BORAL ANNUAL REPORT 2018

BORAL LIMITED
ANNUAL REPORT
FOR THE YEAR
ENDED 30 JUNE 2018

Boral Limited
Annual Report

For the year ended 30 June 2018

The Annual General Meeting of Boral Limited will be held at the Civic Pavilion, The Concourse, Chatswood, NSW, on Tuesday 30 October 2018 at 10.30am.

Financial calendar

Please note, dates are subject to review.

Record date for final dividend	5 September 2018
Final dividend payable	2 October 2018
Annual General Meeting	30 October 2018
Half year end	31 December 2018
Half year results announcement	25 February 2019
Ex dividend share trading commences	1 March 2019
Record date for interim dividend	4 March 2019
Interim dividend payable	15 March 2019
Year end	30 June 2019

Boral Limited
ABN 13 008 421 761

Non-IFRS information

EBIT before significant items and net profit after tax before significant items are non-IFRS measures used to provide a greater understanding of the underlying performance of the Group. This information has been extracted or derived from the financial statements. Significant items are detailed in note 2.6 to the financial statements and relate to income and expenses that are associated with significant business restructuring, impairment or individual transactions.

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

Chairman's Review

"As Boral's new Chairman, I am committed to the long-term creation of value for all of our stakeholders and will work with my fellow Directors and Boral's Executive team to deliver this."

Kathryn Fagg, Chairman

Leading Boral

After four years on the Board, I am honoured to be in my new role as Chairman from 1 July 2018.

Of course the pleasure of taking up this role is coupled with sadness around Dr Brian Clark's early retirement as Chairman at the end of June, after 11 years on the Board including two and a half years as Chairman.

I wish Brian a long and happy retirement with his wife Sandy, and a return to full health. Brian's contribution to Boral has been invaluable. I thank him for his leadership, dedication and support.

As Chairman, I am committed to supporting Boral's people and steering the business so that the great work undertaken through Mike Kane's leadership, to transform Boral into a higher performing and more sustainable business, can continue.

In Boral I see people who are highly motivated, focused, committed and expert in their industries – and a culture that has safety at the forefront, and supports collaboration, innovation and respect.

Clear strategic direction

I am impressed with Boral's three strong divisions – Boral Australia, Boral North America and USG Boral. Boral Australia is a leading business that is performing well. Our strategy to strengthen our integrated construction materials position is aligning well with the multi-year pipeline of major infrastructure work in Australia.

The successful USG Boral joint venture in Australia, Asia and the Middle East, formed in March 2014, remains a long-term organic growth platform for Boral. With the announced acquisition of our joint venture partner USG Corporation by Knauf, we are considering several exciting options for Boral including moving forward with 100% ownership or continuing in an expanded joint venture.

Boral North America is very well placed in fly ash and building products, providing highly attractive growth opportunities in US markets.

With FY2018 marking the first full year of ownership of the Headwaters business in North America, the Board remains very positive about the acquisition. The compelling opportunity that we saw in the acquisition and the undeniably strong fit with Boral's existing business, are reflected in the outperformance of synergy delivery. Our year one target was to deliver US$30–35 million of synergies; we delivered US$39 million. Our initial year four synergy target was for US$100 million; we have now increased this target to US$115 million.

The acquisition has doubled our position in the USA. It has increased Boral's product offerings, geographic breadth, and diversification across broader and growing US construction markets.

Substantial earnings growth

Within each division I see some impressive results – and there is more expected from each of our divisions in FY2019.

Results for the year ended 30 June 2018 saw a substantial 47% increase in net profit after tax before amortisation and significant items to $514 million. This substantial growth was underpinned by the full year contribution from Headwaters, together with higher earnings from Boral Australia and a solid result from the USG Boral joint venture. Sales revenue of $5.9 billion was up 34% on the prior year, and earnings before interest, tax, depreciation and amortisation (EBITDA)[1] of $1,056 million was up 47%, reflecting a full 12 month contribution from Headwaters and strong growth from Boral Australia.

1. Excluding significant items.

Net debt at 30 June 2018 was $2.45 billion compared to $2.33 billion at 30 June 2017, in part due to Headwaters acquisition costs. Proceeds from the divestment of Denver Construction Materials, which closed in July 2018, will further reduce net debt from $2.45 billion to $2.28 billion. Boral remains well within its funding covenants, and our balance sheet remains robust.

The Board declared a final dividend of 14.0 cents per share, which was 50% franked, for a full year dividend of 26.5 cents per share. This represents a payout ratio for the full year of 66%, in line with our dividend policy of between 50% and 70% of earnings before significant items, subject to the Company's financial position.

A strong safety culture

Boral's safety performance has improved significantly in recent years and remains strong relative to peers. Restating our FY2017 safety numbers to include Headwaters retrospectively and all joint ventures, Boral's recordable injury frequency rate (RIFR)[2] of 8.7 in FY2018 has reduced by 6%.

At last year's Annual General Meeting, we reported that in September 2017, a supplier's driver delivering diesel to our Concrite operation in Alexandria in Sydney was struck by one of Boral's concrete agitator vehicles on site, and later died from his injuries. Across Boral, we were devastated by this tragic incident.

Prompted by this incident, the Board undertook a thorough review of the organisation's response and our practice to keep safety and remuneration outcomes separate. Details of the considerations and conclusions of the Board are provided on page 62 of the Annual Report 2018.

The Board

While my appointment as Chairman followed the earlier than expected retirement of Brian Clark, we were well prepared because of our ongoing orderly Board succession planning.

At this year's Annual General Meeting, Catherine Brenner retires by rotation and after eight years as a Director has decided not to stand for re-election. Catherine has made an outstanding contribution to the Board and will leave Boral with our thanks, enormous respect and best wishes.

Over recent years, we have identified opportunities to strengthen certain Board skills and experience over time. As part of that skills expansion and ongoing Board renewal, in June we announced the appointment of our first North American-based Non-executive Director, Peter Alexander, effective 1 September 2018.

Peter is a seasoned former chief executive with more than 28 years of senior executive experience in US building materials and distribution, technology products and services. His experience and knowledge of the North American building and construction markets, combined with his experience in business integration, operations, capital allocation and technology, will serve us well.

Boral's Board benefits from diversity of gender, tenure and experience across a range of sectors, functions and professions. There is a depth of building products and construction materials operational knowledge and experience, as well as financial, M&A and strategy experience.

While several of us have direct experience operating businesses in Asia and good working knowledge of the markets in the region, we recognise that there would be value in having an Asia-based Director with industry experience on the Board. We are continuing to monitor the market and consider potential candidates.

In FY2018, the Board continued its program of site visits to see first-hand how we are managing safety, quality, operations and employee engagement. In September 2017, the Board spent a week in various parts of the North American business to better assess the integration program and progress against synergy delivery.

In May 2018, the Board spent a week in USG Boral operations in Singapore and South Korea, visiting sites and hearing from local management teams. We left with a clearer understanding of the challenges and opportunities in their businesses and their plans to capture growth.

Shareholder engagement

Over the past few years, as Chairman of the Remuneration & Nomination Committee, I have joined Brian Clark in Boral's proactive investor engagement program. During these meetings, we have gained a clearer understanding of stakeholder perspectives and we have been better placed to consider their feedback in our decision making, particularly in relation to remuneration.

Since becoming Chairman, I have held a further series of investor meetings during which we have discussed strategy, governance, safety, climate-related risks and opportunities, and remuneration amongst other issues.

Our 2018 Remuneration Report on pages 55 to 77 of Boral's Annual Report, reflects some of the feedback we have received in recent years.

Boral's people

The Board's confidence in Mike Kane's leadership remains strong. Last year we said that the Board, following consultation with Mike, expects he will continue in the role for another three to five years. That view is unchanged, so we expect Mike Kane will remain as CEO for another two to four years from now. In the meantime, our CEO succession development program continues and we are confident that at the appropriate time we will have well-developed internal candidates to consider.

On behalf of the Board, I thank Mike and all of Boral's people for their relentless focus on safety and their efforts to be number one in the eyes of our customers, to overcome obstacles and to harness growth.

K J Fagg

Kathryn Fagg
Chairman

2. Per million hours worked, includes employees and contractors in 100%-owned businesses and all joint venture operations.

Chief Executive's Review

"Our strategy has been to reduce our exposure to products that are manufactured in energy-intensive, high cost operations; to invest in higher growth, lighter-weight products; and to ensure our more focused businesses are well positioned for long-term sustainable performance."

Mike Kane, CEO & Managing Director

Our strategy for the long-term

Boral's purpose is to help our customers *Build something great* by supplying them with high-quality, sustainable building products and construction materials across our international markets.

Around the world we have different offerings in different regions, but we are always operating in the same types of construction materials and building products markets.

We have grown substantially in recent years, but Boral has also become a more focused business.

We are an integrated construction materials player in Australia; a gypsum-based product leader throughout Asia, the Middle East and Australasia; and a leading supplier of fly ash and building products in North America.

Our strategy has been to reduce our exposure to products that are manufactured in energy-intensive, high cost operations; to invest in higher growth, lighter-weight products; and to ensure our more focused businesses are well positioned for long-term sustainable performance.

As CEO, delivering on this strategy, including positioning Boral for the long-term, is the most important part of the job – after safety.

The decisions we make today are securing Boral's future for decades to come. This includes investing in new quarries, and plant and equipment so that we have the resources and capacity over time. It also includes considering the risks of future policy, social and environmental changes to our business and factoring these insights and potential financial impacts into our decision making today.

In the case of USG Boral, it's about carefully considering whether to acquire USG's share of the joint venture and return to 100% Boral ownership, or work with another joint venture partner if it's better for Boral's long-term prospects. This opportunity has been triggered by Knauf's agreement to purchase USG. We are currently in discussions with industry players and rigorously assessing our options.

Our decision to acquire Headwaters, which closed in May 2017, was very much a long-term decision. We recognised that the substantial investment would dampen our returns on funds employed in the near term, but it gives us the scale to compete in attractive high growth markets over the longer term and significantly strengthens our ability to deliver above cost of capital returns through the cycle.

A year of significant progress

The FY2018 result reflects the early rewards of our long-term strategy.

With a more focused, strengthened construction materials business in Boral Australia, we are reaping the benefits of strong construction markets particularly infrastructure activity on the east coast. We have seen a substantial earnings lift from Boral North America as a result of the additional earnings from the Headwaters business and delivery of strong year one synergies. And from USG Boral, we have seen a consolidation of recent growth years to deliver solid results despite some one-off cost impacts.

Our group EBITDA[1] result of $1.06 billion was up 47% and EBITDA margins on revenue of 18.0% were up from 16.4% in the prior year.

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

Boral Australia delivered an EBITDA of $634 million, a 15% increase on FY2017 driven by strong growth in infrastructure, higher non-residential activity, higher contribution from Property and solid margins. Excluding Property earnings of $63 million, EBITDA was up 8% year-on-year.

USG Boral delivered an underlying EBITDA of $268 million, which was down 6%. While Australia and South Korea, our two largest businesses, delivered historically high revenues and strong margins, and China delivered higher earnings, the result was impacted by one-off costs and softer results in Thailand, Indonesia, India and Vietnam. We expect to see earnings rebound in FY2019. Boral's 50% share of post-tax earnings from the joint venture for FY2018 was $63 million, 9% lower than last year.

Boral North America reported EBITDA of A$368 million for continuing operations (which means we excluded the A$23 million EBITDA from Denver Construction Materials, which was divested in July 2018); this compares with A$111 million in FY2017. On a prior year proforma basis, EBITDA was up 7%.

The integration of the Headwaters acquisition during the year progressed very well. First year delivered synergies of US$39 million exceeded our initial US$30–US$35 million target, and we have increased our year four synergy target by 15% to US$115 million.

While our business is not immune to unfavourable weather impacts and operational disruptions, the full year results confirm that our transformation strategy is progressing well, and that Boral can deliver significant earnings with highly attractive margins.

Safety is my first priority and the first priority for everyone in Boral.

In FY2018, Boral's LTIFR[2] of 1.6, which was broadly steady on 1.5 last year, consolidated several years of improvement. The result includes an additional 4,500 employees and contractors in our safety statistics with the inclusion of Headwaters and all joint venture operations this year. Previously, we only included 50%-owned joint ventures. Headwaters and the Meridian Brick joint venture performed below Boral's US legacy businesses; however, Headwaters delivered a massive reduction in medical cases and lost work days relative to their prior year performance.

A strong FY2019 outlook and beyond

In FY2019, we expect further gains from Boral Australia, improving results from USG Boral and strong growth from Boral North America. More specifically:

- From Boral Australia we expect to deliver high single-digit EBITDA growth or more in FY2019, excluding Property in both years. If we include our estimated $20 million of earnings from Property in FY2019, we expect EBITDA to remain at least in line with the prior year, which is a strong operational outlook given property sales contributed $63 million in FY2018. Volumes from infrastructure and non-residential activity, and margin improvements are expected to more than offset the impacts of a moderating residential construction sector.
- Earnings from USG Boral are expected to grow by around 10% or more in FY2019, coming from improvements in China, Indonesia, Thailand and India. Our largest businesses – Australia and South Korea – are expected to continue to perform at strong levels, however, with residential construction forecast to moderate in Australia and South Korea, the gains in other countries are expected to be slightly offset.
- Boral North America is expected to increase EBITDA by around 20% or more in FY2019, reflecting further significant synergies of around US$25 million in FY2019, together with operational improvements and market growth, assuming more normal weather patterns.

We are focused on delivering another great result in FY2019 at the same time as delivering on our medium term promises.

In Boral Australia, we are continuing to tender for more infrastructure project work that is in the pipeline, and we are working to further strengthen margins through a combination of price and cost initiatives, including optimising our supply chains.

In North America, we have four year synergy targets to deliver and a fly ash growth strategy that includes plans to increase our annual supply of fly ash by 1.5–2.0 million tons in three years. This will be great for Boral, for our customers, our contracted utilities, and the environment.

And as previously mentioned, USG Boral will either become a new and expanded joint venture or return to a 100% Boral owned business. As part of the joint venture shareholders' agreement, we have commenced a process to establish the fair market value of USG's interest, which will take several months, after which we will be in a better position to decide on the best outcome for Boral.

This is an exciting time for Boral. Together with more than 17,000 motivated and hard-working Boral employees I am looking forward to the challenges and opportunities ahead.

Mike Kane
CEO & Managing Director

2. Lost time injury frequency rate per million hours worked for employees and contractors in 100%-owned businesses, including Headwaters, and all joint venture businesses regardless of equity interest in FY2018. Prior year data only includes 50%-owned joint ventures and excludes Headwaters.

Chief Financial Officer's Review

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

Rosaline Ng, Chief Financial Officer

Income statement

Year ended 30 June	2018			2017		
$m	Group	Continuing operations	Discontinued operations	Group	Continuing operations	Discontinued operations
Sales revenue	**5,869.0**	**5,731.1**	**137.9**	4,388.3	4,128.0	260.3
EBITDA[1]	**1,056.0**	**1,033.1**	**22.9**	719.9	697.5	22.4
Depreciation and amortisation	**(367.6)**	**(360.2)**	**(7.4)**	(260.0)	(248.4)	(11.6)
EBIT[1]	**688.4**	**672.9**	**15.5**	459.9	449.1	10.8
Interest expense	**(103.8)**	**(103.8)**	**–**	(50.7)	(50.7)	–
Tax expense[1]	**(111.4)**	**(106.4)**	**(5.0)**	(66.5)	(64.3)	(2.2)
Underlying profit after tax[1]	**473.2**	**462.7**	**10.5**	342.7	334.1	8.6
Net significant items	**(32.2)**	**(32.2)**	**–**	(45.8)	(88.4)	42.6
Net profit after tax	**441.0**	**430.5**	**10.5**	296.9	245.7	51.2

Financial performance

Revenue

Reported revenue of $5.87 billion was up 34% on the prior year, with growth in Boral Australia and Boral North America including a full year of revenues from Headwaters, partially offset by reduced revenues from US bricks following the formation of the Meridian Brick joint venture (JV).

- Boral Australia revenue of $3.59 billion was up 9%, with strong east coast residential construction, the continued growth in infrastructure activity and growth in non-residential construction, along with price gains in Concrete and Asphalt. Aggregates and Concrete volumes were up 7%, with all regions reporting higher volumes including strong growth in east coast metro markets and major projects.
- USG Boral's underlying revenue of $1.58 billion was up 7% on the prior year, driven by continued growth in premium Sheetrock® plasterboard sales and technical board. Strong board volume growth in Australia and China, and strong price gains in Korea and China supported revenue growth. Non-board revenue, which includes ceiling tiles, metal stud, compounds and plasters increased 9%.
- Boral North America revenue of A$2.14 billion was up 122% on the prior year, reflecting the impact of 12 months of revenue from Headwaters and the impact of the formation of the Meridian Brick JV. On a proforma basis, excluding Bricks, revenue increased 6%, benefiting from strong pricing particularly in Fly Ash, which experienced price growth of 9%, as well as strong market demand in Roofing and Light Building Products.

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, tax, depreciation and amortisation (EBITDA[1])

Group EBITDA before significant items of $1.06 billion was up 47% on the prior year, reflecting a full 12 month contribution from Headwaters, and strong earnings growth from Boral Australia, underpinned by Property earnings and continued strong infrastructure and residential activity.

Boral Australia EBITDA of $633.6 million was up 15%, with higher Property earnings, price gains, and infrastructure volume growth, partially offset by higher costs including energy, costs to serve due to supply constraints and increased investment in customer excellence and supply chain initiatives, which will deliver future benefits. Excluding Property, EBITDA increased by 8%.

USG Boral contributed $63.1 million of equity accounted income to the Group, a 9% decrease on the prior year. The underlying EBITDA of the joint venture decreased by 6%, despite increased revenue due to $11 million in one-off costs including the gypsum supply issues in Australia following the unexpected temporary port closure, and an unfavourable operational reserve adjustment in India. In addition, higher input costs, competitive pressure in certain markets and a $3 million unfavourable foreign exchange rate movement relating to intercompany loans also impacted the result.

Boral North America EBITDA of A$367.5 million was a A$256.2 million improvement on the prior year, reflecting a full 12 months of Headwaters earnings following the acquisition in early May 2017. On a proforma basis in US dollars, EBITDA was 9% higher, which benefited from underlying volume growth in Building Products, strong pricing particularly in Fly Ash and US$39 million in synergies. This was partially offset by weather impacts, one-off plant operational issues, higher costs associated with plant closures in Texas for Fly Ash, and a challenged result from the Meridian Brick JV.

Finance costs

Net underlying interest expense for FY2018 was $103.8 million, an increase from the FY2017 expense of $50.7 million. The prior year benefited from $24.4 million of interest income, mostly due to increased cash levels for part of that year following the equity raising, and lower gross debt levels prior to the completion of the Headwaters acquisition on 8 May 2017. Underlying interest cover in FY2018 was 6.6 times, which is lower than the 9.1 times in FY2017 but higher than the FY2016 interest cover of 6.3 times.

Tax expense[1]

Tax expense for the year was $111.4 million, an increase from $66.5 million in FY2017. The average underlying tax rate for the year increased from 16% in FY2017 to 19% in FY2018. The current year reflected the recognition of previously unrecognised tax losses arising from higher property sales and US earnings, as well as benefits from lower income tax rates on US earnings following the reduction of the US federal tax rate in December 2017.

Net profit after tax

Underlying profit after tax[1] was $473.2 million, a 38% increase on the prior year. This improvement was due to a 50% increase in EBIT, offset by higher interest and tax expense. Reported net profit after tax of $441.0 million included a net loss of $32.2 million from significant items, and compares to a profit of $296.9 million in the prior year, which included a significant item loss of $45.8 million.

Significant items

The Group recorded an after-tax net loss of $32.2 million in respect of significant items that were excluded from the underlying trading result. This primarily relates to costs associated with the integration of Headwaters and rehabilitation and closure costs associated with Waurn Ponds, partially offset by a benefit from the reassessment of US tax balances.

Headwaters integration costs

$73.2 million of costs have been incurred on the integration of the Headwaters business. The costs to date predominantly relate to redundancies, employee incentives implemented by Headwaters, consultant fees supporting the integration, IT systems, brand consolidation, rationalisation of products in metal roofing, safety implementation costs and asset impairments upon consolidation of the Roofing businesses.

Waurn Ponds rehabilitation and closure costs

The organisation has continued to develop plans to improve our cement position in Victoria, which has led to a reassessment of the expected end use of the Waurn Ponds cement facility. This resulted in the recognition of a $23.8 million provision with respect to the rehabilitation of the limestone quarry attached to the facility.

Reconciliation of underlying results to reported results for FY2018

$m	EBIT	Finance costs	Tax	Profit after tax
Underlying results	**688.4**	**(103.8)**	**(111.4)**	**473.2**
Significant items				
Headwaters integration costs	(73.2)	–	19.0	(54.2)
Waurn Ponds rehabilitation and closure costs	(23.8)	–	7.0	(16.8)
Joint venture matters	(4.6)	–	0.9	(3.7)
Reassessment of US tax balances	–	–	42.5	42.5
Total significant items	**(101.6)**	**–**	**69.4**	**(32.2)**
Reported results	**586.8**	**(103.8)**	**(42.0)**	**441.0**

1. Excluding significant items.

Reassessment of US tax balances

A reduction in the US federal tax rate from 35% to 21%, effective from 22 December 2017, has triggered a revaluation of our deferred tax assets and liabilities associated with our US operations, leading to a tax benefit of A$33.7 million. In addition, the Group reassessed its US tax losses which have not been recognised on the Balance Sheet given improved earnings in North America. This has led to a benefit of A$8.8 million. The total impact of the above adjustments on income tax expense is a benefit of $42.5 million.

Joint venture matters

This includes $3.6 million of integration and restructuring costs in Meridian Brick, and $1.0 million in asset impairments in USG Boral.

Cash flow

For the year ended 30 June, $m	2018	2017
EBITDA[1]	1,056	720
Change in working capital	(79)	(34)
Fly ash contracts	(7)	(12)
Share acquisition rights vested	(22)	(38)
Interest paid	(96)	(50)
Income taxes paid	(86)	(42)
Equity earnings less dividends	(22)	(12)
Profit on sale of assets and other items	(48)	(2)
Restructure, acquisition and integration costs paid	(118)	(117)
Operating cash flow	578	413
Capital expenditure	(425)	(340)
Acquisition of controlled entities	–	(3,637)
Proceeds on disposal of assets	75	39
Proceeds on disposal of controlled entities	8	123
Cash acquired	–	75
Free cash flow	235	(3,327)
Equity raisings	–	2,019
Dividends paid	(287)	(226)
Other items	(2)	9
Cash flow	(54)	(1,525)

Operating cash flow increased by $165 million to $578 million in FY2018, with improved earnings offset by higher interest and tax payments and an adverse working capital movement.

Change in working capital

The current year was impacted by higher inventory levels in Australian construction materials businesses and Boral North America to support expected higher levels of demand in FY2019, a stronger fourth quarter of activity in FY2018, a slight increase in debtor days in Boral Australia reflecting increased major projects work, and timing of capital payments in the prior period.

Interest and tax

Interest paid increased in line with the higher interest expense in FY2018, while tax paid increased, reflecting higher tax catch-up and instalment payments for FY2018 in Australia, reflecting increased earnings, as well as state and withholding taxes paid in the USA.

Restructure, acquisition and integration costs paid

In FY2018, an additional $55 million of payments associated with the acquisition of Headwaters were incurred, primarily the payment of success fees to bankers paid in July 2017, as well as change in control and other employee incentives which relate to pre-acquisition. In addition, there were integration related cash payments of $50 million, as well as continuation of spend from restructuring of $14 million arising in prior periods.

Capital expenditure

Capital expenditure of $425 million in FY2018 was $85 million higher than in FY2017, reflecting increased capital expenditure in North America following the acquisition of Headwaters. FY2018 expenditure included investments in new and upgraded concrete and asphalt plants, quarry upgrades and the Berrima alternative fuels plant in Australia, a land acquisition for the Stone business, and investments in storage facilities and reclaim activities in Fly Ash in the US. Growth expenditure was broadly steady at $51 million in FY2018.

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

Debt and gearing

As at 30 June, $m	2018	2017
Total debt	2,527	2,571
Total cash and deposits	74	238
Net debt	**2,453**	2,333
Total shareholders equity	**5,731**	5,441
Gearing ratios		
Net debt : equity (%)	43	43
Net debt : equity plus net debt (%)	30	30
Interest cover (times)	6.6	9.1

Net debt

Net debt increased from $2,333 million to $2,453 million at 30 June 2018, primarily due to foreign currency impacts of $66 million resulting from an unfavourable movement in US dollar exchange rates, and a net cash outflow of $54 million.

Gearing ratios

Boral's gearing covenant with its financiers, measured as gross debt to gross debt plus equity, decreased slightly to 31%, remaining comfortably within the 60% threshold. Gearing, as measured by net debt to net debt plus equity, was 30% as at 30 June 2018.

Financial risk management

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

Capital management

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

In FY2018, a 50% franked interim dividend of 12.5 cents per share and a 50% franked final dividend of 14.0 cents per share were declared, for a full year dividend of 26.5 cents per share.

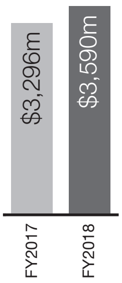
The Group's Dividend Reinvestment Plan remains suspended until further notice.

Divisional Performance

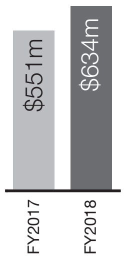
Boral Australia

(A$)	FY2018		
Revenue	$3,590m	▲	9%
EBITDA[1]	$634m	▲	15%
EBIT[1]	$433m	▲	24%
Net assets	$2,482m	▲	
ROFE[1,2]	17.5%	▲	
Employees[3]	6,510		

Revenue



EBITDA[1]



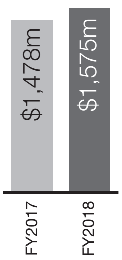
EBITDA of $634 million and EBIT of $433 million grew 15% and 24% respectively, with revenue up 9% to $3,590 million. The result was underpinned by growing infrastructure and non-residential activity, higher Property earnings and solid margins. The business benefited from improvement and reinvestment programs.

USG Boral

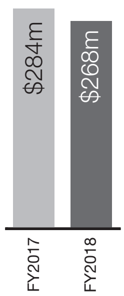
Boral's full year reported result (A$)	FY2018		
Reported EBIT[1] or equity income[4]	$63m	▼	9%

Underlying USG Boral result (A$)	FY2017		
Revenue	$1,575m	▲	7%
EBITDA[1]	$268m	▼	6%
EBIT[1]	$194m	▼	10%
Net assets	$1,955m	▲	
ROFE[1,2]	9.9%	▼	
Employees	3,526		

Revenue



EBITDA[1]

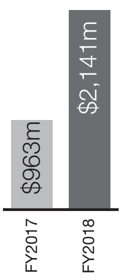


Boral's equity accounted income of $63 million, down 9% on the prior year, represents Boral's 50% share of USG Boral's post-tax earnings. Revenue increased 7% to $1,575 million in the underlying business, with continued adoption of premium Sheetrock® products and technical board primarily in Australia, South Korea, China and Thailand. Earnings were impacted by higher input costs, as well as one-off costs that will not continue into FY2019.

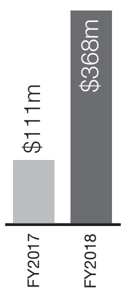
Boral North America

(A$) (Continuing operations)	FY2018	FY2017
Revenue	$2,141m	$963m
EBITDA[1]	$368m	$111m
EBIT[1]	$208m	$60m
Net assets	$4,678m	$4,524m[5]
ROFE[1,2]	4.4%	▲
Employees[3]	7,096	

Revenue



EBITDA[1]



Reflecting a full year contribution from Headwaters, revenue of $2,141 million compared to $963 million in the same period last year and EBITDA of $368 million compared to $111 million last year for continuing operations. Acquisition net synergies of US$39 million were ahead of our initial US$30–$35 million target.

1. Excluding significant items.
2. Divisional ROFE is EBIT before significant items on divisional funds employed.
3. Includes 50%-owned joint venture employees.
4. Post-tax equity income from Boral's 50% share of the USG Boral joint venture.
5. Restated following the finalisation of acquisition accounting of Headwaters, refer to note 6.3 for further information.

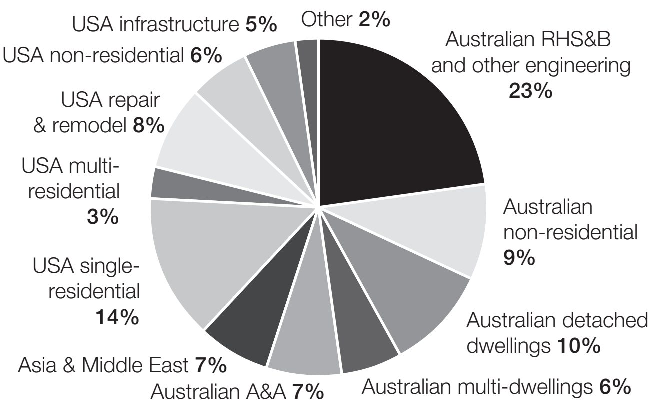
Market Conditions and competition

In FY2018, there was strong growth in Australian infrastructure projects across all key regions, growing non-residential activity and robust housing construction which remained at prior year levels. In the US, there were further improvements in housing markets and infrastructure activity. In Asia, there continued to be strong market demand in Korea, subdued markets in Thailand and Indonesia, with China continuing to benefit from plasterboard market supply constraints.

Highlights included:

- Boral continues to benefit from strong levels of activity in major roads and infrastructure investments, and a robust level of activity in the Australian residential market.
- US housing continues to be underpinned by growing single-family house construction. Other US construction markets also strengthened. Boral is well positioned to benefit from broader construction market growth with improved scale, enlarged product offering and a more balanced portfolio.
- Market positions in Asia continue to benefit from high adoption of Sheetrock® brand products, with opportunities to increase product penetration.

Boral external revenue[1] by market



Australia

Boral Australia's largest exposure is to the roads, highways, subdivisions & bridges (RHS&B) segment. RHS&B value of work done[2] is estimated to have grown by 15% in FY2018, with 26% growth in Vic, 20% in Qld, 15% in NSW and 15% in SA.

Other engineering activity[2] grew in FY2018, primarily through growth in railways and electricity sectors as well as in mining and heavy industry.

Australian housing starts[3] remain robust, at a rate of 222,000 starts in FY2018, in line with FY2017. Detached housing starts are estimated to be up 3%, with multi-residential starts down 3%.

In NSW, Qld and WA, housing starts declined by an estimated 9%, 9%, and 7%, respectively. Offsetting this, housing starts in Vic and SA increased by an estimated 17% and 15% respectively, driven by multi-residential starts. Overall detached housing starts as a proportion of total starts remain at low levels of ~54%, compared to a 20-year average of 63%.

Market forecasters[4] expect housing starts to be down ~9% to ~202,000 starts in FY2019, which remains 17% above the 20-year average.

Australian alterations & additions (A&A) activity[5] is estimated to have declined by 4% in FY2018 compared with the prior year.

Non-residential activity[5] is estimated to have grown 13% in FY2018 compared with the prior year with growth in all states particularly Vic, NSW and SA.

The list of project work in Table 1 on page 12 includes the largest infrastructure projects across each State awarded to Boral, together with a selection from the potential pipeline of work.

1. Includes Boral's 50% share of underlying revenue from USG Boral and Meridian Brick joint ventures, which are not included in Group reported revenue.
2. RHS&B and Other Engineering: average of Macromonitor and BIS Oxford Economics forecasts.
3. ABS original housing starts; average of Macromonitor, BIS Oxford Economics and HIA for June 2018 quarter.
4. Average of HIA, BIS Oxford Economics and Macromonitor forecasts.
5. Original series (constant 2015/16 prices) from ABS. Average of BIS Shrapnel and Macromonitor forecast for June 2018 quarter.

Market Conditions and competition

Table 1: Australia - project work	
Bringelly Road stage 1, NSW Northern Beaches Hospital, NSW NorthLink stage 1, WA Toowoomba Second Range, Qld	Est. completion 2018
Warrego Highway (including stage 2), Qld Amrun Project, Qld Forrestfield – Airport Link (precast), WA Gateway Upgrade North, Qld Kingsford Smith Drive, Qld Logan Motorway, Qld NorthConnex, NSW Northern Road stage 2, NSW	Est. completion 2019
Northern Connector, SA Northern Road stage 3, NSW Pacific Motorway, (M1 & M3 merge) Qld Sydney Metro (City/SW precast), NSW Warrego Highway stage 3, Qld Melbourne Metro Rail (precast), Vic	Est. completion 2020
Albion Park Rail Bypass, NSW Cross River Rail, Qld Haughton River Bridge, Qld Inland Rail, Qld, NSW, Vic Newell Hwy Upgrade, NSW Outer Suburban Arterial Roads, Vic Pacific Hwy W2B, NSW Perth Metro Road Maintenance, WA Smithfield Transport Corridor, Qld Princes Hwy Upgrade, NSW Snowy Hydro, NSW Sunshine Coast Airport, Qld Sydney Metro (Stations), NSW WestConnex (stages 1A&B, 3A&B) NSW West Gate Tunnel, Vic	Currently tendering
Melbourne third runway, Vic Badgerys Creek Airport, NSW	Pre-tendering

USA

The US market is strong with GDP growth estimated to be over 4% in the June 2018 quarter[1], and unemployment and inflation numbers amongst the best in the world.

US housing starts[2] were up 4% to 1.25 million starts and continue to be driven by higher single-family starts, partly offset by a decline in multi-family starts. Single-family starts grew by 8%[2] and multi-family starts were down 5%[2], resulting in single-family starts as a proportion of total starts increasing from 68% to 71%, in line with the long-term average of 71%[2].

On average, market forecasters[3] expect total US housing starts to grow by ~5% in FY2019 to ~1.31 million starts.

Other US construction markets also strengthened in FY2018. Activity in the repair and remodel[4] market was up 7%. Non-residential[5] construction market activity was steady. US infrastructure[6] activity, based on estimated ready mix concrete volumes, was up ~5%.

Asia[7]

In Korea, residential market activity continued to underpin market growth in the first half, although government measures to curb rising house prices have seen growth moderate in the second half. In China, general market growth is continuing and environmental regulations are reducing the plasterboard industry's manufacturing capacity. In Indonesia, activity remains subdued, while in Thailand, the construction market continues to decline relative to the prior year. Emerging markets of India and Vietnam continue to grow.

In most of its building product markets Boral faces competition from a range of large and small players. Many of Boral's large competitors in Australia, Asia and North America have global leadership positions.

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

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

Specific challenges and responses relating to competition are highlighted on pages 18 and 19.

1. "Advance" estimate released by the Bureau of Economic Analysis, US Department of Commerce.
2. US Census seasonally adjusted annualised housing starts.
3. Based on average of analysts' forecasts (Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac, MBA), Jan - Jun 2018.
4. Moody's retail sales of building products, July 2018.
5. Dodge & Analytics. Non-residential square feet area (millions), June 2018.
6. Infrastructure Ready Mix Demand from McGraw Hill Dodge, June 2018.
7. Based on various indicators of building and construction activity.

Boral
Australia

Revenue

Boral Australia revenue increased by 9% to $3,590 million driven by a higher Concrete, Concrete Placing and Asphalt contribution from continued acceleration of infrastructure project work and growth in non-residential construction.

Overall, average selling price (ASP) was higher across most businesses, with the exception of Quarries, which was impacted by an adverse product mix shift, and WA Bricks, where conditions remain challenging.

Boral benefited from exceptionally dry weather on the east coast in Q1, compared to extremely wet weather in the prior year. Q2 and Q3 were impacted by rainfall in South East Queensland, while Q4 saw drier weather patterns, particularly on the east coast.

EBITDA[1]

EBITDA was up 15% to $634 million, exceeding Boral's earnings guidance provided in April. Excluding Property earnings of $63 million compared to $24 million in the prior year, EBITDA increased by 8%. Growth in EBITDA margins to 17.6% reflects higher property earnings.

Cement, Quarries, Concrete and Asphalt margins all improved, however EBITDA margins of 15.9% excluding Property, were broadly steady, reflecting increased investment in divisional improvement programs and a higher proportion of revenue from lower margin businesses (Concrete, Asphalt & Concrete Placing).

Price gains were offset by higher costs including higher energy costs, increased cost to serve due to supply constraints, and increased investment in excellence programs and innovation, which will deliver future benefits.

With stronger earnings and marginally higher funds employed, ROFE improved from 14.6% to 17.5%.

Concrete

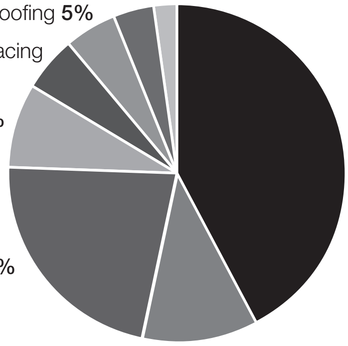
Concrete earnings improved significantly, with higher volumes and prices and a growing contribution from major projects which included NorthConnex and Pacific Highway in NSW, Amrun in Qld and Forrestfield Airport Link in WA. Concrete volumes increased 7%, with all regions reporting higher volumes including strong growth in east coast metro markets and major projects.

Concrete ASP was up 3% and on a like-for-like (LFL) basis prices were up 2%. While LFL price growth in east coast metro markets averaged 3%, this was partially offset by pricing pressures in regional areas, WA and Tas.

Asphalt

Asphalt delivered strong earnings growth and improved margins, driven by a 16% revenue increase. Substantial volume growth continued to be underpinned by a strong increase in maintenance funding by Vic Roads and infrastructure projects including: Gateway Upgrade North, Warrego Highway stage 2 and Dalby East West in Qld. Contracting productivity and performance continues to improve.

Boral Australia FY2018 external revenue



Quarries

Earnings were modestly lower reflecting a 5% decline in external revenue, in part due to an adverse mix shift to lower value products in NSW metro and South East Queensland, together with an increased cost to serve due to supply constraints.

Quarry volumes (internal and external) increased 1% with higher demand in NSW, Qld and SA partially offset by lower volumes in WA and Tas. Volumes in Vic were steady, impacted by supply disruptions in Vic metro, particularly in the first half.

Nationally, ASP for Quarries declined by 3% reflecting the increase in low value product in NSW and Qld, including an abundance of tunnelling spoils and recycled materials in NSW. Excluding low value product, ASP was up 1%.

On a LFL basis, Quarry prices were up an average of 1% nationally, with price growth across Vic, SA and Tas.

Cement

While total Cement volumes (external and internal) increased 2%, external volumes were lower reflecting a shift to internal supply to support growth in Boral's concrete business.

LFL cement prices were up 2% and ASP increased by 1%, due to a less favourable mix shift.

Cement earnings and margins improved reflecting higher prices and an ongoing contribution from Boral's commercial and operational excellence program. These benefits were partly offset by cost inflation and higher energy costs.

Concrete Placing

Concrete Placing delivered a 58% lift in revenue and higher earnings, reflecting strong underlying market demand, especially in the multi-residential Sydney market in the first half and the ramp up of commercial projects in the second half of FY2018.

1. Excluding significant items.

Boral Australia

Property

Property contributed $63 million EBITDA, compared to $24 million in FY2017. The FY2018 result included the sale of the Prospect Masonry property in NSW and earnings from the new development agreements for Donnybrook in Vic.

Building products

Building products businesses overall reported stable revenue and a slight increase in earnings, as improved earnings in Timber were partly offset by a decline in Bricks.

Roofing (including masonry operations in SA and Qld)

Roofing reported stable revenue and lower earnings driven primarily by higher inflationary and energy costs, which offset a 2% increase in LFL prices.

Bricks WA (including WA masonry)

While Bricks WA reported declines in revenue and earnings in line with challenging conditions, the business is performing above breakeven.

Brick volumes were down 11% on lower housing starts and a drop in commercial volumes. Brick ASP was down 4%.

Timber

Revenue increased 6% and earnings improved due to favourable product mix and higher prices. Despite lower volumes, Softwood revenues were up 7%, reflecting price increases of 10% as a result of pricing initiatives in April and October 2017, and April 2018.

Hardwood revenue grew by 6%, reflecting a 3% lift in volumes and 1% increase in ASP. Hardwood margins were slightly lower as price increases were offset by higher product costs due to an adverse mix shift.

Excellence programs

A customer experience program commenced in FY2018 focused on further improving the customer journey with Boral. As part of this program, a new Concrete Deliveries App and Multi Order SMS were launched.

The commercial excellence program, which is focused on improving commercial outcomes, continued to be rolled out across the business with approximately 250 sales people attending a newly developed national sales training program in FY2018. The program has also developed and is rolling out new pricing tools across Concrete and Quarry businesses, and has implemented improved systems and reporting.

At the beginning of 2018, Boral commenced a multi-year supply chain optimisation project as part of operational excellence. The program is intended to support margin expansion across the business, reduce cost to serve and provide better service to customers.

Boral spends more than $650 million per annum transporting materials and finished goods by road, rail and ship. To date, Boral has identified initiatives to reduce supply chain costs by 5% to 10% over the next three years.

Strategic priorities

Boral Australia remains strong and the business is performing well. Our strategy is to protect and strengthen our leading, integrated construction materials position, which continues to benefit from the multi-year pipeline of major roads and infrastructure work.

During FY2018, a total of ~$284 million of capital was invested in Boral Australia including further progressing our quarry reinvestments at Deer Park (Vic), Orange Grove (WA) and Ormeau (Qld), part of a ~$200 million capital program to modernise and secure future resource positions in Melbourne, Perth and Brisbane markets.

We also continued to invest in Boral's concrete and asphalt plant network in growth markets, with a new concrete batch plant completed at Redbank Plains (Qld), and a new plant being built at West Melbourne (Vic) to replace our closed North Melbourne plant. In Asphalt, we completed the Deer Park (Vic) and Canberra (ACT) upgrades, and we are upgrading Toowoomba (Qld).

