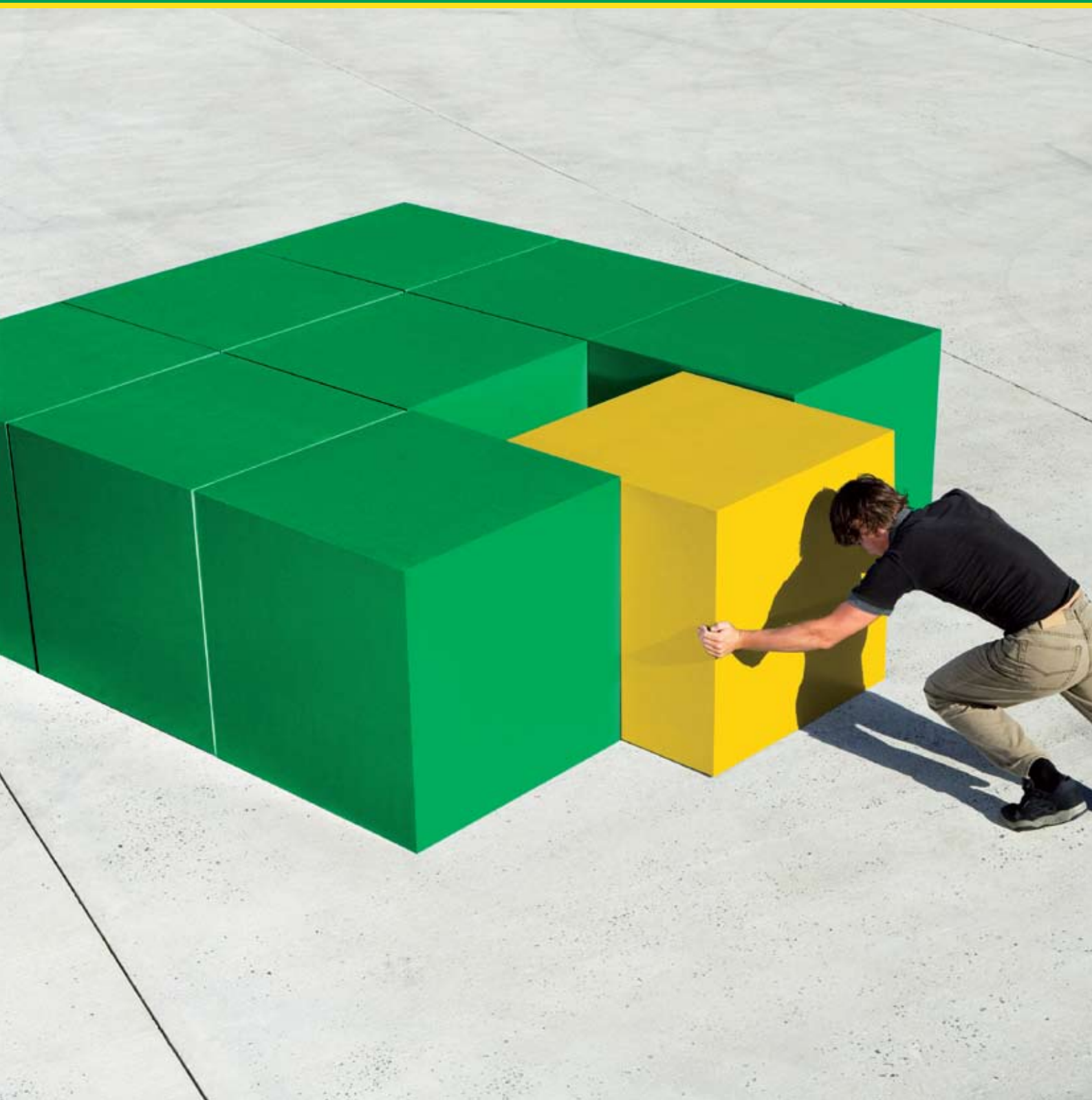


## LAYING THE FOUNDATIONS



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# BORAL LIMITED

Boral Limited is an international building and construction materials group, headquartered in Sydney, Australia. With leading market positions, Boral's core businesses are Cement and Construction Materials in Australia; Plasterboard in Australia and Asia; and Bricks, Roof Tiles and Masonry in Australia and the USA.

