensitivity

At 30 June 2016, 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 (2015: unchanged) and the change in equity would have been A\$4.4 million (2015: A\$6.2 million).

FAIR VALUE

The fair value of all financial instruments approximates its carrying value. The following describes the methodology adopted to derive fair values:

Financial instrument	Valuation method	Carried at fair value?
Commodity swaps and options	The fair value is based on a valuation calculation using closing commodity market prices.	Yes
Forward exchange contracts and cross currency swaps	The fair value is based on a valuation calculation using market derived spot and forward rates applicable to the respective currency.	Yes
Interest rate swaps	The fair value is calculated from the present value of expected future cash flows for each instrument. The expected future cash flows are derived from yield curves constructed from market sources reflecting their term to maturity.	Yes
Cash, deposits, loans and receivables, payables and short-term borrowings	The carrying value approximates fair value due to the short-term nature of these assets and liabilities.	No
Long-term borrowings	Loans and borrowings are recognised initially at fair value less attributable transaction costs. Fair value on inception reflects the present value of expected cash flows using interest rates derived from market sources reflecting their term to maturity. Subsequently, loans and borrowings are stated at amortised cost, with any difference between amortised cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest rate basis.	No
Equity securities	The fair value represents the market value of the underlying securities.	Yes

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.2 Financial risk management (continued)

INTEREST RATES USED FOR DETERMINING FAIR VALUE

Where appropriate, the Group uses BBSW, LIBOR and Treasury Bond yield curves as of 30 June 2016 plus an adequate credit spread to discount financial instruments. The interest rates used are as follows:

	2016 % pa	2015 % pa
Derivatives	2.30 – 3.00	2.40 – 4.00
Interest bearing loans and borrowings	2.25 – 7.12	2.25 – 8.94
Finance leases	5.64 – 6.09	5.64 – 8.49

THE FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at Level 1 and Level 2 fair value:

	Level 1		Level 2	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Assets				
Equity securities	15.3	14.1	–	–
Derivative financial assets	–	–	26.7	25.2
Total assets	15.3	14.1	26.7	25.2
Liabilities				
Derivative financial liabilities	–	–	26.4	6.6
Total liabilities	–	–	26.4	6.6

The Group does not have financial instruments that have been valued at Level 3.

Section 4: Capital and financial structure (continued)

4.3 Issued capital

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares or the exercise of options are recognised as a deduction from equity, net of any related income tax effects.

Where the Group purchases the Company's own equity instruments, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. The amount of the consideration paid, including directly attributable costs, is recognised as a deduction from contributed equity, net of any related income tax effects.

During the year, the Company completed the buy-back of 20,641,950 shares, at an average price of \$5.59. This is part of the Company's on-market share buy-back program which commenced on 18 March 2015 and completed on 22 September 2015. The total consideration for shares bought back on market during the buy-back period is \$231.4 million, at an average price of \$5.91. The consideration paid was allocated to share capital.

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

	2016 \$m	2015 \$m
Issued and paid up capital		
743,599,437 (2015: 764,241,387) ordinary shares, fully paid	2,246.2	2,361.6
Movements in ordinary issued capital		
Balance at the beginning of the year	2,361.6	2,477.6
20,641,950 (2015: 18,494,862) on-market share buy-back	(115.4)	(116.0)
Balance at the end of the year	2,246.2	2,361.6

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.4 Reserves

Foreign currency translation reserve (FCTR)

Exchange differences arising on translation of foreign operations are recognised in FCTR, together with foreign exchange differences from the translation of liabilities that hedge the Group's net investment in a foreign operation. Gains or losses accumulated in equity are recognised in the Income Statement when a foreign operation is disposed of.

	2016 \$m	2015 \$m
Balance at the beginning of the year	97.4	(50.0)
Net gain on translation of assets and liabilities of overseas entities	20.4	259.5
Net loss on translation of long-term borrowings and foreign currency forward contracts net of tax benefit \$8.1 million (2015: \$47.7 million)	(19.3)	(112.1)
Balance at the end of the year	98.5	97.4

Hedging reserve

The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

Balance at the beginning of the year	1.5	(4.6)
Transferred to the Income Statement	0.2	1.1
Transferred to initial carrying amount of hedged item	0.2	(0.3)
Gain/(loss) taken directly to equity	(8.1)	7.9
Tax (expense)/benefit	2.3	(2.6)
Balance at the end of the year	(3.9)	1.5

Other reserve

The other reserve relates to prior year acquisitions.

Balance at the beginning of the year	(6.9)	(6.9)
Balance at the end of the year	(6.9)	(6.9)

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and rights recognised as an expense.

Balance at the beginning of the year	74.2	63.6
Option/rights expense	14.7	10.6
Share acquisition rights vested	(14.6)	–
Balance at the end of the year	74.3	74.2

Total reserves	162.0	166.2
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Section 5: Taxation

This section provides the information that is most relevant to understanding the taxation treatment by the Group during the financial year.

Boral Limited and its wholly owned Australian controlled entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Boral Limited.