In FY2018, we progressed plans to invest up to ~$130 million to build a new 1.3 million tonne clinker and slag grinding plant and cementitious storage facility at the Port of Geelong in Victoria. The investment will improve delivered cement costs by eliminating road transport of imported clinker and reducing handling costs. The increased capacity will meet future demand and expand Boral's cement product offering. Regulatory approval has now been received and contract negotiations completed. Site establishment works have commenced and construction is expected to be completed in FY2020.

Outlook

Boral Australia is expected to deliver high single-digit EBITDA growth or more in FY2019, excluding Property in both years. If we include Property in both years, we expect EBITDA to remain at least in line with the prior year. FY2019 Property earnings are expected to be around $20 million compared with $63 million in FY2018.

The anticipated year-on-year improvement is underpinned by forecast growth in RHS&B (up 8%)[1] and non-residential demand (up around 10%)[1] more than offsetting the impacts of a moderating housing construction market. Detached housing starts are forecast to be down 5% and multi-residential starts down 13%[2]. Volumes and margins are expected to strength in FY2019 relative to FY2018.

1. RHS&B & non-residential: average of Macromonitor and BIS Oxford Economics forecasts.
2. Housing starts (detached and multi): average of Macromonitor, BIS Oxford Economics and HIA forecasts.

USG
Boral

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

Boral's equity accounted income[1] of $63 million, down 9% on the prior year, represents Boral's 50% share of USG Boral's post-tax earnings, and is reflected in Boral's EBITDA result.

USG Boral underlying business result

Revenue increased 7% to $1,575 million in the underlying business, with continued adoption of premium Sheetrock® products and technical board primarily in Australia, Korea, China and Thailand.

While prices increased in some key markets, inflationary cost pressures in other markets including Thailand, Indonesia and Vietnam, together with increased competition (especially in Indonesia) and one-off costs saw margins contract.

Overall board volumes increased 3% and technical board, which represents 20% of volumes, grew by 20%. Plasterboard volume growth was evident in Australia and China, and strong price gains were achieved in Korea and China.

Sheetrock® brand products continue to maintain a price premium of ~3% with adoption rates at June ranging from ~40% in Korea to more than 90% in Australia, China and Vietnam.

Non-board revenue, which includes ceiling tiles, metal stud, compounds and plasters, and contracting increased 9% and represented 40% of USG Boral's total revenue.

Underlying EBITDA declined by 6% to $268 million. Benefits from revenue growth were offset by unexpected one-off costs, higher input costs, particularly paper, and ongoing competitive pressure in Indonesia, Thailand and Vietnam.

EBITDA was impacted by one-off costs of $11 million associated with the three-month closure of the port facility in SA impacting gypsum supply in Australia in the first half and an unfavourable operational reserve adjustment in India which impacted both halves. Further, unfavourable foreign exchange movements relating to intercompany loans had a $3 million adverse impact on earnings.

The fourth quarter was below our expectation due to operational and product supply issues in Australia, the additional reserve adjustment in India as well as higher than expected costs associated with exiting a distribution agreement in Korea.

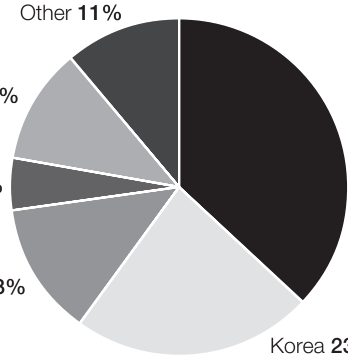
Excluding one-off costs of $11 million, EBITDA was slightly lower year-on-year.

Average plant utilisation of ~80% was up from 76% in FY2017.

Australia/New Zealand revenue increased 9% to $577 million with solid gains across board and non-board revenue driven by higher volumes, while ASP was steady on the prior year.

Earnings in Australia were impacted by higher energy costs, higher gypsum costs in the first half as gypsum was temporarily sourced from Oman and WA, stock transfer costs to meet strong NSW demand and higher costs associated with now resolved product supply issues in Melbourne in the second half of FY2018.

USG Boral FY2018 underlying revenue



Asia

Revenue increased by 5% to $998 million driven by volume and price increases in China and Korea and volume growth in Thailand.

Korea delivered revenue and earnings growth, underpinned by higher prices. Margins held steady. In the second half of FY2018, competitive pressures increased and growth rates moderated.

China delivered a substantial lift in revenue and earnings, supported by strong price growth and volume gains. Higher input costs were more than offset by price increases.

Thailand reported revenue growth despite lower prices, driven by higher domestic and export volumes. Ongoing competitive pressures, higher input and energy costs resulted in lower earnings compared with the prior year.

Indonesia continued to experience competitive pricing pressures and weaker demand, resulting in lower revenues and earnings.

India reported revenue growth, including higher plasterboard and non-board sales. Earnings were lower due to an unfavourable operational reserve adjustment.

While **Vietnam** continues to offer growth opportunities, during FY2018 the business experienced competitive pricing pressures and higher input costs, resulting in lower earnings. Second half performance improved.

Outlook

USG Boral is expected to deliver profit growth of around 10% or more in FY2019. The FY2019 outlook for USG Boral reflects a forecast moderation in residential construction in our largest markets of Australia and South Korea, and improvements in other countries including China, Indonesia, Thailand and India. The year-on-year improvement in earnings is expected to come through in the second half of FY2019.

1. Post-tax equity income from Boral's 50% share of USG Boral JV.

Boral
North America

The FY2018 result includes the first full year contribution from the Headwaters acquisition, completed on 8 May 2017. The prior year includes revenue and earnings from Headwaters for eight weeks. The result also includes post-tax equity income from Meridian Brick JV formed 1 November 2016.

In May 2018, Boral agreed to sell its Denver Construction Materials business, which settled on 2 July 2018 and is not in Boral North America earnings for continuing operations.

The following commentary relates to FY2018 results for continuing businesses relative to the underlying proforma consolidated Boral and Headwaters businesses for the 12 months to 30 June 2017.

An average AUD/USD exchange rate of 77.35c is used for FY2018 and 75.36c for FY2017.

Revenue

Revenue of US$1,656 million was flat on the prior year due to the inclusion of four months of Bricks revenue in the first half of FY2017 prior to the formation of Meridian Brick JV. Excluding Bricks, revenue was up 6%.

EBITDA[1]

EBITDA of US$284 million was up 9% with benefits from underlying revenue growth and substantial synergies of US$39 million resulting in higher margins.

During the period, earnings were impacted by adverse weather (US$15 million), one-off plant operational issues, which progressively improved during the year (US$10 million) and lower profits associated with repositioning fly ash supply in Texas.

Earnings were below our expectation in Q3 and down on the prior year Q3 proforma result due to a later spring construction season and persisting winter conditions coupled with the challenges of reconfiguring fly ash supply in the Texas market following the permanent closure of three utilities.

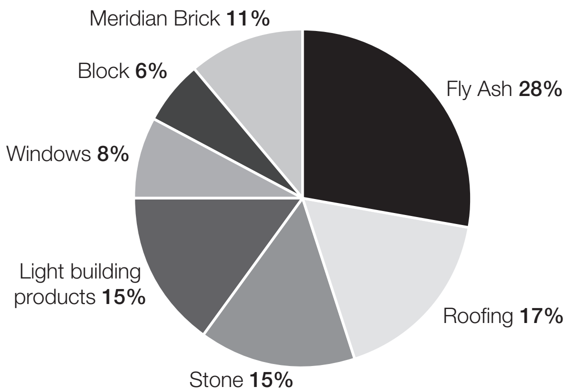
Pleasingly, there was a substantial earnings lift in Q4 as more normal weather patterns returned and trading conditions improved. Significant year-on-year Q4 earnings growth was delivered by both Construction Materials and Building Products.

The FY2018 EBITDA result includes an US$11 million benefit from aligning the accounting policy between Boral and Headwaters for Stone molds. This was offset by one-off favourable adjustments in the prior period under Headwaters ownership.

Construction Materials

Revenue for Construction Materials, which includes Fly Ash and Block, increased 5% to US$640 million, and EBITDA increased by 6% to US$142 million. EBITDA margins increased modestly to 22.2%.

Boral North America external revenue[2]



Fly Ash

Revenue increased 7% to US$523 million, reflecting an increase in site services revenue and an average 9% like for like price increase, partly offset by lower volumes. In FY2018 site services represented 28% of revenue benefiting from two major site services construction projects. As these projects complete, site services are expected to account for ~20% of Fly Ash revenue in FY2019. Fly Ash earnings increased, benefiting from US$11.5 million in synergies although margins were impacted by the mix shift towards site services and higher costs.

Fly ash volumes declined 6% to 7.1 million tons due to weather impacts, the Texas utility closures in the second half of the year and supply constraints due to intermittent unplanned power plant outages.

Boral aims to grow fly ash volumes in line with cement demand and over time exceed cement growth by increasing substitution rates of fly ash in ready mix. Boral is targeting to increase its annual supply of available fly ash to the market by 1.5–2.0 million tons over the next 3 years[3]. Refer to page 50 of the Boral Review 2018 for more information on Boral's strategy to grow fly ash volumes.

Block

Block, which largely services the non-residential Texas market, reported lower earnings with revenue down 4%. Volumes were significantly impacted by Hurricane Harvey in the first half and the continued focus of remediation work by builders on interior rather than exterior repairs.

Benefits from post hurricane remediation work as well as future planned school construction projects are expected to commence in FY2019. Boral has won several large school construction projects as part of this work.

Building Products

Revenue was up 7% to US$1,013 million, largely due to prior year Windows acquisitions as well as strong volume growth in Light Building Products (LBP). Earnings were up 9%, with the

1. Excludes significant items.
2. Includes Boral's 50% share of underlying revenue from the Meridian Brick JV which is not included in reported revenue.
3. Net estimated supply volume increase based on currently known utility retirements estimated to impact Boral's network by ~800,000 tons per annum on FY2018 levels.

benefit of strong revenue growth partly offset by the impact of hurricanes in the first half and adverse weather conditions in Q3. Plant integration issues, costs associated with commissioning new capacity and safety interventions impacted earnings. While these issues impacted more significantly in the first half, the Oceanside metal roofing consolidation (California) and commissioning of the Greencastle stone plant upgrade (Pennsylvania) continued to impact in the second half.

Stone

Revenue was down 2%, reflecting 4% lower stone volumes due to share loss and weaker multi-family starts. ASP increased by 2%.

Earnings improved primarily due to an US$11 million benefit from re-aligning accounting policies between Boral and Headwaters for Stone molds. Excluding the accounting benefit, earnings for Stone were softer due to lower volumes, higher costs and production impacts in the first half due to safety interventions, and costs associated with commissioning the Greencastle Eldorado Stone plant upgrade.

In FY2019, share is expected to stabilise and costs improve as the Greencastle plant continues to ramp up.

Roofing

Roofing delivered 8% revenue growth to US$320 million and higher earnings. Volumes were up 6% with strong volume growth in Concrete Tile products, which in many markets exceeded housing starts. This was partly offset by supply constraint issues at the Oceanside metal roofing business. Selling prices were higher across all product categories with an average price increase of 3%. While FY2018 synergies of US$8 million were delivered in line with our expectations, earnings were impacted by a number of one-off operational issues, more so in the first half. These related to the manufacturing challenges at the Okeechobee plant (Florida) (previously part of the Entegra Roofing business, a Headwaters majority owned joint venture) and optimising capacity at Lake Wales (Florida).

Improvement initiatives at Okeechobee and upgrades at Lake Wales are now substantially complete with earnings improvements expected in FY2019.

Light Building Products (LBP)

LBP delivered revenue growth of 6% and synergies of US$11 million. Revenues were underpinned by growing market demand and increased product penetration. Tapco revenue was up 6%[1]. Versetta and TruExterior® Siding and Trim reported a 30% and 4% increase in revenues, respectively. Earnings grew modestly but were impacted by adverse weather in Q3, higher raw material and labour costs until final commissioning of the upgrade of Kleer trim plant, and higher production costs in the TruExterior® Siding and Trim business associated with production of one of the newer siding product lines, particularly in Q4, as well as higher raw materials costs more generally.

1. Excludes Clubhouse Decking which was sold in FY2018.

Windows

A revenue lift of 32% reflects the acquisitions by Headwaters of Krestmark in August 2016 and Magnolia in February 2017, coupled with underlying volume growth of 5%. Operational issues at Magnolia in the first half negatively impacted margins.

Operational improvement initiatives at the Magnolia plant, including the installation of a key new plant component and implementation of LEAN manufacturing principles, were completed in FY2018 and are expected to deliver improved performance in FY2019.

Meridian Brick JV

The JV delivered a post-tax equity contribution loss of US$1 million, as the business continues to restructure.

The underlying Meridian Brick JV generated US$395 million of revenue and delivered US$25 million of EBITDA. Compared to the prior period, EBITDA declined by US$3 million. Brick volumes were down due to the decline in brick intensity, the impact of Hurricane Harvey in the South in the first half, and a smaller distribution network following the planned closure of manufacturing and distributions assets. The business is focused on delivering targeted cost synergies of US$25 million within four years through a number of initiatives.

Outlook

Boral North America is expected to deliver EBITDA growth of around 20% or more in FY2019 (for continuing operations), reflecting further synergy delivery, operational improvements and underlying market growth. The outlook for Boral North America is based on:

- expected additional Headwaters acquisition synergies of ~US$25 million in FY2019
- continued growth in underlying market demand, including ~5% growth in housing starts (to ~1.31 million), ~3% in repair and remodel, ~2% in non-residential and ~6% in infrastructure[2]
- growth in fly ash volumes at least in line with cement demand growth and reflecting efforts to increase available supply volumes
- price growth for most products with margins improving or at least holding across all businesses
- the Meridian Brick JV delivering positive and improved earnings
- a return to normal weather patterns, with the spring recovery expected from March 2019.

2. Housing starts based on average of Dodge, Wells Fargo, NAR, NAHB, Fannie Mae, Freddie Mac and MBA analysts (March 2018); Repair & remodel from Moody's retail sales of building products, June 2018; Non-residential from Dodge & Analytics, square feet area (millions) June 2018; and Infrastructure Ready Mix Demand from McGraw Hill Dodge, June 2018.

Summary of Boral's Risks and Responses

Responding to a changing world

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

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

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

Page references indicate where the topics are covered in the Boral Review 2018, incorporating Boral's 2018 Sustainability Report.

Health, safety, environment (HSE) and social risks

RISKS

- Heightened community expectations
- Injury and accidents
- Environmental damage
- Regulatory requirements
- Community impacts
- Climate-related impacts
- Workplace relations and human rights
- Conduct risk, anti-corruption

RESPONSES

BORAL GROUP

- Group-wide **commitment to Zero Harm**
- Global **HSEQ policies and minimum standards** to inform divisional strategies and procedures 20 21
- HSE **performance monitoring, reporting** and accountability frameworks 20
- Monitoring **regulatory changes**
- Progressive adoption of TCFD recommendations including early development of **climate-related scenario** analysis to better quantify risks, align mitigation strategies and identify opportunities 26 32
- Group-led diversity program 19
- **Leadership development** and suite of capability building activities 19

BORAL AUSTRALIA

- **Zero Harm** and wellbeing initiatives 24
- **Heavy vehicle safety** management to meet **Chain of Responsibility compliance**
- **Safe Systems of Work** focused on safety leadership and decision making 22
- **Community consultation** programs and initiatives to minimise impacts of operations 33
- **Flood mitigation and environmental rectification** programs 29
- Proactive **engagement with regulators**
- **Workplace relations** supported by proactive engagement with unions and specialist advisers 19
- National **Safety Information Management system**

USG BORAL

- **HSE standards applied consistently** across Asia, Australia and the Middle East (where standards are often higher than in-country practices) 21
- **Safety engagement program** including communications, leadership workshops, tool box talks and dedicated safety culture month
- **Use of CCTV** to aid incident investigations and improvements 47
- Regionally led environmental improvements
- **Anti-corruption measures** including clear accountability, policies, training, audits 17

BORAL NORTH AMERICA

- **Safety integration plans** developed for acquired businesses to achieve Boral's safety standards 25
- **Ongoing review** of safety exposure and compliance, including audits
- **Dedicated capital** investment for safety enhancement projects 25
- **Executive-led** safety initiatives and near-miss reporting underway
- **Environmental risk reviews** performed on acquired assets to meet internal and external standards
- **Safety and recovery plans** for major weather events

Industry and market risks	Competition risks	Business interruption
• Structural and cyclical demand changes • Political and regulatory change • Macro-economic conditions • Inflationary impacts from rising input costs • Movements in foreign exchange rates • Future resource constraints • Changes to materials and construction methods • Changing demographics and urbanisation	• New capacity and market entrants • Customer concentration • Pricing dynamics • Regulatory requirements • Technology/R&D and product innovation	• Plant and systems failure • Cyber security • Weather impacts • Reserves and resources • Supply chain failure • Business conduct/reputational damage • Digital disruption
• US debt utilised to limit impacts of foreign exchange rate movements • **Staged debt maturity** profile • **Adequate liquidity** via committed undrawn facilities and cash • Energy inputs hedged and interest rates **swapped to reduce cyclical impacts** • **Diversification** to reduce impacts of individual geographies and markets • **Group procurement** to optimise cost base • **Increased investment in R&D**, innovation and customer-centric programs 38 • Third-party managed **whistleblowing hotline**, monitoring and reporting in all jurisdictions 17	• Centralised **competition law training** • Monitoring and reporting **regulatory changes and industry trends** • **Transformation Action Group** to foster new ways to make and sell new and existing products • **Utilisation of technology** for more targeted sales and marketing • Dedicated regionally based **R&D teams** focused on **product innovation** 38	• **Business continuity planning** with regular crisis simulations • **Disaster recovery plans** in place for critical IT systems and operational equipment • Formal bottom-up **enterprise risk management processes** in place 27 • **Reserves planning** and **capital optimisation** • Standardised **Cyber Security strategy** with cyber security training programs and Board reporting • Centralised **Code of Conduct training** and associated policies 17 • Centrally managed **data breach** monitoring and response processes
• Leveraging demand shift to major infrastructure through **investments in quarries, asphalt and concrete** operations and **strengthened project capability** 42 • Central oversight and tracking of **major projects** to target participation strategies • **Strengthening import capability** with construction of a clinker import terminal in Victoria • **Operational Excellence** program and cost reduction initiatives to offset inflation • **Supply chain transformation** focused on standardisation and optimisation 43 • **Investment in quarry assets,** with Deer Park (Vic) nearing completion and Orange Grove (WA) and Ormeau (Qld) underway 41 43	• **Innovation hub** focused on identifying and implementing new technologies and processes 38 • **Commercial Excellence** program and customer centricity programs to improve service and margin growth 38 • Maintaining **Australian Building and Construction Commission (ABCC) compliance** to enable bids on Federally funded work • Investment in **downstream concrete and asphalt** network to optimise exposure to growth markets 41	• Boral Digital Services utilising **agile processes and cloud-based** application and storage • **Targeted technology enhancements to improve operational systems** • Monitoring and **preparedness for weather affected disruption** including water management plans, flexible workforces and additional equipment 29 • Dedicated **property and environmental experts** to support compliance and meet stakeholder expectations 20
• **Capacity planning** to respond to demand changes including upgrades in India and Vietnam 46 • **Product leadership** and **differentiation strategy** underpinning performance 47 • **Securing gypsum supply** through acquisition of reserves and exclusive supply agreements • Long-term **resource supply contracts,** eg paper	• **Innovation investment** to further strengthen competitive advantage, eg Sheetrock® 2.0, Ensemble™ 37 • **Differentiation** strengthens response to new capacity and market entrants • **Expanded product portfolio** delivering enhanced revenue and earnings • Best in class **architectural specification** • **Sales and Marketing Excellence** includes new product integration and pricing strategies • Country focused **cost saving initiatives**	• Revised **governance structures** to manage culture and performance of third-party agreements and joint ventures • New **IT implementation in key regions** • Multi-year roll-out of Sheetrock® technologies has resulted in **a modern, upgraded plant network** • **Investment in cyber security controls and monitoring** • National Institute of Standards and Technology (NIST) **security framework**
• **Reposition of portfolio** from high fixed cost, energy-intensive products to lighter building products, with more variable cost base 6 • **Improvement of brick business** through the Meridian Brick Joint Venture • **Network optimisation initiatives** to enhance returns • **Diversified exposure** to US construction markets • Continued monitoring of US Government policies including **tax, labour and infrastructure policies** • **Synergy plans** to reduce costs, produce efficiencies, and capture further market growth	• Dedicated **Integration and Synergy Delivery program** • **Cost reduction** and **margin improvement** initiatives including **LEAN** • **Divisional procurement** initiatives • Regionally focused product **price analytics and sales strategies** • **Business systems implementation**, standardisation, and uplift • **National R&D Center** to bring new technologies and products to market 51	• **Long-term availability of fly ash** monitored and future sources identified including reclaim 50 • **Prioritisation of capital investment** aligned with product and market growth, with a focus on increasing fly ash storage 50 • Streamlining and **upgrading IT systems** and investment in **cyber security** controls and tools • Ongoing **code of conduct**, competition law, and other legal training • **Geographically balanced portfolio lessens the** impact of regional weather events

Sustainability
Overview

Managing sustainability

We recognise that our commitment and progress in managing sustainability outcomes is vital to our business success and meeting the expectations of our stakeholders. We strive to deliver shareholder returns above our cost of capital through the cycle, while creating value for our customers, employees, suppliers and the communities in which we operate.

We strive to position Boral to sustainably create value for all our stakeholders by:

- delivering innovative, superior performing and more sustainable products and solutions that respond to a changing world and better meet our customers' needs
- driving safety performance towards world's best practice and investing in our people to enable them to deliver on our strategy
- reducing our environmental footprint and building our resilience to climate impacts, and
- being a socially responsible member of the communities in which we operate.

We monitor and report on our sustainability performance to drive progress and continuous improvement and are responding to increasing expectations of our stakeholders on the disclosure of our sustainability risks and opportunities. We are progressively adopting the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and are strengthening our approach to managing and reporting on modern slavery risks in our operations and supply chain.

In FY2019, we will review the United Nations Sustainable Development Goals (SDGs) with a view to identifying those SDGs that we can materially impact within our sphere of influence, and incorporate these in our sustainability management approach and reporting

Sustainability governance

Sustainability governance is embedded in how we govern. Our approach is underpinned by an effective governance structure, constructive and open engagement with our stakeholders, and transparent reporting on our material issues.

The Board maintains oversight of sustainability matters, including identification of material issues and external reporting. The Board Health, Safety & Environment (HSE) Committee provides focused leadership, support and oversight of the activities of management.

The CEO & Managing Director is accountable for the management of sustainability issues and delegates this responsibility to Boral's Executive Committee. Day-to-day responsibility for sustainability rests with line managers and is embedded into Boral's Group and business-level strategies.

Managing sustainability, including safety, is considered an integral component of leadership and is linked to employment and considered in reviewing performance and setting fixed remuneration increases. We therefore do not link remuneration incentives with safety performance or other sustainability metrics.

During the year, the Board reviewed whether Boral's separation of safety and remuneration incentives remained appropriate, and concluded that it remains a very important element of Boral's culture to avoid linking incentive payments with safety outcomes. The Board retains discretion to adjust executive remuneration outcomes if there is evidence of a breakdown in management oversight and processes leading to poor safety outcomes. Further explanation of the safety and remuneration review is provided on page 62 of the Annual Report 2018.

Boral's governance approach is further detailed in the Annual Report 2018 (pages 34–47). Our governance of climate-related impacts is outlined on page 25.

Materiality

A biennial materiality assessment is undertaken to review sustainability risks and opportunities, which forms part of our broader risk management processes. This materiality assessment ensures that issues that are important to our long-term success, as well as to our employees, customers, suppliers and the communities in which we operate, are being addressed and transparently reported on.

In 2017, we engaged Ernst & Young (EY) to undertake a materiality assessment to validate our areas of focus. The scope of this work encompassed internal stakeholder interviews, desktop peer and media analysis, external industry and sector analysis, and consideration of relevant sustainability trends.

The results from EY's assessment were materially consistent with existing areas of management focus, and the outcomes of risk assessment processes. Refer to pages in this Annual Report (AR) and Boral Review 2018 (BR) for the issues identified as material:

- business conduct (AR p. 21, BR p. 17)
- diversity and inclusion (AR p. 22, BR p. 19)
- workplace relations and human rights (AR p. 22–23, BR p. 19)
- health and safety (AR pp. 23–24, BR pp. 20–25)
- climate-related impacts (AR pp. 25–28, BR pp. 26–32)
- environmental and community impacts (AR pp. 28–30, BR pp. 33–35)
- supply chain (AR p. 30, BR pp. 36–37)
- product innovation (AR p. 31, BR pp. 37–38)

Approach to reporting

Boral's 2018 Sustainability Report, which forms part of the Boral Review 2018, provides detailed information on the sustainability issues assessed as material to Boral. In addition to our Sustainability Report, we provide this sustainability overview in this Annual Report, and also communicate with our stakeholders on aspects of sustainability through:

- the Corporate Governance Statement and Directors' Report (including the Remuneration Report) in this Annual Report
- our website, which includes detailed energy, carbon and other emissions data, policies, information on sustainable products and community engagement programs
- case studies and features in our Boral News magazine – see boral.com/boral_news
- Boral's 2018 public report, lodged with the Workplace Gender Equality Agency.

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 2018, unless otherwise stated. Sustainability data for Headwaters, acquired in May 2017, has been consolidated from 1 July 2017.

We engaged EY to provide independent assurance of selected metrics and related information including:

- Scope 1 and 2 greenhouse gas emissions and energy consumption by fuel source for our Australian operations
- significant environmental infringements and penalties
- lost time injury frequency rate (LTIFR)
- recordable injury frequency rate (RIFR)
- workforce statistics by occupation, age and length of service
- female representation by position.

EY's assurance statement is on page 52 of the Boral Review 2018.

Business conduct

Working with integrity, respect and fairness is fundamental to how we do business. We expect all employees and people representing Boral to meet the highest ethical standards as well as observing both the letter and spirit of the law.

Demonstrating strong ethical principles in all that we do is vital to our reputation and our ability to deliver long-term value to all of our stakeholders, including shareholders, customers, employees and communities.

Our Code of Business Conduct (Code) and supporting policies set out the high ethical standards we expect everyone across our international operations to adhere to, including third parties with whom we do business – suppliers, contractors and distributors.

Our commitment to anti-corruption compliance is reflected in our Code, which prohibits bribery and corruption in all forms, whether direct or indirect. Our anti-corruption measures include clear policies, accountability, training, reporting and audit review. Conduct risk and corruption risk are also assessed through our enterprise risk management review process.

We complement our policy and risk management framework with clear communication and training on the Code and associated policies in our induction training and ongoing refresher training programs. The USG Boral joint venture conducts additional risk-based anti-corruption training and has established an externally managed anti-corruption audit program.

The Board and senior management take breaches of the Code or other misconduct very seriously. We have consistent and transparent policies and practices in place to address any non-compliance with our Code and supporting policies. Formal consequences include additional training, impact on reward and promotion, formal warnings and termination. In FY2018, 35 employees in Boral Australia and Boral North America were dismissed for breach of policy or misconduct, including breaching safety requirements. These matters were considered isolated incidents and not systemic.

We provide easy and clear avenues for our people to report ethical concerns and improper behaviour. In addition to internal reporting channels – via senior management, human resources, internal audit and legal – we provide an external independent whistleblowing service, known as FairCall. Reports via FairCall can be made on an anonymous basis, and we are committed to maintaining the independence, impartiality and confidentiality of the reporting and investigative processes. The Company Secretary reports on these matters to the Board Audit & Risk Committee.

Boral's policies prohibit political donations or affiliations.

Industry associations

We work with a number of industry associations for various reasons including as a conduit to industry best practice, for workforce relations advice, or to advocate to government and the community on behalf of industry.

In general, the policy positions of our industry associations are to support regulation in the national and industry interest and encourage business to sustainably prosper and remain competitive.

We recognise that our associations represent the interests of many members and there may be some areas of policy that do not fully align with Boral's positions. When appropriate, we work with our industry associations to help them understand our Company's position.

In relation to energy and climate policy, we have not identified any major positions held by our industry associations that are materially inconsistent with Boral's position.

Further information is available at boral.com/industry_associations.

Our people

Building an engaged, diverse and capable workforce, led by talented and effective leaders, is vital to delivering long-term sustainable value for our stakeholders.

Workforce profile

As at 30 June 2018, we had 17,131 full-time equivalent employees including in joint ventures (JVs), and approximately 8,700 contractors working in 17 countries.

Full-time equivalent	FY2018	FY2017	FY2016
Boral employees	**11,898**	11,499[1]	8,334
Boral contractors	**~5,200**	~4,800	~4,800
JV employees[2]	**5,233**	4,976	3,724
JV contractors[2]	**~3,500**	~3,400	~3,400

1. Included 4,016 full-time equivalent employees from Headwaters and excluded employees from Boral Bricks in North America which were included in JV employees.
2. Includes USG Boral, Meridian Brick and other small Australian-based joint ventures.

At end FY2018	Boral total	Boral Australia[3]	USG Boral[3]	Boral North America[4]
Women in Boral	18%	14%	18%	23%
Average length of service	8.1 yrs	9.0 yrs	9.3 yrs	6.8 yrs
Average age	43.4 yrs	44.9 yrs	40.7 yrs	43.3 yrs
20+ year veterans	12%	13%	15%	9%
Employee turnover for FY2018	20%	17%	8%	29%[5]

3. Excluding joint ventures.
4. Including Meridian Brick joint venture.
5. Reflects consolidation of Headwaters and Boral's legacy businesses. Compares to a FY2017 proforma employee turnover of 24%.

Diversity and inclusion

A diverse workforce helps us deliver higher performance by fostering a more creative, flexible and innovative culture by bringing together diversity of thought, background and experiences. It also enables us to better understand and serve our customers through reflecting the diversity of our communities.

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

Focus areas in FY2018 included: raising awareness of the impact of unconscious bias, increasing representation of women, particularly in leadership roles, and pay equity outcomes, with the female to male average base salary ratio[6] in Boral Australia favourable at 1.01:1.00.

We support Aboriginal and Torres Strait Islander employment, programs and communities. In FY2018, we continued to retain approximately 85% of Indigenous employees in Australia through our Indigenous employment program.

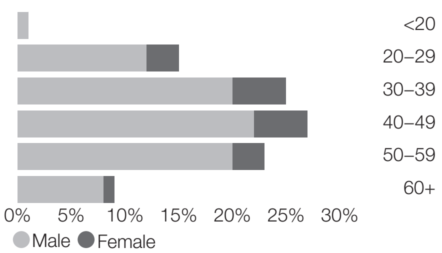
Our 2019 REFLECT Reconciliation Action Plan, which has been submitted to Reconciliation Australia, extends and broadens our existing approach. The Plan outlines practical actions aimed at strengthening relationships, respect and opportunities for Indigenous communities. These practical actions include increasing the number of Aboriginal and Torres Strait Islander employees across our workforce, further building on the work undertaken through our Indigenous employment program since 2006.

Workplace relations and human rights

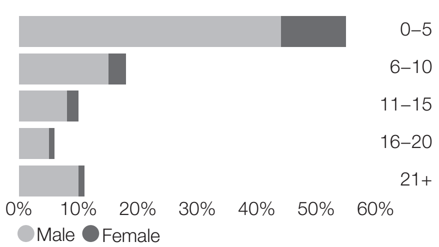
We are committed to advancing respect for, and promotion of, internationally recognised human rights across our global operations, as outlined in our Human Rights and Labour Policy. This includes contributing to the elimination of all forms of forced, compulsory or child labour and having workplaces free from harassment, bullying, discrimination and unlawfulness.

We support the rights of our employees to freedom of association, to choose to unionise and to collective representation, regardless of their location or function. We are committed to working honestly and transparently with labour unions and undertake negotiations in good faith. In Australia, we have some 79 enterprise agreements covering about 3,700 employees.

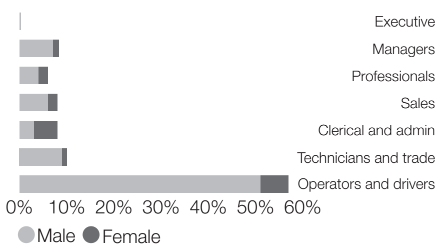
Age profile of employees (age)



Length of service of employees (years)



Employees by occupation



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

Our grievance mechanisms are accessible, accountable and fair, enabling concerns to be raised without fear of recrimination. This includes Boral's independent external whistleblowing service, FairCall, where people can raise anonymous concerns.

In FY2018, we established a Human Rights and Modern Slavery Working Group to support work being undertaken to further develop our approach to modern slavery and human rights across our operations and supply chain. The working group, comprising members of Boral's Executive Committee and key functional roles, assessed Boral's approach to modern slavery in light of proposed Australian Government reporting criteria and the United Nations Guiding Principles on Business and Human Rights.

Key focus areas relating to our workforce for FY2019 include reviewing and enhancing Boral's Human Rights and Labour Policy and publishing it externally, refreshing our broader policy framework, and increasing awareness of modern slavery through targeted training.

Our approach to mitigating the risk of modern slavery in our supply chain is outlined on page 30.

Health, safety and environmental management

Our goal is to achieve Zero Harm Today. We strive to achieve this by identifying, understanding and eliminating conditions and behaviours that have potential to result in injury to people or harm the environment.

Where eliminating adverse environmental impacts is not possible, we aim to minimise any harmful effects from our operations, which means we typically target performance exceeding our environmental compliance requirements.

Our approach

Visible and proactive leadership, robust governance, accountability and effective frameworks and systems are all essential to driving a culture focused on our goal of Zero Harm Today.

Boral's CEO & Managing Director and senior executives regularly spend time at our operations, which provides an opportunity to discuss safety and environmental management challenges directly with site teams.

Divisional management teams and the corporate Health, Safety and Environment (HSE) function report 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.

More serious HSE incidents, including near-miss events, are directly communicated to the CEO & Managing Director, with CEO-led incident review meetings held for serious HSE incidents (including near-miss events) involving relevant divisional executives, the Group HSE Director and local line management.

Divisional leadership teams are responsible for implementing divisional HSE strategies. Accountability and management of day-to-day HSE matters rests with line managers, with support from divisional HSE specialists who provide expert technical advice and coaching, and a small corporate HSE team. This team, headed by the Group HSE Director, is responsible for policy, governance and functional leadership, in consultation with divisional specialists.

HSE performance and actions are communicated at sites through forums including daily pre-start meetings, and at larger sites those meetings are supplemented with monthly HSE meetings.

HSE issues and risks are reviewed and assessed as part of due diligence processes on all potential acquisitions and, commensurate with HSE risks, new or expansion projects.

HSE strategy

Our priorities and approach to managing HSE are guided by four Group-wide strategic objectives and supported by 14 contributing programs.

Each division is responsible for implementing its own HSE strategies and improvement plans, consistent with Boral's Group-wide HSE strategy.

A summary of progress against our HSE objectives is provided on page 21 of the Boral Review 2018.

Safety outcomes

After nearly four years without a fatality, we deeply regret the death of a delivery driver at our Concrite operation in Alexandria, Sydney, in September 2017. A supplier's driver, delivering diesel to the site, died after he was struck by one of Boral's agitator vehicles on site.

Immediately following the incident, all sites were alerted, and vehicle and pedestrian management risks across all of our sites were considered. Boral Australia is also considering further risk mitigation measures such as introducing additional technology to monitor vehicle and pedestrian movements on-site.

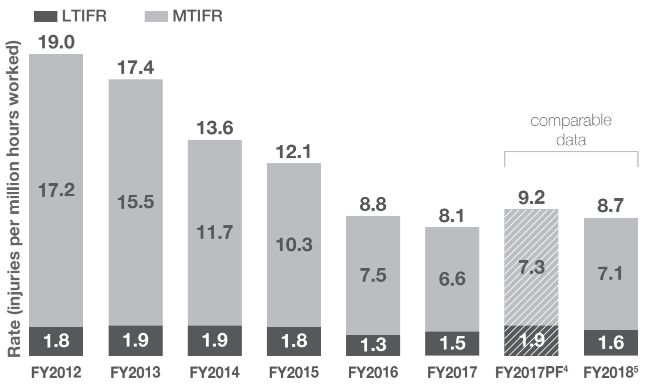
We are also saddened by the death of an off-duty contract employee at our Dutch Quality stone plant in Mt Eaton, Ohio in the US, who was killed in a two-vehicle collision on a public road outside our site in November 2017. While not work-related, it does not lessen the shared loss and our response to investigate and learn from this tragic incident.

To increase transparency, in FY2018 we commenced including all Group entities in our safety measures, irrespective of equity interest or management control. This compares to prior years when we included joint ventures where our equity interest was 50% or more. Consequently, we now include joint ventures within USG Boral.

FY2018 safety data also includes the Headwaters business, which when acquired in May 2017 was not as advanced in its safety journey as Boral.

After more than a decade of significant improvement in our safety data, FY2018 reported safety results broadly plateaued at relatively low levels largely due to the inclusion of new businesses, comprising over 4,500 employees and contractors.

Boral Group recordable injury frequency rate (RIFR[1,2])



Our recordable injury frequency rate (RIFR[1,2]) of 8.7 was modestly higher than 8.1 in FY2017, but a greater than 50% improvement from FY2012, and our lost time injury frequency rate (LTIFR[1]) of 1.6 was broadly in line with 1.5 last year.

On a proforma basis, restating FY2017 data to include the additional businesses, our RIFR improved by 6% and our LTIFR by 16% in FY2018.

On a divisional level:

- Boral Australia reported a RIFR of 11.3, comparable to 11.2 in FY2017.
- Boral North America reported a RIFR of 8.9, an increase from 6.7 last year, reflecting the inclusion of Headwaters in FY2018. Boral North America's legacy business RIFR was steady on last year at 6.7. The Headwaters business reported a RIFR of 10.7, a substantial improvement from 14.6 the prior year.
- USG Boral's reported RIFR of 4.5 remains relatively strong, and this is the best performing division in Boral. This year's result is softer than the 3.6 reported in FY2017 partially due to the inclusion of minority-owned joint ventures and partially due to a modest increase in injuries.

Boral's overall Group RIFR on a comparable basis to prior years (excluding Headwaters and minority held joint ventures), was 8.4.

Percentage hours lost[3], which monitors the severity of our more serious injuries by the total time lost, increased modestly from 0.04% in FY2017 to 0.05% in FY2018. Hours away on restricted or transferred duties[3], a more holistic measure of the effect of all recordable injuries, improved to 0.18% from 0.22%. This suggests that injuries were generally less severe or responded better to treatment and return to work programs – a positive outcome for our injured people and the organisation.

Boral measures its safety performance for employees and contractors combined, which we believe is a true measure of performance. This can, however, make benchmarking challenging, as not all organisations report contractor data. In addition, Boral includes all entities irrespective of equity interest or management control, whereas other organisations typically include only entities in which they have management control.

While leading indicators tend to vary across our businesses, at a Group level we monitor hazard, near-miss and regulatory intervention reporting. In FY2018, hazards reported increased 19% to more than 91,000 while near-misses reported increased by 37% to more than 16,000 compared to the prior year.

Improving Headwaters' safety performance

The acquisition of Headwaters in May 2017 more than doubled the size of our US-based workforce and nearly tripled our US operating sites, adding more than 4,000 employees across 170 operating sites.

While Boral North America's legacy business and Headwaters were culturally well aligned and delivering improved safety outcomes in recent years, Headwaters' injury performance was inferior to Boral's.

Improving Headwaters' safety performance has been at the forefront of our integration activities. We developed a focused improvement plan leveraging shared leading practices and prioritising high risk areas, and have embedded Boral's Zero Harm Today goal through proactive leadership and safety training. In the initial months of ownership, we invested close to US$10 million of capital to upgrade machinery guarding and other safety equipment at Headwaters' sites.

In FY2018, Headwaters reported a RIFR of 10.7 and a LTIFR of 1.6 for employees and contractors, an impressive 27% and 59% improvement respectively over FY2017 RIFR and LITFR of 14.6 and 3.9 for employees only. This compares to Boral North America's legacy business, which reported a RIFR of 6.7 and a LTIFR of 0.8 in FY2018[6].

1. Per million hours worked for employees and contractors in 100%-owned businesses including Headwaters, and all joint ventures businesses regardless of equity interest in FY2018. Prior years data only includes 50%-owned joint ventures and excludes Headwaters.
2. RIFR is the combined lost time injury frequency rate (LTIFR) and medical treatment injury frequency rate (MTIFR).
3. Defined as a percentage of total hours affected against total hours worked – for employees only.
4. Proforma. All entities, including Headwaters data prior to Boral acquisition, and joint ventures within USG Boral.
5. All entities, including full year Headwaters data, and joint ventures within USG Boral.
6. For employees and contractors, including the Meridian Brick joint venture.

Climate-related impacts

Climate-related impacts and the transition to a low carbon economy affect our operations, customers and supply chains.

We recognise that as a global manufacturer of construction and building products, we are a significant emitter of carbon, particularly through our clinker manufacturing operations in Australia, which account for 49% of our total emissions of 2.6 million tonnes of CO_2-e.

Since FY2012, we have reduced our absolute (Scope 1 and 2) greenhouse gas (GHG) emissions by 27% through actively re-aligning our portfolio towards lighter-weight products and less carbon-intensive businesses, reducing clinker manufacturing in Australia in favour of imports from larger scale, more modern and efficient operations in Asia[1], and investing in energy efficiency and alternative fuels programs.

We are committed to continuing to develop appropriate strategies to identify, manage and respond to climate-related risks and opportunities across our business. This encompasses building the resilience of our portfolio to climate impacts through adapting and responding to market, policy and technological changes by creating innovative solutions and products that support a smooth transition to a low carbon future.

We strive to provide transparent disclosure of those risks and opportunities, and how we manage and respond to climate impacts, to help investors and others understand our business. We are progressively adopting the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to improve both our approach in assessing and managing climate-related risks and opportunities and our related external reporting.

Following engagement with numerous large investors and other stakeholders, we have incorporated key information previously included in our CDP Climate Change responses over the following pages, with further details available on pages 26–32 of the Boral Review 2018 and at boral.com/energy_and_emissions.