#### **Boral Limited**

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#### **Stock Exchange Listing**

Australian Securities Exchange

#### **Share Registry**

c/- Link Market Services  
Level 12  
680 George Street, Sydney NSW 2000  
Locked Bag A14,  
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Telephone: (02) 8280 7133  
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# FINANCIAL HIGHLIGHTS

## 2010

- Profit after tax before significant items of \$132 million
- Building Products earnings up 90% year-on-year
- Cash flow from operations up 10% to \$459 million
- Acquisition of remaining 50% share of MonierLifetile in the USA
- Announced the disposal of loss making non-core Scaffolding and Precast Panels businesses
- Successful completion of \$490 million gross capital raising to fund growth aspirations and strengthen balance sheet
- Increased final dividend of 6.5 cents versus 5.5 cents in the prior year and took the full year dividend to 13.5 cents
- \$285 million impairment of under-performing and obsolete assets



Revenue <b>\$4,599m</b> Down 6%	EBIT* <b>\$252m</b> Down 9%	Profit after tax* <b>\$132m</b> Steady	Earnings Per Share* <b>22.1c</b> Steady	Full year dividend <b>13.5c</b> Up 4%
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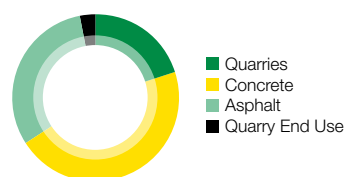
# GROUP OVERVIEW

## CONSTRUCTION MATERIALS

### Core business

Boral Construction Materials is an integrated business supplying quarry materials, concrete and asphalt. BCM also operates a Quarry End Use business and an integrated transport business.

Share of revenue



### Main markets

Almost 50% of BCM's business is undertaken in the Australian engineering and infrastructure segments, more specifically roads, highways, bridges and sub-divisions. BCM's remaining revenues derive from the Australian dwellings and non-dwelling building segments.

### Achievements of the year

BCM successfully supplied several large infrastructure projects with record profits from the Asphalt business during the year. Strong cost and price disciplines resulted in improved margins despite an overall volume decline. Rebuilding of the Artarmon concrete plant was completed on time and on budget.

### Strategic priorities

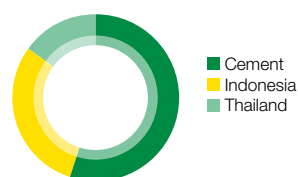
Margin growth through price discipline and LEAN program efficiency gains. Investment of around \$200m in the Peppertree quarry near Marulan to underpin Boral's leading position in the Sydney aggregates market.

## CEMENT

### Core business

Boral's Cement division is a leading supplier of cement, lime and fly ash in Australia and of concrete, quarry and pipe products in Indonesia and Thailand.

Share of revenue



### Main markets

More than half of Cement division revenues are derived from the Australian dwellings, non-dwellings and infrastructure markets. The remaining part of the business is reliant on construction materials markets in Indonesia and Thailand.

### Achievements of the year

During the year, full year revenue was slightly above last year reflecting improved market conditions in Thailand and Indonesia offsetting lower construction activity in Australia, particularly in Queensland. EBIT was down reflecting a \$14m once off cost to reduce inventories and higher energy costs.

### Strategic priorities

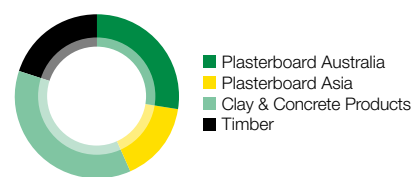
Priorities are to maximise the potential of the Asian Construction Materials businesses, and to complete the rebranding of Blue Circle Southern Cement in Australia. The division will strengthen the business through LEAN manufacturing initiatives and innovative product development.

## BUILDING PRODUCTS

### Core business

Boral Building Products is a leading supplier in bricks, roofing and masonry products, plasterboard and timber in Australia and in plasterboard in Asia through a 50% owned JV, LBGA.

Share of revenue



### Main markets

Building Products division relies primarily on new home construction in Australia including multi-residential and detached housing including alterations and additions. In Asia, Plasterboard is sold into the dwelling and non-dwelling markets in nine countries in South East Asia.