5.1 Income tax expense

Income tax expense includes current and deferred tax. Current and deferred tax are recognised in the Income Statement except to the extent that they relate to items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Significant accounting judgements, estimates and assumptions

The Group is subject to income taxes in Australia and other jurisdictions in which Boral operates. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Changes in circumstances will alter expectations, which may impact the amount recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 5: Taxation (continued)

5.1 Income tax expense (continued)

For the year ended 30 June	Note	2016 \$m	2015 \$m
(i) Income tax expense			
Current income tax expense		15.5	55.4
Deferred income tax expense/(benefit)		19.4	(13.7)
Over provision for tax in previous years		(2.7)	(3.8)
Income tax expense attributable to profit		32.2	37.9
(ii) Reconciliation of income tax expense to prima facie tax			
Income tax expense on profit:			
– at Australian tax rate 30% (2015: 30%)		86.5	88.5
– adjustment for difference between Australian and overseas tax rates		4.3	(0.4)
Income tax expense on pre-tax profit at standard rates		90.8	88.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Tax losses not recognised		–	0.5
Non-deductible depreciation and amortisation		(0.4)	0.9
Capital losses from prior year's brought to account		(2.5)	(27.0)
Share of associates' net profit (excluding significant items)		(27.3)	(20.7)
Tax benefit arising from share acquisition rights vested		(4.4)	–
Finalisation of tax matters	2.6	(28.9)	–
Non deductible significant items and other items		7.6	(0.1)
Income tax expense on profit		34.9	41.7
Over provision for tax in previous years		(2.7)	(3.8)
Income tax expense attributable to profit		32.2	37.9
Income tax expense/(benefit) from continuing operations			
Income tax expense excluding significant items		66.7	39.7
Income tax expense/(benefit) relating to significant items	2.6	(34.5)	5.4
		32.2	45.1
Income tax expense/(benefit) from discontinued operations			
Income tax expense excluding significant items		–	4.1
Income tax benefit relating to significant items	2.6	–	(11.3)
	6.1	–	(7.2)
		32.2	37.9
(iii) Tax amounts recognised directly in equity			
The following deferred tax amounts were charged/(credited) directly to equity during the year in respect of:			
Net exchange differences taken to equity		(8.1)	(47.7)
Fair value adjustment on cash flow hedges		(2.3)	2.6
Recognised in comprehensive income		(10.4)	(45.1)

Section 5: Taxation (continued)

5.2 Deferred tax assets and liabilities

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes.

The measurement of deferred tax mirrors the tax consequences that the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced if it is no longer probable that the related tax benefit will be realised.

Significant accounting judgements, estimates and assumptions

The assumptions regarding future realisation, and the recognition of deferred tax assets, may change due to future operating performance and other factors.

	2016 \$m	2015 \$m
Recognised deferred tax balances		
Deferred tax asset	237.4	243.6
Unrecognised deferred tax assets		
The potential deferred tax asset has not been taken into account in respect of tax losses where recovery is not probable	134.7	133.9

The gross amount of capital and revenue tax losses carried forward that have not been recognised and the range of expiry dates for recovery by tax jurisdiction are as follows:

Tax jurisdiction	Expiry date	2016 \$m	2015 \$m
Germany	No restriction	46.2	45.0
United Kingdom*	No restriction	42.0	47.6
United States of America	30 June 2029 – 30 June 2034	295.6	291.6

* Unbooked capital losses.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 5: Taxation (continued)

5.2 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

As at 30 June 2016	Balance at the beginning of the year \$m	Recognised in income \$m	Recognised in equity \$m	Other movements \$m	Balance at the end of the year \$m
Receivables	3.5	(0.2)	–	–	3.3
Inventories	(5.5)	2.0	–	–	(3.5)
Property, plant and equipment	(68.3)	(9.6)	–	(2.0)	(79.9)
Intangible assets	(35.4)	(0.7)	–	(1.5)	(37.6)
Payables	2.9	(0.3)	–	–	2.6
Loans and borrowings	(4.1)	(3.7)	2.3	–	(5.5)
Provisions	92.3	(1.2)	–	(2.8)	88.3
Other	(13.4)	8.6	–	0.3	(4.5)
Unrealised foreign exchange	7.2	(3.7)	8.1	–	11.6
Tax losses carried forward	264.4	(10.6)	–	8.8	262.6
	243.6	(19.4)	10.4	2.8	237.4

As at 30 June 2015	Balance at the beginning of the year \$m	Recognised in income \$m	Recognised in equity \$m	Other movements \$m	Balance at the end of the year \$m
Receivables	3.0	0.3	–	0.2	3.5
Inventories	(6.2)	0.7	–	–	(5.5)
Property, plant and equipment	(79.1)	22.0	–	(11.2)	(68.3)
Intangible assets	(27.9)	(0.5)	–	(7.0)	(35.4)
Payables	6.4	(3.5)	–	–	2.9
Loans and borrowings	(2.7)	1.2	(2.6)	–	(4.1)
Provisions	96.6	(3.8)	–	(0.5)	92.3
Other	(22.4)	8.7	–	0.3	(13.4)
Unrealised foreign exchange	(31.5)	(9.0)	47.7	–	7.2
Tax losses carried forward	217.9	(2.4)	–	48.9	264.4
	154.1	13.7	45.1	30.7	243.6

Section 6: Group structure

This section explains significant aspects of Boral's group structure, including equity accounted investments that the Group has interest in, its controlled entities and how changes have affected the Group structure. When applicable, it also provides information on business acquisitions and disposals made during the financial year.