Governance

The full Board maintains oversight of Boral's response to climate-related risks and opportunities, including risk identification and management, strategy and external reporting. In addition, the Board HSE Committee is responsible for reviewing and monitoring the effectiveness of Boral's policies, systems and governance structure in identifying and managing HSE risks that are material to the Group, as well as compliance with legal and regulatory requirements associated with HSE matters. The Board HSE Committee considers energy and climate-related issues at each of its meetings.

The Board Audit & Risk Committee is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. It meets at least four times per year and receives an annual report on our organisation-wide risks, which include climate-related risks and opportunities. Further details of the roles and responsibilities of the Board HSE and Audit & Risk Committees are in the Corporate Governance Statement in this Annual Report.

While the full Board maintains oversight of Boral's climate-related risks, the CEO & Managing Director is accountable for the management of Boral's risks in relation to climate impacts and delegates responsibility to the Executive Committee.

The Executive Committee, which includes the CEO & Managing Director, is individually and collectively accountable for assessing and managing these risks. Divisional Chief Executives and the Group HSE Director have specific responsibilities in respect of climate-related risks and opportunities.

Strategy

Boral acknowledges the physical and financial risks associated with climate-related impacts and the potential impact on our business from a global transition to lower carbon energy sources.

Such a global transition may impact our business through the pricing of energy, the availability of raw materials such as clinker, gypsum and fly ash, and construction industry standards and customer preferences for lower carbon solutions, which present both risks and opportunities.

Boral's key transition and physical climate-related risks include:

- increased energy costs from changes in carbon or energy policy
- potential reduction in fly ash supply in North America as coal-fired power utilities curtail over time
- supply chain impacts from closures of energy-intensive manufacturing facilities due to changes in environmental policy
- demand shifts towards low carbon construction materials resulting from changes in construction industry standards and regulations and shifts in consumer preferences
- increased severity of extreme weather events
- changes in precipitation patterns and unseasonal weather variability.

Boral's climate-related opportunities include:

- capturing growth opportunities from a transition to a lower carbon economy through product innovation and increasing substitution of cement with fly ash in the manufacture of concrete
- reduced energy costs through energy efficiency initiatives and alternative fuels use in cement manufacturing
- using Boral Timber residue by-products as biofuel.

Further details of these climate-related risks and opportunities are provided on pages 28–29 of the Boral Review 2018.

1. Following the closure of Boral's clinker manufacturing plant at Waurn Ponds, Victoria, in 2013, clinker has been imported from Asia. The emissions intensity of our Waurn Ponds clinker manufacturing operations in FY2013 was 0.98 tonnes CO_2-e per tonne of production. The emissions intensity of our imported clinker, included as Scope 3 emissions, is 0.95 tonnes CO_2-e per tonne of production, including shipping to the Port of Geelong (a 3% reduction in emissions).

As part of our business strategy, we have been reducing our exposure to high fixed cost, energy- and emissions-intensive operations.

We have been growing through shifting our portfolio to lighter-weight building products that have more scalable manufacturing and more variable costs, and are less energy-intensive to produce.

We have been closing cement manufacturing kilns and exiting the bricks business, which has underpinned reductions in our absolute GHG emissions and emissions intensity of 27% and 44% respectively over the past six years.

This repositioning of the business has both reduced Boral's risks associated with the transition to a lower carbon economy and our exposure to energy costs. In FY2018, total energy and fuel costs accounted for around 7% of Boral's cost base[1].

With cement being highly emissions-intensive and an important input into downstream concrete production and in some building products, we are continuing to look at ways to reduce future cement-related carbon emissions. In FY2018, our Cement business accounted for 59% of Boral's GHG emissions. Details of how our alternative fuels project at Berrima Cement Works is reducing carbon emissions is detailed on page 30 of the Boral Review 2018.

More broadly, we continue to focus on energy efficiency improvements, and the use of waste materials and biofuel development to reduce our own operational emissions.

Within our supply chain, the biggest role Boral is likely to play in reducing GHG emissions is by increasing the use of fly ash as a cement substitute in the ready mix concrete industry in the US, where Boral is the largest broker of fly ash.

The World Business Council for Sustainable Development Cement Sustainability Initiative[2] identifies a reduction of the clinker to cement ratio through the use of alternative cementitious materials such as fly ash and slag as an important key mitigation lever in reducing carbon emissions associated with cement production. Substituting cement with fly ash during ready mix concrete production achieves the same result.

A case study outlining how we plan to leverage our Fly Ash business to reduce carbon emissions is provided on page 29 of the Boral Review 2018.

To gain a better understanding of the potential climate-related transition risks and opportunities, Boral's Cement business has commenced scenario analysis work focused on clinker production and imports. Three climate scenarios have been developed, and these are informing the development of appropriate response strategies to potential climate transition risks. This includes two-degree scenarios as recommended by the TCFD and consistent with Paris Agreement temperature targets. This work is currently being completed and reviewed internally. Further information on the scenario analysis work is provided on page 32 of the Boral Review 2018.

1. Includes cost base of USG Boral and Meridian Brick joint ventures which are equity accounted.
2. World Business Council for Sustainable Development, Cement Sustainability Initiative, https://www.wbcsdcement.org

Risk management

Climate-related risks are incorporated into Boral's risk identification and management process, which includes a formal bottom-up, organisation-wide risk management process undertaken on a yearly basis. This process is managed by Group Risk & Internal Audit. A summary of Boral's risks and responses, including climate-related risks, is included on pages 18–19.

To supplement the annual risk review process, in 2017, a targeted Climate-related Risks and Opportunities Strategic Review was undertaken across Boral's businesses using the recommended framework set out by the TCFD. This process identified more specific climate-related risks and opportunities which are included in the Boral Review on pages 28–29. The outcomes of this review were presented to the Board HSE Committee.

Sustainability risks are embedded into Group and business-level strategies.

Metrics and targets

Our Scope 1 and 2 emissions have reduced by 27% since FY2012 to 2.6 million tonnes of CO_2-e[3,4].

Our emissions intensity has reduced by 44% since FY2012 to 375 tonnes of CO_2-e per A$ million of revenue[3,4,5].

Our climate-related goals and targets are to:

- reduce emissions intensity by a further 10–20% by 2023
- reduce CO_2-e emissions in our supply chain by 1.1–1.5 million tonnes through increased fly ash supply by 2022[7]
- deliver annual growth in the share of revenue from low carbon, high-recycled products, which accounted for 9% of Group revenue in FY2018.

Our low carbon and high-recycled content products and businesses include Boral North America Fly Ash and TrueExterior® Siding & Trim, and in Boral Australia, ENVISIA® concrete, WarmPave and Boral Recycling.

Our approach to reducing emissions

We are confident that Boral's emissions intensity will continue to reduce over the coming years, as we know that our future will be focused on less emissions-intensive operations than our past, and we continue to reduce emissions through efficiency programs and product development. At times, however, our absolute emissions may increase as production increases to meet demand and through acquisition, as was the case in FY2018.

We have an emissions-intensive cement manufacturing plant at Berrima accounting for ~60% of Boral's total emissions, and a bricks business in Western Australia and bricks joint venture in the USA together accounting for ~10% of our emissions.

We have no intention to invest in new cement or brick kilns, and these manufacturing operations are unlikely to be in Boral's portfolio in the long-term, which would result in our Scope 1 and 2 emissions reducing by around 70%. However, we cannot put targeted dates around the life of these operations, which will be determined by economic drivers.

Over the next five years, we are aiming to further reduce the emissions intensity of our operations by 10%–20%, delivering a total emissions intensity reduction of 50–55% since FY2012. This targeted trajectory reflects higher expected growth in our less energy-and emissions-intensive businesses in North America and Asia relative to our more mature business in Australia. It does not capture the potential exit of non-core brick operations, other divestments or possible acquisitions.

The 27% reduction in Boral's absolute GHG emissions over the past six years reflects our portfolio re-alignment towards less emissions-intensive operations through divestments and plant closures, the shift to imported clinker and our investment in more energy efficient technologies and alternative fuels programs.

Boral Australia, as part of its divisional sustainability strategy, is establishing aspirational goals and targets regarding energy efficiency improvements and renewable energy.

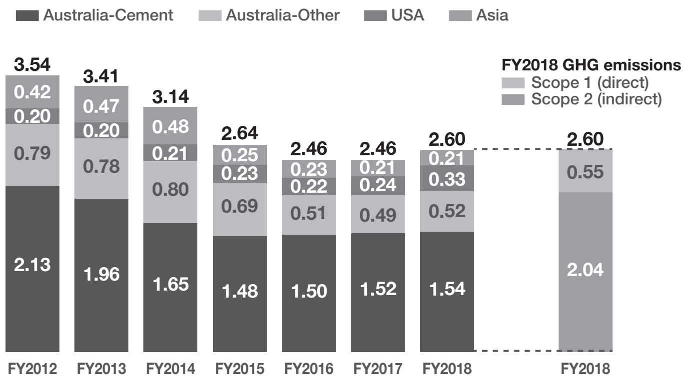
Greenhouse gas emissions

In FY2018, Boral's absolute (Scope 1 and 2) emissions of 2.6 million tonnes of CO_2-e increased by 5% compared to the prior year, reflecting the inclusion of the acquired Headwaters business in North America and modestly higher emissions from Boral Australia and USG Boral[3,4].

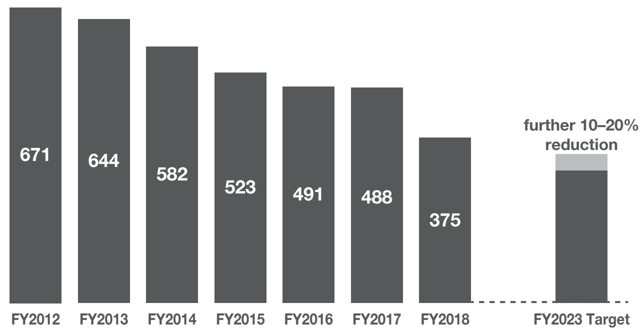
In line with our strategy, Boral's emissions intensity reduced by 23% to 375 tonnes of CO_2-e per A$ million of revenue, with the acquired Headwaters businesses being substantially less energy- and carbon-intensive than our traditional businesses[3,4,5].

Absolute emissions were up 1% in Cement, 5% higher in the remainder of the Australian operations, 1% higher in Asia and up 35% in the US. The substantial increase in US emissions reflects the inclusion of Headwaters, as well as underlying growth in production volumes driven by stronger demand. The modestly higher emissions in Australia and Asia reflect overall higher activity levels driven by stronger demand across both regions.

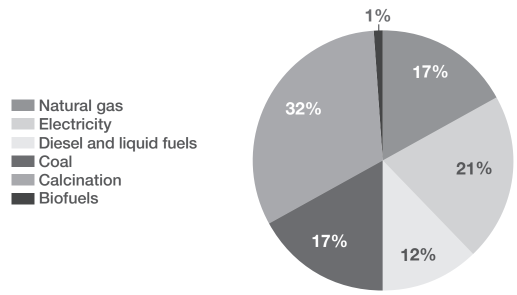
GHG emissions from operations[3,4,6] (million tonnes CO_2-e)



GHG emissions intensity from operations[3,4,5]
(tonnes CO_2-e per A$m revenue)



GHG emissions by source[3]



This year, we focused on improving data collection of our Scope 3 emissions to more reliably report on our most material indirect emissions. While we have further work to do in collecting carbon information from suppliers, early indications suggest our key Scope 3 emissions which relate to clinker imported into Australia by Boral Cement and the purchase of cement in our US building products businesses (Stone, Roofing, Block) are in the order of 1.2 million tonnes per annum.

Looking more broadly at the role Boral plays in the supply chain, our FY2018 fly ash sales in North America resulted in ~5.2 million tonnes of avoided CO_2-e per annum[8], resulting in a net Scope 3 positive impact of 4.0 million tonnes of CO_2-e per annum for these cementitious materials.

With plans to increase available annual supply of fly ash by 1.5–2.0 million tons over the next three years, we are targeting a further reduction of 1.1–1.5 million tonnes of CO_2-e in the supply chain by 2022.

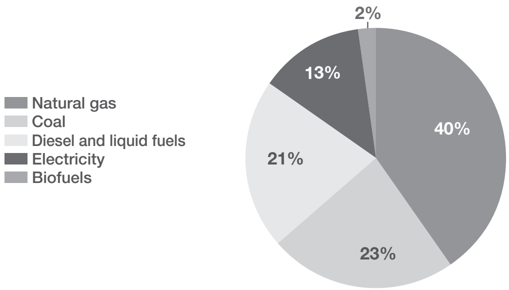
Definitions of Scope 1, 2 and 3 emissions are included on page 53 of the Boral Review 2018.

3. Data provided for GHG emissions and energy consumption is for 100%-owned operations and Boral's share of 50%-owned joint venture operations – it excludes some joint ventures which in aggregate are not deemed to have material emissions.
4. USG Boral Asia emissions data for FY2017 has been restated using local electricity emissions factors where available.
5. Group reported revenue adjusted to include 50% share of underlying revenues from USG Boral and Meridian Brick joint ventures, which are equity accounted.
6. Figures may not add due to rounding.
7. Based on increasing available supply of fly ash by 1.5–2.0 million tons (1.4–1.8 million tonnes) per annum over the next three years. Refer to case study "Leveraging our Fly Ash business to reduce carbon emissions" on page 29 of the Boral Review 2018.
8. We have used a conservative conversion factor to estimate CO_2-e emissions displaced as a result of fly ash substitution of cement in ready mix concrete, assuming that for every one tonne of fly ash approximately 0.8 tonne of CO_2-e is displaced. This conversion rate accounts for varying qualities of fly ash, and therefore substitution rates of 1.25 tonnes of fly ash per tonne of cement in ready mix concrete and assumes one tonne of cement produced results in one tonne of carbon emissions.

Energy consumption

In FY2018, our operations consumed 22 petajoules of energy[1], up 7% on last year, reflecting the acquisition of Headwaters and increased production volumes across our three divisions. Boral's Cement operations accounted for 31% of the Group's energy consumption.

Energy by fuel source[1,2]



Further data on Boral's energy consumption, GHG and other emissions can be found at boral.com/energy_and_emissions.

Environmental and community impacts

Our policy is to eliminate adverse environmental impacts and where elimination is not possible, seek to minimise any harmful effects from our operations.

At an absolute minimum, this means complying with environmental legislation, regulations, standards and codes of practice applicable to each of our businesses.

We recognise that effective management of our sites, including complying with our site-based planning approvals, is critical to our reputation and meeting community expectations.

We manage our quarries and land assets responsibly, planning strategically to mitigate and manage our impacts across the full life cycle of our extraction and processing sites – from development applications through to rehabilitation and end-use planning and development.

We are also committed to meeting our responsibilities to the local communities in which we operate. This means managing our operations to avoid negative impacts on local stakeholders and proactively addressing community concerns through open and constructive engagement programs. Operational issues that can impact local communities include traffic, noise, dust, odours, water, waste, quarry end use, and impacts on biodiversity, heritage and culture.

Community engagement

Our stakeholder engagement programs are underpinned by ongoing communications, consultation and contribution to the local community.

At key sites we have Community Consultation Committees that include elected community representatives which meet with interested residents and stakeholders. We communicate through online information resources, newsletters, mail, advertising, community inspections, community meetings and site tours.

For example, during the year, we held guided tours for the community at our Hall, Talbragar and Seaham quarries in NSW and Orange Grove and Midland Brick quarries in Western Australia. This provides an opportunity for the public to understand our operations, and for Boral to receive feedback on any issues, including our impact on local communities. Government representatives also participated in site tours around our concrete and quarry operations on the Gold Coast, Queensland.

We have been acknowledged as an industry leader in community engagement. This year, we received the Community Leadership Award at the NSW Cement Concrete & Aggregates Australia 2017 Innovation Awards. The award recognised Boral's comprehensive stakeholder engagement program at Marulan that uses feedback from local residents to guide community relations plans, incorporates public reporting on commitments, and is focused on actively contributing to the local community through initiating and organising local events.

Environmental compliance

We target zero environmental infringements across our ~680 operating sites and strive to continuously improve our environmental management and performance.

We continue to strengthen our internal controls to improve compliance with increasingly stringent regulatory requirements in Australia, including through an online information management system for environmental licence conditions.

During the year, we conducted 55 environmental compliance audits, developed 89 new site-based action plans and reviewed 246 existing site-based action plans for effectiveness across our Australian operations. Boral North America completed 29 environmental compliance audits, focusing on operations acquired through Headwaters.

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

In FY2018, we were charged with six regulatory infringements related to environmental contraventions in Australia and the US that resulted in total fines of $82,273. The number of infringements and fines is significantly lower than in the prior year despite our substantially enlarged footprint following the acquisition of Headwaters, reflecting an increased focus on compliance.

1. Data provided for energy consumption is for 100%-owned operations and Boral's share of 50%-owned joint venture operations – it excludes some joint ventures which are in aggregate not deemed to be material.
2. Figures do not add to 100% due to rounding.

The infringements relate to non-compliant:

- water quality discharge from the Chinderah concrete plant, NSW
- supply of concrete outside of approval conditions from the Mount Kuring-gai concrete plant, NSW
- use of kiln exhaust at Meridian Bricks JV Salisbury plant, North Carolina
- disposal of solvent wastes at Atlantic Shutters Latta plant, South Carolina
- disposal of solid or viscous materials to sewer at Oceanside roofing plant, California
- permitting of a raw material feed and gas flare at Meridian Bricks JV Terre Haute plant, Indiana.

In addition, we have one set of agreed undertakings relating to vegetation clearing at the Loch Catherine Colliery in NSW.

In November 2016, the NSW Resources Regulator (Regulator) commenced investigations relating to the clearing of approximately one third of a hectare of vegetation regrowth along a pre-existing drift at the Loch Catherine Colliery, which the Regulator deemed to be undertaken without the relevant consent. The Loch Catherine Colliery is located on the same mining lease as Boral's Medway Colliery, although never operated by Boral. While Boral undertook this clearing as part of closure works and on the basis that we held the appropriate approvals, the Regulator deemed that Boral's activities were not permitted.

Boral entered into an enforceable undertaking in relation to this matter that was accepted by the Regulator in March 2018. The Regulator's published decision noted that Boral's actions were neither malicious nor in deliberate contravention of its regulatory obligations. Boral's obligations under this undertaking include training of relevant staff, conducting compliance audits and making a $50,000 contribution to a conservation project managed by a not for profit organisation. Boral expects to incur approximately $133,000 in complying with its obligations.

Infringements and penalties

	FY2018	FY2017	FY2016	FY2015
Number	**6**	10	9	3
Fines[1]	**$82,273**	$111,083	$33,888	$11,658
Penalties[1]	**$0**	$30,000	$250,000	$0
Undertakings	**$133,000**	$133,556	$0	$0

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

Biodiversity management

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

Some examples of the many initiatives to protect biodiversity at our own sites include:

- collaborating with the Royal Botanic Garden Sydney in research on the endangered Illawarra Socketwood population at our Dunmore Quarry in NSW
- partnering with Sleepy Burrows Wombat Sanctuary to capture and relocate wombats found at our Peppertree Quarry in NSW
- maintaining koala fodder plantations at Narangba and Petrie quarries in Queensland
- conservation work to provide habitat for the threatened legless lizard and spiny rice-flower at Deer Park Quarry in Victoria
- construction of a bird island habitat as part of our rehabilitation of wetlands at our Dunmore Quarry in NSW.

Through our community partnership with Conservation Volunteers Australia, we support conservation and education initiatives in our local communities, including native vegetation initiatives in local reserves and schools.

Cultural heritage

We are committed to protecting places and items of cultural significance to local Indigenous groups across our Australian operations. We work alongside Indigenous peoples to protect cultural heritage, including across our sites subject to Cultural Heritage Management Plans. Some of this work includes:

- engaging local Aboriginal groups to undertake cultural heritage surveys, including at 13 quarry sites in Queensland
- salvage excavation works at Peppertree Quarry in NSW which were completed in March 2018, with identification of nearly 100,000 Aboriginal artefacts.

Water management

Water is a valuable resource and good quality fresh water is essential to our concrete, construction material and plasterboard operations. We use water in manufacturing, and for dust suppression, cleaning and sanitation. Our quarry and asphalt operations are able to use recycled, brackish and/or process water.

Boral's global operations consumed about 4 gigalitres of municipal supplied water, steady on last year.

At our larger sites, including our quarry operations, we also capture rainfall or stream flow which is largely used for dust control purposes. In Boral Australia, we are developing systems that will enable us to collect data on captured rainfall and are developing plans that will underpin an overall improvement in water efficiency.

At a Group level, management of water is not considered a material risk. Individual Boral sites may, however, be exposed to water risk from time to time, either from too little or too much water, and we assess the potential impacts on our stakeholders of water-related risks where this is relevant.

Most of our Boral North America operations have federal or state government stormwater management permits with very stringent limits. To reduce the risk of non-compliance, we have been implementing a program of upgrading stormwater management infrastructure.

Across the Group, a relatively small amount of used process water is discharged to sewer for treatment by water authorities in line with our existing licensing conditions at relevant sites. We have well established internal compliance systems for prevention of pollution of discharged waters, as well as numerous regulatory controls through licensing and permitting.

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

When developing or purchasing new facilities, our due diligence assessment includes scenario analysis of the quantity and quality of water, assessment of the risks of potential water discharges, and, where relevant, river catchment assessments to ensure sufficient water availability and supply.

Waste and recycling

Throughout Boral's operations, some materials are commonly re-used back into our production processes, including concrete washout, recycled asphalt pavement (RAP), and plasterboard waste from production and building sites. This beneficially uses materials that would otherwise require disposal.

A large proportion of Boral's recycled and low carbon products revenue, totalling 9% of Group revenue, is derived from external waste products. This includes our Fly Ash and Boral Recycling businesses. Opportunities for the re-use of production by-products or waste material continue to grow and are actively being pursued.

In Boral Australia, we are developing plans and looking for opportunities that will help us firm up targets to reduce waste generated across all product lines over the coming five years.

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

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

Supply chain

We recognise that through the purchase of goods and services we indirectly impact the workers in our supply chain, their communities and the environment.

We expect our suppliers and contractors to uphold the same high ethical standards as our people and abide by Boral's Code of Business Conduct.

We have been revising our supply chain governance and policy framework in line with rapidly changing stakeholders' expectations and best practices. During the year, we introduced Boral's Sustainable Procurement Policy that aims to align our practices with the world's first International Standard for Sustainable Procurement ISO 20400 and sets out our minimum sustainability procurement requirements for purchasing goods and services across our supply chain.

Our Sustainable Procurement Policy outlines our commitment to recognising, assessing and managing modern slavery risk, promoting diversity and inclusion through partnerships with social enterprise businesses, and requires suppliers to comply with our Supplier Code of Conduct and Indigenous Procurement Policy.

We monitor supply chain risks by assessing suppliers' performance and their alignment to Boral standards through a pre-qualification questionnaire and evaluation processes. In Australia and USG Boral, a sanction screening process is used to identify any areas of risk by association with elements such as financial crime, fraud, and human rights abuse. In Australia, we engage a third-party service to register and monitor compliance of suppliers to our pre-qualification requirements.

Our Supplier Code of Conduct requires suppliers to adhere to minimum standards relating to health and safety, environment and labour, including prohibiting the use of child labour and complying with applicable modern slavery legislation.

We are committed to combating modern slavery in society and strengthening our approach to most effectively identify and address this risk across our supply chain. While we have not identified any evidence of modern slavery in our supply chain, we continue to refine our approach in light of proposed Australian Government modern slavery legislation.

We established a Human Rights and Modern Slavery Executive Working Group, composed of members of Boral's Executive Management team and key functional roles, to support this work, including defining planned actions for FY2019.

Our Sustainable Procurement Policy and Supplier Code of Conduct issued during the year strengthened our policy framework, directly addressing the risk of modern slavery in our supply chain. We are also collaborating with global peers to ensure our approach reflects industry best practice.

Further details are provided on pages 36–37 of the Boral Review 2018.

Product innovation

As building material technologies and consumer preferences continually change, we have a critical part to play in delivering more effective and sustainable solutions to building the homes and cities of tomorrow. We actively work to better meet the needs of customers, support their objectives and deliver more sustainable product solutions

We use external waste and by-products or secondary resources in a range of our products. Our North American Fly Ash business uses a coal combustion by-product to provide building products manufacturers low carbon cost-effective alternatives to conventional materials which offer significant performance advantages.

Boral TrueExterior® Siding & Trim products comprise up to 70% fly ash and deliver durability and workability advantages to alternative products.

Boral Recycling is one of the largest construction and demolition materials recyclers in NSW, processing more than one million tonnes annually of concrete, asphalt and bricks from demolitions, recycling centres and concrete batch plants. Achieving more than 99% resource recovery rates, our products include recycled roadbase, aggregate and manufactured sand products.

We collaborate with our customers to strive to meet their sustainability goals. For example, during FY2018, we supplied low carbon concrete, ENVISIA®, to meet the Green Building Council of Australia's Green Star specification requirements of Crown Sydney at Barangaroo, rated Green Star 3, and Darling Harbour Live, rated Green Star 2.

We are currently piloting USG-developed Sheetrock® EcoSmart Panels at our Pinkenba plasterboard plant in Queensland. EcoSmart Panels are lighter weight with stronger sag performance and deliver improved sustainability attributes with 25% less water and 20% fewer carbon emissions used in manufacturing. We are also developing safer, improved construction methods in Asia, including through USG Boral's EasyFinish™ System.

During the year, we invested A$17 million in R&D across our three innovation centres in the USA, Australia and Thailand. Our R&D teams are helping Boral deliver superior building product solutions and disruptive innovations in building materials to better serve our customers and develop new markets.

Further details of Boral's product innovation are provided on pages 37–38 of the Boral Review 2018.

Community investment

Our community investment program is built on a long and proud history of supporting the communities in which we operate and aims to make a positive and sustainable contribution to the wellbeing of those communities.

We support community groups and organisations that share our values and where our resources can make the most impact in addressing their needs and priorities.

With this in mind, we have built a community investment framework around three pillars, Our People, Places and Products. This framework helps us identify and evaluate opportunities to build a robust and effective community investment program that delivers measurable benefits to our communities and Boral's people and businesses.

In early FY2018, we reviewed our approach to community partnerships, incorporating input from a range of internal and external stakeholders. The review found that our overarching strategic framework works effectively and resonates well with our people, but we have now more clearly defined the three pillars, improved guidance to better support decision making at the corporate and business level, and improved our approach to measuring outcomes beyond our financial contribution.

We have 12 corporate community partnerships, in addition to providing financial support to local community causes and projects. In FY2018, we contributed a total of $1,092,000 to our community partnerships and local community causes and projects, comprising $886,000 in cash, $121,000 in materials and $85,000 in fundraising and events.

Our funding supports:

- Bangarra Dance Theatre
- Conservation Volunteers Australia
- Habitat for Humanity
- HomeAid America
- Outward Bound Australia
- Redkite
- Taronga Conservation Society
- Touched by Olivia
- Great Barrier Reef Foundation
- Anzac Centenary Public Fund
- University of NSW (Women in Engineering Scholarships)
- University of Sydney (US Studies Centre – research program)

We are also preparing to launch a new partnership in FY2019 with Road Safety Education Limited to support road safety education for youth throughout Australia.

More information on our partnerships can be found at boral.com/community_investment.

Executive Committee

Mike Kane
Chief Executive Officer & Managing Director

Joseph Goss
Divisional Chief Executive, Boral Australia

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

Frederic de Rougemont
CEO, USG Boral

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

Rosaline Ng
Chief Financial Officer

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

David Mariner
President & CEO, Boral Industries Inc

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

Ross Harper
Executive General Manager, Boral Cement

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

Linda Coates
Group Human Resources Director

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

Kylie FitzGerald
Group Communications & Investor Relations Director

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

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.

Tim Ryan
Group Strategy and M&A Director

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

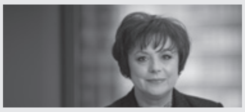
Damien Sullivan
Group General Counsel

Joined Boral in 2009 and was previously General Counsel, Australia. Damien has worked as a lawyer for over 20 years in private practice and in-house legal roles in Sydney, New York and Los Angeles. He has Law and Applied Science degrees.

Michael Wilson
Group Health, Safety & Environment Director

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

Board of Directors



Kathryn Fagg
Non-executive Chairman, Age 57

Kathryn Fagg joined the Boral Board in September 2014 and was appointed Chairman effective 1 July 2018. Ms Fagg is a Director of Incitec Pivot Limited and Djerriwarrh Investments Limited, and was recently appointed the CSIRO Board for a five-year term. She is also President of Chief Executive Women, Chair of the Melbourne Recital Centre and the Breast Cancer Network Australia. She was previously a Board member of the Reserve Bank of Australia. Ms Fagg is an experienced senior executive, having worked across a range of industries in Australia and Asia, including logistics, manufacturing, resources, banking and professional services. She was previously President of Corporate Development with the Linfox Logistics Group and prior to that she held executive roles at BlueScope Steel and ANZ and consulted for McKinsey and Co. She holds an Honorary Doctor of Business and a Master of Commerce in Organisation Behaviour from UNSW, and an Honorary Doctor in Chemical Engineering and a chemical engineering degree from the University of Queensland.

Ms Fagg is Chairman of the Remuneration & Nomination Committee.

Catherine Brenner
Non-executive Director, Age 47

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

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

Brian Clark
Former Non-executive Chairman

Dr Brian Clark joined the Boral Board in May 2007 and served as Board Chairman from November 2015 until his retirement on 30 June 2018.

Eileen Doyle
Non-executive Director, Age 63

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

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

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

Mike Kane
CEO & Managing Director, Age 67

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 69

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

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

Karen Moses
Non-executive Director, Age 60

Karen Moses joined the Boral Board in March 2016. Ms Moses is a Director of Orica Limited, Charter Hall Group, Sydney Symphony Limited and Sydney Dance Company, and a Fellow of the Senate of Sydney University. Ms Moses was previously a Director of SAS Trustee Corporation, 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 64

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 Children's 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.

Peter Alexander
Non-executive Director, Age 61

Peter Alexander joined the Boral Board in September 2018. Mr Alexander is a seasoned former chief executive with more than 28 years of senior executive experience in US building materials and distribution, technology products and services. In 2010, Mr Alexander became CEO of Building Materials Holding Corporation and led the efforts to successfully combine Building Materials Holding Corporation with BMC Stock Holdings Inc (BMC). He continued as President and CEO of the newly merged NASDAQ listed group BMC through to early 2018. In addition to his eight years as CEO of BMC, Mr Alexander was President and Chief Executive Officer of ORCO Construction Distribution from 2005 to 2009, serving large residential, commercial and concrete construction builders. He previously served as President and Chief Executive Officer or in executive positions for several other companies in the technology, retail, distribution and service industries, including GE Capital, ComputerLand/Vanstar, Premiere Global Services and Coast to Coast Hardware. Mr Alexander holds a BA from The Ohio State University and an MBA from The Pennsylvania State University.

Mr Alexander is a member of the Remuneration & Nomination 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.

The Board recognises that good corporate governance is essential to building trust and creating long-term shareholder value, supported by the Boral Values:

- **Integrity** open, honest, respectful and authentic in all our dealings;
- **Excellence** ambitious and disciplined in pursuit of the highest standards of performance;
- **Collaboration** working across businesses and developing partnerships;
- **Endurance** operating for the long term rather than the quick fix, ever improving.

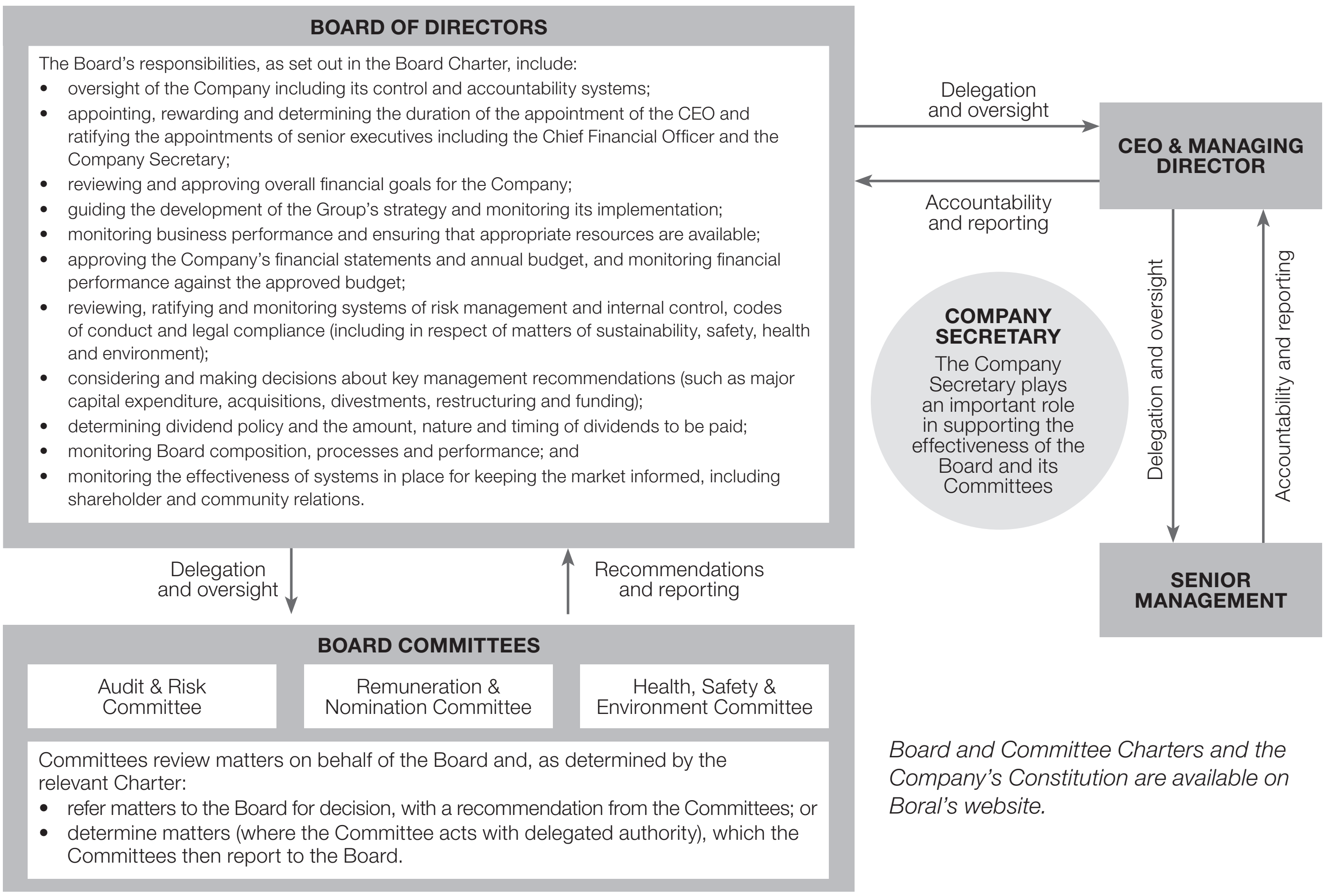
These values are expected to inform all our decisions, from the top down. The values are supported by our governance framework and underpin our corporate culture.

Throughout FY2018, Boral's governance arrangements were consistent with the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council (the ASX Principles and Recommendations).

The Board continually reviews governance at Boral to ensure that our arrangements remain appropriate in light of changing expectations and general developments in good corporate governance. The Board is aware that the ASX Corporate Governance Council has released a draft 4th edition of the ASX Principles and Recommendations for consultation. Boral is pleased to report that its governance arrangements as outlined in this Corporate Governance Statement already address a number of the new issues raised in the consultation draft.

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

This Corporate Governance Statement is current as at 30 June 2018 and has been approved by the Board of Boral Limited.



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

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 on page 34 summarises Boral's governance framework and the functions reserved for the Board in accordance with the Board Charter.

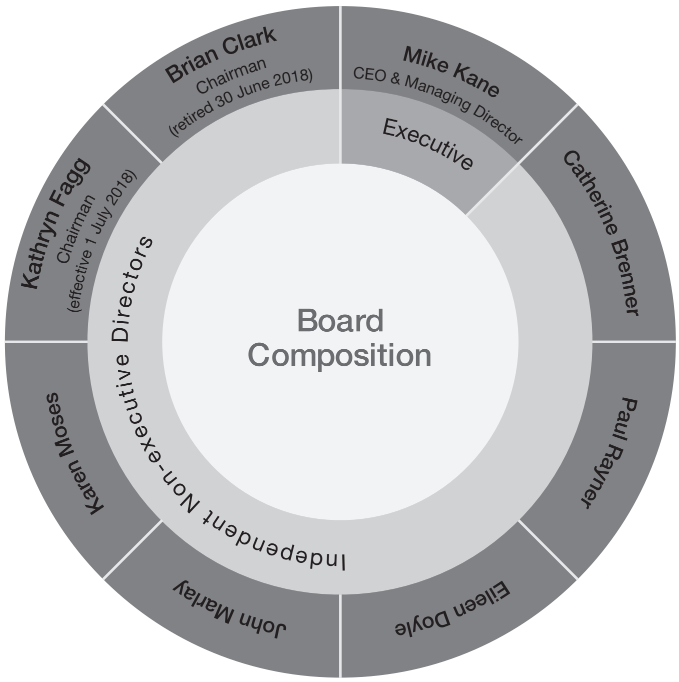
Non-executive Directors spend at least 35 days each year (considerably more in the case of the Chairman) on Board business and activities, including Board and Committee meetings, meetings with senior management to discuss in detail the strategic direction of the Company's businesses, visits to operations,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

During the year, the Board visited a number of Boral's sites in the US including the Tapco plant (Metamora, Michigan), the Kleer plant (Westfield, Massachusetts), the Alleyton Block plant (Alleyton, Texas) and the Legacy Windows plant (Carrollton, Texas), as well as USG Corporation's Research & Development Facility (Libertyville, Illinois). The Board also visited USG Boral's head office in Singapore and the Ulsan plasterboard plant in South Korea. Health, Safety & Environment Committee members visited Boral's concrete plants at Bowen Bridge and Redbank Plains in Queensland and the cement operations and alternative fuels facility at Berrima in New South Wales.

Composition of the Board

Membership

The accompanying diagram illustrates the composition of the Board at 30 June 2018.



As announced on 20 June 2018, Dr Brian Clark retired as Chairman and Non-executive Director of Boral effective 30 June 2018 and the Board appointed Kathryn Fagg to succeed Dr Clark as Chairman, effective 1 July 2018.

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

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

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

Chairman's appointment and responsibilities

The Board selects the Chairman from the non-executive independent Directors. The Chairman leads the Board and is responsible for the efficient organisation and effective functioning of the Board, ensuring 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. They also represent 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, 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 industry experience, tenure, 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. When the Board reviews the skills matrix, the Board looks to ensure that it covers the skills needed to address existing and emerging business and governance issues.

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.

By way of example, the Board identified building on the Board's existing global experience in the foreign jurisdictions in which Boral operates as a key area to consider in its composition. On 20 June 2018, it was announced that Peter Alexander would join the Board and Mr Alexander will commence in the role of non-executive Director on 1 September 2018. Mr Alexander brings extensive North American and industry experience to the Board, which will contribute to the Board's oversight of Boral's expanding North American Division. The Board is also continuing to monitor opportunities for appointing an Asia-based non-executive Director to build on the Board's existing experience in Asia.

The areas addressed in the matrix are as follows:

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

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

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

The skills, experience and expertise of each Director are set out on page 33 of this 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. 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 33 in this Annual Report, and shows that the Board is well served with an appropriate and diverse mix of tenure.

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

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

Induction and training

Management, with the Board, provides an orientation program for new Directors. The program includes:

- briefings from executives and management, including detailed introductions to Boral's business and strategy implementation, history, culture, industry and key risks and opportunities;
- an introduction to Boral's regulatory environment (including legal duties and responsibilities of Boral Directors, and accounting matters where the Director requests additional background);
- the provision of induction materials such as the Strategic Plan and governance charters and policies;
- site visits to some of Boral's key operations and discussions with other Directors.

The Company also supports continuing education for Directors to continue to develop their professional skills. This is considered regularly in light of emerging business and governance issues relevant to Boral. The Board also receives appropriate briefings on material developments in laws, regulations and accounting standards relevant to the Company.

Succession planning

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

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

Process	Explanation
Board review	• The appointment of Directors follows a process during which the full Board (with the assistance of external search consultants) assesses the necessary and desirable competencies of potential candidates and considers a number of candidates before deciding on the most suitable candidate for appointment.
	• The selection process includes obtaining background checks on candidates and assistance from an external consultant, where appropriate, to identify and assess suitable candidates. Background checks are conducted before appointing a Director and putting forward a candidate to shareholders. These checks include the candidate's experience, education, criminal record and bankruptcy history, and reference checks.
	• Candidates identified as being suitable are interviewed by a number of Directors. Confirmation is sought from prospective Directors that they would have sufficient time to fulfil their duties as a Director.
Remuneration & Nomination Committee recommendation	• The Remuneration & Nomination Committee has responsibility for making recommendations to the Board on matters such as succession plans for the Board, suitable candidates for appointment to the Board, Board induction and Board evaluation procedures.
Appointment	• At the time of appointment of a new non-executive Director, the key terms and conditions relative to that person's appointment, the Board's responsibilities and the Company's expectations of a Director are set out in a letter of appointment. All current Directors have been provided with a letter confirming their terms of appointment.
Shareholder communications	• When candidates are submitted to shareholders for election or re-election, the Company includes in the notice of meeting all information in its possession that is material to the decision whether to elect or re-elect the candidate.

Conflicts of interest

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

Access to information, independent advice and indemnification

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

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

Board Committees

The qualifications and experience of each Committee member are set out on page 33 of this Annual Report. Details of the number of Committee meetings Directors attended during the reporting period are set out on page 51 in the Directors' Report.