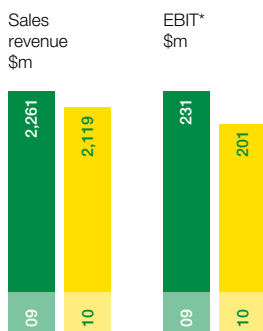
### Achievements of the year

Building Products benefitted from improved residential construction, the government stimulus work and strong operational performance. The Queensland plasterboard plant performed strongly, and the new masonry plant in Perth is substantially complete. LBGA started new production lines at Baoshan (China) and Saraburi (Thailand).

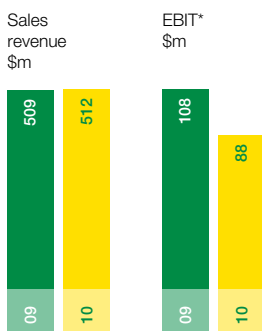
### Strategic priorities

Focus is on completing the implementation of a new streamlined organisation structure and maximising the potential of all businesses, particularly Timber. Investment priorities include the \$44m masonry plant in Western Australia and an \$80m upgrade of Boral's Plasterboard facility in Victoria.

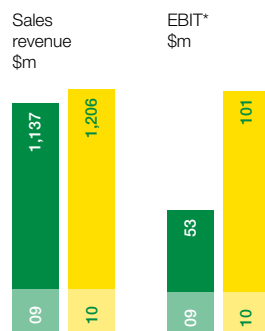
## Construction Materials Revenue & Earnings



## Cement Revenue & Earnings



## Building Products Revenue & Earnings



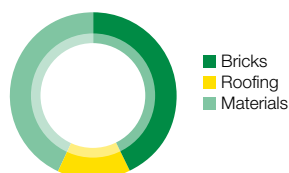
\*Before significant items

## USA

### Core business

Boral today enjoys the number one position in bricks, and leading positions in clay and concrete roof tiles, and in construction materials in Oklahoma and Colorado.

Share of revenue



### Main markets

Two-thirds of US related revenues are derived from the residential building market with the remainder attributable to the commercial markets and infrastructure construction activity.

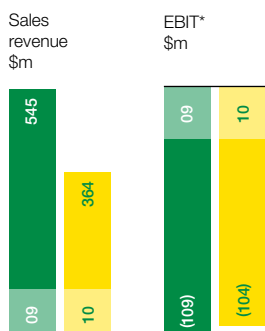
### Achievements of the year

Despite challenging markets with further volume declines, the performance of Bricks and Roof Tiles improved on the prior year as cost reduction initiatives took effect. The remaining 50% of the Concrete Roof Tile joint venture, MonierLifetile, was acquired for US\$75m.

### Strategic priorities

Boral will continue to invest in the US business in preparation for market recovery and growth. Concrete Roof Tiles and Clay Roof Tiles are being consolidated to form Boral Roofing to deliver benefits from a one Boral strategy. Maximising the potential of US Construction Materials and Fly Ash is a strategic priority.

## USA Revenue & Earnings

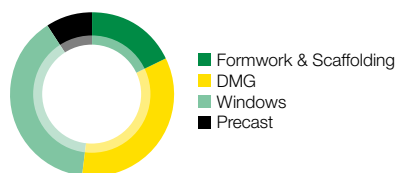


## OTHER BUSINESSES

### Core business

Following divestments of precast panels and Boral Formwork & Scaffolding, Boral's other businesses consist of Dowell Windows and DeMartin & Gasparini (DMG) concrete placing.

Share of revenue



### Main markets

The Dowell windows business is made up of 14 fabrication operations servicing the Australian housing market. DMG largely services Sydney's non-residential construction market.

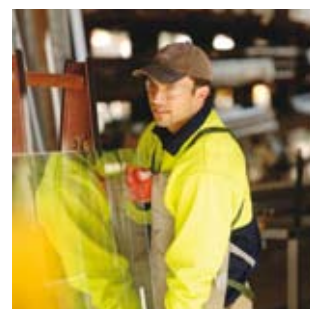
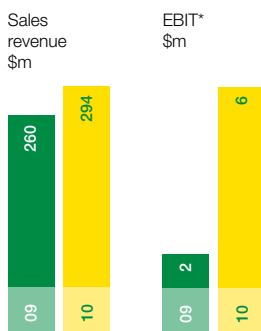
### Achievements of the year

Revenue was 13% above last year with Windows revenue and profits up due to stronger residential housing and improvement initiatives. In DMG, revenue and profitability increased due to large contracts which were completed in the first half, offsetting lower activity in the second half.