6.1 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. An operation would be classified as held for sale if the carrying value of the assets of the operation will be principally recovered through a sale transaction rather than continuing use. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as discontinued, the comparative Income Statement is restated as if the operation had been discontinued from the start of the comparative period.

There were no discontinued operations as at 30 June 2016.

Prior year comparatives include the discontinued operations relating to the former East Coast bricks business, which was disposed of during the financial year ended 30 June 2015.

In addition, there were various significant items in relation to discontinued operations. Refer to note 2.6 for further information.

	Note	2016 \$m	2015 \$m
Results of discontinued operations			
Revenue		–	117.1
Expenses		–	(105.8)
Trading profit before significant items, net financing costs and income tax		–	11.3
Net profit/(loss) on sale of discontinued operations	2.6	4.0	(4.9)
Profit before net financing costs and income tax		4.0	6.4
Net financing costs		–	–
Profit before income tax		4.0	6.4
Income tax benefit	5.1	–	7.2
Net profit		4.0	13.6
Attributable to:			
Members of the parent entity		4.0	13.6
Non-controlling interest		–	–
Net profit		4.0	13.6
Cash flows from discontinued operations			
Net cash from operating activities		–	10.4
Net cash used in investing activities		–	(3.3)
Net cash from discontinued operations		–	7.1

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.1 Discontinued operations (continued)

Effect of disposal on the financial position of the Group

(i) Disposal of discontinued businesses

No businesses classified as discontinued operations were disposed in the financial year ended 30 June 2016.

Prior year comparatives include the disposal entries relating to the former East Coast bricks business.

	2016 \$m	2015 \$m
Fair value of interest in new Joint Venture	-	100.8
Less: Transaction costs	-	(2.2)
Total consideration	-	98.6
Receivables	-	(20.4)
Inventories	-	(30.3)
Property, plant and equipment	-	(65.6)
Other assets	-	(0.3)
Payables	-	11.3
Provisions	-	5.0
Net assets disposed	-	(100.3)
Loss on disposal of discontinued operations before income tax	-	(1.7)
Cash consideration	-	-
Less: Transaction costs	-	(2.2)
Cash consideration net of transaction costs	-	(2.2)

(ii) Disposal of other businesses

In the prior year, the Western Landfill and Oklahoma Quarries businesses were disposed. These disposals were not recorded as a discontinued operation as they were not a separate major line of business of the Group.

(iii) Summary of cash consideration (after transaction costs)

	2016 \$m	2015 \$m
Boral Limited and CSR Limited Joint Venture	-	(2.2)
Western Landfill	-	139.0
Oklahoma Quarries	-	12.4
Total	-	149.2

Section 6: Group structure (continued)

6.2 Equity accounted investments

The Group's investment in its equity accounted investments is initially recorded at cost and subsequently accounted for using the equity method. The carrying amount of the investment is adjusted to recognise changes in the Group's interest in the net assets of the investees. Dividends received from the investees are recognised as a reduction in the carrying amount of the investment. Goodwill relating to the investees is included in the carrying amount of the investment and is not tested for impairment individually.

The Group's share of the results of the investees is reported in the Income Statement and its share of movements in other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses from an equity accounted investment exceed the Group's investment, the losses are initially taken against any long-term receivables relating to the equity accounted investment. If the Group's obligation for losses exceeds this amount, they are recorded as a provision in the Group's financial statements to the extent that the Group has an obligation to fund the liability.

Name	Principal activity	Country of incorporation	Balance date	OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
				2016 %	2015 %	2016 \$m	2015 \$m
Details of equity accounted investments							
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	30-Jun	50	50	1.6	0.2
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	50	50	–	–
Boral CSR Bricks Pty Limited*	Bricks	Australia	31-Mar	40	40	88.9	83.9
Flyash Australia Pty Ltd	Fly ash collection	Australia	31-Dec	50	50	2.6	2.1
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	50	50	–	–
Penrith Lakes Development Corporation Ltd	Property development	Australia	30-Jun	40	40	–	–
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	9.7	10.6
USG Boral Building Products	Plasterboard	Australia/Singapore	30-Jun	50	50	951.1	950.5
US Tile LLC	Roof tiles	USA	31-Dec	50	50	–	–
TOTAL						1,054.6	1,048.1

* The Group has a 40% interest in the Boral CSR Bricks Pty Limited joint venture. The results were equity accounted from 1 May 2015 when the joint venture was formed.

	Note	2016 \$m	2015 \$m
Movements in carrying value of equity accounted investments			
Balance at the beginning of the year		1,048.1	851.8
Acquired during the year		–	88.9
Share of equity accounted income		91.1	75.1
Impairment and restructure costs disclosed as significant item	2.6	–	(6.4)
Dividends received		(75.9)	(41.2)
Results recognised against losses previously taken to non-current receivables/provisions		(2.5)	(11.4)
Share of movement in currency reserve		(26.4)	(29.9)
Net foreign currency exchange differences		21.9	121.2
Other		(1.7)	–
Balance at the end of the year		1,054.6	1,048.1

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.2 Equity accounted investments (continued)