Open lines of communication exist between all of Boral's Board Committees. This is intended to prevent any 'gaps' in risk oversight and to maintain a broader picture of Boral's risk profile.

Audit & Risk Committee

Composition and role

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

Paul Rayner (Chairman)
Eileen Doyle
Karen Moses

The Committee met four times during FY2018.

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 as well as the effectiveness of Boral's risk management framework; and
- Boral's auditing, accounting and financial reporting processes and control framework.

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, in each meeting 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 FY2018, 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 54. The Committee's role in relation to the internal audit function is discussed on page 42.

Remuneration & Nomination Committee

Composition and role

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

The members of the Committee are:

Kathryn Fagg (Chairman)
Catherine Brenner
John Marlay

The Committee met four times during FY2018.

The Remuneration & Nomination Committee has a formal Charter which sets out its role and responsibilities, composition, structure and membership requirements. The Committee's responsibilities include reviewing, advising and making recommendations to the Board on:

- Boral's remuneration framework (including incentive policies and practices, remuneration arrangements for the CEO and the CEO's direct reports);
- identification and recommendation of suitable candidates for appointment to the Board;
- the Board skills matrix;
- succession planning policy and approach generally, and the succession plan for the CEO in particular;
- developing and implementing procedures for the Board's periodic evaluation of its performance and the endorsement of retiring Directors seeking re-election; and
- Board induction and the provision of appropriate training and development opportunities for Directors as required.

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

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

Further information relating to the key areas of focus for the Remuneration & Nomination Committee in FY2018 is set out in the Remuneration Report from page 55.

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 four times during FY2018.

The Health, Safety & Environment Committee has a formal Charter which sets out its role and responsibilities, composition and structure. 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.

Role and responsibility of the Executive Committee

Performance evaluation process

Under the supervision of the CEO, the Executive Committee is responsible for implementing Boral's strategic objectives.

The Executive Committee has also been delegated the responsibility for managing business performance, monitoring and reviewing material financial and non-financial risks and overseeing and developing Boral's people.

The Executive Committee as a whole is collectively responsible for meeting these delegated responsibilities, and each member is delegated specific accountability for overseeing their part of Boral's business (details of the Executive Committee are set out on page 32 of this Annual Report).

The Executive Committee is also responsible for providing timely and accurate reports to the Board on Boral's business and operations, in order to assist the Board in discharging its duties and responsibilities effectively.

Members of the Executive Committee (as well as other senior executives) are employed by Boral through individual Executive Services Agreements. The pre-employment process for executives includes obtaining background checks with the assistance, where appropriate, of an external consultant, to verify qualifications and determine suitability for the role.

Performance evaluation and remuneration

Performance evaluation process

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

Board, Committees and Directors	CEO & Managing Director	Senior executives
The Board undertakes an evaluation of the performance of the Board, its Committees, individual Directors and the Chairman at least annually. Periodically, this review is undertaken with the assistance of an external facilitator. The evaluation encompasses a review of the structure and operation of the Board, the skills and characteristics required by the Board to maximise its effectiveness and whether the blending of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company. Steps involved in the evaluation include the completion of a questionnaire by each Director, review of responses to the questionnaire at a Board meeting, and a private discussion between the Chairman and each other Director.	On an annual basis, the Remuneration & Nomination Committee and subsequently the Board formally review the performance of the CEO & Managing Director. The criteria assessed are both qualitative and quantitative, and include profit performance, other financial measures, safety performance, financial and non-financial risk identification and management, and strategic actions. Further details on the assessment criteria for CEO & Managing Director and senior executive remuneration (including equity-based plans) are set out in the Remuneration Report, which forms part of the Annual Report.	The CEO & Managing Director annually reviews the performance of each of Boral's senior executives, being members of the Executive Committee, using criteria consistent with those used for reviewing the CEO & Managing Director. The performance of senior executives is reviewed annually against appropriate measures as part of Boral's performance management system, which is in place for all managers and staff. The system includes processes for the setting of objectives and the annual assessment of performance against objectives and workplace style and effectiveness. The CEO & Managing Director presents the outcomes of those reviews to the Board through the Remuneration & Nomination Committee. The Remuneration & Nomination Committee retains discretion as to the appropriateness of remuneration outcomes for the Executive Committee, both individually and as a whole.
An evaluation of the performance of the Board, its Committees and individual Directors took place in FY2018 in accordance with the process described above.	An evaluation of the performance of the CEO & Managing Director took place in FY2018 in accordance with the process described above.	An evaluation of the performance of senior executives of Boral took place in FY2018 in accordance with the process described above.

Remuneration

Remuneration of non-executive Directors

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

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

Remuneration of senior executives

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

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

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

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

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 and that these systems are rigorously tested to ensure that they are operating effectively at all stages of the risk management cycle.

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;
- the identification and monitoring of emerging business risks; and
- assessment, monitoring and mitigation of identified risks.

On at least an annual 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 following division-specific risk reviews. 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 FY2018. The Audit & Risk Committee has reviewed the risk management framework and is satisfied that it continues to be sound.

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

Internal audit

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

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

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

Business and sustainability risks

Details regarding our approach to managing business and sustainability risks are contained in the OFR (pages 2–17 of this Annual Report), Sustainability Overview (page 20 of this Annual Report) and the risks section of the Annual Report (including at pages 18–19 and 48–49). 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 2018 and the half year ended 31 December 2017.

Compliance with laws and policies

The Company has adopted policies to monitor compliance with occupational health, safety, environment, anti-corruption and bribery, competition and consumer laws throughout the jurisdictions in which it operates.

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 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.

Boral also has a dedicated Compliance Council, tasked with achieving compliance within Boral through collaboration across functional areas including Legal, Risk, Internal Audit, HSE, Property Group, Product Councils, Insurance, Finance, Tax, HR / IR, IT security and other areas of expertise. Given the multi-disciplinary 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.

Conduct and ethics

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

Boral's management guidelines include the Code of Business Conduct and other guidelines and policies which set out legal and ethical standards for employees. As part of performance management, employees are assessed against the Boral Values of Integrity, Excellence, Collaboration and Endurance.

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

Employees are provided with regular training sessions about expected standards of behaviour, the Boral Values and compliance with the Code of Business Conduct. Compliance with the Code is monitored by senior management, and the Board is notified of material breaches. The Board reviews the Code regularly, and at least every three years.

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

Diversity at Boral

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

Management, 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 FY2018

Boral's diversity plan has six strategic elements against which the Board has set measurable objectives for FY2018, as outlined below:

Strategic Element and Objective		Status	Key Outcomes
1	**Leadership**		
1.1	Leadership engagement: engage senior leaders to take carriage of deploying diversity communication and education	Completed	• Deployment of additional unconscious bias training across Boral, 11 further sessions were held during the year.
		Ongoing	• Diversity targets adopted by Boral Australia. Senior leaders to have at least one diversity target in zero|one|ten personal objective plan for FY2019.
2	**Communication and Education**		
2.1	Communication: develop communications engagement framework and packages to raise knowledge and understanding of diversity	Completed	• Developed brochure, booklet and video library to communicate strategy, plan and initiatives. • Deployed survey for further feedback. Diversity Council structure, narrative and communication approach refined in response to that feedback.
		In progress	• Boral Australia targeting 50% of managers at supervisor level and above to have participated in an unconscious knowledge awareness session in FY2019.

Diversity – Measurable objectives for FY2018 (continued)

Strategic Element and Objective	Status	Key Outcomes
2.2 Education: develop diversity educational framework to provide management with capability to lead and manage diversity and diverse teams	Completed	• Unconscious bias training included in curriculum of all leadership development programs.
	Ongoing	• Participation of women in leadership development programs increased in FY2018 to 26% of all participants, from 20% in FY2017. • 308 frontline leaders completed the Zero|One|Ten leader program, including modules on diversity, inclusion and unconscious bias. Approximately 1,000 frontline leaders are expected to complete this program in FY2019.
2.3 Networking: establish Women in Leadership Forum series to provide networking opportunities for key leaders, with an emphasis on women leaders, across Boral	Completed	• Diversity in Leadership Forum series attended by 29 participants in FY2018, with 55% of the participants being women in leadership roles. Forums provide opportunities for women leaders to develop networks, discuss gender issues in leadership, and consult with key leaders on issues of gender and diversity in their businesses. Forum series is sponsored by the CEO & Managing Director and is chaired by the Chair of the Boral Diversity Council. • Since FY2014, 131 employees have participated in a Forum, and 76% of participants were women in leadership roles.
	Ongoing	• Forum Alumni provides networking, advocacy and other opportunities to contribute to diversity matters in Boral. • The Forum series is an ongoing initiative, with two Forums scheduled for each year. Target of 80% of participants being female. In FY2018, 45% of participants were male.
2.4 Track and report: develop key performance indicators to measure, track and report on change and progress	Completed	• Objectives developed by Boral Australia's leadership team for FY2019 to progress diversity and inclusion, and representation of women in leadership roles. • Diversity Dashboard ready for reporting purposes. Dashboard includes metrics and key performance indicators to track, measure and report on progress with diversity plan.
2.5 Benchmark: adopt external metric to measure and benchmark effectiveness of diversity strategy	Completed	• Diversity dashboard now includes best practice information to benchmark effectiveness of the strategy and plan.
	Ongoing	• As a founding member, continuing participation in the Construction and Infrastructure Industry Roundtable on Diversity to work on industry initiatives to progress diversity and gender equality. • Long-term partnership with the Diversity Council of Australia continuing to identify best practice and benchmark the effectiveness of Boral's diversity strategy and plan against external organisations.
3 System and Process Design		
3.1 Search and selection: embed diversity principles in standardised recruitment	Ongoing	• Against a target of 50%, 14% of our graduate intake were women in professional and engineering disciplines. Given this outcome, senior leadership have committed with renewed focus to exceed the 50% target in FY2019. • 29% of new hires in senior manager roles were women, and 34% of recruitment into professional roles were women.
	In progress	• Targets for Boral Australia for FY2019 to improve recruitment and retention of women include: 30% of candidates for manager; 40% for professional; and 10% for machinery operator/driver/technician/trade roles; and an increase in the conversion rate of female candidates to placement by 5%. • Boral is a founding member of the Prime Minister's Veterans Employment Coalition supporting defence force personnel's transition to civilian employment. Work is underway on development of traineeships, alumni and recruitment processes to support veterans joining Boral.

Strategic Element and Objective	Status	Key Outcomes
3.2 Flexibility and flexible work practices: develop and implement policy, guidelines and education program to improve flexibility and flexible work outcomes	Completed	• Education materials and guidelines, including Manager and Employee Flexibility Guide book.
4 Gender Equality and Equity		
4.1 Analysis: complete an analysis of Boral pay equity at least annually to monitor pay rates and identify issues	Ongoing	• Ratio of female to male average base salary is 1.01:1.00, continuing to focus on pay equity outcomes on a total compensation basis. • Annual external industry benchmarking of pay equity and comprehensive gender remuneration gap analysis completed.
5 Generational Diversity		
5.1 Investigate: work/life needs of different generations to understand need to develop programs to lift capability of managers to effectively lead multi-generational teams	Completed	• Working group has identified ways to support mature aged employees who are either retiring, transitioning to retirement or would like to continue to work more flexibly. • Investigation into generational and other diversity aspects that potentially influence readiness for workplace of the future. Findings inform next stage of work on the potential impact of disruptive technologies on work and the workforce.
	In progress	• Transition to retirement program to be launched in FY2019.
6 Indigenous Relations		
6.1 Indigenous Employment: through Indigenous Employment strategy, increase the representation of Indigenous employees in Boral's workforce	Completed	• Boral became a corporate member of Supply Nation, a Government supported business program that identifies and utilises Indigenous businesses. • 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	• Target set to increase the total number of Indigenous employees working in Manager, Professional, Sales, Clerical and Administration roles.

Proportion of female and male employees at Boral

The table below is a detailed representation of women and men working in Boral[1] as at 30 June 2018:

	Female		Male	
Role	**Number**	**Percentage**	**Number**	**Percentage**
Board	4	50%	4	50%
Executive management[2]	50	23%	165	77%
Middle management[3]	113	14%	720	86%
Other roles[4]	2,172	20%	8,955	80%
Total	2,335	19%	9,840	81%

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

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

For more information regarding people and diversity, see page 22 in the Sustainability Overview.

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

Dealings in Boral shares

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

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

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

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

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

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

Directors' shareholdings

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

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

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

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

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

Details of Directors' shareholdings in the Company are set out on page 52 of this Annual Report.

Continuous disclosure

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

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

The CEO & Managing Director, the Chief Financial Officer and the Company Secretary are responsible for determining whether or not information is required to be disclosed to the ASX. Announcements relating to significant matters, such as results, guidance to the market, major acquisitions or divestments, or other corporate matters which involve significant financial or reputational risk, are referred to the Board for approval, unless to do so is impractical in the circumstances (having regard to Boral's continuous disclosure obligations). In such cases, approval can be given by any two of the following officers: the CEO & Managing Director, the Chairman of the Board and the Chairman of the Audit & Risk Committee. The Company Secretary will endeavour to notify all other Directors of the possible disclosure considerations and invite them to participate in any discussions and disclosure decisions where possible. Directors are provided with copies of all announcements made pursuant to Boral's continuous disclosure obligations promptly after they have been made.

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.

Investor relations	To encourage two-way communication, the Company's dedicated investor relations team and share registry can be contacted directly by shareholders by telephone or electronically via email. The links to these contacts are available on the Boral website at boral.com/corporate
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 lodgement 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.

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 2018.

(1) Review and results of operations

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

(2) State of affairs

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

- the integration of Headwaters Inc., acquired May 2017; and
- the Group reported a net profit after tax of $441 million after recognising a net significant item loss of $32 million as detailed in note 2.6 to the financial statements.

(3) Principal activities and changes

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

(4) Events after end of financial year

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

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

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

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

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

Likely developments, business strategies and prospects

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

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

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

Risks

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

Additional information regarding Boral's material business risks is included in the OFR, the Risks and Responses section (pages 18–19) and Sustainability Overview section (pages 20–31) of this Annual Report. The Group's broader risk identification and management framework is also set out in the Corporate Governance Statement on pages 34–47 of this Annual Report.

Industry and market risks

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

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

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

Competition risks

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

Health, safety and environment risks

Boral is subject to a broad range of health, safety and environmental laws, regulations and standards in the jurisdictions in which it operates, which could give rise to losses and liabilities. Due to the operating scale of the construction and building materials industry, there is a risk of incidents occurring that may cause injury to Boral's staff or contractors, or damage to the environment. Boral operates a fleet of over 2,700 on-road heavy vehicles, exposing it to a risk of traffic accidents. Any such events may result in additional costs and fines, and may adversely affect Boral's reputation.

To manage these risks, Boral applies strict operating standards, policies, procedures and training to ensure compliance with all applicable health, safety and environmental laws. We are focused on achieving better safety outcomes across the Group as part of our broader strategy to deliver world-class safety performance. The Group also has established reserves for known environmental liabilities, including quarry remediation. Further details regarding our approach to managing health, safety and environment risks are contained in the OFR and in the Sustainability Overview on pages 20–31 of this Annual Report.

Business interruption risks

Due to the high fixed-cost nature of the construction and building materials industry, interruptions in production capabilities and lower capacity utilisation at key manufacturing and processing facilities may have an adverse effect on the productivity and results of the Group's operations. The Group's manufacturing processes and related services are dependent upon critical plant, which may occasionally be out of service or damaged as a result of unanticipated failures, incidents or force majeure events.

Furthermore, from time to time, there may be shortages of raw material which are critical to Boral's ability to manufacture certain products and to meet market demand, as a result of force majeure type events.

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

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

Weather is an inherent risk for the construction materials and building products industries. Periods of extreme weather can impact Boral's ability to supply products to the market and also limit customers' ability to construct, thereby reducing demand. While these delays are generally short term in nature Boral has the ability to flex its production schedules to reduce the cost impacts of these events. Boral also has weather monitoring processes in place to identify where and when these extreme weather events may impact the business and initiate planning processes early.

Major projects are a large part of Boral's annual revenue stream, primarily in Australia. Given that Boral is predominantly a sub-contractor to these projects, it is directly impacted by delays in the delivery schedules or changes to the project scope of works. In order to mitigate against this risk, Boral has a diversified base of major projects underway across its regional businesses at any one time. Boral's dedicated Project Management Office also ensures that it is able to maintain best practice project management processes and technical expertise to meet and exceed customer schedules and programs of work.

Foreign exchange risks

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

(6) Environmental performance

Details of Boral's performance in relation to environmental regulation are set out on pages 23–30 of the Sustainability Overview in this Annual Report.

(7) Other information

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

(a) the operations of Boral;

(b) the financial position of Boral; and

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

(8) Dividends paid or resolved to be paid

Dividends paid to shareholders during the year were:

	Total dividend $m
the final dividend of 12.0 cents per ordinary share (50% franked at the 30% corporate tax rate) for the year ended 30 June 2017 was paid on 3 October 2017	140.7
the interim dividend of 12.5 cents per ordinary share (50% franked at the 30% corporate tax rate) for the year ended 30 June 2018 was paid on 9 March 2018	146.5

The Directors have resolved to pay a final dividend of 14.0 cents per ordinary share (50% franked) for FY2018. The dividend is expected to be paid on 2 October 2018.

(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 (retired effective 30 June 2018)
Mike Kane
Catherine Brenner
Eileen Doyle
Kathryn Fagg
John Marlay
Karen Moses
Paul Rayner

With the exception of Brian Clark who retired effective 30 June 2018, all Directors have been Directors of the Company at all times during and since the end of the year. On 20 June 2018, it was announced that Peter Alexander would join the Board, effective 1 September 2018.

(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 2018 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 2019. 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 33 of the Annual Report.

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

Brian Clark

AMP Limited from January 2008 to May 2016

Mike Kane

No other directorships to be disclosed

Catherine Brenner

AMP Limited from June 2010 to April 2018
Coca-Cola Amatil Limited from April 2008 (current)

Eileen Doyle

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

Kathryn Fagg

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

John Marlay

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

Karen Moses

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

Paul Rayner

Qantas Airways Limited from July 2008 (current)
Treasury Wine Estates Limited from May 2011 (current)

(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	–	–
Brian Clark	9	9	–	–	–	–	–	–
Eileen Doyle	9	9	4	4	–	–	4	4
Kathryn Fagg	9	9	–	–	4	4	4	4
Mike Kane	9	9	–	–	–	–	–	–
John Marlay	9	9	–	–	4	4	4	4
Karen Moses	9	9	4	4	–	–	4	4
Paul Rayner	9	9	4	4	–	–	–	–

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

(14) Company Secretary

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

(15) Directors' shareholdings

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

	Shares	Non-executive Directors' Share Plan[a]
Catherine Brenner	48,405	–
Brian Clark	123,072	7,730
Eileen Doyle	45,248	–
Kathryn Fagg	38,562	–
Mike Kane[b]	1,207,153	–
John Marlay	39,310	–
Karen Moses	31,757	–
Paul Rayner	121,055	2,597

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

- Catherine Brenner, 40,614 shares are held by Brenner Super Pty Ltd for and on behalf of the Brenner Super Fund;
- Brian Clark, 68,459 shares are held by MCG Wealth Management Australia Nominees Pty Limited – <Brian & Sandra S/F A/C> and 52,009 shares are held by MCG Wealth Management Australia Nominees Pty Limited – JBC Investment Holdings Pty Ltd <Clark Family A/C>;
- Eileen Doyle, 43,324 shares are held by Mr SE Doyle and Dr EJ Doyle for the S&E Doyle Super Fund A/C;
- John Marlay, 33,461 shares are held by Bond Street Custodians Limited on behalf of The Marlay Superannuation Fund;
- Karen Moses, 30,757 shares are held by Aventeos Investments Limited on behalf of KRN Pty Limited ATF KRN Family Discretionary Trust; and
- Paul Rayner, 39,135 shares are held by Yarradale Investments Pty Limited and 79,969 shares are held by Invia Custodian Pty Limited for and on behalf of Bigpar Pty Ltd (the trustee of the PaulJul Super Fund).

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

a Shares in the Company allocated to the Director's account in the Non-executive Directors' Share Plan. Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the Plan. No shares were allocated to non-executive Directors during FY2018.

b Mike Kane holds Share Acquisition Rights (SARs) under Boral's Equity Incentive Plan, details of which are set out in the Remuneration Report on pages 55-77.

(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 $528,000. These services consisted of:

Taxation compliance services in Australia	$256,000
Advisory and assurance-related services in Australia	$209,000
Other services	$16,000
Taxation compliance and other services in jurisdictions other than in Australia	$47,000

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 54 of the Annual Report and forms part of this Report.

(19) Remuneration Report

The Remuneration Report is set out on pages 55–77 of this 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.

K J Fagg

Kathryn Fagg
Director

M Kane

Mike Kane
Director
Sydney, 29 August 2018

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 2018 there have been:

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

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

KPMG

KPMG

Kevin Leighton
Partner
Sydney, 29 August 2018

2018 **Remuneration** Report

Message from the Chairman of the Remuneration & Nomination Committee

On behalf of the Remuneration & Nomination Committee (Committee), I am pleased to present our FY2018 Remuneration Report.

Our Report demonstrates the alignment between executive pay and shareholder value and clearly communicates how our remuneration policies and practices support the delivery of our long-term vision for Boral.

We have continued to receive feedback from our shareholders and their proxy advisers as we actively engage with them to better understand their views and priorities. This feedback has informed and supported our decision making, assisted in refinements to our remuneration practices and improved our reporting.

In this year's report you will see the impact of several previously communicated decisions and changes, namely:

- *Chief Executive Officer & Managing Director (CEO) remuneration* – as indicated in the FY2017 Report, changes were made to the CEO's remuneration consistent with his increased time in the USA, including the cessation of his expatriate benefits in FY2018.
- *One-off targeted retention incentives* – no executive has been granted retention incentives in FY2018 and no executive will be granted retention incentives in FY2019.
- *Face value long-term incentive (LTI) allocation methodology* – the LTI awards granted in September 2018 were allocated on a face value basis.

In addition, the Board decided to reduce senior executives' maximum short-term incentive (STI) opportunities but increase their target STI opportunities, which is more in line with market practice.

These changes are explained on pages 58-59.

FY2018 was the first full year of ownership of the Headwaters business in the USA, and I am pleased to report that the integration of Headwaters progressed very well and that year one synergies of US$39 million exceeded our expectations.

The transformation to deliver more sustainable growth and better returns required the Board, supported by the Committee, to assess whether adjustments to Boral's remuneration policies and practices were needed to take into account the changing nature of our business.

The key areas of review that the Committee considered in FY2018 were:

- whether earnings before interest and tax (EBIT) return on funds employed (ROFE) remains the most appropriate LTI returns measure to align with the future needs of the business; and
- whether safety outcomes should drive a component of remuneration.

The outcomes of these reviews and the decisions made by the full Board are described on pages 60-62.

Boral's FY2018 profit after tax[1] (PAT) increased by 38% and EBIT before significant items increased by 50%. Group EBIT including significant items increased by 49%[2]. This solid performance was 96.4% of the ambitious EBIT target set by the Board at a Group level. As a consequence, Senior Executives' STI cash payments of $2.5 million were 11.7% lower than last year.

Executives earned some long-term incentive reward for exceeding most of our comparators' shareholder returns, but forfeited some incentive reward for not meeting tough internal financial standards. These outcomes, on review by the Committee and the Board, fairly reflect underlying performance, and are consistent with our philosophy of aligning pay with performance.

We trust this Remuneration Report provides insight into the high priority the Board places on listening and responding to our shareholders. We are committed to serving your interests and to deliver sustainable value to our shareholders.

Yours sincerely

K J Fagg

Kathryn Fagg, Chairman, Remuneration & Nomination Committee

1. Excludes financial impact of significant items. See note titled "Non-IFRS information" on page 1 of the Annual Report.
2. Includes continuing and discontinued operations.

2018 Remuneration Report

Contents

Section 1: Who is covered by this Report

The Directors of Boral Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2018 (FY2018). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the *Corporations Act 2001*. The Report sets out remuneration information for the Company's Key Management Personnel (KMP).

The table below details the KMP for FY2018.

Name	Position
Senior Executives	
Mike Kane	Chief Executive Officer & Managing Director (CEO)
Joseph Goss	Divisional Chief Executive, Boral Australia
Ross Harper	Executive General Manager, Cement
David Mariner	President & CEO, Boral North America
Rosaline Ng	Chief Financial Officer (CFO)
Non-executive Directors	
Brian Clark	Chairman and non-executive Director (retired effective 30 June 2018)
Catherine Brenner	Non-executive Director
Eileen Doyle	Non-executive Director
Kathryn Fagg	Non-executive Director (appointed Chairman, effective 1 July 2018)
John Marlay	Non-executive Director
Karen Moses	Non-executive Director
Paul Rayner	Non-executive Director

Section 2: Evolving our remuneration approach to suit the business

Alignment to Boral's strategy

Boral's strategy, to achieve world-class safety performance, develop an innovative product platform for sustainable growth and generate superior returns for shareholders, is supported by the Company's 'Fix Execute Transform' program. As part of this program, Senior Executives were focused on the following objectives in FY2018:

- Delivering Zero Harm and performance excellence
- Integrating the Headwaters business into Boral North America, including delivering year one synergies
- Maintaining and strengthening Boral's leading position in Australia
- Capturing USG Boral's organic and innovation-based growth opportunities in Asia, Australia and the Middle East
- Strong cash flows and balance sheet to support growth and deliver value.

Boral's executive remuneration policy is intended to focus executives on business plan delivery and in doing so create shareholder value. Our FY2018 executive remuneration arrangements reflect those business objectives the Board considers most important to incentivise our executives to achieve. The rationale for the selection of incentive plan metrics is outlined in Section 4.

Refinements to the executive remuneration policy

The Committee supports the Board to assess whether adjustments to remuneration policy are required to take into account the changing nature of our business and the environment in which we operate, including the expectations of Boral's stakeholders and market practice.

To help ensure current and future business needs can be met, the Committee has focused its efforts on:

- Ensuring our approach to remuneration is suited to a business that is heavily impacted by different construction markets and cycles in different geographies
- Attracting and retaining the right talent in different geographies and businesses, while recognising that Boral is, and will remain, an Australian headquartered company
- Enabling the transfer of key talent quickly and easily between businesses and regions.

The Committee has also listened to shareholder feedback, which in recent years has been focused on:

- Concern regarding the impact of non-monetary benefits on the overall quantum of pay for the CEO, and the approach to fixed annual remuneration adjustments
- Improving the clarity and transparency of remuneration disclosures
- Ensuring STI and LTI continue to recognise and achieve a fair balance of returns for both executives and shareholders.

Prior year decisions impacting FY2018 remuneration

Issues and decision	Comments
CEO remuneration Changes made to the CEO's remuneration delivered a reduction in fixed remuneration costs of 21% due to the cessation of expatriate benefits. He received a 2% increase on a Fixed Annual Remuneration (FAR) equivalent basis. The CEO's incentives are now calculated on his base cash salary (BCS).	As announced on 21 June 2017, the CEO's remuneration arrangements were restructured to reflect him spending approximately half of his time in the USA, after the completion of the Headwaters acquisition. The new arrangements included a 2% increase to the CEO's remuneration on a FAR equivalent basis, following a benchmarking review relative to Australian peers. The new arrangements also saw the CEO's expatriate benefits cease, resulting in non-monetary benefits reducing by 75% in FY2018. The net effect of these changes is a 21% reduction in fixed remuneration costs. From 1 July 2017, the CEO's STI and LTI opportunity were calculated based on Base Cash Salary (BCS) rather than FAR, BCS being lower than FAR as it excludes some fixed benefits such as pension amounts. This is consistent with the basis of calculation of incentive plan opportunities for other US executives. The CEO's US-based pension and benefits arrangements are also consistent with Boral's policy for other US executives. Outlined below is the outcome of the changes made to the CEO's remuneration in FY2018:

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

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

The CEO's STI and LTI participation continued under the terms outlined in Section 4, with the change in LTI opportunity reflecting the transition to a face value allocation methodology and calculation based on BCS.

The Company resumed contributions to the CEO's US-based pension plans, including a 401K plan and Supplemental Executive Retirement Plan (SERP). SERP contributions are made at a rate of 8% of BCS and STI awards, consistent with the Boral policy applied to other US executives. Other benefits provided to the CEO include motor vehicle lease, medical and dental coverage and life/disability insurances.

Issues and decision	Comments
LTI allocation methodology Change from fair to face value calculation for LTI awards from FY2018	To improve simplicity and transparency of remuneration, we changed our LTI allocation methodology in FY2018. We now disclose LTI value based on a "face" or maximum value of LTI awards, rather than an expected or accounting-based fair value which was used in FY2017. We consider a face value methodology provides the most transparency for our shareholders. The number of rights granted under an LTI award is now calculated as follows:

$$\frac{\textit{LTI opportunity}}{\textit{5 day VWAP at grant}} = \textit{Number of rights granted}$$

As mentioned in the FY2017 Remuneration Report, the change to a face value LTI allocation methodology was not intended to alter the actual value of awards delivered to executives, and they should be no worse off as a result of this transition.

The number of rights granted to each executive remained approximately the same. However, communicated values may appear higher because they reflect the face value or maximum value of the LTI awards instead of fair value.

Prior year decisions impacting FY2018 remuneration (continued)

Issues and decision	Comments
Impact of Headwaters transaction Maintaining pre-existing targets for incentives with no retrospective adjustments	As noted in FY2017, the additional EBIT and increased funds employed associated with the acquisition has initially dampened the rate of ROFE growth within the incentive period, prior to delivery of the full year 4 synergy benefits. Despite this, the Board considered it appropriate to maintain the pre-existing targets and did not make retrospective adjustments. In the long term, the Headwaters acquisition is expected to better position the Group to deliver more sustainable growth and above cost of capital returns through market cycles as Boral has diversified its US market exposures. Targets set for the September 2017 LTI Grant (ie which will be eligible to vest in September 2020) took into account delivery of synergy targets for the Headwaters acquisition and Boral's long-term goal of ROFE exceeding the cost of capital through the cycle. In setting underlying targets for the STI plan, the Board will continue to monitor any potential post-acquisition accounting impacts during integration that may have unintended consequences on incentive outcomes.
Targeted Retention Incentive No retention incentives were granted to executives in FY2018. The retention grant awarded to executives in September 2015 is scheduled to vest in September 2018.	In September 2015, the Board granted one-off retention incentives to eight key executives to ensure stable leadership and continuity in delivering business transformation initiatives. It was intended to minimise the risk of further targeted approaches from our competitors and to retain our key talent for future potential succession opportunities across a number of senior roles. Those eight key executives have continued to develop within Boral and all have expanded roles with increased responsibilities. The targeted retention incentives awarded in September 2015 are scheduled to vest in September 2018. No additional executive retention incentives were provided in FY2017 or FY2018, nor will any be awarded in FY2019.

FY2018 review areas and decisions

Issues and decision	Comments
Aligning overall remuneration opportunities with business performance Aligning STI opportunities for CEO direct reports	We have preserved our simple financially-based STI, retaining underlying EBIT as the measure of performance. The Board considers EBIT to be the most valid benchmark for executive performance because it is easy to understand and measure, and it is independently verified. In the FY2017 Remuneration Report, a reduction in the number of CEO direct reports by two positions was disclosed. To address the change in executive roles and responsibilities, the STI opportunities for the remaining direct reports were adjusted in FY2018. Remuneration changes focused on STI because it recognises the delivery of EBIT targets which are challenging and create value for shareholders. Under the revised STI arrangements for the remaining direct reports, STI target opportunities were increased while maximum opportunity was reduced. STI targets are now 60% of FAR for the executive team, up from 50% for most roles. This increases the proportion of on-target remuneration that is subject to performance and is more market competitive. In addition, maximum STI was reduced to better align with market practice and Boral's risk profile. Whereas Senior Executives could previously earn up to 200% of target for stretch performance, this has been reduced to approximately 165% of target.

FY2018 review areas and decisions (continued)

<table>
<tr><th>Issues and decision</th><th>Comments</th></tr>
<tr><td>

LTI Performance Hurdle

ROFE measure retained but new target setting approach to be adopted for FY2019 grants onwards. The ROFE targets will now be set relative to the weighted average cost of capital (WACC) and the target vesting range will be broadened. This directly incentivises executives to deliver returns exceeding the WACC through market cycles. Existing ROFE targets for grants prior to FY2019 are not being adjusted.

Relative TSR measured against the S&P/ASX100 Index will be retained.

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As indicated in the FY2017 Remuneration Report, Boral monitors the appropriateness of LTI performance measures, taking into account current and future needs of the business. In FY2018, Boral reviewed whether ROFE continued to be the most appropriate measure going forward and its alignment to the future needs of the business. The Board concluded that ROFE remained an appropriate measure, although ROFE targets could be more explicitly aligned with Boral's objective to deliver returns that exceed the weighted average cost of capital (WACC). WACC is the level of return required to add investor value, taking into account the risk associated with the investment.

The current approach to setting ROFE targets, and the new approach to apply for FY2019 LTI grants onwards, are summarised below:

<table>
<tr><th>FY2018 approach</th><th>FY2019 approach</th></tr>
<tr><td>ROFE targets determined as a percentage of funds employed</td><td>ROFE targets determined relative to WACC</td></tr>
<tr><td>

Historically, the Board set absolute ROFE targets with reference to Boral's forecast long-term financials. This approach has a number of limitations:

- forecast and actual ROFE performance fluctuates materially given the cyclical nature of business conditions
- targets do not explicitly factor in Boral's WACC
- any significant portfolio changes increase the difficulty of accurate forecasting, and
- the narrow vesting range of 0.5% between target and stretch, combined with the cyclical nature of the business, increases the chance of 'all or nothing vesting'.

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To address these limitations, ROFE targets will now be set relative to Boral's WACC for the relevant testing period and a broader vesting range will be introduced, which is strongly skewed to outperformance. These adjustments:

- provide a more stable and less volatile approach for measuring ROFE performance
- continue to measure ROFE performance as EBIT (before significant items) on average funds employed
- transparently align with Boral's stated objective of exceeding WACC through the cycle, and
- focus executives on delivering returns which exceed WACC, with the broader vesting range providing increased incentive to outperform.

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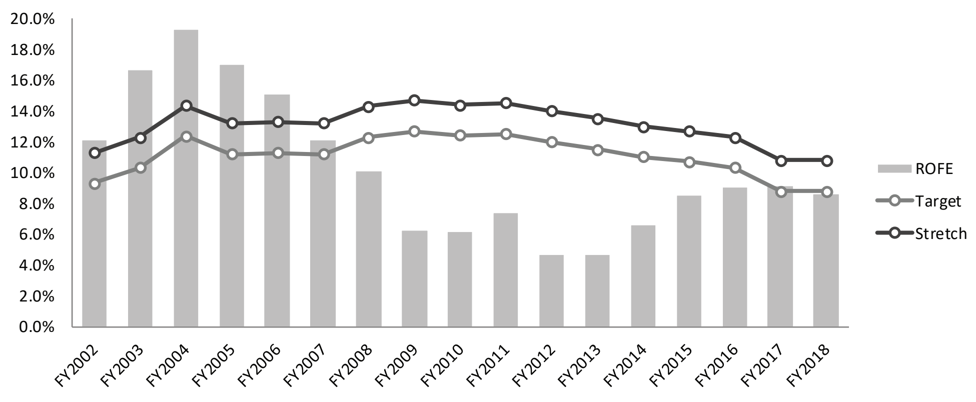
The chart below illustrates how the new approach would have applied over the past 17 years. Over this period, reported ROFE would have exceeded WACC seven times (41% of the time) and would have exceeded the stretch target five times (29% of the time).



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FY2018 review areas and decisions (continued)

Issues and decision	Comments
LTI Performance Hurdle (continued)	**Broader vesting range from FY2019** The vesting range will be expanded from 0.5%, where it has been in recent years, to 2.0%, emphasising performance above WACC. The vesting range and payout percentages are below.

ROFE	Payout (% of potential award)
Below WACC	Nil
At WACC (target)	50%
Between WACC and WACC plus 2.0%	Vesting on a straight-line basis
At or above WACC plus 2.0% (stretch)	100%

These hurdles are intended to drive sustainable value creation for shareholders and attract and retain high performing executives. The hurdles will continue to ensure executives are only rewarded for delivery of returns above Boral's WACC, recognising that WACC itself does change to reflect external circumstances, such as the long-term risk free rate.

Any awards that do not vest in accordance with the vesting schedule will lapse and there will be no re-testing.

WACC and ROFE calculation

As joint ventures (JVs) remain an attractive business model for Boral, the share of EBIT (before significant items) from our JVs (rather than post-tax JV earnings) will be included in the pre-tax ROFE calculation, consistent with the treatment for Boral's wholly owned businesses. WACC will be calculated by Boral on a pre-tax basis, providing a direct comparison with the pre-tax ROFE measure, using the average annual WACC over the three year period from 1 July 2018 (for the FY2019 grant). The calculation will be overseen by the Audit & Risk Committee supporting the Remuneration & Nomination Committee and the Board, and will be reviewed and validated by an independent external advisor. Previous ROFE targets and calculations for grants prior to FY2019 are not affected.

The calculated WACC for each year and the Company's ROFE performance will be disclosed retrospectively in Boral's Remuneration Report.

FY2018 review areas and decisions (continued)

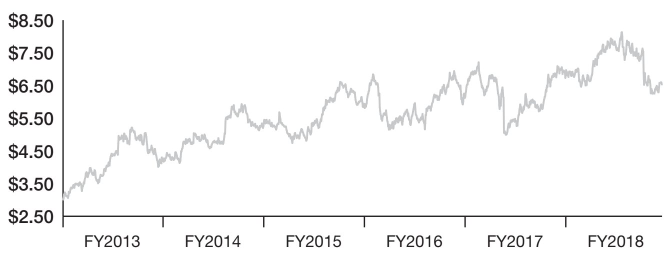
Issues and decision	Comments
Safety and remuneration The Committee and the Board considered whether Board discretion in relation to FY2018 STI outcomes should be exercised as a result of a fatality of a delivery driver on a Boral site. This prompted a broader review by the Board to reconsider whether safety should be an additional STI metric.	Based on a thorough review and full consideration of the tragic circumstances, management response and the devastating impacts that the September 2017 supplier fatality had on the entire organisation, the Board has determined not to reduce FY2018 executive STI payments. Furthermore, the Board remains of the view that we are better served in Boral to continue to exclude safety as a measure within short-term financial incentives. The Board recognises that in some organisations, it is very important to have safety as a component of remuneration. At Boral, safety is considered so fundamentally important that there is a strong belief that safety should not be financially rewarded and therefore should not be a component of remuneration incentives. This is an important and powerful aspect of Boral's culture, and after rigorously considering the cultural aspects and performance outcomes, the Board remains of the view that it is the right approach for Boral. In testing Boral's approach, the Board reviewed 10 years of safety and STI data from FY2008 through to FY2017, which included a three year period to FY2010 when safety was an additional STI determinant. The data showed that Boral's safety performance has improved dramatically over the past 10 years, and importantly safety outcomes continued to improve significantly after safety was removed as an STI metric from FY2011. Safety continued to improve even in periods where STI payouts varied and were low due to poor financial performance. The improvement in safety is underpinned by a strong safety leadership culture and a commitment across the company to Zero Harm Today. Managing safety well is considered a fundamental part of everyone's role at Boral, and is taken into consideration in performance reviews and performance management. As such, the Board examined Boral's track record in taking appropriate responsive action, including terminating employment for poor safety management and safety breaches. The results show that over the past three years (FY2015-18), 78 employees (including 12 in FY2018) in Australia and North America had their employment terminated because of a breach of safety standards and protocols, which included poor management of safety. The combination of a strengthened safety culture and performance management is considered the right approach for Boral.

Section 3: FY2018 performance and actual pay received

During FY2018, Boral's focus has been on the delivery of strong earnings growth and our transformation strategy, to ensure the Company remains competitive throughout market cycles.

Financial performance	FY2013	FY2014	FY2015	FY2016	FY2017[2]	FY2018
Earnings per share[1,3] (cents)	12.7	20.5	29.7	33.3	33.7	40.4
Dividends per share (cents)	11.0	15.0	18.0	22.5	24.0	26.5
Return on equity[1] (%)	3.2	5.1	7.1	7.6	6.3	8.3

Boral Share price



How did Boral's performance result in STI awards?

EBIT performance

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

For FY2018, Boral reported EBIT[1] of $688.4 million, which was $228.5 million or 50% higher than the prior year. This EBIT improvement in earnings was underpinned by Boral's first full year of ownership of the Headwaters business in the USA, volume and price growth, cost improvement initiatives and strong Property results.

On average, 52.3% of maximum STI opportunity was paid out to Senior Executives for FY2018 performance, which is equivalent to 84.4% of target STI on average. This compares to 56.5% of maximum STI, and 103.7% of target STI, paid out for FY2017 performance.

STI payments over the past 10 years demonstrate the cyclical nature of our industry and the variability of STI payments. Over the last 10 years (FY2009 to FY2018), Boral's STI has paid out at an average 70.3% of target. This includes FY2009, when no STI was paid to Senior Executives and FY2012 and FY2013 when no STI was paid to the CEO.

Senior Executive historical STI % of target outcomes

Year	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	*Average*
(% of target)	0.00%	93.80%	36.40%	14.00%	6.90%	100.40%	126.70%	136.50%	103.70%	84.38%	*70.28%*

STI *Further details in Section 4*	STI awards in FY2018 reflect Boral's achievement of a 50% increase in Group EBIT before significant items, which equated to 96.4% of the EBIT target set by the Board at a Group level. Divisional EBIT growth was 24% for Boral Australia, -9% for USG Boral, and 247% for Boral North America. STI payments for FY2018 varied by Senior Executive: • The CEO received an STI of $1.4 million, representing 75% of his target STI and 54% of his maximum STI, with 80% of this amount paid in cash and 20% deferred into equity for two years. • Other Senior Executives received a total STI of $1.7 million, representing approximately 52.0% on average of the maximum STI, with 20% deferred into equity for two years.

