

Directors' Report

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

(1) Review of operations

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

(2) State of affairs

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

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

(3) Principal activities and changes

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

(4) Events after end of financial year

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

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

(5) Future developments and results

Other than matters referred to under the heading "Outlook" in the Managing Director's Review on page 7 of the Annual Review, the Directors have no comments to make on likely developments in Boral's operations in future financial years and the expected results of those operations.

(6) Environmental performance

Details of Boral's performance in relation to environmental regulation are set out under Environment on pages 18 to 23 of the Sustainability Report (which is a supplement to the Annual Review).

(7) Other information

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

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

(8) Dividends paid or resolved to be paid

Dividends paid to members during the year were:

	Total dividend \$ million
The final dividend of 17 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year ended 30 June 2008 was paid on 18 September 2008	99.6
The interim dividend of 7.5 cents per ordinary share (fully franked at the 30% corporate tax rate) for the year was paid on 3 April 2009	44.0

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

(9) Names of Directors

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

Elizabeth A Alexander	Kenneth J Moss
J Brian Clark	Rodney T Pearse
E John Cloney	Paul A Rayner
Robert L Every	J Roland Williams
Richard A Longes	

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

(10) Options

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

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

The options referred to above were held by 169 persons.

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

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

(11) Indemnities and insurance for officers and auditors

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

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

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

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

Each Director's qualifications, experience and special responsibilities are set out on page 30 of the Annual Review.

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

Brian Clark

AMP Limited from January 2008 (current)

John Cloney

QBE Insurance Group Limited from 1981 (current)

Bob Every

Iluka Resources Limited from March 2004 (current)

Sims Group Limited from October 2005 to November 2007

Wesfarmers Limited from February 2006 (current)

Richard Longes

Austbrokers Holdings Limited from November 2005 (current)

Metcash Limited from April 2005 (current)

Viridis Investment Management Limited from September 2005 to August 2007

Ken Moss

Adsteam Marine Limited from 2001 to March 2007

Centennial Coal Limited from 2000 (current)

GPT RE Limited from June 2005 (current)

Macquarie Capital Alliance Group (being Macquarie Capital

Alliance Limited, Macquarie Capital Alliance Management Limited and Macquarie Capital Alliance Bermuda Limited) from March 2005 to September 2008

Paul Rayner

British American Tobacco plc from January 2002 to April 2008

Centrica plc from September 2004 (current)

Qantas Airways Limited from 2008 (current)

Rodney Pearse

Nil

Roland Williams

Origin Energy Limited from 2000 (current)

(13) Meetings of Directors

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

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

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

(14) Company Secretary

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

(15) Directors' shareholdings

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

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

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

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

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

a Shares in the Company allocated to the Director's account in the Non-Executive Directors' Share Plan. Directors will only be entitled to a transfer of the shares in accordance with the terms and conditions of the Plan. Details of the shares allocated to non-executive Directors during the financial year are set out below:

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

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

b Options and SARs held by Mr Pearse are:

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

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

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

(16) No officers are former auditors

No officer of the Company has been a partner in an audit firm, or a director of an audit company, that is an auditor of the Company during the year or was such a partner or director at a time when the audit firm or the audit company undertook an audit of the Company.

(17) Non-audit services

Amounts paid or payable to Boral's auditor, KPMG, for non-audit services provided during the year by KPMG totalled \$420,000. These services consisted of:

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

Fees for audit and audit related services during the year totalled \$1,969,000. In accordance with advice from the Company's Audit Committee, Directors are satisfied that the provision of the above non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Also in accordance with advice from the Audit Committee, Directors are satisfied that the provision of those non-audit services, during the year, by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* because:

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

(18) Auditor's Independence Declaration

The auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 42 of the Annual Review and forms part of this report.

(19) Remuneration Report

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

(20) Proceedings on behalf of the Company

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



(21) Rounding of Amounts

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

Signed in accordance with a resolution of the Directors.

Kenneth J Moss, DIRECTOR

Rodney T Pearse, DIRECTOR
Sydney, 11 September 2009

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

To: The Directors of Boral Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Rogers, PARTNER
Sydney, 11 September 2009