	Note	USG Boral Building Products ¹		Total	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Summarised Income Statement at 100%					
Revenue		1,397.1	1,268.0	1,970.7	1,641.3
Profit before income tax		174.8	140.7	277.3	194.5
Income tax expense		(49.6)	(36.0)	(80.9)	(46.5)
Non-controlling interest		(7.1)	(7.3)	(7.1)	(7.3)
Net profit before significant items		118.1	97.4	189.3	140.7
Restructure costs disclosed as significant item net of tax		–	–	–	(16.0)
Net profit – equity accounted relating to continuing operations		118.1	97.4	189.3	124.7
The Group's share based on % ownership:					
Net profit before significant items		59.0	48.7	91.1	75.1
Restructure costs disclosed as significant item	2.6	–	–	–	(6.4)
Net profit – equity accounted relating to continuing operations		59.0	48.7	91.1	68.7

	Note	USG Boral Building Products ²		Total	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Summarised Balance Sheet at 100%					
Current assets		534.1	522.9	723.0	708.8
Non-current assets		1,882.4	1,903.8	2,186.0	2,230.2
Total assets		2,416.5	2,426.7	2,909.0	2,939.0
Current liabilities		(246.5)	(300.0)	(333.7)	(393.1)
Non-current liabilities		(113.7)	(101.8)	(267.6)	(283.7)
Total liabilities		(360.2)	(401.8)	(601.3)	(676.8)
Non-controlling interest		(154.0)	(124.0)	(154.0)	(124.0)
Net assets		1,902.3	1,900.9	2,153.7	2,138.2
The Group's share of net assets based on % ownership		951.1	950.5	1,054.6	1,048.1

1. Includes depreciation and amortisation of \$72.2 million (2015: \$59.7 million).

2. Includes:

- cash and cash equivalents of \$173.7 million (2015: \$193.8 million);
- current financial liabilities of \$11.2 million (2015: \$34.0 million);
- non-current financial liabilities of \$56.1 million (2015: \$56.7 million).

Section 6: Group structure (continued)

6.3 Controlled entities

The consolidated financial statements include Boral Limited (parent entity) and the following wholly owned subsidiaries, unless stated otherwise, in the table below.

	Country of incorporation	Beneficial ownership by	
		Group 2016 %	Group 2015 %
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 Lifetile Inc.	USA	100	100
Boral Roofing de Mexico S. de R.L. de C.V.	Mexico	100	100
Boral Concrete Tile Inc.	USA	100	100
Boral Roofing LLC	USA	100	100
Tile Service Company LLC	USA	100	100
E.U.M. Teja de Concreto Servicio Compania S.R.L. de C.V.	Mexico	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 Products LLC	USA	100	100
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
Boral Mecklenburger Ziegel GmbH	Germany	100	100
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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.3 Controlled entities (continued)

	Country of incorporation	Beneficial ownership by	
		Group 2016 %	Group 2015 %
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
Alsafce Premix Concrete Pty Ltd ^{>*}	Australia	100	100
Boral Transport Ltd ^{>*}	Australia	100	100
Boral Corporate Services Pty Ltd	Australia	100	100
Bitupave Ltd ^{>*}	Australia	100	100
Boral Resources (Country) Pty Ltd ^{>*}	Australia	100	100
Bayview Pty Ltd*	Australia	100	100
Dandenong Quarries Pty Ltd*	Australia	100	100
Boral Insurance Pty Ltd	Australia	100	100
Allen Taylor & Company Ltd ^{>*}	Australia	100	100
Oberon Softwood Holdings Pty Ltd ^{>*}	Australia	100	100
Duncan's Holdings Ltd ^{>*}	Australia	100	100
Boral Bricks Pty Ltd ^{>*}	Australia	100	100
Boral Masonry Ltd ^{>*}	Australia	100	100
Boral Hollostone Masonry (South Aust) Pty Ltd ^{>*}	Australia	100	100
Boral Montoro Pty Ltd ^{>*}	Australia	100	100
Boral Timber Fibre Exports Pty Ltd ^{>*}	Australia	100	100
Boral Shared Business Services Pty Ltd ^{>*}	Australia	100	100
Boral Building Products Ltd ^{>*}	Australia	100	100
Boral Bricks Western Australia Pty Ltd ^{>*}	Australia	100	100
Boral IP Holdings (Australia) Pty Ltd	Australia	100	100

> Granted relief by the Australian Securities and Investments Commission from specified accounting requirements in accordance with Class Order (refer to note 8.7).

* Entered into cross guarantee with Boral Limited (refer to note 8.7).

< A Delaware general partnership.

All the shares held by Boral Limited in controlled entities are ordinary shares.

Section 7: Employee benefits

This section provides a breakdown of the various programs Boral uses to reward and recognise employees and key executives, including Key Management Personnel (KMP). Boral believes that these programs reinforce the value of ownership and incentives and drive performance both individually and collectively to deliver better returns to shareholders.

7.1 Employee liabilities

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, is measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave are measured as the present value of estimated future payments for the services provided by employees up to the reporting date. Liabilities which are not expected to be settled within 12 months are discounted at the reporting date using market yields of high quality corporate bonds or government bonds for countries where there is no deep market for corporate bonds. The rates used reflect the terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2016 \$m	2015 \$m
Employee liabilities		
Current	118.8	115.9
Non-current	11.3	11.9
	130.1	127.8

7.2 Employee benefits expense

Employee benefits expense include salaries and wages, defined contribution expenses, share-based payments and other entitlements.

	2016 \$m	2015 \$m
Employee benefits expense *	891.3	946.8

* Total defined contribution expense for the period was \$41.6 million (2015: \$44.5 million).