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

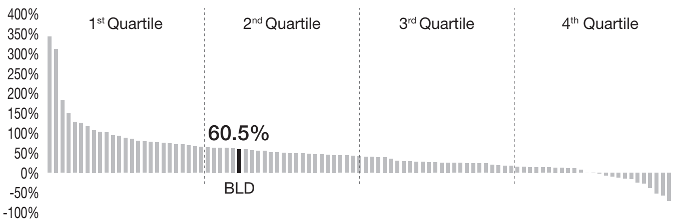
How did Boral's performance result in LTI awards?

TSR performance

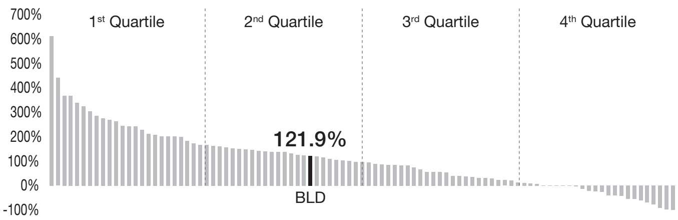
Boral's relative TSR performance was steady. Taking into account share price appreciation and dividends paid, Boral delivered a TSR of 6.7% for shareholders between 1 July 2017 and 30 June 2018. This TSR ranked Boral around the median (47th percentile) of ASX 100 companies for FY2018.

Over the three year period from September 2014 to September 2017, Boral's TSR of 60.5% was at the 69th percentile of the Company's TSR comparator group, resulting in 59% of the 2014 LTI grant vesting. Over the period from November 2010 to November 2017 (being the third testing date for the 2010 LTI grant), Boral's TSR of 121.9% was at the 58th percentile, resulting in 67% of the 2010 LTI grant vesting.

TSR for Boral vs ASX 100 companies: Sept 2014 to Sept 2017



TSR for Boral vs ASX 100 companies: Nov 2010 to Nov 2017



ROFE performance

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

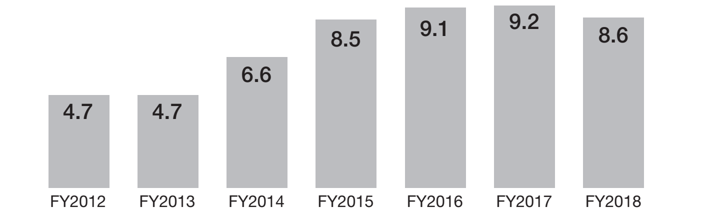
At the time Boral introduced ROFE as an LTI performance measure, Boral's returns were substantially lower than they are today and the cost of capital was higher.

Boral's ROFE performance of 8.6% in FY2018, as measured by EBIT[1] return on average funds employed, declined from previous years, reflecting the significant increase in funds employed following the Headwaters acquisition, ahead of the full synergy benefits coming through, which will see a lift in ROFE over the medium and longer term. Boral Australia delivered a divisional ROFE of 17.5% in FY2018 well ahead of Boral's cost of capital. USG Boral delivered an underlying divisional ROFE of 9.9% and Boral North America is positioned to deliver a significant increase in ROFE from 4.4% as the full synergy benefits from the Headwaters acquisition are realised in year 4.

Boral's 8.6% ROFE in FY2018 was below the 11.0% to 11.5% vesting range for the 2014 LTI grant and none of the ROFE tranche vested.

ROFE remains a key measure of performance that is aligned to shareholders. For future LTI awards, Boral will set targets relative to Boral's WACC, calculated on a pre-tax basis to provide a direct comparison with the pre-tax ROFE measure. This directly incentivises executives to deliver returns exceeding the WACC through market cycles.

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



1. ROFE for remuneration purposes is EBIT (excluding significant items) return on average funds employed. Funds employed is calculated as the average of funds employed at the start and end of the year, except for FY2017, which was calculated on a monthly average funds employed basis, recognising the impact of the Headwaters acquisition part way through the year.

LTI *Further details in Section 4*	**2014 LTI** Overall vesting for the 2014 LTI was 59%, based on performance against the relative TSR hurdle (two-thirds of the grant) and the ROFE hurdle (one-third of the grant). Relative TSR was at the 69th percentile of the ASX 100 comparator group. The ROFE target was not met, with this portion of the grant lapsing in full. **Legacy plans** Until 2013, LTI awards were tested at different times over a seven year period based on relative TSR performance. The 2010 LTI partially vested on its third and final test date in November 2017 with 67% vesting. The 2011 LTI, which is subject to its third and final test date in September 2018, is the last LTI grant that is subject to multiple testing.

Fixed annual remuneration (FAR) outcomes

The key remuneration outcomes for Boral's Senior Executives in FY2018 are outlined below.

Component	Outcomes
FAR (or BCS for US employees) *Further details in Section 4*	Increases in FAR were considered by the Board with reference to role responsibilities, experience of individuals, Boral's need to retain Senior Executives to manage risk and support succession planning, and positioning of remuneration against the market. In FY2018, the Board approved the following adjustments to Senior Executive FAR/BCS. Increases reflect changes in position scope, market benchmarking undertaken against Boral comparators and market movements for Senior Executive roles: • CEO received an increase equivalent to 2% of FAR • CFO received a 4% increase to FAR • President and CEO, Boral North America received a 4% increase to BCS • Divisional Chief Executive, Boral Australia received a 2.56% increase to FAR • Executive General Manager, Cement received a 4% increase to FAR.

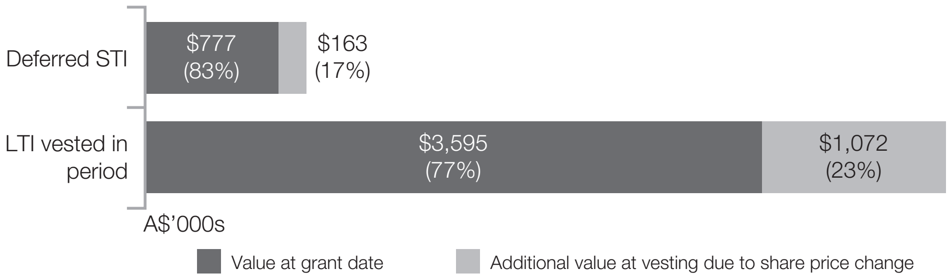
Actual remuneration for FY2018

The remuneration outcomes table below has been prepared to provide shareholders with a view of remuneration that was actually paid to Senior Executives for FY2018. The Board believes that presenting information this way provides shareholders with increased clarity and transparency. Remuneration details prepared in accordance with statutory obligations and accounting standards are contained in Section 7 of this Report.

FY2018 remuneration cash outcomes table

	Cash payments and other benefits received							Vesting of prior year "at risk" equity awards	
A$'000s	Fixed remuneration[a]	STI (cash)[b]	Superannuation or pension payments	Expat allowances[c]	Other non-cash[d]	FBT	Total payments	Vesting of STI deferral earned in 2015[e]	Vesting of 2010 & 2014 LTI Grants[f]
Mike Kane	1,654.4	1,108.0	301.8	–	162.6	–	3,226.8	510.4	2,856.0
Joseph Goss	995.8	579.8	–	148.2	19.4	148.3	1,891.5	116.7	552.9
Ross Harper	583.7	340.8	36.3	–	5.2	3.1	969.1	61.3	324.3
David Mariner	679.5	125.7	131.7	–	52.8	–	989.7	116.4	269.8
Rosaline Ng	876.9	327.3	27.3	–	44.6	18.8	1,294.9	135.3	663.8

A significant portion of actual remuneration received in FY2018 relates to the vesting of deferred STI and partial vesting of two tranches of the LTI. Vesting of these incentives and the increase in value of the equity awards held by the CEO and other Senior Executives aligns to the benefits received by shareholders over the same period. Boral's share price increased by approximately 75% from November 2010 to November 2017. The following graph shows the difference between grant and vesting value of the relevant incentive awards, the additional value for the LTI in particular, reflecting Boral's TSR performance outcomes.



Ref	Item	Notes relating to the Actual Remuneration for FY2018 table
a.	Fixed remuneration	Fixed remuneration is cash salary paid to the Senior Executive for their period as a KMP.
b.	STI (cash)	The value of STI represents 80% of the total STI with the remaining 20% deferred into equity for two years.
c.	Expat allowances	Expatriate allowances, other non-cash benefits and associated fringe benefits tax (FBT) are not taken into account for the purposes of calculating an executive's STI or LTI opportunity. Expatriate allowances ceased for the CEO during FY2018 following his relocation back to the USA.
d.	Other non-cash	Other non-cash is comprised of non-monetary benefits including parking, medical, life and disability insurance, and vehicle costs. These amounts are not taken into account for the purposes of calculating an executive's STI or LTI opportunity.
e.	STI deferral	The value for earned deferred STI granted in September 2015 which vested on 1 September 2017, calculated using the volume weighted average price (VWAP) of Boral ordinary shares in the five trading days up to 1 September 2017, being $6.7524 multiplied by the number of rights which vested.
f.	LTI	LTI performance targets were achieved for the 2010 and 2014 LTI grants, triggering vesting of 67% and 59% respectively, with Boral delivering nearly top quartile performance relative to our TSR comparators over the three year period from September 2014 to September 2017 (69th percentile). The value of the 2010 LTI grant which vested during the year is based on the value at the time of delivery of the equity to participants, calculated using the VWAP of Boral ordinary shares traded in the five days up to 17 November 2017 (being $7.5155) and for the five days up to 1 September 2017 for the 2014 LTI grant (being $6.7524), multiplied by the number of rights that vested for each grant.

Section 4: Remuneration framework for FY2018

Remuneration strategy

Boral's remuneration strategy and framework provides the foundation for how remuneration is determined and paid. The chart below provides a summary of Boral's remuneration strategy for FY2018.

REMUNERATION STRATEGY

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

REMUNERATION PRINCIPLES

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

The strategy has guided the way remuneration has been set for FY2018, as outlined in the following pages.

Remuneration framework components

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

Remuneration framework details

Remuneration strategy	Description

FAR

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

Boral benchmarks the remuneration of our executives against comparator companies of a similar size (referencing market capitalisation and revenue, as applicable) and within similar industries (focusing on industrial and materials sector entities). Comparator companies used in the benchmarking are described in Section 8 of this Report.

Considerations in setting FAR:

- Position responsibilities and financial impact
- Individual's knowledge, skills and experience
- Market practice for companies of similar size and complexity of Boral

2018 Outcomes

Based on benchmarking outcomes, the CEO received a 2% adjustment to his FAR equivalent from 1 July 2017. Other Senior Executives received FAR increases of between 2.56% and 4.0% for FY2018, reflecting changed position scope, succession development, incumbents' capability growth, market movements and benchmarking outcomes.

STI

STI rewards for achievement of financial performance over one year.

STI gateway

Performance at the end of the financial year is measured against pre-determined EBIT targets established as part of the Group's annual budget process. STI awards have threshold, target and maximum opportunities that are differentiated based on Group and/or divisional results. No STI awards are made if relevant EBIT performance gateways are not met.

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

Single financial measure

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

While safety is not used to determine STI outcomes, managing safety well is a fundamental part of everyone's role at Boral, and is taken into consideration in reviewing performance and setting fixed remuneration.

STI deferral

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

Target and maximum STI opportunities as a percentage of BCS for the CEO and President & CEO, Boral North America and FAR for other Senior Executives are outlined below:

Position	Target	Maximum
CEO	110%	154%
Senior Executives	60%	100%

Boral used a single financial hurdle for STI awards in FY2018, being EBIT (excluding significant items):

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

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

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

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

2018 Outcomes

STI cash payments of $2.5 million were made to the CEO and Senior Executives in respect of performance over FY2018, with the remainder of the FY2018 STI outcome for these individuals deferred into equity over two years.

The CEO received 54% of his maximum STI (75% of target), while Senior Executives other than the President & CEO, Boral North America, received between 45% and 72% of maximum STI (75% and 121% of target). This reflected strong, above-target EBIT results from Boral Australia. In FY2018, Boral Australia delivered price, volume and margin improvements, strong Property results, and has secured supply to a growing number of infrastructure projects.

The President & CEO, Boral North America, received 22% of his maximum STI (37% of his target), reflective of Boral North America delivering an EBIT outcome below target. Further information on the financial performance of Boral North America is found on pages 16-17 of this Annual Report.

Remuneration framework details (continued)

Remuneration strategy	Description

LTI

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

TSR

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

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

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

ROFE

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

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

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

Since FY2013, Boral's ROFE has steadily increased alongside a decreasing WACC. While the FY2018 ROFE result is lower than FY2017, both Boral Australia and USG Boral delivered underlying divisional ROFE which exceeded the cost of capital for these businesses.

The CEO and Senior Executives are eligible to participate in the LTI at the following opportunity levels:

Position	Maximum opportunity (face value)
CEO	220% of Base Cash Salary
Senior Executives	70% to 100% of FAR / BCS

The FY2018 LTI awards were measured against two performance hurdles:

	Relative TSR	ROFE
Hurdle	Relative TSR measured against the S&P/ASX 100 Index	EBIT in year of testing as a percentage of average funds employed
Portion	Two-thirds	One-third
Period	1 September 2017 to 1 September 2020	Year ending 30 June 2020

The TSR vesting schedule to be applied for the FY2018 LTI grant is:

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

The ROFE vesting schedule to be applied for the FY2018 LTI grant is:

If the Company's ROFE performance for FY2020 is:	Proportion vesting:
Less than 12.0%	0%
12.0%	50%
Greater than 12.0% and less than 12.5%	Pro-rata vesting from 50% to 100%
12.5% or above	100%

2018 Outcomes

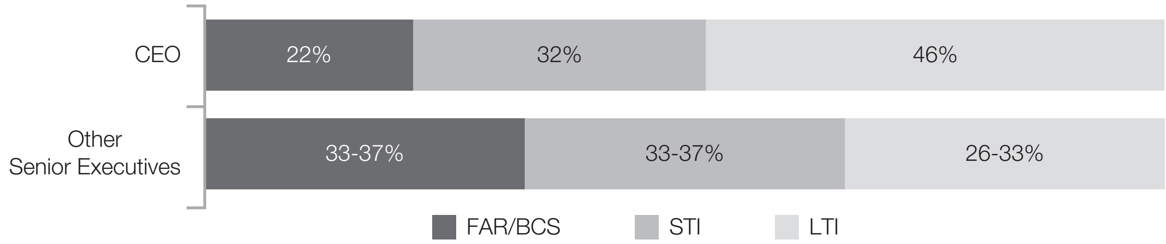
In September 2017, 59% of the 2014 LTI vested based on the relative TSR being at the 69th percentile of the ASX100 comparator group. The ROFE component for the 2014 LTI lapsed because that hurdle was not met.

Legacy plans

Until 2013, LTI awards were tested at different times over a seven year period based on relative TSR performance. The 2010 LTI was tested during FY2018 and partially vested on its third and final test date on 17 November 2017, with 67% vesting.

Total Remuneration

Boral's remuneration mix is set to balance the need to attract and retain high calibre talent, with the ability to vary reward with performance. Total maximum remuneration mix for FY2018 is shown below, reflecting the remuneration mix should all performance hurdles at maximum be met in full.



Section 5: Remuneration governance

Roles and responsibilities

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

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

Open lines of communication exist between all of Boral's Board Committees. For example, in FY2018 the Committee was supported by the:

- Audit & Risk Committee in reviewing the methodology, assumptions and calculation of ROFE relative to WACC
- Health, Safety & Environment Committee in reviewing safety and remuneration, as discussed earlier in the Report.

These open lines of communication are intended to prevent any 'gaps' in risk oversight and to maintain a broader picture of Boral's risk profile as it relates to remuneration governance. In addition to the overlapping membership of the Board Committees, the Board Chairman and the CEO attend all Board and Committee meetings and provide a link between each Committee's oversight responsibilities.

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

How decisions are made

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

Board discretion

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

Component	Board discretion	Determinations made in FY2018
STI	The Board retains discretion to adjust STI outcomes up or down to ensure consistency with the Company's remuneration philosophy, to prevent any inappropriate reward outcomes including in the event of a seriously negative safety issue, and maintain alignment with the shareholder experience before the final award is determined. The Board also has the discretion to exercise clawback provisions in circumstances where an employee has acted fraudulently or dishonestly, has breached their obligations to the Company, in the event that there is a material misstatement or omission in Boral's financial statements, or if the Company is required or entitled to reclaim any overpaid incentive or other amount from an employee.	Based on a thorough review and full consideration of the tragic circumstances of the September 2017 supplier fatality, the Board determined not to reduce FY2018 executive remuneration. For further information, see page 62 of this Annual Report.
LTI	The Board retains discretion to make LTI adjustments as considered necessary to ensure rewards reflect performance in a manner which is consistent with shareholder expectations and the intent and purpose of the relevant targets. The Board also has the discretion to partially reduce or forfeit an LTI award where an employee has their employment terminated for cause, acts fraudulently or dishonestly, or breaches their obligations to the Company. The Company has a further discretion to apply clawback provisions in 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 incentive or other amount from an employee.	

Minimum shareholding requirements

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

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

Position	Minimum shareholding	Status
CEO	100% of FAR	As at 30 June 2018, the CEO well exceeds the requirement
Senior Executives	50% of FAR	As at 30 June 2018, all Senior Executives have achieved the requirement

The Company's guidelines for non-executive Directors' minimum shareholdings are set out in the Corporate Governance Statement on page 46 of this Annual Report. As at 30 June 2018, all Directors had achieved or exceeded the guidelines.

External advice on remuneration

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

During FY2018, these consultants provided general information and support only. No advice was provided that contained "remuneration recommendations" relating to the remuneration of KMP.

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

The protocol provides that before Boral enters into a contract to engage a consultant to provide remuneration recommendations, the proposed consultant must be approved by the Committee or the non-executive Directors. The remuneration consultant must report directly to the Committee or the non-executive Directors. If a consultant makes a recommendation concerning the remuneration of a Senior Executive, the recommendation must be provided directly to the Committee or the non-executive Directors. This arrangement was reviewed in FY2018 by the Committee and no changes were considered necessary.

Senior Executive contracts

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

Contract term	CEO	Other Senior Executives
Contract type	Permanent	Permanent
Notice period by Boral	12 months	6 months
Notice period by employee	6 months	6 months
Termination without cause		
Termination payment	Up to 12 months BCS	Up to 12 months FAR
STI	Unless otherwise determined by the Board, no entitlement to STI for the year of termination.	
LTI	Treatment of LTI awards are dealt with under the LTI plan rules and the specific terms of grant. In general, unless otherwise determined by the Board, LTI awards will remain on foot (with a pro rata scale-back based on the proportion of the performance period elapsed at the cessation date) to be tested against the relevant performance conditions at the vesting date.	
Resignation or termination with cause	Unless otherwise determined by the Board: • No termination payment • No entitlement to STI • Forfeiture of all deferred STI • All unvested LTI awards will lapse	
Dealing restrictions	Boral's Share Trading Policy prohibits executives from entering into hedge and other derivative transactions in relation to rights granted under the LTI plan. Shares allocated to participants upon vesting of their LTIs may only be dealt with in accordance with the Share Trading Policy. Any contravention of the Policy would result in disciplinary action.	

Section 6: Non-executive Directors' remuneration

The non-executive Directors receive fixed fees only, which includes base fees and Board Committee fees. It is structured on a total fee basis which is paid in the form of cash and superannuation contributions. The non-executive 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 Board Chairman, while attending all Board and Committee meetings, does not receive any Committee fees in addition to their Board Chairman fees.

Non-executive Director fee levels for FY2018 were as follows:

	2018		2017	
Fees (A$)	**Chair**	**Member**	**Chair**	**Member**
Board	**454,200**	**151,200**	441,000	146,800
Audit & Risk	**41,300**	**21,100**	40,100	20,500
Remuneration & Nomination	**31,000**	**15,500**	30,100	15,000
Health, Safety & Environment	**31,000**	**15,500**	30,100	15,000

The total annual non-executive Director remuneration for the current Board of seven non-executive Directors for FY2018 was $1,588,300 including superannuation. This was within the current aggregate fee limit of $2,000,000 per annum, which was approved at the Company's Annual General Meeting in November 2016.

A comprehensive review of the level of fees paid to Boral's non-executive Directors was undertaken during the year, and included a review of market benchmarking information prepared by EY, Boral's external remuneration consultant. The review considered the elements of size and complexity of the business, time commitments and fees paid for non-executive Directors of companies of a comparable size. As a result of the market review, with effect from 1 July 2018, fees for non-executive Directors were increased by 2.5%, including fees for the Board Chairman, each Committee Chairman and the base fees.

Section 7: Statutory remuneration disclosures

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

Senior Executive remuneration table

		Short-term			Post-employment	Share-based payments[a]			Other	Total	At Risk Remuneration	
A$'000s	Year	Cash salary[b]	Short-term incentive[c]	Non-monetary benefits[d]	Super-annuation Pension[e]	Rights	Deferred equity	Retention Awards (Sept 15)[f]	Long service leave accrual	Total	% of remuneration related to performance	% of target STI paid
Senior Executives												
Mike Kane	**2018**	**1,654.4**	**1,108.0**	**162.6**	**301.8**	**1,302.3**	**363.5**	**–**	**20.4**	**4,913.0**	**56.5%**	**74.9%**
	2017	1,843.8	1,586.5	638.5	–	1,588.2	411.8	–	32.1	6,100.9	58.8%	107.6%
Joseph Goss	**2018**	**1,026.8**	**579.8**	**315.9**	**–**	**336.9**	**132.4**	**133.3**	**18.0**	**2,543.1**	**41.3%**	**120.8%**
	2017	990.0	444.2	255.2	–	307.7	116.3	133.3	25.7	2,272.4	38.2%	113.9%
Ross Harper	**2018**	**580.8**	**340.8**	**8.4**	**36.3**	**144.6**	**70.5**	**93.8**	**10.8**	**1,286.0**	**43.2%**	**113.8%**
	2017	567.6	199.4	12.8	19.6	165.5	58.9	93.8	14.8	1,132.4	37.4%	118.7%
David Mariner	**2018**	**679.5**	**125.7**	**52.8**	**131.7**	**203.9**	**44.8**	**98.0**	**–**	**1,336.4**	**28.0%**	**37.5%**
	2017	679.4	164.2	82.3	108.3	223.8	57.1	98.0	–	1,413.1	31.5%	59.5%
Rosaline Ng	**2018**	**869.8**	**327.3**	**63.4**	**27.3**	**306.2**	**103.2**	**125.0**	**12.9**	**1,835.1**	**40.1%**	**74.9%**
	2017	865.3	416.5	36.1	19.6	304.3	113.2	125.0	42.3	1,922.3	43.4%	119.0%
Total	**2018**	**4,811.3**	**2,481.6**	**603.1**	**497.1**	**2,293.9**	**714.4**	**450.1**	**62.1**	**11,913.6**	**46.1%**	**84.4%**
	2017	4,946.1	2,810.8	1,024.9	147.5	2,589.5	757.3	450.1	114.9	12,841.1	48.0%	103.7%

Ref	Item	Notes relating to the Senior Executive remuneration table
a.	Fair market value	The fair market value of rights is calculated at the date of grant using the Monte Carlo simulation analysis. For the grants prior to FY2013, the value is allocated to each reporting period evenly over the period of five years from the grant date. For the grants issued from FY2014, the value is allocated evenly over the period of three years from the grant date. The value disclosed above is the portion of the fair market value of the rights for each relevant reporting period, including the value of deferred equity.
b.	Cash salary	Cash salary includes all fixed salary and accrued annual leave.
c.	Short-term incentive	STI values for KMP represent 80% of total STI with the remaining 20% to be deferred into equity and expensed over three years in accordance with the deferred STI plan introduced from FY2014. The deferred component is included in the "Deferred equity" column.
d.	Non-monetary benefits	Non-monetary benefits include parking, medical, life and disability insurance, home leave, housing allowances, vehicle costs, and applicable fringe benefits tax payable by the Company upon providing these benefits. Expatriate benefits ceased to be provided to the CEO during FY2018 following his relocation back to the USA.
e.	Superannuation Pension	Under the terms of his expatriate agreements, superannuation contributions have not been made in FY2018 for Joseph Goss.
f.	Retention awards (Sept 15)	These values relate to awards made in September 2015, which are expensed over three years. No retention awards were made in FY2018.

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 rights granted under the plan in previous financial years.

	Equity Type	Balance as at 30 June 2017	Granted during the year as remuneration[a]	Value of Grant[b]	Exercised/ Vested during the year	Value of Rights Vested[c]	Lapsed/ Cancelled during the year[d]	Balance as at 30 June 2018
		No.	No.	$	No.	$	No.	No.
Mike Kane	LTI Rights	1,855,573	561,229	2,418,897	(417,037)	2,856,043	(277,637)	**1,722,128**
	Deferred STI Rights	137,485	58,736	396,609	(75,583)	510,367	–	**120,638**
Joseph Goss	LTI Rights	412,012	148,096	638,294	(81,885)	552,920	(56,466)	**421,757**
	Deferred STI Rights	38,261	16,446	111,050	(17,282)	116,695	–	**37,425**
	TRI Rights[e]	71,649	–	–	–	–	–	**71,649**
Ross Harper	LTI Rights	212,199	64,689	278,810	(46,049)	324,330	(28,430)	**202,409**
	Deferred STI Rights	20,412	7,383	49,853	(9,082)	61,325	–	**18,713**
	TRI Rights[e]	50,435	–	–	–	–	–	**50,435**
David Mariner	LTI Rights	245,525	106,150	457,507	(39,096)	269,848	(25,505)	**287,074**
	Deferred STI Rights	26,406	6,080	41,055	(17,236)	116,384	–	**15,250**
	TRI Rights[e]	52,684	–	–	–	–	–	**52,684**
Rosaline Ng	LTI Rights	422,296	134,767	580,846	(96,075)	663,753	(62,522)	**398,466**
	Deferred STI Rights	38,395	15,420	104,122	(20,032)	135,264	–	**33,783**
	TRI Rights[e]	67,187	–	–	–	–	–	**67,187**

Notes relating to the Equity grants table are outlined below:

Ref	Item	Explanation
a.	Rights granted during the year as remuneration	All rights were granted to Senior Executives effective 1 September 2017.
b.	Value of grant	The fair market value of LTI Rights granted on 1 September 2017, calculated using a Monte Carlo simulation analysis, is $3.54 per right for two-thirds of the grant relating to the TSR measure and $5.85 per right for one-third of the grant relating to the ROFE hurdle. The fair market value of the Deferred STI Rights is $6.7524 per right, reflecting a face value at time of grant calculated by taking the VWAP of Boral shares on the ASX during the five day trading period up to but not including 1 September 2017.
c.	Value of vested rights	Calculated per right as the market price of Boral shares on the date of vesting. No exercise price is payable in respect of rights that vest.
d.	Lapsed rights	Rights that lapsed during the year were granted to Senior Executives under the 2010 LTI Grant (33% lapsed) and the 2014 LTI Grant (41% lapsed).
e.	TRI Rights	Targeted Retention Incentive Rights provided as a one-off retention award in September 2015.

Senior Executive equity balances

The number of rights included in the balance at 30 June 2018 for the Senior Executives is set out below:

		Year of grant							
		2011	2012	2013	2014	2015	2016	2017	Balance as at 30 June 2018
Senior Executives									
Mike Kane	LTI Rights	32,363	–	–	–	606,440	522,096	561,229	**1,722,128**
	Deferred STI Rights	–	–	–	–	–	61,902	58,736	**120,638**
Joseph Goss	LTI Rights	–	–	–	–	135,560	138,101	148,096	**421,757**
	Deferred STI Rights	–	–	–	–	–	20,979	16,446	**37,425**
	TRI Rights	–	–	–	–	71,649	–	–	**71,649**
Ross Harper	LTI Rights	11,434	–	–	–	66,796	59,490	64,689	**202,409**
	Deferred STI Rights	–	–	–	–	–	11,330	7,383	**18,713**
	TRI Rights	–	–	–	–	50,435	–	–	**50,435**
David Mariner	LTI Rights	9,567	–	–	–	70,045	101,312	106,150	**287,074**
	Deferred STI Rights	–	–	–	–	–	9,170	6,080	**15,250**
	TRI Rights	–	–	–	–	52,684	–	–	**52,684**
Rosaline Ng	LTI Rights	12,644	–	–	–	127,118	123,937	134,767	**398,466**
	Deferred STI Rights	–	–	–	–	–	18,363	15,420	**33,783**
	TRI Rights	–	–	–	–	67,187	–	–	**67,187**

Non-executive Directors' total remuneration

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

	2018			2017		
A$'000s	**Short-Term Board and Committee Fees**	**Post-employment superannuation**	**Total Fees**	**Short-Term Board and Committee Fees**	**Post-employment superannuation**	**Total Fees**
Brian Clark, Chairman	**434.2**	**20.0**	**454.2**	421.4	19.6	441.0
Catherine Brenner	**155.8**	**14.8**	**170.6**	166.5	15.8	182.3
Eileen Doyle	**185.7**	**17.6**	**203.3**	180.3	17.1	197.4
Kathryn Fagg	**180.5**	**17.2**	**197.7**	175.3	16.6	191.9
John Marlay	**166.4**	**15.8**	**182.2**	161.5	15.3	176.8
Karen Moses	**171.5**	**16.3**	**187.8**	166.5	15.8	182.3
Paul Rayner	**175.8**	**16.7**	**192.5**	193.5	18.4	211.9
Total	**1,469.9**	**118.4**	**1,588.3**	1,465.0	118.6	1,583.6

Senior Executive and non-executive Director transactions

Movements in shares

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

		Balance at the beginning of the year	Received during the year on the exercise of rights	Pro-rata entitlement purchased in equity raising	Other changes during the year	Balance at the end of the year
		Number	Number	Number	Number	Number
Senior Executives						
Mike Kane	**2018**	**946,073**	**492,620**	**–**	**(231,540)**	**1,207,153**
	2017	363,566	790,072	163,769	(371,334)	946,073
Joseph Goss	**2018**	**74,224**	**99,167**	**–**	**–**	**173,391**
	2017	–	164,944	–	(90,720)	74,224
Ross Harper	**2018**	**44,510**	**55,131**	**–**	**(45,131)**	**54,510**
	2017	7,978	81,839	3,594	(48,901)	44,510
David Mariner	**2018**	**95,557**	**56,332**	**–**	**(56,332)**	**95,557**
	2017	18,500	77,057	–	–	95,557
Rosaline Ng	**2018**	**68,717**	**116,107**	**–**	**(91,993)**	**92,831**
	2017	33,586	178,248	15,131	(158,248)	68,717

		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	**2018**	**117,325**	**–**	**13,477**	**130,802**
	2017	80,887	–	36,438	117,325
Catherine Brenner	**2018**	**48,405**	**–**	**–**	**48,405**
	2017	33,371	–	15,034	48,405
Eileen Doyle	**2018**	**39,948**	**–**	**5,300**	**45,248**
	2017	27,541	–	12,407	39,948
Kathryn Fagg	**2018**	**38,562**	**–**	**–**	**38,562**
	2017	26,586	–	11,976	38,562
John Marlay	**2018**	**39,310**	**–**	**–**	**39,310**
	2017	27,101	–	12,209	39,310
Karen Moses	**2018**	**21,757**	**–**	**10,000**	**31,757**
	2017	15,000	–	6,757	21,757
Paul Rayner	**2018**	**103,152**	**–**	**20,500**	**123,652**
	2017	71,116	–	32,036	103,152

Loans

There were no loans made or outstanding to Senior Executives or non-executive Directors during FY2018.

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 LTI plan;
- terms and conditions of employment;
- reimbursement of expenses;
- purchases of goods and services.

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

Section 8: Glossary of key terms

Term	Description
BCS	Base Cash Salary (BCS) is a remuneration term applicable to Boral employees in the USA. It describes base salary only, excluding pension contributions and other non-monetary benefits.
Committee	The Remuneration & Nomination Committee.
Comparator companies	Two comparator groups are used for market benchmarking: • Market capitalisation and revenue: S&P / ASX 200 (ASX 200) companies within 50% to 200% of Boral's market capitalisation and 50% to 200% of Boral's revenue (ranges expanded to 33% to 300% where sample sizes are small). • Market capitalisation, revenue and industry: ASX 200 companies within the market capitalisation and revenue comparator group within the 'Industrials' or 'Materials' Global Industry Classification Standard (GICS).
Face value of LTI performance rights	The face value of LTI performance rights is determined from the VWAP of Boral shares on the ASX during the 5 day trading period up to but not including 1 September.
Fair market value of LTI performance rights	The fair market value of LTI performance rights is determined from the face value of a Boral share on 1 September, discounted for a number of factors that impact the value of a TSR tested right, such as the possibility that the TSR performance hurdle will not be met. Other factors that are taken into account when determining the discount from face value include the time to vesting, expected volatility of the share price and the dividends expected to be paid in relation to the shares. This approach is in line with the methodology used for valuing TSR tested rights for accounting purposes. The fair value is determined by an independent valuer (being PwC).
FAR	Fixed Annual Remuneration (FAR) includes base salary, non-cash benefits such as provision of a vehicle (including any fringe benefits tax) and superannuation contributions.
KMP	The Key Management Personnel of the Company. Defined as the people accountable for planning, directing and controlling the affairs of the Company and its controlled entities. Includes each of the: – non-executive Directors; and – Senior Executives.
Performance right	Upon vesting, each performance right entitles the executive to one ordinary share.
Relative TSR	Relative Total Shareholder Return (TSR) measures the compound growth in the Company's TSR over the performance measurement period compared with the TSR performance over the same period of a comparator group. TSR represents the change in capital value of a listed entity's share price over a three year performance period, plus reinvested dividends, expressed as a percentage of the opening value.
ROFE	Return on funds employed (ROFE) tests the efficiency and profitability of the Company's capital investments and is determined by the Board based on EBIT (before significant items) in the year of testing as a percentage of average funds employed (where funds employed is the sum of net assets and net debt).
Senior Executives	The CEO & Managing Director as well as other current and former members of the senior executive team who are KMP of the Company. The broader management group (who also participate in the various reward programs) are referred to as "executives".

Financial Statements

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Boral Limited and Controlled Entities

EBIT before significant items and net profit after tax before significant items are non-IFRS measures used to provide a greater understanding of the underlying performance of the Group. This information has been extracted or derived from the financial statements. Significant items are detailed in note 2.6 to the financial statements and relate to income and expenses that are associated with significant business restructuring, impairment or individual transactions.

Income Statement

Boral Limited and Controlled Entities

For the year ended 30 June	Note	2018 $m	2017 $m
Continuing operations			
Revenue	2.2	**5,731.1**	4,128.0
Cost of sales		**(3,828.7)**	(2,759.2)
Selling and distribution expenses		**(947.6)**	(743.8)
Administrative expenses		**(436.9)**	(296.5)
		(5,213.2)	(3,799.5)
Other income	2.2	**65.5**	25.8
Other expenses	2.2	**(97.7)**	(95.3)
Results of equity accounted investments	2.3	**85.6**	86.4
Profit before net interest expense and income tax		**571.3**	345.4
Interest income	2.2	**1.8**	24.4
Interest expense	2.2	**(105.6)**	(75.1)
Net interest expense		**(103.8)**	(50.7)
Profit before income tax		**467.5**	294.7
Income tax expense	5.1	**(37.0)**	(49.0)
Profit from continuing operations		**430.5**	245.7
Discontinued operations			
Profit from discontinued operations (net of income tax)	6.1	**10.5**	51.2
Net profit		**441.0**	296.9
Basic earnings per share	2.5	**37.6c**	29.2c
Diluted earnings per share	2.5	**37.4c**	29.0c
Continuing operations			
Basic earnings per share	2.5	**36.7c**	24.1c
Diluted earnings per share	2.5	**36.6c**	24.0c

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	2018 $m	2017 $m
Net profit		**441.0**	296.9
Other comprehensive income			
Items that may be reclassified subsequently to Income Statement:			
Net exchange differences from translation of foreign operations taken to equity		**115.5**	(99.4)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	4.4	**-**	(24.5)
Fair value adjustment on cash flow hedges		**10.5**	2.6
Income tax on items that may be reclassified subsequently to Income Statement		**22.5**	(1.3)
Total comprehensive income		**589.5**	174.3

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	2018 $m	Restated[1] 2017 $m
CURRENT ASSETS			
Cash and cash equivalents	2.7	**74.3**	237.8
Receivables	3.1	**879.7**	880.9
Inventories	3.2	**613.8**	594.1
Financial assets		**11.2**	3.8
Other assets		**38.1**	34.1
Assets classified as held for sale	6.1	**121.2**	19.2
TOTAL CURRENT ASSETS		**1,738.3**	1,769.9
NON-CURRENT ASSETS			
Receivables	3.1	**35.1**	38.6
Inventories	3.2	**11.4**	13.1
Investments accounted for using the equity method	6.2	**1,411.3**	1,353.7
Financial assets		**32.8**	31.8
Property, plant and equipment	3.3	**2,782.1**	2,723.8
Intangible assets	3.4	**3,395.1**	3,345.0
Deferred tax assets	5.2	**69.6**	76.5
Other assets		**34.6**	28.2
TOTAL NON-CURRENT ASSETS		**7,772.0**	7,610.7
TOTAL ASSETS		**9,510.3**	9,380.6
CURRENT LIABILITIES			
Trade creditors		**752.0**	825.9
Loans and borrowings	4.1	**19.2**	407.4
Financial liabilities		**8.6**	15.4
Current tax liabilities		**20.0**	62.0
Employee benefit liabilities	7.1	**129.6**	115.5
Provisions	3.6	**55.1**	46.9
Liabilities classified as held for sale	6.1	**10.7**	-
TOTAL CURRENT LIABILITIES		**995.2**	1,473.1
NON-CURRENT LIABILITIES			
Loans and borrowings	4.1	**2,507.6**	2,163.7
Financial liabilities		**26.9**	10.9
Deferred tax liabilities	5.2	**39.5**	73.9
Employee benefit liabilities	7.1	**40.6**	44.4
Provisions	3.6	**147.9**	145.8
Other liabilities		**21.8**	28.3
TOTAL NON-CURRENT LIABILITIES		**2,784.3**	2,467.0
TOTAL LIABILITIES		**3,779.5**	3,940.1
NET ASSETS		**5,730.8**	5,440.5
EQUITY			
Issued capital	4.3	**4,265.1**	4,265.1
Reserves	4.4	**155.8**	19.3
Retained earnings		**1,309.9**	1,156.1
TOTAL EQUITY		**5,730.8**	5,440.5

1. Refer note 6.3 for further details.

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 2018	Issued capital $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2017	**4,265.1**	**19.3**	**1,156.1**	**5,440.5**
Net profit	**-**	**-**	**441.0**	**441.0**
Other comprehensive income				
Translation of net assets of overseas entities	**-**	**201.2**	**-**	**201.2**
Translation of long-term borrowings and foreign currency forward contracts	**-**	**(85.7)**	**-**	**(85.7)**
Fair value adjustment on cash flow hedges	**-**	**10.5**	**-**	**10.5**
Income tax relating to other comprehensive income	**-**	**22.5**	**-**	**22.5**
Total comprehensive income	**-**	**148.5**	**441.0**	**589.5**
Transactions with owners in their capacity as owners				
Share acquisition rights vested	**-**	**(22.4)**	**-**	**(22.4)**
Dividends paid	**-**	**-**	**(287.2)**	**(287.2)**
Share-based payments	**-**	**10.4**	**-**	**10.4**
Total transactions with owners in their capacity as owners	**-**	**(12.0)**	**(287.2)**	**(299.2)**
Balance at 30 June 2018	**4,265.1**	**155.8**	**1,309.9**	**5,730.8**

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

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	2018 $m	2017 $m
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**6,209.0**	4,583.3
Payments to suppliers and employees		**(5,399.1)**	(4,049.2)
		809.9	534.1
Dividends received		**68.4**	87.9
Interest received		**1.8**	24.4
Borrowing costs paid		**(97.7)**	(74.4)
Income taxes paid		**(86.0)**	(41.8)
Restructure, acquisition and integration costs paid	2.7	**(118.4)**	(116.9)
Net cash provided by operating activities	2.7	**578.0**	413.3
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(421.5)**	(336.4)
Purchase of intangibles		**(3.8)**	(3.7)
Purchase of controlled entities and businesses		**-**	(3,636.5)
Cash acquired relating to acquisition of controlled entities		**-**	74.8
Repayment of loans (to)/by associates		**(1.6)**	8.8
Proceeds on disposal of non-current assets		**74.7**	39.2
Proceeds on disposal of controlled entities and associates (net of transaction costs)		**7.6**	122.5
Net cash used in investing activities		**(344.6)**	(3,731.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital raising net of transaction costs		**-**	2,018.9
Dividends paid		**(287.2)**	(226.2)
Proceeds from borrowings		**1,664.2**	1,803.6
Repayment of borrowings		**(1,775.2)**	(489.3)
Net cash (used in)/provided by financing activities		**(398.2)**	3,107.0
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(164.8)**	(211.0)
Cash and cash equivalents at the beginning of the year		**237.8**	452.1
Effects of exchange rate fluctuations on the balances of cash and cash equivalents held in foreign currencies		**1.3**	(3.3)
Cash and cash equivalents at the end of the year	2.7	**74.3**	237.8

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 29 August 2018.

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 2017, 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	92
Receivables	3.1	100
Property, plant and equipment	3.3	102
Intangible assets	3.4	104
Carrying value assessment	3.5	106
Provisions	3.6	107
Income tax expense	5.1	122
Deferred tax assets	5.2	124
Acquisitions	6.3	130
Share-based payments	7.3	136

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 1: About this report (continued)

B. Foreign currencies (continued)

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

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

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

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

C. Changes in accounting policies

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

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

The Group has early adopted from 1 July 2017 AASB 9 *Financial Instruments* as issued in December 2014. The new standard provides greater flexibility going forward with respect to the Group's hedging arrangements, compared with the requirements of the previous Accounting Standard AASB 139 *Financial Investments: Recognition and Measurement*.