### Strategic priorities

Key priorities are to position the Concrete Placing business to benefit from a recovery in commercial construction activity in New South Wales. Maximising the potential of the Windows business and delivering the successful commercialisation of a new range of energy conserving window designs is a key Windows priority.

## Other Businesses Revenue & Earnings



# BUILDING SOMETHING GREAT

## CHAIRMAN'S REVIEW 2010



Boral Limited has made good progress during FY2010 which is particularly pleasing given the difficult economic and market conditions experienced throughout the year. We have developed our strategy to focus on improving the productivity of our existing operations, developing best in class products and concentrating on those markets where we can establish leading positions. From this we go forward with confidence, focusing our efforts at the markets where we see excellent prospects for growth.

FY2010 was a year of major change for the Group, with a new management structure and strategy tied to transforming Boral's business portfolio to highly focused, leadership driven divisions.

### Overview

As this is my first statement since becoming Chairman, I would like to begin by saying how delighted I am to have taken up the Chairman's role at a very exciting stage of Boral's development.

Since Mark Selway's appointment as Chief Executive in January 2010, the Group has undergone significant changes. The businesses have been reorganised into five divisions and the planned divestment of two non-core businesses has been announced. Productivity improvements are being implemented in all areas which, despite difficult external conditions,

will underpin year on year progress for the Group.

Since my appointment, I have visited many of the Group's key operations, and am pleased to report that there is a great deal of enthusiasm for our program to revitalise our business portfolio and capitalise on the manufacturing and sales streams of the Group.

### Financial performance

Profit after tax, excluding significant items, was similar to last year at \$132m (\$131m in 2009) despite a 6% reduction on Group turnover to \$4.6b (\$4.9b in 2009). Earnings Per Share amounted to 22.1c (22.2c in 2009).

There were several separate items with a pre-tax cost totalling A\$285m which were classified as significant in FY2010. Charges of A\$93m arose from the write down of

## FY2010 Key Announcements

### 16 September 2009

The Board appoints Mr Mark Selway as the next CEO of Boral Limited, effective 1 January 2010. Mr Selway has been the Chief Executive of the Weir Group PLC, and has an impressive international career and a strong track record of world-class manufacturing, and growth through innovation and geographic expansion.

### 31 December 2009

Mr Rod Pearse retires after ten years as Boral's Managing Director and CEO and after 15 years with Boral. "I thank Rod for his outstanding contribution to Boral and for his extraordinary commitment to the Group, its employees and shareholders," said Boral's Chairman Dr Ken Moss.

### 08 February 2010

Boral appoints Andrew Poulter as Chief Financial Officer to replace Ken Barton who leaves Boral at the end of February. Andrew joins Boral on 1 May following a successful career with Adelaide Brighton Limited since 2003, and senior finance roles with Lafarge and Blue Circle Cement in the UK.

### 10 February 2010

Boral announces a net profit after tax for the six months to 31 December 2009 of \$68m, a 9% decline on the prior year in a market environment described by the Company as challenging. Boral expects its full year profit to be broadly in line with current consensus.

the carrying values of several loss making, non-core businesses and \$178m in asset write downs related to underutilised and obsolete assets in Australia and the United States. A further \$14m was provided for in the Group's ongoing restructuring activities.

Cash generation was excellent with cash flow from operations of \$459m, 10% higher than the previous year, including a \$44m reduction in working capital. The year ended with a net debt position of \$1.2b, showing a \$331m improvement from the previous year (net debt \$1.5b in FY2009).

Revenue from continuing operations was 5% down at A\$4.5b (A\$4.7b in FY2009). Underlying earnings from continuing operations (before significant items), however, showed a 7% increase to \$145m (\$135m in FY2009).

The Board is recommending a final dividend of 6.5c per share making a total distribution for the year of 13.5c (13c in FY2009).

### Strategy and structure

While still at its early stages, our program of operational and strategic change is making sound progress. The initial benchmarking from our LEAN manufacturing and sales and marketing excellence programs validates our belief that operational improvements provide the best short term opportunity to deliver margin, earnings and cash flow improvement in the face of uncertain market conditions.