7.3 Share-based payments

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

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

Significant accounting judgements, estimates and assumptions

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

Share Acquisition Rights (SAR)

During the current year, SARs were issued under the Boral Equity Plan Rules. SARs issued with a TSR hurdle were valued at \$2.95 per right, while SARs with a ROFE target were valued at \$5.18 per right.

The following represents the inputs to the pricing model used in estimating fair value:

	2016	2015
Grant date share price	\$5.76	\$5.45
Risk-free rate	1.78%	2.56%
Dividend yield	3.56%	3.46%
Volatility factor	25%	25%

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 7: Employee benefits (continued)

7.3 Share-based payments (continued)

Share Acquisition Rights (SAR) (continued)

In addition, SARs were issued during the year for:

- Deferred STI – representing the deferral of 20% of short-term incentive payments into equity, subject to a vesting requirement for the employee to remain with the Company for two years following grant date.
- Targeted retention incentive (TRI) – specific to eight key executives, subject to a vesting requirement for the executive to remain with the Company for three years following grant date.

Both rights were valued at \$5.5814 per right, being the volume weighted average price traded on the ASX over the five trading days following the release of the FY2015 full year results.

Further details of the terms and conditions of the issue of rights are contained in the Remuneration Report.

Set out below are summaries of share acquisition rights granted under the plans.

Rights	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Cancelled during the year	Vested and exercised during the year	Balance at end of the year
				Number	Number	Number	Number	Number
Consolidated – 2016								
TSR	3/11/2008	3/11/2015	\$0.00	802,339	–	(802,339)	–	–
TSR	5/11/2009	5/11/2016	\$0.00	1,245,728	–	(21,305)	–	1,224,423
TSR	12/11/2010	12/11/2017	\$0.00	1,734,491	–	(319,148)	–	1,415,343
TSR	1/9/2011	1/9/2018	\$0.00	2,562,482	–	(18,425)	–	2,544,057
TSR	1/9/2012	1/9/2019	\$0.00	2,680,816	–	(47,467)	(2,633,349)	–
TSR	1/9/2013	1/9/2016	\$0.00	2,454,883	–	(75,076)	–	2,379,807
ROFE	1/9/2013	1/9/2016	\$0.00	1,227,441	–	(37,538)	–	1,189,903
TSR	1/9/2014	1/9/2017	\$0.00	1,857,915	–	(77,438)	–	1,780,477
ROFE	1/9/2014	1/9/2017	\$0.00	928,958	–	(38,719)	–	890,239
Deferred STI	1/9/2014	1/9/2016	\$0.00	579,687	–	(16,030)	–	563,657
TSR	1/9/2015	1/9/2018	\$0.00	–	1,932,703	(20,165)	–	1,912,538
ROFE	1/9/2015	1/9/2018	\$0.00	–	966,352	(10,082)	–	956,270
TRI	1/9/2015	1/9/2018	\$0.00	–	427,463	–	–	427,463
Deferred STI	1/9/2015	1/9/2017	\$0.00	–	849,927	(14,940)	–	834,987
				16,074,740	4,176,445	(1,498,672)	(2,633,349)	16,119,164

Consolidated – 2015

TSR	6/11/2007	6/11/2014	\$0.00	51,642	–	(51,642)	–	–
TSR	3/11/2008	3/11/2015	\$0.00	911,244	–	(108,905)	–	802,339
TSR	5/11/2009	5/11/2016	\$0.00	1,397,351	–	(151,623)	–	1,245,728
TSR	12/11/2010	12/11/2017	\$0.00	1,778,206	–	(43,715)	–	1,734,491
TSR	1/9/2011	1/9/2018	\$0.00	3,243,321	–	(680,839)	–	2,562,482
TSR	1/9/2012	1/9/2019	\$0.00	2,929,230	–	(248,414)	–	2,680,816
TSR	1/9/2013	1/9/2016	\$0.00	2,760,235	–	(305,352)	–	2,454,883
ROFE	1/9/2013	1/9/2016	\$0.00	1,380,117	–	(152,676)	–	1,227,441
TSR	1/9/2014	1/9/2017	\$0.00	–	1,962,920	(105,005)	–	1,857,915
ROFE	1/9/2014	1/9/2017	\$0.00	–	981,460	(52,502)	–	928,958
Deferred STI	1/9/2014	1/9/2016	\$0.00	–	606,580	(26,893)	–	579,687
				14,451,346	3,550,960	(1,927,566)	–	16,074,740

During the year ended 30 June 2016, the Group recognised an expense of \$14.7 million (2015: \$10.6 million) in relation to share-based payments.

Section 7: Employee benefits (continued)

7.4 Key management personnel disclosures

Key management personnel compensation

Key management personnel compensation is set out below. Detailed remuneration disclosures are provided in the audited Remuneration Report section in the Directors' Report.

	2016 \$'000	2015 \$'000
Short-term employee benefits	12,064.7	10,888.5
Post-employment benefits	352.9	252.3
Share-based payments	5,828.1	3,251.1
Long-term employee benefits	83.7	81.8
	18,329.4	14,473.7

June 2015 comparatives include key management personnel for that year.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

8.1 Subsequent events

On 24 August 2016, the Group announced that it had reached an agreement with an affiliate of Forterra, Inc. ("Forterra"), which is the owner of Forterra Brick, to combine their brick businesses in North America. The proposed Joint Venture, to be 50% owned by Boral and 50% owned by Forterra, will bring together Boral's US clay brick operations and distribution network, with Forterra's clay brick and concrete brick businesses in the USA and Canada. There is no cash consideration as part of the proposed joint venture, other than standard working capital adjustments.