The adoption of this standard has no material impact on the measurement of the Group's financial assets. The Group has elected to apply the standard retrospectively; however, there is no restatement of prior period comparatives as there has been no material impact. Under the adoption of AASB 9, cash and cash equivalents, trade receivables and other receivables continue to be measured at amortised cost.

With the adoption of AASB 9, the Group assesses on a forward looking basis the expected credit losses associated with assets carried at amortised cost and fair value through other comprehensive income. For trade receivables only, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The change in policy did not result in any material impact to the carrying value of the Group's assets.

On adoption of AASB 9, the Group adopted the AASB 9 hedge accounting model. The adoption of AASB 9 has changed the Group's accounting policies by simplifying and improving hedge accounting for the Group and means that the accounting results will better align with its risk management practices. The adoption of AASB 9 does not impact the original carrying amount of the Group's financial assets and liabilities, previously measured under AASB 139. Hedging relationships designated under AASB 139 at time of adoption met the criteria for hedge accounting under AASB 9 and are therefore regarded as continuing hedge relationships.

There has been no material impact on the Group's basic or diluted earnings per share (EPS) for the current and comparative year.

D. New accounting standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 July 2018 and earlier adoption is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

- AASB 15 *Revenue from Contracts with Customers*:
  The Group is required to adopt AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. The Group has assessed the estimated impact that the initial application of AASB 15 will have on the Group financial statements. The primary change in current revenue recognition practice is with respect to income from the sale of land, which from 1 July 2018 will be recognised at the time the customer obtains control of the land. This contrasts to current practice where income from the sale of land is recognised when contracts are exchanged, an appropriate non-refundable deposit is received and material conditions contained in the contract are met. This change does not impact any income from sale of land recognised up to 30 June 2018.

  While other changes have been identified, these are minor and will not materially affect revenue recognition practice going forward. The estimated impact on the adoption of AASB 15 on the Group's equity at 1 July 2018 is less than $2 million.

  Overall, based on its assessment, the Group does not expect the application of AASB 15 to have a significant impact on its consolidated financial statements. Further information is provided below with respect to the impact of Boral's accounting for revenue under AASB 15.

  (i) Sale of goods: When the Group sells goods (such as quarry product, concrete, cement, fly ash and building products), revenue is currently recognised when the goods are delivered to the customer, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

  Under AASB 15, revenue will be recognised when a customer obtains control of the goods. The Group has assessed that in most instances the time at which control passes to the customer will align with the current accounting.

D. New accounting standards and interpretations not yet adopted (continued)

(ii) Contracting businesses: Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognised, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date.

Under AASB 15, claims and variations will be included in the contract accounting when they are approved.

Based on its assessment, the Group does not expect the application of AASB 15 to have a significant impact on its consolidated financial statements.

(iii) Rendering of services: The Group is involved in a range of service contracts, predominantly in the Fly Ash business in North America. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised using the stage-of-completion method.

Under AASB 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices.

Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect the application of AASB 15 to result in significant differences in the timing of revenue recognition for these services.

(iv) Transition: The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (ie 1 July 2018). As a result, the Group will not apply the requirements of AASB 15 to the comparative period presented.

- AASB 16 *Leases*: A project to implement this standard is underway. While work is ongoing, this standard will require a significant portion of Boral's operating leases to be accounted for on balance sheet as a "right of use asset" and "lease liability" upon adoption of the standard on 1 July 2019. The standard will also result in the reclassification of operating lease expense into depreciation and interest expense, and a reclassification of certain cash flows from operating into financing activities.

  Initial estimates of the additional right of use asset and lease liability recognised from 1 July 2019 are between $350 million and $550 million. In addition, we estimate the following impacts on the Income Statement on an annualised basis:

  - profit before net interest expense, depreciation, amortisation, and income tax (EBITDA) to increase by $90 million to $100 million;
  - depreciation expense to increase by $85 million to $95 million;
  - profit before net interest expense and income tax (EBIT) to increase by $5 million to $10 million;
  - net interest expense to increase by approximately $10 million to $15 million; and
  - profit before income tax to reduce by approximately $5 million to $10 million.

  The implementation project is ongoing and therefore all impacts are initial estimates which are subject to finalisation prior to final implementation. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions, and may be materially different from initial estimates.

Notes to the Financial Statements

Boral Limited and Controlled Entities

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:

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

1. The results of the US bricks operations for the prior year comparative period is shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

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

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

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

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

Reconciliations of reportable segment revenues and profits	Note	2018 $m	2017 $m
External revenue		**5,869.0**	4,388.3
Less: Revenue from discontinued operations	6.1	**(137.9)**	(260.3)
Revenue from continuing operations		**5,731.1**	4,128.0
Profit before tax			
Profit before net interest expense and income tax from reportable segments		**586.8**	394.7
Less: Profit before net interest expense and income tax from discontinued operations	6.1	**(15.5)**	(49.3)
Profit before net interest expense and income tax from continuing operations		**571.3**	345.4
Net interest expense from continuing operations	2.2	**(103.8)**	(50.7)
Profit before tax from continuing operations		**467.5**	294.7

2.1 Segments (continued)
(a) Reportable segments

	Boral Australia		USG Boral		Boral North America[1]		Discontinued Operations		Unallocated		Total	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
External revenue	**3,589.8**	3,295.6	**-**	-	**2,141.3**	962.9	**137.9**	129.8	**-**	-	**5,869.0**	4,388.3
Profit/(loss) before depreciation, amortisation, interest, income tax expense and significant items (EBITDA)	**633.6**	551.2	**63.1**	69.5	**367.5**	111.3	**22.9**	16.8	**(31.1)**	(28.9)	**1,056.0**	719.9
Depreciation and amortisation, excluding amortisation of acquired intangibles	**(200.2)**	(202.5)	**-**	-	**(99.2)**	(39.6)	**(7.4)**	(5.5)	**(0.6)**	(0.7)	**(307.4)**	(248.3)
Profit/(loss) before amortisation of acquired intangibles, interest, income tax expense and significant items (EBITA)	**433.4**	348.7	**63.1**	69.5	**268.3**	71.7	**15.5**	11.3	**(31.7)**	(29.6)	**748.6**	471.6
Amortisation of acquired intangibles	**-**	-	**-**	-	**(60.2)**	(11.7)	**-**	-	**-**	-	**(60.2)**	(11.7)
Profit/(loss) before interest, income tax and significant items (EBIT)	**433.4**	348.7	**63.1**	69.5	**208.1**	60.0	**15.5**	11.3	**(31.7)**	(29.6)	**688.4**	459.9
Significant items before income tax expense	**(23.8)**	(20.4)	**(1.0)**	-	**(76.8)**	(83.3)	**-**	38.5	**-**	-	**(101.6)**	(65.2)
Profit/(loss) before interest and income tax expense	**409.6**	328.3	**62.1**	69.5	**131.3**	(23.3)	**15.5**	49.8	**(31.7)**	(29.6)	**586.8**	394.7
Equity accounted income before significant items	**28.8**	26.2	**63.1**	69.5	**(1.7)**	(0.9)	**-**	5.0	**-**	-	**90.2**	99.8
Significant items	**-**	-	**(1.0)**	-	**(3.6)**	(8.4)	**-**	-	**-**	-	**(4.6)**	(8.4)
Equity accounted income after significant items	**28.8**	26.2	**62.1**	69.5	**(5.3)**	(9.3)	**-**	5.0	**-**	-	**85.6**	91.4

1. The results of the US bricks operations for the prior year comparative period is shown as part of "Boral North America" in the Segment note and "Discontinued Operations" in the Income Statement.

Effective 1 July 2017, Boral elected to record the depreciation of molds as depreciation expense in order to align with Headwaters' treatment of the depreciation of molds. If this policy was applied effective 1 July 2016, depreciation and amortisation excluding amortisation of acquired intangibles for Boral North America would have increased from $39.6 million to $57.9 million, and profit/(loss) before depreciation, amortisation, interest, income tax expense and significant items (EBITDA) would have increased from $111.3 million to $129.6 million for the period ended 30 June 2017. There would have been no change to profit/(loss) before interest, income tax and significant items (EBIT).

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.1 Segments (continued)

(a) Reportable segments

	Boral Australia		USG Boral		Boral North America[1]		Discontinued Operations		Unallocated		Total	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	Restated[3] 2017 $m	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	Restated[3] 2017 $m
Segment assets (excluding equity accounted investments)	**3,159.6**	3,050.2	**-**	-	**4,654.1**	4,530.7	**121.2**	115.1	**20.2**	16.6	**7,955.1**	7,712.6
Equity accounted investments	**23.0**	19.8	**977.7**	931.1	**410.6**	402.8	**-**	-	**-**	-	**1,411.3**	1,353.7
	3,182.6	3,070.0	**977.7**	931.1	**5,064.7**	4,933.5	**121.2**	115.1	**20.2**	16.6	**9,366.4**	9,066.3
Cash and cash equivalents											**74.3**	237.8
Deferred tax assets											**69.6**	76.5
Total assets	**3,182.6**	3,070.0	**977.7**	931.1	**5,064.7**	4,933.5	**121.2**	115.1	**20.2**	16.6	**9,510.3**	9,380.6
Segment liabilities	**700.8**	681.3	**-**	-	**387.0**	409.8	**10.7**	14.0	**94.7**	128.0	**1,193.2**	1,233.1
Loans and borrowings											**2,526.8**	2,571.1
Tax liabilities											**59.5**	135.9
Total liabilities	**700.8**	681.3	**-**	-	**387.0**	409.8	**10.7**	14.0	**94.7**	128.0	**3,779.5**	3,940.1
Acquisition of segment assets[2]	**283.7**	288.5	**-**	-	**136.3**	43.2	**4.8**	8.2	**0.5**	0.2	**425.3**	340.1

1. The results of the US bricks operations for the prior year comparative period is shown as part of “Boral North America” in the Segment note and “Discontinued Operations” in the Income Statement.
2. Excludes amounts attributable to the acquisition of controlled entities and businesses.
3. Refer note 6.3 for further details.

2.1 Segments (continued)

(b) Geographic location

In presenting information on a geographical basis, assets are based on the geographical location of the assets.

	NON-CURRENT ASSETS	
	2018 $m	Restated[1] 2017 $m
Australia	**2,531.0**	2,449.7
Asia	**670.0**	625.0
North America	**4,323.6**	4,288.7
Other	**145.0**	139.0
	7,669.6	7,502.4
Tax assets	**69.6**	76.5
Financial assets	**32.8**	31.8
	7,772.0	7,610.7

(c) Product

	EXTERNAL REVENUE BY PRODUCT	
	2018 $m	2017 $m
Concrete	**1,596.0**	1,494.9
Asphalt	**801.5**	691.2
Fly ash	**675.6**	209.4
Roofing	**505.7**	363.2
Quarry products	**452.0**	433.6
Light building products	**356.5**	100.8
Stone	**346.4**	190.9
Cement	**301.9**	302.5
Windows	**193.3**	31.9
Bricks	**70.8**	212.7
Other	**569.3**	357.2
	5,869.0	4,388.3

1. Refer note 6.3 for further details.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.2 Profit for the period

(a) Revenue

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

Significant accounting judgements, estimates and assumptions

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

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

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

For the year ended 30 June	2018 $m	2017 $m
Revenue from continuing operations		
Sale of goods	**5,464.3**	4,043.2
Rendering of services	**266.8**	84.8
Revenue from continuing operations	**5,731.1**	4,128.0

(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	2018 $m	2017 $m
Other income from continuing operations			
Net profit on sale of assets		**58.1**	13.7
Net foreign exchange gain		**-**	1.3
Other income		**7.4**	10.8
Other income from continuing operations		**65.5**	25.8
Other expenses from continuing operations			
Significant items	2.6	**(97.0)**	(95.3)
Net foreign exchange loss		**(0.7)**	-
Other expenses from continuing operations		**(97.7)**	(95.3)

2.2 Profit for the period (continued)

(c) Net interest expense

Net interest expense comprises 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 interest expenses 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	2018 $m	2017 $m
Interest income received or receivable from:		
Associated entities	**-**	0.1
Other parties (cash at bank and bank short-term deposits)	**1.5**	24.3
Unwinding of discount	**0.3**	-
	1.8	24.4
Interest expense paid or payable to:		
Other parties (bank overdrafts, bank loans and other loans)[1]	**(101.7)**	(72.4)
Finance charges on capitalised leases	**(0.5)**	(0.2)
Unwinding of discount	**(3.4)**	(2.5)
	(105.6)	(75.1)
Net interest expense from continuing operations	**(103.8)**	(50.7)

1. In 2018, interest of $6.5 million (2017: $4.4 million) was paid to other parties and capitalised in respect of qualifying assets. The capitalisation rate used was 5.4% (2017: 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	2018 $m	2017 $m
Summarised Income Statement at 100%			
Revenue		**2,407.6**	2,133.6
Profit before income tax		**274.4**	289.7
Income tax expense		**(86.4)**	(91.8)
Non-controlling interest		**(5.7)**	(5.8)
Net profit before significant items		**182.3**	192.1
Significant items net of tax		**(9.2)**	(16.8)
Net profit – equity accounted relating to continuing operations		**173.1**	175.3
The Group's share based on % ownership:			
Net profit before significant items		**90.2**	94.8
Significant items net of tax	2.6	**(4.6)**	(8.4)
Net profit – equity accounted relating to continuing operations		**85.6**	86.4

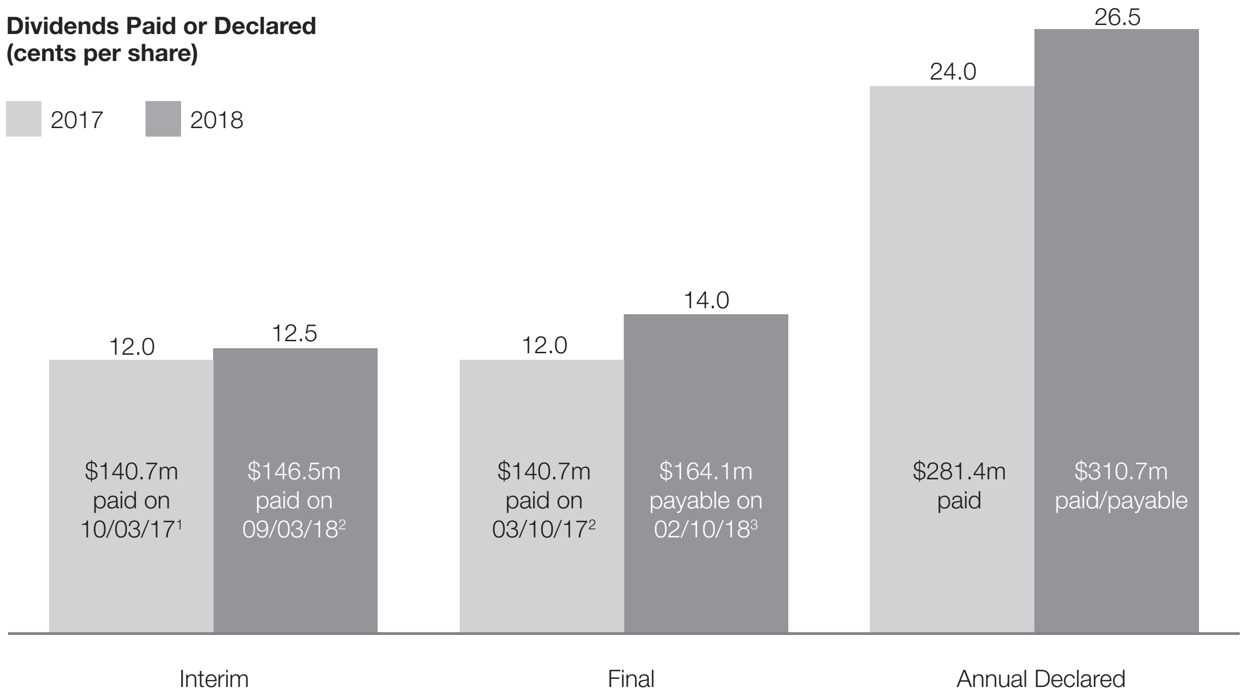
Further information regarding equity accounted investments is located in note 6.2.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.4 Dividends



1. Declared, paid and fully franked.
2. Declared, paid and 50% franked.
3. Estimated final dividend payable, 50% franked, subject to variations in number of shares up to record date. The financial effect of the final dividend for the year ended 30 June 2018 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 2018 is $32.2 million (2017: $49.8 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 $35.2 million (2017: $30.2 million).

Dividend Reinvestment Plan

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

2.5 Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

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

Calculation of weighted average number of ordinary shares

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

	2018	2017
Weighted average number of ordinary shares used as the denominator		
Number for basic earnings per share	**1,172,331,924**	1,018,195,892
Effect of potential ordinary shares	**5,462,105**	7,315,555
Number for diluted earnings per share	**1,177,794,029**	1,025,511,447

	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	2018 $m	2018 $m	2018 $m	2017 $m	2017 $m	2017 $m
Earnings reconciliation						
Net profit excluding significant items	**462.7**	**10.5**	**473.2**	334.1	8.6	342.7
Net significant items (refer note 2.6)	**(32.2)**	**-**	**(32.2)**	(88.4)	42.6	(45.8)
Net profit	**430.5**	**10.5**	**441.0**	245.7	51.2	296.9
Basic earnings per share[1]	**36.7c**	**0.9c**	**37.6c**	24.1c	5.0c	29.2c
Diluted earnings per share[1]	**36.6c**	**0.9c**	**37.4c**	24.0c	5.0c	29.0c
Basic earnings per share (excluding significant items)[1]	**39.5c**	**0.9c**	**40.4c**	32.8c	0.8c	33.7c
Diluted earnings per share (excluding significant items)	**39.3c**	**0.9c**	**40.2c**	32.6c	0.8c	33.4c

1. Numbers may not add due to rounding.

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.6 Significant items

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

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

2018 Significant items

	Headwaters integration costs (i) $m	Waurn Ponds rehabilitation and closure costs (ii) $m	Reassessment of US tax balances (iii) $m	Joint venture matters (iv) $m	Total $m
Summary of significant items from continuing operations					
Loss before interest and tax	**(73.2)**	**(23.8)**	**-**	**(4.6)**	**(101.6)**
Income tax benefit	**19.0**	**7.0**	**42.5**	**0.9**	**69.4**
Net significant items from continuing operations	**(54.2)**	**(16.8)**	**42.5**	**(3.7)**	**(32.2)**

	Note	Headwaters integration costs (i) $m	Waurn Ponds rehabilitation and closure costs (ii) $m	Reassessment of US tax balances (iii) $m	Joint venture matters (iv) $m	Total $m
Continuing operations						
Other expenses	2.2	**(73.2)**	**(23.8)**	**-**	**-**	**(97.0)**
Share of equity accounted income	2.3	**-**	**-**	**-**	**(4.6)**	**(4.6)**
		(73.2)	**(23.8)**	**-**	**(4.6)**	**(101.6)**

(i) Headwaters integration costs

During the period, $73.2 million of costs have been incurred on the integration of the Headwaters business into the Boral North America business, which forms part of the implementation costs of US$90 million – $100 million expected over financial years 2018 and 2019. The costs during the period predominantly relate to redundancies, employee incentives implemented by Headwaters, consultant fees supporting the integration, integration of IT systems, brand consolidation, rationalisation of products in metal roofing, safety implementation costs and asset impairments upon consolidation of the Boral and Headwaters concrete roofing business.

(ii) Waurn Ponds rehabilitation and closure costs

During the period, the organisation has continued to develop plans to improve our cement position in Victoria. This has led to a reassessment of the expected end use of the Waurn Ponds cement facility, resulting in the recognition of a provision of $23.8 million with respect to rehabilitation of the limestone quarry attached to the facility.

(iii) Reassessment of US tax balances

On 22 December 2017, a tax bill, H.R. 1, was enacted into US law. This triggered a revaluation of the carrying value of deferred tax balances associated with the Boral North America division, primarily as a result of a reduction in the federal tax rate from 35% to 21%.

The reduction in tax rate has resulted in a net tax benefit of A$33.7 million, reflecting a net reduction in deferred tax liabilities. This has improved from the $6.4 million tax expense reported in December 2017, as a result of the finalisation of the acquisition accounting for Headwaters Incorporated, which increased the value of deferred tax liabilities acquired on the acquisition date of 8 May 2017.

In addition, the Group has reassessed its US tax losses which have not been recognised on the Balance Sheet, given improved earnings following the acquisition of Headwaters Incorporated in May 2017. This has led to a benefit of A$8.8 million being recorded during the period.

The total impact of the above adjustments on income tax expense is a benefit of $42.5 million.

(iv) Joint venture matters

Includes $3.6 million of integration and restructuring costs incurred in Meridian Brick, and a $1.0 million loss associated with asset impairments in USG Boral.

2.6 Significant items (continued)

2017 Significant items

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

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

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 2: Business performance (continued)

2.6 Significant items (continued)

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

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

(ii) Gain on disposal of US bricks

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

(iii) Meridian Brick joint venture integration costs

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

(iv) Headwaters acquisition and integration costs

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

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

(v) Impairment of West Coast bricks

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

(vi) Adjustment to disposal of Thailand Construction Materials

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

Asset Impairment	2018 $m	2017 $m
Property, plant and equipment	**(4.8)**	(20.4)

Summary of significant items before interest and tax by segment	2018 $m	2017 $m
Boral Australia	**(23.8)**	(20.4)
USG Boral	**(1.0)**	-
Boral North America	**(76.8)**	(83.3)
Discontinued Operations	**-**	38.5
	(101.6)	(65.2)

2.7 Notes to Statement of Cash Flows

	2018 $m	2017 $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	**57.1**	155.2
Bank short-term deposits	**17.2**	82.6
	74.3	237.8
The bank short-term deposits mature within 90 days and pay interest at a weighted average interest rate of 2.66% (2017: 2.13%).		
(ii) Reconciliation of net profit to net cash provided by operating activities:		
Net profit	**441.0**	296.9
Adjustments for non-cash items:		
Depreciation and amortisation	**367.6**	260.0
Discount unwinding	**3.1**	2.5
Gain on sale of assets and businesses	**(58.1)**	(49.5)
Impairment of assets, businesses and restructuring costs	**31.1**	49.6
Share-based payment expense	**10.4**	11.3
Non-cash equity income	**(17.2)**	(3.5)
Net cash provided by operating activities before change in assets and liabilities	**777.9**	567.3
Changes in assets and liabilities net of effects from acquisitions/disposals		
Receivables	**(11.5)**	(125.9)
Inventories	**(27.8)**	2.2
Payables	**(81.8)**	(47.4)
Provisions	**(12.9)**	29.7
Current and deferred taxes	**(44.0)**	5.3
Other	**(21.9)**	(17.9)
Net cash provided by operating activities	**578.0**	413.3
(iii) Restructure, acquisition and integration costs		
During the year, the Group incurred costs associated with:		
Acquisition costs	**(54.9)**	(82.0)
Integration costs	**(49.8)**	(11.7)
Restructure and business closure costs	**(13.7)**	(23.2)
	(118.4)	(116.9)
(iv) Changes in loans and borrowings arising from financing activities:		
Balance at the beginning of the year	**2,571.1**	1,345.2
Proceeds from borrowings	**1,664.2**	1,803.6
Repayment of borrowings	**(1,775.2)**	(489.3)
Acquisitions of entities or operations	**-**	13.8
Changes in fair values	**(14.7)**	(24.2)
Net foreign currency exchange differences	**81.4**	(78.0)
Balance at the end of the year	**2,526.8**	2,571.1

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities

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

3.1 Receivables

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost less any provisions for expected impairment losses or actual impairment losses. Credit losses and recoveries of items previously written off are recognised in the profit or loss.

During the year, the Group early adopted AASB 9 *Financial Instruments*. As a result, the provision for impairment losses in relation to trade receivable balances is calculated with reference to an expected impairment loss model. There was no opening balance adjustment to retained earnings and the provision for impairment losses recovered.

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 along with an expected impairment loss calculation which considers the past events, and exercises judgement over the impact of current and future economic conditions when considering the recoverability of outstanding trade receivable balances at the reporting date. Subsequent changes in economic and market conditions may result in the provision for impairment losses increasing or decreasing in future periods.

	2018 $m	Restated[1] 2017 $m
Current		
Trade receivables	**875.0**	864.7
Associated entities	**0.8**	2.5
	875.8	867.2
Less: Allowance for impairment	**(14.5)**	(18.8)
	861.3	848.4
Other receivables	**18.4**	32.6
Less: Allowance for impairment	**-**	(0.1)
	18.4	32.5
	879.7	880.9

Included in the following table is an age analysis of the Group's trade receivables, along with impairment provisions against these balances as at 30 June:

	Gross 2018 $m	Impairment 2018 $m	Net 2018 $m	Gross 2017 $m	Impairment 2017 $m	Net 2017 $m
Current	**754.3**	**(3.2)**	**751.1**	759.6	(3.6)	756.0
Overdue 0 – 60 days	**100.5**	**(0.6)**	**99.9**	80.8	(0.8)	80.0
Overdue > 60 days	**20.2**	**(10.7)**	**9.5**	24.3	(14.4)	9.9
Total	**875.0**	**(14.5)**	**860.5**	864.7	(18.8)	845.9

1. Refer note 6.3 for further details.

3.1 Receivables (continued)

The movement in the allowance for impairment in respect to trade receivables during the year was as follows:

	2018 $m	Restated[1] 2017 $m
Balance at the beginning of the year	**(18.8)**	(12.4)
Amounts written off during the year	**4.0**	2.6
Increase recognised in Income Statement	**(0.1)**	(2.5)
Acquisitions of entities or operations	**-**	(10.5)
Disposals of entities or operations	**-**	3.7
Transferred to assets held for sale	**0.8**	-
Net foreign currency exchange differences	**(0.4)**	0.3
Balance at the end of the year	**(14.5)**	(18.8)

	2018 $m	Restated[1] 2017 $m
Non-current		
Loans to associated entities	**19.8**	16.5
Other receivables	**15.3**	22.1
	35.1	38.6

No amounts owing by associates or included in other receivables were past due as at 30 June 2018.

1. Refer note 6.3 for further details.

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.

	2018 $m	Restated[1] 2017 $m
Current		
Raw materials and consumable stores	**174.8**	180.5
Work in progress	**52.1**	47.3
Finished goods	**386.4**	365.5
Land development projects	**0.5**	0.8
	613.8	594.1
Non-current		
Land development projects	**11.4**	13.1
Land development projects comprises:		
Cost of acquisition	**0.5**	2.3
Development costs capitalised	**11.4**	11.6
	11.9	13.9

1. Refer note 6.3 for further details.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.3 Property, plant and equipment

Owned assets

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

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

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

Depreciation

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

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

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

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

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

	2018	2017
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.

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	
	2018 $m	Restated[1] 2017 $m	2018 $m	2017 $m	2018 $m	Restated[1] 2017 $m	2018 $m	Restated[1] 2017 $m
Balance at the beginning of the year	**867.5**	895.4	**160.9**	172.6	**1,695.4**	1,449.7	**2,723.8**	2,517.7
Additions	**2.8**	0.9	**3.4**	6.2	**415.3**	329.3	**421.5**	336.4
Disposals	**(6.5)**	(10.1)	**-**	-	**(7.6)**	(6.4)	**(14.1)**	(16.5)
Acquisitions of entities or operations	**-**	97.5	**-**	-	**-**	307.2	**-**	404.7
Disposals of entities or operations	**-**	(117.1)	**-**	(5.8)	**-**	(105.9)	**-**	(228.8)
Transferred (to)/from other property, plant and equipment	**93.2**	44.3	**19.4**	10.1	**(112.6)**	(54.4)	**-**	-
Impairment disclosed as significant items	**(0.5)**	(12.7)	**-**	-	**(4.3)**	(7.7)	**(4.8)**	(20.4)
Transfer from other assets or liabilities	**1.9**	-	**-**	-	**18.7**	7.9	**20.6**	7.9
Transferred to assets held for sale	**(33.5)**	-	**(4.6)**	-	**(40.0)**	-	**(78.1)**	-
Depreciation or amortisation expense	**(20.5)**	(17.9)	**(20.6)**	(21.2)	**(264.1)**	(205.9)	**(305.2)**	(245.0)
Net foreign currency exchange differences	**6.9**	(12.8)	**0.6**	(1.0)	**10.9**	(18.4)	**18.4**	(32.2)
Balance at the end of the year	**911.3**	867.5	**159.1**	160.9	**1,711.7**	1,695.4	**2,782.1**	2,723.8
At cost	**1,105.6**	1,056.6	**333.7**	320.1	**4,301.9**	4,224.3	**5,741.2**	5,601.0
Less: Accumulated depreciation, amortisation and impairment	**(194.3)**	(189.1)	**(174.6)**	(159.2)	**(2,590.2)**	(2,528.9)	**(2,959.1)**	(2,877.2)
Balance at the end of the year	**911.3**	867.5	**159.1**	160.9	**1,711.7**	1,695.4	**2,782.1**	2,723.8

1. Refer note 6.3 for further details.

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 $122.6 million (2017: $72.2 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, which include trade names, fly ash contracts, customer relationships and patents, are acquired individually or through business combinations and are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is calculated to expense the cost of the intangible asset less its estimated residual values on a straight-line basis over its estimated useful life.

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

	Trade names	Fly ash contracts	Customer relationships	Patents	Other
Estimated useful lives – years	2 to Indefinite	19 – 20	14 – 20	6 – 19	5 – 17

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.

The total value of indefinite life intangible assets (excluding Goodwill) is $124.4 million (2017: $119.8 million).

Significant accounting judgements, estimates and assumptions

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

	2018 $m	Restated[1] 2017 $m
Goodwill	**2,159.9**	2,097.8
Other intangible assets	**1,334.2**	1,284.0
Less: Accumulated amortisation	**(99.0)**	(36.8)
	1,235.2	1,247.2
Total	**3,395.1**	3,345.0
Reconciliation of movements in goodwill		
Balance at the beginning of the year	**2,097.8**	213.1
Acquisitions of entities or operations	**-**	2,072.4
Disposal of entities or operations	**-**	(106.7)
Transferred to assets held for sale	**(16.6)**	-
Net foreign currency exchange differences	**78.7**	(81.0)
Balance at the end of the year	**2,159.9**	2,097.8

1. Refer note 6.3 for further details.

3.4 Intangible assets (continued)

Reconciliation of movements in other intangible assets

As at 30 June 2018	Trade names $m	Fly ash contracts $m	Customer relationships $m	Patents $m	Other $m	Total $m
Balance at the beginning of the year	**137.8**	**475.6**	**618.9**	**4.5**	**10.4**	**1,247.2**
Additions	**-**	**-**	**-**	**-**	**3.8**	**3.8**
Amortisation expense	**(1.6)**	**(24.8)**	**(33.6)**	**(0.5)**	**(1.9)**	**(62.4)**
Net foreign currency exchange differences	**5.3**	**18.2**	**23.5**	**0.1**	**(0.5)**	**46.6**
Balance at the end of the year	**141.5**	**469.0**	**608.8**	**4.1**	**11.8**	**1,235.2**
At cost	**147.7**	**497.7**	**648.3**	**8.8**	**31.7**	**1,334.2**
Less: Accumulated amortisation	**(6.2)**	**(28.7)**	**(39.5)**	**(4.7)**	**(19.9)**	**(99.0)**
Balance at the end of the year	**141.5**	**469.0**	**608.8**	**4.1**	**11.8**	**1,235.2**

Restated[1] As at 30 June 2017	Trade names $m	Fly ash contracts $m	Customer relationships $m	Patents $m	Other $m	Total $m
Balance at the beginning of the year	9.9	-	-	5.3	6.4	21.6
Additions	-	-	-	-	3.7	3.7
Acquisitions of entities or operations	134.0	498.3	648.7	-	4.7	1,285.7
Amortisation expense	(0.8)	(3.8)	(5.3)	(0.7)	(4.4)	(15.0)
Net foreign currency exchange differences	(5.3)	(18.9)	(24.5)	(0.1)	-	(48.8)
Balance at the end of the year	137.8	475.6	618.9	4.5	10.4	1,247.2
At cost	142.2	479.3	624.2	8.5	29.8	1,284.0
Less: Accumulated amortisation	(4.4)	(3.7)	(5.3)	(4.0)	(19.4)	(36.8)
Balance at the end of the year	137.8	475.6	618.9	4.5	10.4	1,247.2

1. Refer note 6.3 for further details.

Notes to the Financial Statements

Boral Limited and Controlled Entities

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 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 CGUs containing goodwill according to business types, geographical span of operations and with reference to the CGUs impacted by the acquisition upon which the goodwill was generated. The allocation of goodwill, and subsequently the impairment testing, reflects the lowest level within the business for which information about goodwill is available and monitored for internal management purposes. The aggregate carrying amounts of goodwill allocated to each CGU or group of CGUs are as follows:

	2018 $m	Restated[2] 2017 $m
North America	**2,071.8**	1,994.4
Other[1]	**88.1**	103.4
	2,159.9	2,097.8

1. Relates to multiple business units, none of which are considered individually significant.
2. Refer note 6.3 for further details.

North America

Goodwill of $2,071.8 million is recorded at 30 June 2018 which arose from the acquisition of Headwaters Incorporated in May 2017. Given the transformative nature of the acquisition on our North American operations, and the number of CGUs impacted by the acquisition, the goodwill is tested annually at an aggregated level incorporating all CGUs within our Boral North America segment, with the exception of our equity accounted investment in the Meridian Brick Joint Venture. This is the lowest level within the business for which information about goodwill is available and monitored for internal management purposes.

The goodwill was tested using a value in use model. Cash flow projections cover a period of five years, with cash flows beyond the projection period extrapolated using growth rates of 2.2%. These growth rates do not exceed the long-term average growth rate for the industries in which the businesses operate. The discount rate applied to pre-tax cash flows was 11.5%.

3.5 Carrying value assessment (continued)

Key assumptions relate to:

- market forecasts, including US housing starts, other US construction markets including non-residential and repair and remodel activity, and US infrastructure activity;
- market share;
- average selling price; and
- achievement of synergy targets.

These assumptions have been determined with reference to current and historical performance and taking into account external forecasts. Market forecasts utilised in the cash flow projections are based on historical experiences and exposures in the relevant business units and independent economists' forecasts.

The recoverable amount of the CGU based on value in use exceeds its carrying value at 30 June 2018. 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.

Impairment testing for other cash generating units

The recoverable amount of other CGUs containing goodwill has been reviewed and exceed their carrying values as at 30 June 2018. 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.

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 considered virtually certain in respect of such claims, these are included in other receivables.	Likelihood of settling customer and insurance claims.
Restoration and environmental rehabilitation	The restoration and environmental rehabilitation provisions comprise mainly: • make-good provisions included in lease agreements for which the Group has a legal or constructive obligation; • restoration and decommissioning costs associated with environmental risks. At a number of sites, there are areas of restoration and environmental rehabilitation required of areas from which natural resources are extracted. The provision includes costs associated with the clean-up of sites the Group owns, or contamination that the Group caused, to enable ongoing use of the land as an industrial property or development to a higher value end use, and costs associated with the decommissioning, removal or repair of sites.	Future costs associated with dismantling and removing assets and restoring sites to their original condition, requiring assumptions on closure dates, application of environmental legislation, available technologies, regulatory requirements, expected future use of the site and consultant cost estimates.
Other	Other primarily includes provision for onerous contracts. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract. The provision is measured as the lower of the cost of fulfilling the contract and any compensation or penalties arising from the failure to fulfil it and is recognised only in respect of the onerous element of the contract.	Profitability assessment of contracts.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 3: Operating assets and liabilities (continued)

3.6 Provisions (continued)

As at 30 June 2018	Rationalisation and restructuring $m	Claims $m	Restoration and environmental rehabilitation $m	Other $m	Total $m
Reconciliations					
Balance at the beginning of the year	**2.1**	**59.3**	**85.4**	**45.9**	**192.7**
Provisions made during the year	**7.8**	**0.2**	**23.5**	**3.1**	**34.6**
Unwind of discount	**-**	**-**	**3.0**	**0.4**	**3.4**
Payments made during the year	**(0.2)**	**(1.5)**	**(8.4)**	**(20.3)**	**(30.4)**
Transferred to liabilities held for sale	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Net foreign currency exchange differences	**0.4**	**1.9**	**0.5**	**0.2**	**3.0**
Balance at the end of the year	**10.1**	**59.9**	**103.7**	**29.3**	**203.0**
Current	**10.1**	**10.3**	**15.4**	**19.3**	**55.1**
Non-current	**-**	**49.6**	**88.3**	**10.0**	**147.9**
Total	**10.1**	**59.9**	**103.7**	**29.3**	**203.0**

Restated[1] As at 30 June 2017	Rationalisation and restructuring $m	Claims $m	Restoration and environmental rehabilitation $m	Other $m	Total $m
Reconciliations					
Balance at the beginning of the year	11.6	9.8	60.9	34.9	117.2
Provisions made during the year	-	(2.1)	3.9	4.6	6.4
Unwind of discount	-	-	1.8	0.7	2.5
Increase through acquisition	-	53.9	22.5	11.0	87.4
Payments made during the year	(9.5)	(0.4)	(3.0)	(4.8)	(17.7)
Net foreign currency exchange differences	-	(1.9)	(0.7)	(0.5)	(3.1)
Balance at the end of the year	2.1	59.3	85.4	45.9	192.7
Current	2.1	9.0	16.6	19.2	46.9
Non-current	-	50.3	68.8	26.7	145.8
Total	2.1	59.3	85.4	45.9	192.7

1. Refer note 6.3 for further details.

Section 4: Capital and financial structure

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

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

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

4.1 Loans and borrowings

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

	2018 $m	2017 $m
Current		
Other loans – unsecured	**13.0**	398.3
Finance lease liabilities	**6.2**	9.1
	19.2	407.4
Non-current		
Other loans – unsecured	**2,497.0**	2,157.2
Finance lease liabilities	**10.6**	6.5
	2,507.6	2,163.7
Total	**2,526.8**	2,571.1

Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				30 June 2018		30 June 2017	
	Currency	Effective interest rate 2018	Calendar year of maturity	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Current							
US senior notes – private placement – unsecured	USD	-	2018	**-**	**-**	398.3	411.7
Other loans – unsecured	GBP	3.45%	2018 - 2019	**13.0**	**13.0**	-	-
Finance lease liabilities	AUD/USD	3.29%	2018 - 2019	**6.2**	**6.2**	9.1	9.1
				19.2	**19.2**	407.4	420.8
Non-current							
US senior notes – private placement – unsecured	USD	4.43%	2020 - 2030	**771.5**	**793.0**	355.4	365.3
CHF notes – unsecured	CHF	2.25%	2020	**204.3**	**213.5**	203.2	212.6
US senior notes – 144A/Reg S – unsecured	USD	3.39%	2022 - 2028	**1,261.2**	**1,253.7**	-	-
Acquisition loan facility – unsecured	USD	-	2018	**-**	**-**	1,237.0	1,237.0
Term credit facility – unsecured	Multi	3.38%	2021	**260.0**	**260.0**	361.6	361.6
Finance lease liabilities	AUD/USD	3.28%	2018 - 2022	**10.6**	**10.6**	6.5	6.5
				2,507.6	**2,530.8**	2,163.7	2,183.0
Total				**2,526.8**	**2,550.0**	2,571.1	2,603.8

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 – PRIVATE PLACEMENT – UNSECURED

Borrower	Notional amount US$m	Issue date	Interest rate	Maturity date	AUD equivalent $m
Boral USA	76.2	04/2008	7.22%	04/2020	103.1
Boral Limited	135.0	05/2015	4.01%	05/2025	177.1
Boral Limited	41.0	05/2015	4.16%	05/2027	53.8
Boral Limited	24.0	03/2015	4.31%	03/2030	31.8
Boral Industries Inc.	225.0	04/2018	4.05%	04/2026	304.3
Boral Industries Inc.	75.0	04/2018	3.66%	04/2026	101.4
Total	**576.2**				**771.5**

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	**204.3**

US SENIOR NOTES – 144A/REG S – UNSECURED

Borrower	Notional amount US$m	Issue date	Interest rate	Maturity date	AUD equivalent $m
Boral Finance Pty Ltd	450.0	11/2017	3.00%	11/2022	598.0
Boral Finance Pty Ltd	500.0	11/2017	3.75%	05/2028	663.2
Total	**950.0**				**1,261.2**

BANK FACILITIES

US Senior notes – 144A/Reg S

The Group issued US$950 million of senior notes pursuant to Rule 144A and Regulation S under the US Securities Act of 1933, as amended, which were drawn down on 1 November 2017. US$450 million notes are due in 2022 and US$500 million senior notes are due in 2028.

Acquisition loan facility

The Group utilised the proceeds from the US$950 million draw down of the US senior notes – 144A/Reg S to repay the acquisition loan facility on 1 November 2017. This facility is no longer available to the Group.

US Senior notes – private placement

The Group issued US$300 million (US$225 million fixed rate and US$75 million floating rate) private placement senior notes in April 2018, which are due in 2026. The proceeds were used, in addition to existing cash, to refinance US$306 million of senior, unsecured notes which matured in April 2018.

Term credit facility

The Group has a multi currency syndicated loan facility from US$400 million to US$750 million maturing on 1 July 2021. The facility was drawn down by A$260 million as at 30 June 2018.

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 million (2017: A$19 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 2018.

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 disclosed on a gross basis

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

CREDIT RISK

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

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

Exposure to credit risk

Credit risk relating to cash at bank and derivative contracts is minimised by using financial counterparties that have a long-term credit rating equal to or greater than BBB+/Baa3 although allowance is given for credit exposures up to A$100.0 million with financial counterparties with a rating below BBB+/Baa3.

No more than 40% of Boral's total credit exposure is to be with any individual eligible counterparty, subject to A$150.0 million total credit exposure.