Completion remains subject to regulatory approval and other standard closing conditions. The transaction is expected to be completed at the end of calendar year 2016.

8.2 Contingent liabilities

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below.

	2016 \$m	2015 \$m
Unsecured contingent liabilities:		
Bank guarantees	24.7	13.7
Other items	0.2	–
	24.9	13.7

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

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

Certain entities within the Group are, from time to time, subject to various lawsuits, claims, regulatory investigations, and on occasion, prosecution.

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

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

Section 8: Other notes (continued)

8.3 Commitments

The Group leases property, equipment and vehicles under operating leases expiring from one to 15 years. Leases generally provide the Group 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.

	2016 \$m	2015 \$m
Capital expenditure commitments		
Contracted but not provided for are payable as follows:		
Not later than one year	8.6	9.3
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	1.5	1.7
Later than one year but not later than five years	2.9	4.1
	4.4	5.8
Less: Future finance charges and executory costs	(0.3)	(0.7)
	4.1	5.1
Operating leases		
Lease commitments in respect of operating leases are payable as follows:		
Not later than one year	66.5	65.3
Later than one year but not later than five years	124.3	125.5
Later than five years	31.8	29.2
	222.6	220.0

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes (continued)

8.4 Auditors' remuneration

	2016 \$'000	2015 \$'000
Audit services:		
KPMG Australia – audit and review of financial reports	1,322	1,426
KPMG overseas firms – audit and review of financial reports	401	358
KPMG Australia – other assurance services	144	176
KPMG overseas firms – other assurance services	–	19
	1,867	1,979
Other services:		
KPMG Australia – taxation services	185	203
KPMG Australia – due diligence	312	445
KPMG Australia – advisory	154	64
KPMG Australia – other	56	55
KPMG overseas firms – due diligence and advisory	287	–
KPMG overseas firms – taxation services	32	33
	1,026	800
	2,893	2,779

8.5 Related party disclosures

Controlled entities

Interests held in controlled entities are set out in note 6.3.

Associated entities

Interests held in associated entities are set out in note 6.2. The business activities of a number of these entities are conducted under joint venture arrangements. Associated entities conduct business transactions with various controlled entities. Such transactions include purchases and sales of certain products, dividends, interest and loans. All such transactions are conducted on the basis of normal commercial terms and conditions.

Director transactions with the Group

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

- the receipt of dividends from Boral Limited;
- participation in the Boral Long Term Incentive Plan;
- terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services.

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

Section 8: Other notes (continued)

8.6 Parent entity disclosures

For the year ended 30 June	BORAL LIMITED	
	2016 \$m	2015 \$m
RESULT OF THE PARENT ENTITY		
Profit after tax	35.1	155.7
Other comprehensive income/(loss) after tax	(2.7)	6.4
Total comprehensive income for the period	32.4	162.1
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	4,616.3	6,989.8
Non-current assets	478.2	543.0
Total assets	5,094.5	7,532.8
Current liabilities	1,182.1	3,142.1
Non-current liabilities	870.3	1,111.6
Total liabilities	2,052.4	4,253.7
Net assets	3,042.1	3,279.1
Issued capital	2,246.2	2,361.6
Reserves	73.3	75.8
Retained earnings	722.6	841.7
Total equity	3,042.1	3,279.1

Parent entity contingencies

Details of contingent liabilities and contingent assets where the probability of future payments/receipts is not considered remote are set out below.

Unsecured contingent liabilities:		
Bank guarantees	24.5	13.7

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

The Company, from time to time, may be subject to lawsuits and claims in the ordinary course of business.

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes (continued)

8.7 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 6.3.

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 6.3), after eliminating all transactions between parties to the Deed.

	2016 \$m	2015 \$m
STATEMENT OF COMPREHENSIVE INCOME		
Continuing operations		
Revenue	3,278.7	3,462.6
Profit before income tax expense	221.8	94.4
Income tax expense	(17.1)	(3.9)
Profit from continuing operations	204.7	90.5
Discontinued operations		
Profit from discontinued operations (net of income tax)	4.0	13.6
Net profit	208.7	104.1
Other comprehensive income		
Items that may be reclassified subsequently to Income Statement:		
Exchange differences from translation of foreign operations taken to equity	(12.5)	66.7
Fair value adjustment on cash flow hedges	(7.7)	8.7
Income tax on items that may be reclassified subsequently to Income Statement	2.3	(2.6)
Total comprehensive income	190.8	176.9
Attributable to:		
Members of the parent entity	190.8	176.9
Non-controlling interest	-	-
	190.8	176.9
Reconciliation of movements in retained earnings		
Balance at the beginning of the year	842.8	867.8
Net profit attributable to members of the parent entity	208.7	104.1
Dividends recognised during the year	(154.2)	(129.1)
Balance at the end of the year	897.3	842.8

Section 8: Other notes (continued)

8.7 Deed of cross guarantee (continued)

	2016 \$m	2015 \$m
BALANCE SHEET		
CURRENT ASSETS		
Cash and cash equivalents	358.1	425.9
Receivables	564.9	541.2
Inventories	341.5	336.0
Financial assets	18.9	9.6
Other assets	28.5	25.6
TOTAL CURRENT ASSETS	1,311.9	1,338.3
NON-CURRENT ASSETS		
Receivables	16.0	74.8
Inventories	12.6	28.9
Investments accounted for using the equity method	1,054.7	1,048.1
Financial assets	1,346.9	1,355.0
Property, plant and equipment	1,941.8	1,914.7
Intangible assets	74.0	69.7
Deferred tax assets	62.4	64.4
Other assets	13.9	23.9
TOTAL NON-CURRENT ASSETS	4,522.3	4,579.5
TOTAL ASSETS	5,834.2	5,917.8
CURRENT LIABILITIES		
Payables	958.3	950.1
Loans and borrowings	352.3	1.7
Financial liabilities	7.8	5.8
Current tax liabilities	28.8	85.3
Employee benefit liabilities	113.7	111.1
Provisions	51.5	56.4
TOTAL CURRENT LIABILITIES	1,512.4	1,210.4
NON-CURRENT LIABILITIES		
Deferred income	30.8	15.7
Loans and borrowings	992.8	1,320.7
Financial liabilities	18.6	0.8
Deferred tax liabilities	–	1.3
Employee benefit liabilities	11.4	11.9
Provisions	56.6	66.7
TOTAL NON-CURRENT LIABILITIES	1,110.2	1,417.1
TOTAL LIABILITIES	2,622.6	2,627.5
NET ASSETS	3,211.6	3,290.3
EQUITY		
Issued capital	2,246.2	2,361.6
Reserves	68.1	85.9
Retained earnings	897.3	842.8
TOTAL EQUITY	3,211.6	3,290.3

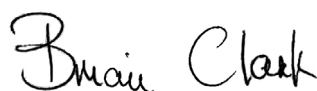
Statutory Statements

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 73 to 131 and the Remuneration Report in the Directors' Report, set out on pages 51 to 72, 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 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
 - (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Boral Limited and the controlled entities identified in note 6.3 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 2016.
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 Brian Clark
Chairman



Mike Kane
CEO & Managing Director

Sydney, 24 August 2016

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 2016, 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 8.7 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 2016 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 2016. 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 2016 complies with Section 300A of the *Corporations Act 2001*.



KPMG



Kenneth Reid
Partner
Sydney, 24 August 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder Information

Boral Limited and Controlled Entities

Shareholder communications

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

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

Hand deliveries to:
Level 12, 680 George Street
Sydney NSW 2000 Australia
Telephone +61 1300 730 644
Facsimile +61 2 9287 0303

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

Internet: www.linkmarketservices.com.au

Email: boral@linkmarketservices.com.au

Online services

You can access information and update information about your holdings in Boral Limited via the internet by visiting Link Market Services' website www.linkmarketservices.com.au or Boral's website www.boral.com.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 FY2016 of 11.5 cents per share is expected to be paid by Boral on 26 September 2016. 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 +61 1300 730 644.

American depositary receipts (ADRs)

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

Holders of Boral's ADRs should contact BNY Mellon on all matters relating to their ADR holdings.

By mail:

BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170
USA

By telephone:

To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 201-680-6825.

By email:

You may also send an email enquiry to shrrelations@bnymellon.com or visit the website at www.bnymellon.com/shareowner

Share information as at 16 August 2016

Substantial shareholders

Perpetual Limited, by a notice of change of interests of substantial holder dated 23 June 2016, advised that it and its associates were entitled to 102,135,258 ordinary shares.

Commonwealth Bank of Australia, by a notice of change of interests of substantial holder dated 1 July 2016, advised that it and its associates were entitled to 41,306,896 ordinary shares.

Shareholder Information

Boral Limited and Controlled Entities

Distribution schedule of shareholders as at 16 August 2016

Size of shareholding	Number of shareholders	% of ordinary shares
(a) in the categories –		
1 to 1,000	23,362	1.55
1,001 to 5,000	23,523	7.26
5,001 to 10,000	4,114	3.94
10,001 to 100,000	2,442	6.71
100,001 and over	107	80.53
	53,548	100.00
(b) holding less than a marketable parcel (72 shares)		
	1,137	0.001

Voting rights – ordinary shares

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

On-market share buy-back

During the year, the Company completed the buy-back of 20,641,950 shares at an average price of \$5.59. This was part of the Company's on-market share buy-back program for up to 5% of Boral's issued capital or approximately 39 million ordinary shares which commenced on 18 March 2015 and completed on 22 September 2015. The total consideration for shares bought back on market during the buy-back period was \$231.4 million, at an average price of \$5.91.