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

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 2018 $m	Restated[1] Carrying amount 2017 $m
Non-derivative financial assets		
Loans to and receivables from associates	**20.6**	19.0
Trade and other receivables	**894.2**	900.5
Cash at bank, on hand and bank short-term deposits	**74.3**	237.8
Equity securities	**32.3**	29.5
	1,021.4	1,186.8

1. Refer note 6.3 for further details.

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

30 June 2018	Carrying amount $m	Fair value $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Derivative financial assets								
Forward exchange contracts[2]	**6.7**	**6.7**	**6.9**	**6.0**	**0.9**	**-**	**-**	**-**
Interest rate swaps[3]	**0.4**	**0.4**	**0.4**	**-**	**-**	**0.4**	**-**	**-**
Commodity swaps/options[2]	**4.6**	**4.6**	**3.5**	**2.3**	**1.1**	**0.1**	**-**	**-**
	11.7	**11.7**	**10.8**	**8.3**	**2.0**	**0.5**	**-**	**-**

30 June 2017	Carrying amount $m	Fair value $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Derivative financial assets								
Forward exchange contracts[2]	1.0	1.0	1.0	0.9	-	0.1	-	-
Interest rate swaps[3]	2.3	2.3	2.2	-	-	0.2	2.0	-
Commodity swaps[2]	2.8	2.8	2.9	2.3	0.5	0.1	-	-
	6.1	6.1	6.1	3.2	0.5	0.4	2.0	-

2. Designated as cash flow hedges.
3. Designated as fair value hedges.

4.2 Financial risk management (continued)

LIQUIDITY RISK

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

The Group manages liquidity risk by ensuring that:

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

30 June 2018	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 – private placement – unsecured	**771.5**	**(1,009.1)**	**(10.5)**	**(17.5)**	**(138.1)**	**(83.1)**	**(759.9)**
CHF notes – unsecured	**204.3**	**(212.1)**	**-**	**(2.9)**	**(209.2)**	**-**	**-**
US senior notes – 144A/Reg S – unsecured	**1,261.2**	**(1,715.0)**	**(15.4)**	**(23.0)**	**(46.2)**	**(747.1)**	**(883.3)**
Bank loans – unsecured	**273.0**	**(273.0)**	**(13.0)**	**-**	**-**	**(260.0)**	**-**
Finance lease liabilities	**16.8**	**(16.8)**	**(3.1)**	**(3.1)**	**(4.9)**	**(5.5)**	**(0.2)**
Trade creditors	**752.0**	**(752.0)**	**(752.0)**	**-**	**-**	**-**	**-**
	3,278.8	**(3,978.0)**	**(794.0)**	**(46.5)**	**(398.4)**	**(1,095.7)**	**(1,643.4)**
Derivative financial liabilities							
Forward exchange contracts[1]	**0.7**	**(0.9)**	**(0.7)**	**(0.2)**	**-**	**-**	**-**
Commodity swaps[1]	**0.7**	**(0.7)**	**(0.4)**	**(0.2)**	**(0.1)**	**-**	**-**
Cross currency swaps[1,2]	**19.3**	**(22.1)**	**(2.8)**	**(4.5)**	**(14.8)**	**-**	**-**
Interest rate swaps[3]	**14.8**	**(16.3)**	**(3.0)**	**(1.6)**	**(2.0)**	**(5.4)**	**(4.3)**
	35.5	**(40.0)**	**(6.9)**	**(6.5)**	**(16.9)**	**(5.4)**	**(4.3)**
	3,314.3	**(4,018.0)**	**(800.9)**	**(53.0)**	**(415.3)**	**(1,101.1)**	**(1,647.7)**

30 June 2017	Carrying amount $m	Contractual cash flows $m	6 months or less $m	6-12 months $m	1-2 years $m	2-5 years $m	More than 5 years $m
Non-derivative financial liabilities							
US senior notes – private placement – unsecured	753.7	(894.8)	(13.9)	(421.6)	(17.7)	(138.2)	(303.4)
CHF notes – unsecured	203.2	(215.7)	-	(2.9)	(4.6)	(208.2)	-
Acquisition loan facility – unsecured	1,237.0	(1,237.0)	-	-	(1,237.0)	-	-
Syndicated loan facility – unsecured	361.6	(361.6)	-	-	-	(361.6)	-
Finance lease liabilities	15.6	(15.8)	(4.6)	(4.7)	(5.4)	(1.1)	-
Trade creditors[4]	825.9	(825.9)	(825.9)	-	-	-	-
	3,397.0	(3,550.8)	(844.4)	(429.2)	(1,264.7)	(709.1)	(303.4)
Derivative financial liabilities							
Forward exchange contracts[1]	8.7	(8.7)	(8.2)	(0.5)	-	-	-
Commodity swaps[1]	3.0	(3.1)	(2.3)	(0.4)	(0.3)	(0.1)	-
Cross currency swaps[1,2]	13.3	(13.6)	(2.9)	0.2	(4.0)	(6.9)	-
Interest rate swaps[3]	1.3	(1.3)	(1.7)	0.4	-	-	-
	26.3	(26.7)	(15.1)	(0.3)	(4.3)	(7.0)	-
	3,423.3	(3,577.5)	(859.5)	(429.5)	(1,269.0)	(716.1)	(303.4)

1. Designated as cash flow hedges.
2. Designated as natural investment hedges.
3. Designated as fair value hedges.
4. Restated. Refer note 6.3 for further details.

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:

(a) All global operational foreign exchange exposures are regarded as being within discretionary parameters. If hedging is elected then maximum hedging levels of 75% for Year 1 (months 1 to 12) and 50% for Year 2 (months 13 to 24) apply. The maximum hedging term permitted is two years.

(b) Capital expenditure-related foreign currency exposures greater than A$0.5 million must be 100% hedged at the time of capital expenditure approval.

(c) Net investments, including net intercompany loans, in overseas domiciled investments are hedged, where regulatory conditions and available hedge instruments permit.

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

(i) Translation risk

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

The Group uses foreign currency denominated borrowings and cross currency swaps to hedge the Group's net investment in overseas domiciled assets. The related exchange gains/losses on foreign currency movements are taken to the Foreign Currency Translation Reserve.

The table below shows the Group's net exposure to translation risk. The Group's investment in foreign operations is partially offset against foreign currency borrowings, reducing the Group's overall exposure to translation risk. Amounts below are calculated based on notional amounts:

Currency	USD	CAD	Euro	GBP	Multi[1]
	Notional A$ equivalent ($m)[2]				
30 June 2018					
Balance sheet					
Net investment in overseas domiciled entities	**3,955.5**	**127.1**	**1.7**	**11.0**	**670.0**
Cash	**18.6**	**-**	**-**	**-**	**-**
Foreign currency borrowings	**(1,785.0)**	**-**	**-**	**(13.0)**	**-**
	2,189.1	**127.1**	**1.7**	**(2.0)**	**670.0**

Currency	USD	CAD	Euro	GBP	Multi[1]
	Notional A$ equivalent ($m)[2]				
30 June 2017					
Balance sheet					
Net investment in overseas domiciled entities	4,214.8	121.9	1.8	(1.9)	625.0
Cash	63.7	-	-	-	-
Foreign currency borrowings	(2,077.9)	-	-	-	-
	2,200.6	121.9	1.8	(1.9)	625.0

1. Exposure relates to investment in USG Boral Building Products Pte Ltd, which is denominated in multiple Asian currencies.
2. The notional amount shows the principal face value for each instrument.

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	
	2018 $m	2017 $m	2018	2017
US dollars				
Buy USD/sell AUD – One year or less	**98.6**	282.0	**0.7860**	0.7447
Sell USD/buy AUD – One year or less	**(85.0)**	-	**0.7397**	-
Euros				
Buy EUR/sell AUD – One year or less	**28.2**	15.5	**0.6375**	0.7017

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 2018 (2017: nil). The related exchange gains/losses on foreign currency movements are taken to the Income Statement.

Sensitivity

At 30 June 2018, 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 unchanged in 2018 (2017: (loss)/gain respectively of equivalent A$0.2 million) and equity would have increased/decreased respectively by around equivalent A$229.1 million (2017: equivalent A$228.8 million).

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2018	2017	2018	2017
USD	**0.7735**	0.7536	**0.7394**	0.7680
Euro	**0.6470**	0.6897	**0.6339**	0.6725
GBP	**0.5730**	0.5932	**0.5606**	0.5900
CAD	**0.9840**	1.0032	**0.9725**	0.9959

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 long-term borrowings are fixed interest rate borrowings. The use of interest rate derivative instruments provides the Group with the flexibility to raise term borrowings at fixed or variable interest rates where subsequently these borrowings can be converted to either variable or fixed rates of interest.

The acquisition loan facility was short-term in nature and was excluded from this policy requirement until it was refinanced with long-term debt.

Borrowings are held at amortised cost, meaning that the borrowing's effective rate of interest is charged as a finance cost to the Income Statement (not the interest paid in cash) and changes in market rates of interest are ignored. Whilst generally close, the carrying value at amortised cost may be different to the principal face value.

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2018 Carrying amount $m	2018 Notional amount[4] $m	2017 Carrying amount $m	2017 Notional amount[4] $m
Fixed rate instruments				
US senior notes – private placement – unsecured	**670.1**	**677.8**	753.7	758.1
CHF notes – unsecured[1,2]	**204.3**	**204.6**	203.2	203.6
US senior notes – 144A/Reg S – unsecured[3]	**1,261.2**	**1,284.8**	-	-
Finance lease liabilities	**16.8**	**16.8**	15.6	15.6
	2,152.4	**2,184.0**	972.5	977.3
Variable rate instruments				
Acquisition loan facility – unsecured	**-**	**-**	1,237.0	1,237.0
Bank loans – unsecured	**273.0**	**273.0**	361.6	361.6
US senior notes – private placement – unsecured	**101.4**	**101.4**	-	-
	374.4	**374.4**	1,598.6	1,598.6
	2,526.8	**2,558.4**	2,571.1	2,575.9
Pay variable interest rate derivatives				
Interest rate swap pay floating US$ LIBOR[2,3]	**14.5**	**500.1**	13.3	221.1
Other interest rate derivatives				
Cross currency swap pay fixed US$/receive fixed CHF[1]	**19.3**	**204.6**	(0.8)	203.2

1. CHF150 million (equivalent A$204.6 million) fixed rate notes due February 2020 have been swapped to USD fixed rate via cross currency swaps.
2. US$169.8 million (equivalent A$229.6 million) fixed rate notes due February 2020 have been swapped to USD floating rate via interest rate swaps.
3. US$200 million (equivalent A$270.5 million) fixed rate notes due November 2022 and May 2028 (US$100 million each) have been swapped to USD floating rate via interest rate swaps.
4. The notional amount shows the principal face value for each instrument.

The ineffective portion of the hedges transferred to the Income Statement was $0.6 million loss in 2018 due to credit and execution charge cost of hedge on the interest rate swaps (2017: $0.1 million loss).

Sensitivity

At 30 June 2018, 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$1.1 million higher/lower (2017: A$0.1 million) and the change in equity would have been A$3.7 million (2017: A$0.3 million) mainly as a result of a higher/lower interest cost applying to interest rate derivatives.

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 and options to hedge a component of 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:

	2018 Notional $A equivalent[1] $m	2018 Fair value/ Carrying amount $m	2017 Notional $A equivalent[1] $m	2017 Fair value/ Carrying amount $m
Singapore gasoil	**40.6**	**4.2**	22.8	(1.3)
Natural gas (NYMEX)	**2.9**	**-**	7.5	-
Newcastle Coal	**-**	**-**	0.6	0.1
Electricity	**12.6**	**(0.2)**	17.4	1.1

1. The notional amount shows the principal face value for each instrument.

The commodity swaps and options 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 $0.4 million loss in 2018 due to amortisation of the premium paid on options (2017: $0.1 million gain).

Sensitivity

At 30 June 2018, 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 (2017: unchanged) and the change in equity would have been A$4.8 million (2017: A$4.6 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 calculated using closing commodity market prices and implied volatility data and includes bilateral credit value adjustments.	Yes
Forward exchange contracts and cross currency swaps	The fair value is calculated based on market derived spot and forward prices, relevant currency interest rate curves, foreign currency basis spreads applicable to the relevant currency and includes bilateral credit value adjustments.	Yes
Interest rate swaps	The fair value is calculated from the present value of expected future cash flows for each instrument and includes the bilateral credit adjustment. 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 2018 plus an adequate credit spread to discount financial instruments. The interest rates used are as follows:

	2018 % pa	2017 % pa
Derivatives	**2.28 – 4.45**	2.00 – 3.20
Interest bearing loans and borrowings	**2.25 – 7.22**	2.25 – 7.22
Finance leases	**3.10 – 6.01**	5.64 – 6.09

THE FAIR VALUE HIERARCHY

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at Level 1 and Level 2 fair value:

	Level 1		Level 2	
	2018 $m	2017 $m	2018 $m	2017 $m
Assets				
Equity securities	**32.3**	29.5	**-**	-
Derivative financial assets	**-**	-	**11.7**	6.1
Total assets	**32.3**	29.5	**11.7**	6.1
Liabilities				
Derivative financial liabilities	**-**	-	**35.5**	26.3
Total liabilities	**-**	-	**35.5**	26.3

The Group does not have financial instruments that have been valued at Level 3.

4.2 Financial risk management (continued)

HEDGE ACCOUNTING

Boral has applied the ratio of 1:1 to all hedge relationships.

30 June 2018		Nominal amount of hedging instrument and hedged Item $m	Hedge rates	Carrying amount of the hedging instrument (AUD) Assets $m	Liabilities $m	Change in value of the hedging instrument used for calculating hedge ineffectiveness $m	Change in value of the hedging item used for calculating hedge ineffectiveness $m	Change in value of the hedging instrument recognised in reserve $m	Hedge ineffectiveness recognised in profit and loss $m	Amount reclassified from the cash flow hedge reserve to profit and loss $m
Cash flow hedges										
USD diesel costs – commodity swaps/options (up to 1 year)	**Barrels**	**40.6**	**USD/Barrel 78.7 - 91.5**	**4.2**	**-**	**4.3**	**(3.6)**	**3.6**	**(0.4)**	**1.4**
AUD electricity costs – commodity swaps (up to 3 years)	**MWh**	**12.6**	**AUD/MWh 58.4 - 103.0**	**0.4**	**(0.7)**	**(0.5)**	**0.5**	**(0.5)**	**-**	**(1.1)**
AUD coal costs – commodity swaps (up to 1 year)	**MT**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(0.1)**
Capital expenditures – foreign exchange contracts (up to 2 years)	**AUD**	**28.2**	**AUD/EUR 0.6139 - 0.6888**	**0.5**	**(0.1)**	**0.2**	**(0.2)**	**0.2**	**-**	**(0.8)**
Capital expenditures – foreign exchange contracts (up to 1 year)	**AUD**	**20.0**	**AUD/USD 0.7942 - 0.7652**	**1.4**	**-**	**1.4**	**(1.4)**	**1.4**	**-**	**-**
Operation expenditures – foreign exchange contracts (up to 2 years)	**AUD**	**40.7**	**AUD/USD 0.7500 - 0.7949**	**1.6**	**-**	**1.5**	**(1.5)**	**1.5**	**-**	**1.0**
Interest – foreign exchange contracts (up to 1 year)	**AUD**	**37.9**	**AUD/USD 0.7913 - 0.8067**	**3.2**	**(0.6)**	**2.6**	**(2.6)**	**2.6**	**-**	**0.5**
Foreign currency borrowings – cross currency swaps (up to 3 years)[1]	**AUD**	**189.4**	**Fixed 6.2%**	**-**	**13.7**	**1.7**	**(1.7)**	**1.7**	**-**	**-**
Foreign currency borrowings – CHF notes	**CHF**	**150.0**	**Fixed 2.25%**	**-**	**-**	**-**	**-**	**(0.9)**	**-**	**-**
				11.3	**12.3**	**11.2**	**(10.5)**	**9.6**	**(0.4)**	**0.9**
Fair value hedges										
Interest – interest rate swaps (up to 3 years)[3]	**USD**	**169.8**	**Floating n/a**	**0.4**	**(3.7)**	**(4.3)**	**4.3**	**(4.3)**	**-**	**-**
Interest – interest rate swaps (up to 10 years)[4]	**USD**	**200.0**	**Floating n/a**	**-**	**(11.1)**	**(11.1)**	**10.5**	**(10.5)**	**(0.6)**	**-**
				0.4	**(14.8)**	**(15.4)**	**14.8**	**(14.8)**	**(0.6)**	**-**
Net investment hedges										
Foreign currency investment – cross currency swaps[2] (up to 3 years)	**USD**	**169.8**	**Fixed 4.0%**	**-**	**(33.0)**	**(7.7)**	**7.7**	**(7.7)**	**-**	**-**
				11.7	**(35.5)**	**(11.9)**	**12.0**	**(12.9)**	**(1.0)**	**0.9**

1. CHFUSD cross currency swap designated in cash flow hedge, net position is a liability.
2. CHFUSD cross currency swap designated in net investment hedge, net position is a liability.
3. Accumulated fair adjustment on hedged item carrying amount is $2.8 million.
4. Accumulated fair adjustment on hedged item carrying amount is $10.5 million.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 4: Capital and financial structure (continued)

4.3 Issued capital

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares or the exercise of options are recognised as a deduction from equity, net of any related income tax effects.

Where the Group purchases the Company's own equity instruments, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. The amount of the consideration paid, including directly attributable costs, is recognised as a deduction from contributed equity, net of any related income tax effects.

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

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

	2018 $m	2017 $m
Issued and paid up capital		
1,172,331,924 (2017: 1,172,331,924) ordinary shares, fully paid	**4,265.1**	4,265.1
Movements in ordinary issued capital		
Balance at the beginning of the year	**4,265.1**	2,246.2
Nil (30 Jun 2017: 428,732,487) shares issued under capital raising net of costs	**-**	2,018.9
Balance at the end of the year	**4,265.1**	4,265.1

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.

	2018 $m	2017 $m
Balance at the beginning of the year	**(25.9)**	98.5
Net gain/(loss) on translation of assets and liabilities of overseas entities	**201.2**	(101.3)
Foreign currency translation reserve transferred to net profit on disposal of controlled entities	**-**	(24.5)
Net (loss)/gain on translation of long-term borrowings and foreign currency forward contracts net of tax benefit $25.6 million (2017: $0.5 million tax expense)	**(60.1)**	1.4
Balance at the end of the year	**115.2**	(25.9)

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	**(2.1)**	(3.9)
Transferred to the Income Statement	**1.7**	4.8
Transferred to initial carrying amount of hedged item	**(0.9)**	0.1
Gain/(loss) taken directly to equity	**9.7**	(2.3)
Tax expense	**(3.1)**	(0.8)
Balance at the end of the year	**5.3**	(2.1)

Other reserve

The other reserve relates to gains or losses arising from step-acquisitions of controlled entities, including our share of gains or losses from equity accounted investments. At 30 June 2017, Boral transferred this reserve into retained earnings.

Balance at the beginning of the year	**-**	(6.9)
Acquisition of non-controlling interest by associate	**-**	(5.8)
Transfer to retained earnings	**-**	12.7
Balance at the end of the year	**-**	-

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	**47.3**	74.3
Option/rights expense	**10.4**	11.3
Share acquisition rights vested	**(22.4)**	(38.3)
Balance at the end of the year	**35.3**	47.3
Total reserves	**155.8**	19.3

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 5: Taxation

This section provides the information that is most relevant to understanding the taxation treatment by the Group during the financial year.

Boral Limited and its wholly owned Australian controlled entities are part of a tax consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Boral Limited.

5.1 Income tax expense

Income tax expense includes current and deferred tax. Current and deferred tax are recognised in the Income Statement except to the extent that they relate to items recognised directly in other comprehensive income or equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Significant accounting judgements, estimates and assumptions

The Group is subject to income taxes in Australia and other jurisdictions in which Boral operates. In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. Changes in circumstances will alter expectations, which may impact the amount recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised.

5.1 Income tax expense (continued)

For the year ended 30 June	Note	2018 $m	2017 $m
(i) Income tax expense			
Current income tax expense		**42.6**	76.2
Deferred income tax expense/(benefit)		**9.0**	(26.6)
Changes in estimate from prior years		**(9.6)**	(2.5)
Income tax expense attributable to profit		**42.0**	47.1
(ii) Reconciliation of income tax expense to prima facie tax			
Income tax expense on profit:			
– at Australian tax rate 30% (2017: 30%)		**144.9**	103.2
– adjustment for difference between Australian and overseas tax rates		**2.1**	(3.4)
Income tax expense on pre-tax profit at standard rates		**147.0**	99.8
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Capital and income tax losses realised		**(27.6)**	(20.4)
Non-deductible asset impairments and write-downs		**-**	6.1
Share of associates' net profit (excluding significant items)		**(25.6)**	(28.5)
Tax benefit arising from share acquisition rights vested		**(6.3)**	(11.5)
Change in US federal tax rate	2.6	**(33.7)**	-
Non-deductible significant items and other items		**(2.2)**	4.1
Income tax expense on profit		**51.6**	49.6
Changes in estimate from prior years		**(9.6)**	(2.5)
Income tax expense attributable to profit		**42.0**	47.1
Income tax expense/(benefit) from continuing operations			
Income tax expense excluding significant items		**106.4**	64.3
Income tax benefit relating to significant items	2.6	**(69.4)**	(15.3)
		37.0	49.0
Income tax benefit from discontinued operations			
Income tax benefit excluding significant items		**5.0**	2.2
Income tax benefit relating to significant items	2.6	**-**	(4.1)
	6.1	**5.0**	(1.9)
		42.0	47.1
(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		**(25.6)**	0.5
Fair value adjustment on cash flow hedges		**3.1**	0.8
Recognised in comprehensive income		**(22.5)**	1.3

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 5: Taxation (continued)

5.2 Deferred tax assets and liabilities

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes.

The measurement of deferred tax mirrors the tax consequences that the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced if it is no longer probable that the related tax benefit will be realised.

Significant accounting judgements, estimates and assumptions
The assumptions regarding future realisation, and the recognition of deferred tax assets, may change due to future operating performance and other factors.

	2018 $m	Restated[1] 2017 $m
Recognised deferred tax balances		
Deferred tax asset	**69.6**	76.5
Deferred tax liability	**(39.5)**	(73.9)
	30.1	2.6
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	**81.9**	136.8

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	2018 $m	2017 $m
Australia	No restriction	**-**	39.2
Germany	No restriction	**45.7**	46.0
United Kingdom[2]	No restriction	**41.5**	39.4
United States of America	30 June 2029 – 30 June 2037	**230.6**	268.6

1. Refer note 6.3 for further details.
2. Unbooked capital losses.

5.2 Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

As at 30 June 2018	Balance at the beginning of the year $m	Recognised in income $m	Recognised in equity $m	Change in US federal tax rate $m	Other movements $m	Balance at the end of the year[2] $m
Receivables	**3.7**	**(1.1)**	**-**	**(0.5)**	**0.1**	**2.2**
Inventories	**-**	**3.2**	**-**	**-**	**(2.6)**	**0.6**
Other financial instruments	**-**	**(0.2)**	**(3.1)**	**-**	**14.4**	**11.1**
Property, plant and equipment	**(89.7)**	**9.6**	**-**	**24.4**	**(24.0)**	**(79.7)**
Intangible assets	**(358.8)**	**1.3**	**-**	**122.8**	**(23.7)**	**(258.4)**
Payables	**8.0**	**2.3**	**-**	**-**	**2.7**	**13.0**
Loans and borrowings	**(10.2)**	**(0.4)**	**25.6**	**-**	**(16.9)**	**(1.9)**
Provisions	**121.1**	**(10.8)**	**-**	**(18.7)**	**17.5**	**109.1**
Other	**(52.5)**	**0.2**	**-**	**17.4**	**22.0**	**(12.9)**
Unrealised foreign exchange	**27.0**	**(15.1)**	**-**	**-**	**(4.1)**	**7.8**
Tax losses carried forward	**354.0**	**2.0**	**-**	**(111.7)**	**(5.1)**	**239.2**
	2.6	**(9.0)**	**22.5**	**33.7**	**(19.7)**	**30.1**

Restated[3] As at 30 June 2017	Balance at the beginning of the year $m	Recognised in income $m	Recognised in equity $m	Change in US federal tax rate $m	Other movements[1] $m	Balance at the end of the year[2] $m
Receivables	3.3	(0.9)	-	-	1.3	3.7
Inventories	(3.5)	8.4	-	-	(4.9)	-
Property, plant and equipment	(79.9)	37.5	-	-	(47.3)	(89.7)
Intangible assets	(37.6)	(0.7)	-	-	(320.5)	(358.8)
Payables	2.6	5.2	-	-	0.2	8.0
Loans and borrowings	(5.5)	(3.4)	(1.3)	-	-	(10.2)
Provisions	88.3	(29.4)	-	-	62.2	121.1
Other	(4.5)	(12.4)	-	-	(35.6)	(52.5)
Unrealised foreign exchange	11.6	15.4	-	-	-	27.0
Tax losses carried forward	262.6	6.9	-	-	84.5	354.0
	237.4	26.6	(1.3)	-	(260.1)	2.6

1. Other movements in 2017 include adjustments in relation to the Headwaters acquisition, specifically fair value adjustments in relation to property, plant and equipment, intangible assets and provisions.
2. Balance represents deferred tax asset $69.6 million (2017: $76.5 million) and deferred tax liability $39.5 million (2017: $73.9 million) giving rise to net deferred tax balance of $30.1 million (2017: $2.6 million).
3. Refer note 6.3 for further details.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure

This section explains significant aspects of Boral's group structure, including equity accounted investments that the Group has an 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, and assets and liabilities held for sale

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.

On 10 May 2018, the Group agreed to sell its Concrete and Quarries business in Denver, Colorado to Brannan Sand and Gravel Company, LLC for US$127.0 million. Proceeds from the sale will be used to reduce debt. The transaction completed on 2 July 2018.

As a result, the earnings in the current and comparative periods for Denver construction materials have been reclassified to "Discontinued Operations" in the Income Statement and Assets and Liabilities Held for Sale in the Balance Sheet.

The prior year comparatives also include the discontinued operations relating to the Boral CSR bricks joint venture and US bricks operations, as well as various significant items in relation to discontinued operations.

In addition, we have classified the Energy and Clubhouse decking businesses as held for sale in 2017 following finalisation of the acquisition accounting of Headwaters. The earnings of these businesses have not been recorded as a discontinued operation as they are not considered material businesses to the Group.

	Note	2018 $m	Restated[1] 2017 $m
Results of discontinued operations			
Revenue		**137.9**	260.3
Expenses		**(122.4)**	(254.5)
Share of equity accounted income		**-**	5.0
Trading profit before significant items, net interest expense and income tax		**15.5**	10.8
Net profit on sale of discontinued operations	2.6	**-**	38.5
Profit before net interest expense and income tax		**15.5**	49.3
Net interest expense		**-**	-
Profit before income tax		**15.5**	49.3
Income tax (expense)/benefit	5.1	**(5.0)**	1.9
Net profit		**10.5**	51.2
Cash flows from discontinued operations			
Net cash provided by/(used in) operating activities		**15.2**	(3.9)
Net cash (used in)/ provided by investing activities		**(4.0)**	113.6
Net cash provided by discontinued operations		**11.2**	109.7

1. Refer note 6.3 for further details.

6.1 Discontinued operations, and assets and liabilities held for sale (continued)

	2018 $m	Restated[1] 2017 $m
Assets and liabilities classified as held for sale		
Receivables	**21.1**	1.6
Inventories	**2.9**	6.1
Property, plant and equipment	**78.1**	5.2
Intangible assets	**16.6**	4.6
Other assets	**2.5**	1.7
Assets classified as held for sale	**121.2**	19.2
Payables	**(10.2)**	-
Employee benefit liabilities	**(0.2)**	-
Provisions	**(0.3)**	-
Liabilities classified as held for sale	**(10.7)**	-
Net assets	**110.5**	19.2

1. Refer note 6.3 for further details.

Disposal of Headwaters Energy business

During October 2017, the Group disposed the Headwaters Energy business for net proceeds of $16.8 million, including $7.6 million received on settlement and $9.2 million to be received in annual instalments from October 2018 to October 2021. No gain or loss was generated on the sale of this business.

The earnings of the Headwaters Energy business has not been recorded as a discontinued operation as it is not considered a material business of the Group.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.2 Equity accounted investments

The Group's investment in its equity accounted investments is initially recorded at cost and subsequently accounted for using the equity method. The carrying amount of the investment is adjusted to recognise changes in the Group's interest in the net assets of the investees. Dividends received from the investees are recognised as a reduction in the carrying amount of the investment. Goodwill relating to the investees is included in the carrying amount of the investment and is not tested for impairment individually.

The Group's share of the results of the investees is reported in the Income Statement and its share of movements in other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses from an equity accounted investment exceed the Group's investment in the relevant equity accounted investment, the losses are taken against any long-term receivables relating to the equity accounted investment and if the Group's obligation for losses exceeds this amount, they are recorded as a provision in the Group's financial statements to the extent that the Group has an obligation to fund the liability.

				OWNERSHIP INTEREST		INVESTMENT CARRYING AMOUNT	
Name	Principal activity	Country of incorporation	Balance date	2018 %	2017 %	2018 $m	2017 $m
Details of equity accounted investments							
Bitumen Importers Australia Pty Ltd	Bitumen importer	Australia	30-Jun	**50**	50	**7.7**	6.0
Caribbean Roof Tile Company Limited	Roof tiles	Trinidad	31-Dec	**50**	50	**-**	-
Flyash Australia Pty Ltd	Fly ash collection	Australia	31-Dec	**50**	50	**2.9**	3.0
Highland Pine Products Pty Ltd	Timber	Australia	30-Jun	**50**	50	**-**	-
Meridian Brick[1]	Bricks	USA/ Canada	30-Jun	**50**	50	**410.6**	402.8
Penrith Lakes Development Corporation Ltd	Property development	Australia	30-Jun	**40**	40	**-**	-
South East Asphalt Pty Ltd	Asphalt	Australia	30-Jun	**50**	50	**1.3**	1.1
Sunstate Cement Ltd	Cement manufacturer	Australia	30-Jun	**50**	50	**11.1**	9.7
USG Boral Building Products[2]	Plasterboard	Australia/ Singapore	30-Jun	**50**	50	**977.7**	931.1
US Tile LLC	Roof tiles	USA	31-Dec	**50**	50	**-**	-
TOTAL						**1,411.3**	1,353.7

1. The Group has a 50% interest in the joint ventures in the USA (Meridian Brick LLC) and Canada (Meridian Brick Canada Ltd).The results were equity accounted from 1 November 2016 when the joint venture was formed.
2. The Group has a 50% interest in the Gypsum joint ventures in Australia (USG Boral Building Products Pty Ltd) and Asia (USG Boral Building Products Pte Ltd).

6.2 Equity accounted investments (continued)

	Note	2018 $m	2017 $m
Movements in carrying value of equity accounted investments			
Balance at the beginning of the year		**1,353.7**	1,054.6
Acquired during the year		**-**	411.2
Disposed during the year		**-**	(90.4)
Acquisition of non-controlling interest by associate		**-**	(5.8)
Share of equity accounted income		**90.2**	99.8
Significant items	2.6	**(4.6)**	(8.4)
Dividends received		**(68.4)**	(87.9)
Results recognised against losses previously taken to non-current receivables		**(3.3)**	(5.1)
Share of movement in currency reserve		**5.1**	5.0
Net foreign currency exchange differences		**38.6**	(19.3)
Balance at the end of the year		**1,411.3**	1,353.7

		SIGNIFICANT EQUITY ACCOUNTED INVESTMENTS					
		USG Boral Building Products		Meridian Brick		Total	
	Note	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
Summarised Income Statement at 100%							
Revenue		**1,574.9**	1,477.7	**519.4**	373.9	**2,407.6**	2,133.6
Profit/(loss) before income tax		**193.1**	216.9	**(0.6)**	(1.4)	**274.4**	289.7
Income tax expense		**(61.2)**	(72.2)	**(2.6)**	(0.3)	**(86.4)**	(91.8)
Non-controlling interest		**(5.7)**	(5.8)	**-**	-	**(5.7)**	(5.8)
Net profit/(loss) before significant items		**126.2**	138.9	**(3.2)**	(1.7)	**182.3**	192.1
Significant items net of tax		**(2.0)**	-	**(7.2)**	(16.8)	**(9.2)**	(16.8)
Net profit/(loss) – equity accounted relating to continuing operations		**124.2**	138.9	**(10.4)**	(18.5)	**173.1**	175.3
The Group's share based on % ownership:							
Net profit/(loss) before significant items		**63.1**	69.5	**(1.6)**	(0.9)	**90.2**	94.8
Significant items net of tax	2.6	**(1.0)**	-	**(3.6)**	(8.4)	**(4.6)**	(8.4)
Net profit/(loss) – equity accounted relating to continuing operations		**62.1**	69.5	**(5.2)**	(9.3)	**85.6**	86.4
Depreciation and amortisation		**(74.1)**	(67.3)	**(27.5)**	(16.8)		
Net interest (expense)/income		**(0.7)**	0.3	**(2.3)**	(0.7)		

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.2 Equity accounted investments (continued)

	SIGNIFICANT EQUITY ACCOUNTED INVESTMENTS					
	USG Boral Building Products		Meridian Brick		Total	
	2018 $m	2017 $m	2018 $m	2017 $m	2018 $m	2017 $m
Summarised Balance Sheet at 100%						
Current assets	**574.5**	518.5	**236.5**	207.4	**891.5**	809.1
Non-current assets	**1,786.8**	1,717.3	**745.1**	705.9	**2,660.7**	2,549.8
Total assets	**2,361.3**	2,235.8	**981.6**	913.3	**3,552.2**	3,358.9
Current liabilities	**(237.4)**	(183.7)	**(108.1)**	(99.1)	**(372.1)**	(326.1)
Non-current liabilities	**(65.2)**	(59.6)	**(52.4)**	(8.5)	**(254.2)**	(194.8)
Total liabilities	**(302.6)**	(243.3)	**(160.5)**	(107.6)	**(626.3)**	(520.9)
Non-controlling interest	**(103.2)**	(130.4)	**-**	-	**(103.2)**	(130.4)
Net assets	**1,955.5**	1,862.1	**821.1**	805.7	**2,822.7**	2,707.6
The Group's share of net assets based on % ownership	**977.7**	931.1	**410.6**	402.8	**1,411.3**	1,353.7
Cash and cash equivalents	**164.7**	146.5	**23.2**	11.6		
Current financial liabilities	**(29.5)**	(22.3)	**(12.8)**	(37.7)		
Non-current financial liabilities	**(21.5)**	(17.8)	**(44.2)**	-		

6.3 Acquisitions

Business combinations are accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date.

The fair value of the consideration transferred comprises the initial cash paid to the sellers and an estimate for any future payments the Group may be liable to pay, based on future performance of the business. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the fair value of the net identifiable assets acquired is goodwill.

On the acquisition of a subsidiary, or of an interest in an associate or joint venture, fair values are attributed to the net assets including identifiable intangible assets and contingent liabilities acquired.

The non-controlling interests on the date of acquisition can be measured at either fair value or at the non-controlling shareholders' proportion of the net fair value of the identifiable assets assumed. This choice is made separately for each acquisition. Transactions with non-controlling interests are recorded directly in retained earnings.

Significant accounting judgements, estimates and assumptions

Accounting for acquisition of businesses requires judgement and estimates in determining the fair value of acquired assets and liabilities. Techniques used to determine the fair value of acquired assets and liabilities include the excess earnings approach and relief from royalty for the valuation of intangibles, and depreciated replacement cost for the valuation of property, plant and equipment. The relevant accounting standard allows the fair value of assets acquired to be refined for a window of one year after the acquisition date, and judgement is required to ensure that the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill recognised on acquisition.

6.3 Acquisitions (continued)

Headwaters Incorporated acquisition

Boral acquired 100% of the shares of Headwaters Incorporated on 8 May 2017.

Since the initial purchase price accounting performed around the time of the acquisition, further adjustments have been performed to the opening balance sheet, including the finalisation of an independent valuation of the identifiable assets acquired and liabilities assumed in the Headwaters acquisition. These adjustments have determined the net identifiable assets/(liabilities) as being $185.0 million higher than previously reported. As a consequence, the goodwill acquired as part of the Headwaters acquisition has decreased by this amount, resulting in the previously reported Headwaters goodwill of $2,257.4 million reducing to $2,072.4 million. The comparative information shown in the financial statements has been restated to include the adjusted fair values. There has been no material impact to the comparative profit or loss so as to require restatement.

Details of the identified adjustments are as follows:

Fair value of net identifiable assets acquired	Final – 8 May 2017 $m	Preliminary – 8 May 2017 $m
CURRENT ASSETS		
Cash and cash equivalents	**74.8**	74.8
Receivables	**197.8**	190.2
Inventories	**126.4**	139.4
Other assets	**13.5**	23.8
Assets held for sale	**19.9**	-
NON-CURRENT ASSETS		
Receivables	**22.4**	13.9
Financial assets	**11.2**	11.2
Property, plant and equipment	**404.7**	437.8
Intangible assets	**1,285.7**	959.3
Other assets	**18.3**	18.1
CURRENT LIABILITIES		
Trade creditors	**(220.2)**	(209.3)
Loans and borrowings	**(8.2)**	(8.3)
Provisions	**(9.4)**	(16.4)
NON-CURRENT LIABILITIES		
Payables	**(6.6)**	(6.8)
Loans and borrowings	**(5.3)**	(5.5)
Deferred tax liabilities	**(267.7)**	(137.8)
Employee benefit liabilities	**(15.1)**	(11.2)
Provisions	**(78.0)**	(94.0)
Net identifiable assets acquired	**1,564.2**	1,379.2
Goodwill on acquisition	**2,072.4**	2,257.4

The goodwill on acquisition of $2,072.4 million represents the difference in consideration paid and identifiable fair value of the net assets acquired, and reflects the synergies and economics of scale expected from combining the operations of Boral and Headwaters, benefits from the diversification of market exposures in North America, and transforming the North America business to a more flexible, variable cost structure with lower capital intensity. The goodwill is not tax deductible.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.4 Controlled entities

The consolidated financial statements include Boral Limited (parent entity) and the following wholly owned subsidiaries, unless stated otherwise, in the table below.