Twenty largest shareholders as at 16 August 2016

	Ordinary shares	% of ordinary shares
1 HSBC CUSTODY NOMINEES	164,567,391	22.13
2 J P MORGAN NOMINEES AUSTRALIA LIMITED	118,442,368	15.93
3 CITICORP NOMINEES PTY LIMITED	90,133,640	12.12
4 NATIONAL NOMINEES LIMITED	78,234,519	10.52
5 RBC DEXIA INVESTOR SERVICES	45,332,751	6.10
6 BNP PARIBAS NOMS PTY LIMITED	38,146,521	5.13
7 UBS WEALTH MANAGEMENT AUSTRALIA	19,906,404	2.68
8 AMP LIFE LIMITED	7,455,476	1.00
9 AUSTRALIAN FOUNDATION INVESTMENT	4,008,492	0.54
10 EQUITAS NOMINEES PTY LIMITED	3,532,841	0.48
11 ARGO INVESTMENTS LIMITED	3,075,132	0.41
12 BRISPOT NOMINEES PTY LIMITED	2,411,141	0.32
13 GWYNVILL INVESTMENTS PTY LIMITED	1,987,750	0.27
14 BOND STREET CUSTODIANS LIMITED	1,956,898	0.26
15 MILTON CORPORATION LIMITED	1,666,463	0.22
16 SHARE DIRECT NOMINEES PTY LIMITED	1,108,650	0.15
17 WARBONT NOMINEES PTY LIMITED	776,279	0.10
18 INVIA CUSTODIAN PTY LIMITED	746,578	0.10
19 NAVIGATOR AUSTRALIA	741,135	0.10
20 PORTMAN TRADING PTY LIMITED	730,000	0.10

Financial History

Boral Limited and Controlled Entities

30 June	2016 \$m	2015 \$m	2014 \$m	2013 \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m	2008 \$m	2007 \$m
Revenue	4,311	4,415	5,204	5,286	5,010	4,711	4,599	4,875	5,199	4,909
Earnings before interest, tax, depreciation and amortisation (EBITDA) ¹	645	605	556	519	473	522	505	539	688	762
Depreciation and amortisation	247	249	261	291	273	245	253	263	240	231
Earnings before interest and tax ¹	398	357	294	228	200	277	252	276	448	531
Net financing costs ¹	(63)	(64)	(83)	(97)	(88)	(64)	(97)	(127)	(112)	(111)
Profit before tax ¹	335	293	211	130	111	213	155	149	336	420
Income tax expense ¹	(67)	(44)	(37)	(20)	(9)	(40)	(22)	(17)	(90)	(122)
Non-controlling interests	–	–	(3)	(6)	(1)	2	(1)	–	1	–
Net profit after tax ¹	268	249	171	104	101	175	132	131	247	298
Significant items – net of tax	(12)	8	2	(316)	75	(8)	(222)	11	(4)	–
Net profit/(loss) attributable to members of Boral Limited	256	257	173	(212)	177	168	(91)	142	243	298
Total assets	5,801	5,865	5,559	6,316	6,499	5,668	5,209	5,491	5,895	5,817
Total liabilities	2,294	2,341	2,211	2,923	3,096	2,512	2,583	2,738	2,985	2,829
Net assets	3,506	3,524	3,348	3,394	3,403	3,156	2,626	2,754	2,910	2,987
Shareholders' funds	3,506	3,524	3,348	3,394	3,403	3,156	2,626	2,754	2,910	2,987
Net debt	893	817	718	1,446	1,518	505	1,183	1,514	1,515	1,482
Funds employed	4,399	4,341	4,066	4,840	4,921	3,662	3,809	4,268	4,425	4,470
Dividends paid or declared	167	139	117	85	82	105	88	77	202	203
Statistics										
Dividend per ordinary share	22.5c	18.0c	15.0c	11.0c	11.0c	14.5c	13.5c	13c	34c	34c
Dividend payout ratio ¹	62%	56%	68%	81%	81%	60%	67%	59%	82%	68%
Dividend cover ¹	1.6	1.8	1.5	1.2	1.2	1.7	1.5	1.7	1.2	1.5
Earnings per ordinary share ¹	35.8c	31.9c	22.0c	13.6c	13.6c	24.4c	22.1c	22.2c	41.4c	50.0c
Return on equity ¹	7.6%	7.1%	5.1%	3.2%	3.0%	5.6%	5.0%	4.8%	8.5%	10.0%
EBIT to sales ¹	9.2%	8.1%	5.7%	4.3%	4.0%	5.9%	5.5%	5.7%	8.6%	10.8%
EBIT to funds employed ¹	9.0%	8.2%	7.2%	4.7%	4.1%	7.6%	6.6%	6.5%	10.1%	11.9%
ROFE ² (EBIT to average funds employed ¹)	9.1%	8.5%	6.6%	4.7%	4.7%	7.4%	6.2%	6.3%	10.1%	12.1%
Net interest cover (times) ¹	6.3	5.6	3.5	2.3	2.3	4.4	2.6	2.2	4.0	4.8
Gearing (net debt to equity)	25%	23%	21%	43%	45%	16%	45%	55%	52%	50%
Gearing (net debt to net debt plus equity)	20%	19%	18%	30%	31%	14%	31%	35%	34%	33%
Net tangible asset backing per share	\$4.40	\$4.31	\$4.03	\$3.17	\$3.31	\$3.91	\$3.92	\$4.12	\$4.41	\$4.41

1. Excludes the impact of significant items from 2008 to 2016.

2. Refer to the Remuneration Report for a discussion of how ROFE is used as an additional performance hurdle under the Company's long-term incentive plan.

Results have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS).

Figures may not add due to rounding.

Boral Limited

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Internet: www.boral.com.au

Email: info@boral.com.au

Share Registry

c/- Link Market Services Limited

Level 12, 680 George Street, Sydney NSW 2000

Locked Bag A14

Sydney South NSW 1235

Telephone: +61 1300 730 644

Internet: www.linkmarketservices.com.au

Email: boral@linkmarketservices.com.au