		Beneficial ownership by	
	Country of incorporation	Group 2018 %	Group 2017 %
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 USA <	USA	**100**	100
Boral International Holdings Inc.	USA	**100**	100
Boral Construction Materials LLC	USA	**100**	100
Ready Mixed Concrete Company	USA	**100**	100
Sprat-Platte Ranch Co. LLLP	USA	**100**	100
Morton Lakes, LLC	USA	**100**	100
Aggregate Investments, L.L.C.	USA	**100**	100
BCM Oklahoma LLC	USA	**100**	100
McCanne Ditch and Reservoir Company	USA	**100**	100
Boral Industries Inc.	USA	**100**	100
Boral Meridian Holdings Inc. +	USA	**100**	-
Boral Material Technologies LLC **	USA	**-**	100
Boral Stone Products LLC	USA	**100**	100
Boral IP Holdings LLC	USA	**100**	100
Headwaters Incorporated	USA	**100**	100
Headwaters Synfuel Investments, LLC **	USA	**-**	100
Global Climate Reserve Corporation	USA	**100**	100
Headwaters Technology Innovation Group Inc. ***	USA	**-**	100
Headwaters Heavy Oil, LLC ***	USA	**-**	100
Boral Windows, LLC	USA	**100**	100
Magnolia Windows & Doors, LLC	USA	**100**	100
Evonik Headwaters LLP	UK	**100**	100
Tapco International Corporation	USA	**100**	100
Boral Composites Inc.	USA	**100**	100
Headwaters Building Products Inc.	USA	**100**	100
Boral Concrete Products Louisiana, LLC	USA	**100**	100
Boral Concrete Products, LLC	USA	**100**	100
Headwaters Stone LLC	USA	**100**	100
Eldorado Stone LLC	USA	**100**	100
Stonecraft Manufacturing, LLC	USA	**100**	100
Eldorado Stone Operations, LLC	USA	**100**	100
Eldorado Stone Philippines, Inc.	Philippines	**100**	100
Chihuahua Stone, LLC	USA	**100**	100
Piedras Headwaters, S. DE R.L. DE C.V.	Mexico	**100**	100
Quarry Stone, LLC	USA	**100**	100
Dutch Quality Stone, Inc.	USA	**100**	100

6.4 Controlled entities (continued)

	Country of incorporation	Beneficial ownership by Group 2018 %	Beneficial ownership by Group 2017 %
Boral CM Holdings, LLC	USA	**100**	100
Boral CM Services, LLC	USA	**100**	100
Boral Resources LLC	USA	**100**	100
Boral Plant Services, LLC	USA	**100**	100
Boral Transportation Services LLC +	USA	**100**	-
Headwaters Services, LLC	USA	**100**	100
Synthetic Materials, LLC	USA	**100**	100
Boral Materials LLC	USA	**100**	100
FlexCrete Building Systems, LLC **	USA	**-**	100
Headwaters Resources Limited	Canada	**100**	100
Headwaters Energy Services Corp.	USA	**100**	100
Environmental Technologies Group, LLC **	USA	**-**	100
Headwaters Clean Carbon Services LLC **	USA	**-**	100
Headwaters Ethanol Operators, LLC **	USA	**-**	100
Headwaters CTL, LLC ***	USA	**-**	100
HES Ethanol Holdings, LLC **	USA	**-**	100
American Lignite Energy, LLC	USA	**67**	67
Covol Fuels Alabama No. 3, LLC **	USA	**-**	100
Covol Fuels Alabama No. 4, LLC **	USA	**-**	100
Covol Fuels Alabama No. 5, LLC **	USA	**-**	100
Covol Fuels Alabama No. 7, LLC **	USA	**-**	100
Covol Fuels Chinook, LLC	USA	**100**	100
Covol Fuels Rock Crusher, LLC	USA	**100**	100
Covol Engineered Fuels, LLC	USA	**100**	100
Covol Fuels No.2, LLC	USA	**100**	100
Covol Fuels No.4, LLC	USA	**100**	100
Covol Fuels No.5, LLC **	USA	**-**	100
Entegra Holdings, LLC **	USA	**-**	100
Entegra Roof Tile, LLC **	USA	**-**	100
Entegra Roof Tile Inc. –Deerfield **	USA	**-**	100
Boral Lifetile inc.	USA	**100**	100
Boral Roofing de Mexico, S. de R.L. de C.V.	Mexico	**100**	100
Boral Roofing LLC	USA	**100**	100
Gerard Roof Products, LLC	USA	**100**	100
Allmet Roof Products, Ltd	Canada	**100**	100
Metrotile Manufacturing, LLC	USA	**100**	100
Boral Concrete Tile Inc.	USA	**100**	100
Tile Service Company LLC	USA	**100**	100
E.U.M. Tejas De Concreto Servicios, S. DE R.L. DE C.V.	Mexico	**100**	100
Boral (UK) Ltd	UK	**100**	100
Tapco Europe Limited	UK	**100**	100
Boral Investments BV	Netherlands	**100**	100
Boral Industrie GmbH	Germany	**100**	100
Boral Klinker GmbH	Germany	**100**	100
Boral Mecklenburger Ziegel GmbH	Germany	**100**	100
Boral Canada Ltd	Canada	**100**	100

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 6: Group structure (continued)

6.4 Controlled entities (continued)

		Beneficial ownership by	
	Country of incorporation	Group 2018 %	Group 2017 %
Boral Investments Pty Ltd >*	Australia	**100**	100
Boral Construction Materials Ltd >*	Australia	**100**	100
Boral Resources (WA) Ltd >*	Australia	**100**	100
Boral Contracting Pty Ltd*	Australia	**100**	100
Boral Construction Related Businesses Pty Ltd >*	Australia	**100**	100
Boral Resources (Vic) Pty Ltd >*	Australia	**100**	100
Bayview Quarries Pty Ltd*	Australia	**100**	100
Boral Resources (Qld) Pty Ltd >*	Australia	**100**	100
Allen's Asphalt Pty Ltd >*	Australia	**100**	100
Q-Crete Premix Pty Ltd >*	Australia	**100**	100
Boral Resources (NSW) Pty Ltd >*	Australia	**100**	100
Dunmore Sand & Soil Pty Ltd*	Australia	**100**	100
Boral Recycling Pty Ltd >*	Australia	**100**	100
De Martin & Gasparini Pty Ltd >*	Australia	**100**	100
De Martin & Gasparini Concrete Placers Pty Ltd*	Australia	**100**	100
De Martin & Gasparini Pumping Pty Ltd*	Australia	**100**	100
De Martin & Gasparini Contractors Pty Ltd*	Australia	**100**	100
Boral Precast Holdings Pty Ltd >*	Australia	**100**	100
Boral Construction Materials Group Ltd >*	Australia	**100**	100
Concrite Pty Ltd >*	Australia	**100**	100
Boral Resources (SA) Ltd >*	Australia	**100**	100
Bitumax Pty Ltd >*	Australia	**100**	100
Road Surfaces Group Pty Ltd >*	Australia	**100**	100
Alsafe Premix Concrete Pty Ltd >*	Australia	**100**	100
Boral Transport Ltd >*	Australia	**100**	100
Boral Corporate Services Pty Ltd	Australia	**100**	100
Bitupave Ltd >*	Australia	**100**	100
Boral Resources (Country) Pty Ltd >*	Australia	**100**	100
Bayview Pty Ltd*	Australia	**100**	100
Dandenong Quarries Pty Ltd*	Australia	**100**	100
Boral Insurance Pty Ltd	Australia	**100**	100
Allen Taylor & Company Ltd >*	Australia	**100**	100
Oberon Softwood Holdings Pty Ltd >*	Australia	**100**	100
Duncan's Holdings Ltd >*	Australia	**100**	100
Boral Bricks Pty Ltd >*	Australia	**100**	100
Boral Masonry Ltd >*	Australia	**100**	100
Boral Hollostone Masonry (South Aust) Pty Ltd >*	Australia	**100**	100
Boral Montoro Pty Ltd >*	Australia	**100**	100
Boral Timber Fibre Exports Pty Ltd >*	Australia	**100**	100
Boral Shared Business Services Pty Ltd >*	Australia	**100**	100
Boral Building Products Ltd >*	Australia	**100**	100
Boral Bricks Western Australia Pty Ltd >*	Australia	**100**	100
Boral IP Holdings (Australia) Pty Ltd	Australia	**100**	100
Boral Finance Pty Ltd >*	Australia	**100**	100

> Granted relief by the Australian Securities and Investments Commission from specified accounting requirements in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (refer to note 8.7).
* Entered into cross guarantee with Boral Limited (refer to note 8.7).
** Deregistered during the year.
*** Disposed of during the year.
\+ Incorporated during the year.
< A Delaware general partnership.

All the shares held by Boral Limited in controlled entities are ordinary shares.

6.4 Controlled entities (continued)

The following controlled entities were disposed of during the financial year ended 30 June 2018:

Entities disposed:	Date of disposal
Headwaters Technology Innovation Group Inc.	Oct 2017
Headwaters Heavy Oil, LLC	Oct 2017
Headwaters CTL, LLC	Oct 2017

Entities deregistered:			Date of deregistration
Headwaters Synfuel Investments, LLC			Jun 2018
FlexCrete Building Systems, LLC			Jun 2018
Environmental Technologies Group, LLC			Jun 2018
Headwaters Clean Carbon Services LLC			Jun 2018
Headwaters Ethanol Operators, LLC			Jun 2018
HES Ethanol Holdings, LLC			Jun 2018
Covol Fuels Alabama No. 3, LLC			Jun 2018
Covol Fuels Alabama No. 4, LLC			Jun 2018
Covol Fuels Alabama No. 5, LLC			Jun 2018
Covol Fuels Alabama No. 7, LLC			Jun 2018
Covol Fuels No.5, LLC			Jun 2018
Entegra Holdings, LLC	merged into	Boral Roofing LLC	Apr 2018
Entegra Roof Tile, LLC	merged into	Entegra Holdings, LLC	Apr 2018
Entegra Roof Tile Inc. –Deerfield	merged into	Entegra Roof Tile	Apr 2018
Boral Material Technologies LLC	merged into	Boral Resources LLC	Jun 2018

The following controlled entities had name changes during the financial year ended 30 June 2018:

Name changes during the financial period:		
Headwaters Windows, LLC	to	Boral Windows LLC
Headwaters Concrete Products Louisiana, LLC	to	Boral Concrete Products Louisiana LLC
Headwaters Concrete Products, LLC	to	Boral Concrete Products LLC
Headwaters CM Holdings, LLC	to	Boral CM Holdings LLC
Headwaters CM Services, LLC	to	Boral CM Services LLC
Headwaters Construction Materials, LLC	to	Boral Resources LLC
Headwaters Plant Services, LLC	to	Boral Plant Services LLC
Headwaters Resources, LLC	to	Boral Materials LLC

Subsequent to year end, on 2 July 2018, De Martin & Gasparini Concrete Placers Pty Ltd changed its name to Pro Concrete Group Pty Limited.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 7: Employee benefits

This section provides a breakdown of the various programs Boral uses to reward and recognise employees and key executives, including Key Management Personnel (KMP). Boral believes that these programs reinforce the value of ownership and incentives and drive performance both individually and collectively to deliver better returns to shareholders.

7.1 Employee liabilities

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date, is measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave are measured as the present value of estimated future payments for the services provided by employees up to the reporting date. Liabilities which are not expected to be settled within 12 months are discounted at the reporting date using market yields of high quality corporate bonds or government bonds for countries where there is no deep market for corporate bonds. The rates used reflect the terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2018 $m	2017 $m
Employee liabilities		
Current	**129.6**	115.5
Non-current	**40.6**	44.4
	170.2	159.9

7.2 Employee benefits expense

Employee benefits expense includes salaries and wages, defined contribution expenses, share-based payments and other entitlements.

	2018 $m	2017 $m
Employee benefits expense[1]	**1,254.5**	945.4

1. Total defined contribution expense for the period was $50.1 million (2017: $47.7 million).

7.3 Share-based payments

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

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

Significant accounting judgements, estimates and assumptions

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

7.3 Share-based payments (continued)

Share Acquisition Rights (SAR)

During the current year, SARs were issued under the Boral Equity Plan Rules. SARs issued with a Total Shareholder Return (TSR) hurdle were valued at $3.54 per right, while SARs with a Return on Funds Employed (ROFE) target were valued at $5.85 per right.

The following represents the inputs to the pricing model used in estimating fair value:

	2018	2017
Grant date share price	**$6.62**	$6.64
Risk-free rate	**2.51%**	1.41%
Dividend yield	**4.12%**	3.63%
Volatility factor	**25%**	25%

In addition, SARs were issued during the year for Deferred Short-Term Incentive (STI) – representing the deferral of 20% of short-term incentive payments into equity, subject to a vesting requirement for the employee to remain with the Company for two years following grant date. The rights were valued at $6.75 per right, being the volume weighted average price traded on the ASX over the five trading days following the release of the FY2017 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 – 2018								
TSR	**12/11/2010**	**12/11/2017**	**$0.00**	**1,406,102**	**-**	**(474,377)**	**(931,725)**	**-**
TSR	**1/9/2011**	**1/9/2018**	**$0.00**	**711,495**	**-**	**(3,624)**	**-**	**707,871**
TSR	**1/9/2014**	**1/9/2017**	**$0.00**	**1,709,810**	**-**	**(197,336)**	**(1,512,474)**	**-**
ROFE	**1/9/2014**	**1/9/2017**	**$0.00**	**854,919**	**-**	**(854,919)**	**-**	**-**
TSR	**1/9/2015**	**1/9/2018**	**$0.00**	**1,817,015**	**-**	**(54,076)**	**-**	**1,762,939**
ROFE	**1/9/2015**	**1/9/2018**	**$0.00**	**908,500**	**-**	**(27,058)**	**-**	**881,442**
TRI[1]	**1/9/2015**	**1/9/2018**	**$0.00**	**427,463**	**-**	**-**	**-**	**427,463**
Deferred STI	**1/9/2015**	**1/9/2017**	**$0.00**	**798,823**	**-**	**(1,365)**	**(797,458)**	**-**
TSR	**1/9/2016**	**1/9/2019**	**$0.00**	**1,598,624**	**-**	**(34,600)**	**-**	**1,564,024**
ROFE	**1/9/2016**	**1/9/2019**	**$0.00**	**799,280**	**-**	**(17,298)**	**-**	**781,982**
Deferred STI	**1/9/2016**	**1/9/2018**	**$0.00**	**673,034**	**-**	**(18,303)**	**-**	**654,731**
TSR	**1/9/2017**	**1/9/2020**	**$0.00**	**-**	**2,050,009**	**(90,021)**		**1,959,988**
ROFE	**1/9/2017**	**1/9/2020**	**$0.00**	**-**	**1,025,004**	**(45,465)**	**-**	**979,539**
Deferred STI	**1/9/2017**	**1/9/2019**	**$0.00**	**-**	**510,554**	**(8,365)**	**-**	**502,189**
				11,705,065	**3,585,567**	**(1,826,807)**	**(3,241,657)**	**10,222,168**

1. Targeted retention incentive.

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 7: Employee benefits (continued)

7.3 Share-based payments (continued)

Share Acquisition Rights (SAR) (continued)

Rights	Grant date	Expiry date	Exercise price	Balance at beginning of the year	Issued during the year	Cancelled during the year	Vested and exercised during the year	Balance at end of the year
				Number	Number	Number	Number	Number
Consolidated – 2017								
TSR	5/11/2009	5/11/2016	$0.00	1,224,423	-	(1,224,423)	-	-
TSR	12/11/2010	12/11/2017	$0.00	1,415,343	-	(9,241)	-	1,406,102
TSR	1/9/2011	1/9/2018	$0.00	2,544,057	-	(126,007)	(1,706,555)	711,495
TSR	1/9/2013	1/9/2016	$0.00	2,379,807	-	(99,809)	(2,279,998)	-
ROFE	1/9/2013	1/9/2016	$0.00	1,189,903	-	(49,952)	(1,139,951)	-
TSR	1/9/2014	1/9/2017	$0.00	1,780,477	-	(70,667)	-	1,709,810
ROFE	1/9/2014	1/9/2017	$0.00	890,239	-	(35,320)	-	854,919
Deferred STI	1/9/2014	1/9/2016	$0.00	563,657	-	-	(563,657)	-
TSR	1/9/2015	1/9/2018	$0.00	1,912,538	-	(95,523)	-	1,817,015
ROFE	1/9/2015	1/9/2018	$0.00	956,270	-	(47,770)	-	908,500
TRI[1]	1/9/2015	1/9/2018	$0.00	427,463	-	-	-	427,463
Deferred STI	1/9/2015	1/9/2017	$0.00	834,987	-	(36,164)	-	798,823
TSR	1/9/2016	1/9/2019	$0.00	-	1,615,865	(17,241)	-	1,598,624
ROFE	1/9/2016	1/9/2019	$0.00	-	807,901	(8,621)	-	799,280
Deferred STI	1/9/2016	1/9/2018	$0.00	-	685,946	(12,912)	-	673,034
				16,119,164	3,109,712	(1,833,650)	(5,690,161)	11,705,065

1. Targeted retention incentive.

During the year ended 30 June 2018, the Group recognised an expense of $10.4 million (2017: $11.3 million) in relation to share-based payments.

7.4 Key management personnel disclosures

Key management personnel compensation

Key management personnel compensation is set out below. Detailed remuneration disclosures are provided in the audited Remuneration Report section in the Directors' Report.

	2018 $'000	2017 $'000
Short-term employee benefits	**9,365.9**	10,246.8
Post-employment benefits	**615.5**	266.1
Share-based payments	**3,458.4**	3,796.9
Long-term employee benefits	**62.1**	114.9
	13,501.9	14,424.7

Section 8: Other notes

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

8.1 Contingent liabilities

Details of contingent liabilities where the probability of future payments/receipts is not considered remote are set out below.

	2018 $m	2017 $m
Unsecured contingent liabilities		
Bank guarantees	**38.5**	23.3

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.

Where the liability is estimable and probable the Group hold appropriate provisions based on consideration of available information and, where appropriate, independent advice.

8.2 Subsequent events

The sale of our Concrete and Quarries business in Denver, Colorado to Brannan Sand and Gravel Company, LLC completed on 2 July 2018. Refer note 6.1.

Notes to the Financial Statements

Boral Limited and Controlled Entities

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 consolidated entity with a right of renewal at which time all terms are renegotiated. Some leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price Index or operating criteria.

	2018 $m	2017 $m
Capital expenditure commitments		
Contracted but not provided for are payable as follows:		
Not later than one year	**32.3**	11.6
The capital expenditure commitments are in respect of the purchase of plant and equipment.		
Finance leases		
Lease commitments in respect of finance leases are payable as follows:		
Not later than one year	**6.8**	9.3
Later than one year but not later than five years	**10.3**	6.5
Later than five years	**0.2**	-
	17.3	15.8
Less: Future finance charges and executory costs	**(0.5)**	(0.2)
	16.8	15.6

	2018 $m	2017 $m
Operating leases		
Lease commitments in respect of operating leases are payable as follows:		
Not later than one year	**99.6**	99.6
Later than one year but not later than five years	**211.6**	209.8
Later than five years	**74.2**	81.7
	385.4	391.1

8.4 Auditors' remuneration

	2018 $'000	2017 $'000
Audit services:		
KPMG Australia – audit and review of financial reports	**1,466**	1,628
KPMG overseas firms – audit and review of financial reports	**1,249**	1,033
KPMG Australia – other assurance services	**616**	241
	3,331	2,902
Other services:		
KPMG Australia – taxation services	**256**	303
KPMG Australia – due diligence	**-**	432
KPMG Australia – advisory	**209**	591
KPMG Australia – other	**16**	44
KPMG overseas firms – due diligence and advisory	**-**	1,390
KPMG overseas firms – taxation services	**47**	70
	528	2,830
	3,859	5,732

8.5 Related party disclosures

Controlled entities

Interests held in controlled entities are set out in note 6.4.

Associated entities

Interests held in associated entities are set out in note 6.2. The business activities of a number of these entities are conducted under joint venture arrangements. Associated entities conduct business transactions with various controlled entities. Such transactions include purchases and sales of certain products, dividends, interest and loans. All such transactions are conducted on the basis of normal commercial terms and conditions.

Director transactions with the Group

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

- the receipt of dividends from Boral Limited;
- participation in the Boral Long Term Incentive Plan;
- terms and conditions of employment;
- reimbursement of expenses; and
- purchases of goods and services.

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

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes (continued)

8.6 Parent entity disclosures

For the year ended 30 June	BORAL LIMITED 2018 $m	 2017 $m
RESULT OF THE PARENT ENTITY		
Profit after tax	**278.6**	218.8
Other comprehensive income/(loss) after tax	**3.9**	(5.9)
Total comprehensive income for the period	**282.5**	212.9
SUMMARISED BALANCE SHEET		
Current assets	**4,827.0**	6,230.2
Non-current assets	**1,348.2**	430.1
Total assets	**6,175.2**	6,660.3
Current liabilities	**683.0**	1,165.0
Non-current liabilities	**488.4**	474.7
Total liabilities	**1,171.4**	1,639.7
Net assets	**5,003.8**	5,020.6
Issued capital	**4,265.1**	4,265.1
Reserves	**32.1**	40.3
Retained earnings	**706.6**	715.2
Total equity	**5,003.8**	5,020.6

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	**38.3**	23.0

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

The Company, from time to time, may be subject to lawsuits and claims in the ordinary course of business.

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

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

8.7 Deed of cross guarantee

Under the terms of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Boral Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities identified in note 6.4.

The following consolidated Statement of Comprehensive Income and Balance Sheet comprises Boral Limited and its controlled entities which are party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed.

	2018 $m	2017 $m
STATEMENT OF COMPREHENSIVE INCOME		
Continuing operations		
Revenue	**3,589.8**	3,295.7
Profit before income tax expense	**435.8**	344.9
Income tax expense	**(40.7)**	(51.6)
Profit from continuing operations	**395.1**	293.3
Discontinued operations		
Profit from discontinued operations (net of income tax)	**-**	40.8
Net profit	**395.1**	334.1
Other comprehensive income		
Items that may be reclassified subsequently to Income Statement:		
Exchange differences from translation of foreign operations taken to equity	**53.0**	(13.5)
Fair value adjustment on cash flow hedges	**10.5**	2.6
Income tax on items that may be reclassified subsequently to Income Statement	**(3.2)**	(0.8)
Total comprehensive income	**455.4**	322.4
Reconciliation of movements in retained earnings		
Balance at the beginning of the year	**1,005.2**	897.3
Net profit	**395.1**	334.1
Dividends paid	**(287.2)**	(226.2)
Balance at the end of the year	**1,113.1**	1,005.2

Notes to the Financial Statements

Boral Limited and Controlled Entities

Section 8: Other notes (continued)

8.7 Deed of cross guarantee (continued)

	2018 $m	2017 $m
BALANCE SHEET		
CURRENT ASSETS		
Cash and cash equivalents	**25.0**	183.3
Receivables	**822.7**	576.3
Inventories	**363.9**	331.8
Financial assets	**11.2**	3.8
Other assets	**28.3**	27.7
TOTAL CURRENT ASSETS	**1,251.1**	1,122.9
NON-CURRENT ASSETS		
Receivables	**158.6**	1,730.5
Inventories	**11.9**	13.9
Investments accounted for using the equity method	**1,000.7**	951.0
Financial assets	**4,004.6**	3,066.5
Property, plant and equipment	**2,079.7**	2,000.0
Intangible assets	**72.9**	74.7
Deferred tax assets	**69.6**	76.4
Other assets	**11.6**	15.1
TOTAL NON-CURRENT ASSETS	**7,409.6**	7,928.1
TOTAL ASSETS	**8,660.7**	9,051.0
CURRENT LIABILITIES		
Payables	**788.2**	867.5
Loans and borrowings	**20.6**	400.3
Financial liabilities	**8.6**	15.4
Current tax liabilities	**10.1**	54.4
Employee benefit liabilities	**124.8**	111.8
Provisions	**29.4**	34.2
TOTAL CURRENT LIABILITIES	**981.7**	1,483.6
NON-CURRENT LIABILITIES		
Loans and borrowings	**2,092.0**	2,158.2
Financial liabilities	**26.9**	10.9
Employee benefit liabilities	**10.0**	11.3
Provisions	**73.5**	59.0
Other liabilities	**20.8**	28.3
TOTAL NON-CURRENT LIABILITIES	**2,223.2**	2,267.7
TOTAL LIABILITIES	**3,204.9**	3,751.3
NET ASSETS	**5,455.8**	5,299.7
EQUITY		
Issued capital	**4,265.1**	4,265.1
Reserves	**77.6**	29.4
Retained earnings	**1,113.1**	1,005.2
TOTAL EQUITY	**5,455.8**	5,299.7

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 78 to 144 and the Remuneration Report in the Directors' Report, set out on pages 55 to 77, 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 2018 and of its performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that Boral Limited and the controlled entities identified in note 6.4 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between Boral Limited and those controlled entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2018.
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:

K J Fagg

Kathryn Fagg
Chairman

Mike Kane
CEO & Managing Director

Sydney, 29 August 2018

KPMG

Independent Auditor's Report to the shareholders of Boral Limited

Report on the audit of the Financial Report

Opinion

We have audited the *Financial Report* of Boral Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the *Group*'s financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The *Financial Report* comprises:

- Balance Sheet as at 30 June 2018;
- Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- Notes that include summaries of significant accounting policies; and
- Directors' Declaration.

The *Group* consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The *Key Audit Matters* we identified are:

- Carrying value of North America goodwill;
- Purchase Price Allocation (PPA) accounting relating to Headwaters acquisition;
- Carrying value of the investment in USG Boral JV and Meridian Brick JV; and
- Availability and recoverability of US tax loss asset.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of North America goodwill (A$2.1 billion)

Refer to note 3.5 of the Financial Report

The Key Audit Matter	***How the matter was addressed in our audit***

Following the acquisition of Headwaters Inc in 2017 the carrying value of Boral's Goodwill in relation to North America is a Key Audit Matter due to:
• the complexity of auditing forward looking estimates used to support carrying values that are inherently subjective and require a significant level of judgement to assess;
• the size of the Goodwill balance, representing a significant portion of Boral's net assets.
The Group acquired Headwaters Inc in May 2017, necessitating our consideration of the Group's allocation of goodwill to Cash Generating Units (CGUs) based on the management and monitoring of the North American business.
Boral's recoverability assessment over the carrying value of North America Goodwill involved determining the output of valuation models for the business and comparing this to the carrying value of assets. This recoverability assessment applies significant judgements which include:
• discount rate – these are complicated in nature and vary according to the conditions and environment a CGU is subject to from time to time, and the approach taken to incorporate risks into the cash flows or discount rates. The Group's modelling is sensitive to changes in the discount rate;
• forecast growth rates and terminal growth rates – the Group's models are sensitive to changes in these assumptions. This drives additional audit effort in consideration of their appropriateness and consistency with economic indicators and the Group's strategy; and
• terminal value calculation – the terminal value calculation depends on the economic drivers of each business unit and the stage of the business cycle. The Group's modelling is sensitive to changes in management's terminal value assumptions, which drives additional audit effort to consider the appropriateness of these assumptions.
We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.
	Our procedures included, amongst others:
	• assessing the appropriateness of the Group's determination of CGUs and groups of CGUs used for impairment testing, considering management's internal reporting and monitoring and the requirements of the accounting standards;
	• assessing the integrity of the value in use models used, including the accuracy of the underlying calculation formulas;
	• comparing the forecast cash flows contained in the value in use models to Board approved forecasts and considering the impact of past performance of the Group versus previous forecasts as an indicator of risk in future forecasts;
	• considering the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application;
	• comparing the economic assumptions such as industry growth rates to external sources;
	• checking the consistency of growth rates with the Group's strategy and our experience of the economic environment in which the Group operates;
	• challenging management's terminal value assumptions by considering the impact of alternative assumptions and assessing the impact on the present value calculation; and
	• using our valuation specialists to:
	  – challenge the discount rate against an independently developed discount rate range using publicly available market data for comparable entities, adjusted by specific risk factors;
	  – compare the Group's long term growth rate assumptions against publicly available long term economic forecasts specific to the United States; and
	  – assess the appropriateness and mathematical accuracy of the discounted cash flow models.

Purchase Price Allocation (PPA) accounting relating to Headwaters acquisition	
Refer to note 6.3 of the Financial Report	
The Key Audit Matter	***How the matter was addressed in our audit***
The finalisation of the Purchase Price Allocation (PPA) Accounting relating to Boral's acquisition of Headwaters Inc completed on 8 May 2018. The PPA has been deemed a Key Audit Matter due to the pervasive impact of the acquisition of Headwaters Inc on the financial statements, which has consequently formed a large part of our audit. Boral engaged an independent valuation expert for the final PPA. The expert advised on the identification and measurement of inventory, property, plant and equipment and intangible assets which form the PPA. Significant effort was required to audit the key assumptions and valuation methodologies applied to value inventory, property, plant and equipment and identifiable intangibles. In assessing the Key Audit Matters, we involved senior audit team members, including valuation specialists.	Our procedures included, amongst others: • working with our valuation specialists to assess and challenge the valuation methodologies and assumptions applied in the final PPA to value inventory, property, plant and equipment and identifiable intangible assets. This included: – comparing the valuation methodologies against generally accepted valuation techniques; – assessing the objectivity, competence, experience and skills of the independent expert; – assessing key assumptions such as discount rate, long term growth rate, royalty rate and contributory asset charge; and – assessing the appropriateness of economic lives applied to intangible and tangible non-financial assets. • we considered the Group's determination of the final fair value adjustments and compared them to the provisionally reported values reported at 30 June 2017. We performed testing on updated valuations to challenge whether the adjustments were appropriate under accounting standards; and • we assessed the adequacy of the Group's disclosure in respect of the business combination.

Carrying value of the investment in USG Boral JV (A$978m) and Meridian Brick JV (A$411m)

Refer to note 6.2 of the Financial Report

The Key Audit Matter	***How the matter was addressed in our audit***
The carrying value of Boral's equity accounted investments in the USG Boral JV and the Meridian Brick JV is a Key Audit Matter due to: • the complexity of auditing forward looking estimates used to support carrying values that are inherently subjective and require a significant level of judgement to assess; • the variation in market demand and synergies for building products and average selling prices across countries that create a risk that business forecasts, which are the basis for the assessment of recoverability, may not be achieved. Boral's recoverability assessment over the carrying value of these investments involved our consideration of impairment indicators at the investment level and the output of valuation models for each asset prepared by JV management or by independent external valuers. This recoverability assessment applies significant judgements which include: • key assumptions relating to forecast market demand and average selling prices in Australia, Asia, the Middle East and North America; • discount rates applied to forecast cash flows as well as the assumptions underlying the forecast growth and terminal growth rates; • determination of cash generating units (CGUs) within each of the joint ventures; and • consideration of impairment indicators across multiple countries with varied economic conditions. In assessing this Key Audit Matter, we involved senior audit team members, including valuation specialists and our component auditors, who understand the USG Boral JV and Meridian Brick JV businesses, and the industries and economic environment in which they operate.	Our procedures included, amongst others: • challenging key assumptions such as forecast market demand for building products, average selling prices and synergies by: – comparing key assumptions to actual historical data over multiple business cycles; – comparing forecasts of market demand for building products against published analyst views; – performing sensitivity analysis to identify changes in assumptions that may give rise to a reasonably possible change in each of the valuations; – comparing key underlying data in valuation models to Board approved forecasts; and – assessing historical forecasting accuracy as an indication of risk in future forecasts. • using information from the component auditors' valuation specialists to assist the audit team in assessing the valuation approach; • comparing the discounted cash flow methodology and assumptions over discount rates, forecast growth rates and terminal growth rates to industry practice and externally sourced market data; • assessing Boral's determination of CGUs based on our understanding of the JVs businesses. CGUs were compared to the JVs' internal reporting to identify inconsistencies between how results are monitored and CGU identification; • challenging Boral's assessment of impairment indicators at the investment level by considering the impact of decreases in the estimated future cash flows in the individual CGUs as an indication of impairment of Boral's investment balances; and • assessing the competence, capability and objectivity of the external valuer engaged by the USG Boral JV to prepare the valuation models.

Availability and recoverability of US tax loss asset (A$239m)

Refer to note 5.2 of the Financial Report

The Key Audit Matter	***How the matter was addressed in our audit***
The availability and recoverability of the US tax loss asset was a Key Audit Matter due to: • the complexity of US laws and regulations governing the continued availability of tax losses, necessitating involvement of our tax specialists; and • the significant level of judgement required to audit forward looking estimates on Boral's assessment of the future utilisation of tax losses, which are inherently subjective. US tax losses held by Boral have a maximum carry forward period of 20 years before which they must be utilised. On an annual basis, they are subject to the US continuity of ownership test. This is an added complexity to our audit, due to: • the specialised nature of US taxation requirements; • the slower than expected recovery of the US housing market; • the extended period of the forecast utilisation; and • changes to the US tax legislation resulting from H.R. 1 which was enacted on 22 December 2017. Boral's assessment of the recoverability of the US tax loss asset is based on the application of significant judgement to estimate forecast taxable income. In assessing this Key Audit Matter, we involved senior audit team members and our US taxation specialists, who understand Boral's US business, industry and the economic and regulatory environment it operates in.	Our procedures included, amongst others: • obtaining the results of the most recent US continuity of ownership assessment performed by Boral's taxation experts when assessing the tax losses that remain available to be utilised; • assessing the competence, capability and objectivity of Boral's taxation experts who prepared the continuity of ownership assessment; • analysing the forecast timing of utilisation of US tax losses against the timing of forecast future taxable income and considering restrictions on utilisation of the 20 year carry forward period; • using our US taxation specialists, assessing management's analysis of the impact of the US tax reform on the availability and recovery of the US tax loss asset; • challenging Boral's key assumptions such as forecast taxable income by: – comparing key assumptions to historical actual data over multiple business cycles; – comparing key assumptions to Board approved forecasts; and – assessing Boral's prior forecasting accuracy. • performing sensitivity analysis on the key assumptions of forecast taxable income with a range of scenarios.

Other Information

Other Information is financial and non-financial information in Boral Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Boral Limited for the year ended 30 June 2018 complies with *section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 55 to 77 of the Directors' Report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Kevin Leighton
Partner
Sydney, 29 August 2018

Shareholder Information

Boral Limited and Controlled Entities

Shareholder communications

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

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

Hand deliveries to:
Level 12, 680 George Street
Sydney NSW 2000 Australia
Telephone +61 1300 730 644
Facsimile +61 2 9287 0303

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

Internet: www.linkmarketservices.com.au

Email: boral@linkmarketservices.com.au

Online services

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

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

Dividends

The final dividend for FY2018 of 14.0 cents per share is expected to be paid by Boral on 2 October 2018. The dividend will be 50% franked.

Dividend Reinvestment Plan (DRP)

Following payment of the interim dividend on 24 March 2014, Boral's DRP was suspended until further notice. Additional amendments to the terms and conditions of the DRP were notified to shareholders on 24 March 2014. For further information on the suspension and amendments to the DRP, please visit Boral's website. In future, if the DRP is reactivated, it will be notified by way of an ASX announcement.

Dividend payments

Boral has implemented direct credit as the preferred method for the payment of cash dividends, effective from the interim dividend paid on 5 April 2012.

For those shareholders with a registered address in Australia or New Zealand, dividend payments will only be made by direct credit to your nominated bank account (rather than by cheque posted to your registered address). To provide or update your bank account details, please contact the share registry or visit its website at www.linkmarketservices.com.au

For those shareholders without a registered address in Australia or New Zealand, if you wish your dividends to be paid directly to a bank, building society or credit union account in Australia or New Zealand, please contact the share registry or visit its website at www.linkmarketservices.com.au for an application form. The payments are electronically credited on the dividend payment date and confirmed by payment advices mailed to the shareholder's registered address. All instructions received remain in force until amended or cancelled in writing.

Shareholders are also reminded to bank dividend cheques as soon as possible. Dividend cheques that are not banked are required to be handed over to the Chief Commissioner of State Revenue under the *Unclaimed Money Act 1995* (NSW).

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

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

Uncertificated forms of shareholding

Two forms of uncertificated holdings are available to Boral shareholders:

Issuer Sponsored Holdings: This type of holding is sponsored by Boral and provides shareholders with the advantages of uncertificated holdings without the need to be sponsored by any particular stockbroker.

Broker Sponsored Holdings (CHESS): Shareholders may arrange to be sponsored by a stockbroker (or certain other financial institutions) and are required to sign a sponsorship agreement appointing the sponsor as their "controlling participant" for the purposes of CHESS. This type of holding is likely to attract regular stock market traders or those shareholders who have their share portfolio managed by a stockbroker.

Holding statements are issued to shareholders not later than five business days after the end of any month in which transactions alter the balance of a holding. Shareholders requiring replacement holding statements should be directed to their controlling participant.

Shareholders communicating with the share registry should have to hand their Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as it appears on the Issuer Sponsored/CHESS holding statements or dividend advices. For security reasons, shareholders should keep their Securityholder Reference Numbers confidential.

Annual report mailing list

Shareholders (whether Issuer or Broker Sponsored) not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Shareholders are also able to update their preference via the Link Market Services or Boral websites, and can nominate to receive email notification of the release of the Annual Report and then access it via a link. The share registry can provide forms for making annual report delivery elections.

While companies are not required to send annual reports to shareholders other than those who have elected to receive them, any shareholder who has not made an election is sent an easy-to-read summary called the Boral Review.

Change of address

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

Information on Boral

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

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

- February – the interim results announcement for the December half year.
- August – the annual results announcement for the year ended 30 June.
- November – the Annual General Meeting.

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

Group Communications & Investor Relations Director
Boral Limited
PO Box 1228
North Sydney NSW 2059

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

Share trading and price

Boral shares are traded on the Australian Securities Exchange Limited (ASX). The stock code under which they are traded is "BLD" and the details of trading activity are available on the internet and published in most daily newspapers under that abbreviation.

Share sale facility

A means for Issuer Sponsored shareholders, particularly small shareholders, to sell their entire Boral shareholding is to use the share registry's sale facility by contacting Link Market Services' Share Sale Centre on +61 1300 730 644.

American depositary receipts (ADRs)

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

Holders of Boral's ADRs should contact BNY Mellon on all matters relating to their ADR holdings.

By mail:
BNY Mellon Shareowner Services
PO Box 30170
College Station, TX 77842-3170
USA

By telephone:
To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the United States, please call 201-680-6825.

By email:
You may also send an email enquiry to shrrelations@bnymellon.com or visit the website at www.bnymellon.com/shareowner

Share information as at 17 August 2018

Substantial shareholders

The Capital Group of Companies, Inc., by notice of change of interest of substantial holder dated 1 December 2016, advised that it and its associates were entitled to 61,918,012 ordinary shares.

BlackRock Group (BlackRock Inc. and subsidiaries), by notice of initial substantial holder dated 19 April 2017, advised that it and its associates were entitled to 58,721,314 ordinary shares.

The Vanguard Group, Inc., by notice of initial substantial holder dated 1 August 2018, advised that it and its associates were entitled to 58,648,100 ordinary shares.

Shareholder Information

Boral Limited and Controlled Entities

Distribution schedule of shareholders as at 17 August 2018

Size of shareholding	Number of shareholders	% of ordinary shares
(a) in the categories –		
1 to 1,000	24,640	1.05
1,001 to 5,000	32,520	6.85
5,001 to 10,000	7,652	4.70
10,001 to 100,000	4,902	8.93
100,001 and over	181	78.48
	69,895	100.00
(b) holding less than a marketable parcel (76 shares)	1197	30,085

Voting rights – ordinary shares

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

On-market share buy-back

There is no current on-market buy-back of ordinary shares.

Twenty largest shareholders as at 17 August 2018

		Ordinary shares	% of ordinary shares
1	HSBC CUSTODY NOMINEES	339,814,185	28.99
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	255,209,182	21.77
3	CITICORP NOMINEES PTY LIMITED	102,545,305	8.75
4	NATIONAL NOMINEES LIMITED	72,359,888	6.17
5	BNP PARIBAS NOMS PTY LTD	53,789,848	4.59
6	CS THIRD NOMINEES PTY LIMITED	11,630,315	0.99
7	ARGO INVESTMENTS LIMITED	8,585,327	0.73
8	AUSTRALIAN FOUNDATION INVESTMENT	7,843,653	0.67
9	ANZ EXECUTORS & TRUSTEE	4,392,627	0.37
10	EQUITAS NOMINEES PTY LIMITED	3,842,265	0.33
11	PACIFIC CUSTODIANS PTY LIMITED	3,450,902	0.29
12	AMP LIFE LIMITED	3,327,363	0.28
13	BOND STREET CUSTODIANS LIMITED	2,564,854	0.22
14	GWYNVILL INVESTMENTS PTY LTD	2,521,264	0.22
15	EQUITY TRUSTEES LIMITED	2,407,002	0.21
16	INVIA CUSTODIAN PTY LIMITED	2,380,350	0.2
17	BNP PARIBAS NOMINEES PTY LTD	2,108,791	0.18
18	MILTON CORPORATION LIMITED	2,089,293	0.18
19	UBS WEALTH MANAGEMENT AUSTRALIA	1,761,242	0.15
20	UBS NOMINEES PTY LTD	1,719,105	0.15

Financial History

Boral Limited and Controlled Entities

30 June	2018 $m	2017[5] $m	2016 $m	2015 $m	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m	2009 $m
Revenue	**5,869**	4,388	4,311	4,415	5,204	5,286	5,010	4,711	4,599	4,875
Earnings before interest, tax, depreciation and amortisation (EBITDA)[1]	**1,056**	720	645	605	556	519	473	522	505	539
Depreciation and amortisation	**368**	260	247	249	261	291	273	245	253	263
Earnings before interest and tax[1]	**688**	460	398	357	294	228	200	277	252	276
Net interest expense[1]	**(104)**	(51)	(63)	(64)	(83)	(97)	(88)	(64)	(97)	(127)
Profit before tax[1]	**585**	409	335	293	211	130	111	213	155	149
Income tax expense[1]	**(111)**	(67)	(67)	(44)	(37)	(20)	(9)	(40)	(22)	(17)
Non-controlling interests	**-**	-	-	-	(3)	(6)	(1)	2	(1)	-
Profit after tax[1]	**473**	343	268	249	171	104	101	175	132	131
Significant items – net of tax	**(32)**	(46)	(12)	8	2	(316)	75	(8)	(222)	11
Net profit/(loss) attributable to members of Boral Limited	**441**	297	256	257	173	(212)	177	168	(91)	142
Total assets	**9,510**	9,381	5,801	5,865	5,559	6,316	6,499	5,668	5,209	5,491
Total liabilities	**3,780**	3,940	2,294	2,341	2,211	2,923	3,096	2,512	2,583	2,738
Net assets/shareholders' funds	**5,731**	5,441	3,506	3,524	3,348	3,394	3,403	3,156	2,626	2,754
Net debt	**2,453**	2,333	893	817	718	1,446	1,518	505	1,183	1,514
Funds employed	**8,183**	7,774	4,399	4,341	4,066	4,840	4,921	3,662	3,809	4,268
Dividends paid or declared	**311**	281	167	139	117	85	82	105	88	77
Statistics										
Dividend per ordinary share	**26.5c**	24.0c	22.5c	18.0c	15.0c	11.0c	11.0c	14.5c	13.5c	13.0c
Dividend payout ratio[1]	**66%**	82%	62%	56%	68%	81%	81%	60%	67%	59%
Dividend cover[1]	**1.5**	1.2	1.6	1.8	1.5	1.2	1.2	1.7	1.5	1.7
Earnings per ordinary share[1]	**40.4c**	33.7c	35.8c	31.9c	22.0c	13.6c	13.6c	24.4c	22.1c	22.2c
Earnings per ordinary share[1,2]	**40.4c**	33.7c	33.3c	29.7c	20.5c	12.7c	12.7c	22.7c	20.5c	20.7c
Return on equity[1]	**8.3%**	6.3%	7.6%	7.1%	5.1%	3.2%	3.0%	5.6%	5.0%	4.8%
EBIT to sales[1]	**11.7%**	10.5%	9.2%	8.1%	5.7%	4.3%	4.0%	5.9%	5.5%	5.7%
EBIT to funds employed[1,3]	**8.4%**	9.2%	9.0%	8.2%	7.2%	4.7%	4.1%	7.6%	6.6%	6.5%
ROFE[4] (EBIT to average funds employed)[1]	**8.6%**	7.6%	9.1%	8.5%	6.6%	4.7%	4.7%	7.4%	6.2%	6.3%
Net interest cover (times)[1]	**6.6**	9.1	6.3	5.6	3.5	2.3	2.3	4.4	2.6	2.2
Gearing (net debt to equity)	**43%**	43%	25%	23%	21%	43%	45%	16%	45%	55%
Gearing (net debt to net debt plus equity)	**30%**	30%	20%	19%	18%	30%	31%	14%	31%	35%
Net tangible asset backing per share	**$1.99**	$1.79	$4.40	$4.31	$4.03	$3.17	$3.31	$3.91	$3.92	$4.12

1. Excludes significant items.
2. Adjusted to reflect the bonus element in the renounceable entitlement offer which occurred during November and December 2016.
3. Return on funds employed (ROFE) calculated as EBIT (before significant items) on funds employed at 30 June, except for FY2017 ROFE which is based on average monthly funds employed due to the impact of Headwaters only contributing eight weeks of EBIT in FY2017 but funds employed increasing fully at 30 June 2017. Based on year end funds employed, ROFE for FY2017 would be reported as 5.9%.
4. Refer to the Remuneration Report for a discussion of how ROFE is used as an additional performance hurdle under the Company's long-term incentive plan.
5. Restated. Refer note 6.3 of the FY2018 Financial Report for further details.

Results have been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS).

Figures may not add due to rounding.

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BORAL LIMITED
ABN 13 008 421 761

Level 3, 40 Mount Street, North Sydney NSW 2060
PO Box 1228, North Sydney NSW 2059

Telephone: +61 2 9220 6300
Internet: www.boral.com
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