In July, we announced a capital raising of approximately \$490 million to strengthen Boral's balance sheet and to support future capital investments and growth. Growth investments include the strategic acquisition of the remaining 50% of Boral's US concrete roof tile business, MonierLifetile. In August, the Group successfully concluded the one for five entitlement offer with 92% take-up from institutional investors and a 40% participation rate from retail investors. This level of take-up was in line with recent market precedents and given the challenging market conditions

experienced during the offer period, it reflects a positive endorsement of Boral's new strategy.

After the financial year end, in August, we announced the planned divestments of non-core Panels and Scaffolding businesses. These actions improve significantly the focus of the Group and release both financial and management resources to facilitate progress in the operational and strategic development of the business.

The key management focus for FY2011 is to ensure that the operational changes we have initiated are successfully implemented to yield their full potential. At the same time we will continue to invest in new products and in growth sectors of our business.

While the Group's operating strategies provide good prospects for profitable growth, our strong cash generation and improved balance sheet also give us the leverage to create further growth through business development and acquisitions. Shareholders can be confident that our financial strength will not be compromised by any high risk or speculative business development activity.

### The Board

Rod Pearse retired at the end of December 2009 after 10 years as CEO of Boral. I take this opportunity to once again thank Rod for his outstanding contribution and his extraordinary commitment to the Group, its employees and shareholders.

Dr Ken Moss retired from the Board on 30 May 2010 after almost 11 years with the Group, 10 years as Chairman. His personal dedication, professional experience and insight during his long association with the Group have been invaluable.

Roland Williams who has been a non-executive Director since 1999 has indicated his intention not to seek re-election at the Annual General Meeting in November 2010. His wise and helpful counsel during his time in office has been of immense value to the Group. I would like to personally thank Ken and Roland for their contributions.

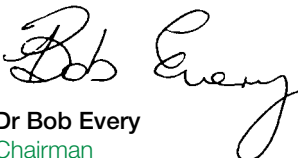
On 1 December 2009, John Marlay was appointed as non-executive Director. Mr Marlay has had a distinguished career in the building and construction materials sector including his role as CEO of Alumina Limited and senior roles with Hanson plc in the UK, Pioneer International in the UK and Australia and James Hardie Industries in Australia.

On 15 March 2010, Dr Eileen Doyle joined the Board as a non-executive Director. Dr Doyle has had a distinguished career in the materials and water industries in Australia including her role as CEO of CSR's Panels division, various senior roles with BHP Limited and four years with Hunter Water with responsibility for planning and policy development.

On 15 September 2010, Catherine Brenner will join the Board as a non-executive Director. Ms Brenner's career has included working as a solicitor followed by ten years at ABN Amro where she was Managing Director, Investment Banking.

### People

On behalf of the Board, I want to thank the executive and our 14,800 employees around the world for their commitment, tireless energy and focus in what has been a tough year. I ask every employee to show belief in our potential and to recognise it is up to us to deliver as we embark upon our new strategic direction. I am convinced that Boral has the right direction, structure and depth of management expertise to deliver improving returns to shareholders.



**Dr Bob Every**  
Chairman

### 31 May 2010

Boral confirms that after 10 years in the role Dr Ken Moss is retiring as Boral's Chairman of the Board and Dr Bob Every assumes the role with effect from 1 June 2010. Dr Every thanks Ken Moss for the great contribution he has made as Boral's Chairman.

### 06 July 2010

Boral announces the completion of a comprehensive strategic review of Boral's business portfolio, operations and structures, together with the MonierLifetile acquisition, a capital raising of approximately \$490m to finance growth and to strengthen the balance sheet, and \$289m of impairments.

### 04 and 17 August 2010

On 4 August Boral announces the sale of Precast Panels to Brickworks Ltd for \$15m and on 17 August Boral announces the sale of Formwork & Scaffolding to Anchorage Capital for \$35m. These divestments are in line with Boral's strategy to focus investments where Boral has or is establishing a leading market position.

### 06 August 2010

Boral successfully completes its retail entitlement offer with a Retail Bookbuild price of \$4.25 per share versus the underwritten issue price of \$4.10. Retail shareholders subscribed with a participation rate of ~40%. The Institutional Entitlement Offer is successfully completed on 8 July 2010, raising ~A\$280m with 92% participation rate.

# BUILDING SOMETHING GREAT

## CHIEF EXECUTIVE REVIEW 2010

### Group Executive (pictured)

From left to right: Mike Beardsell (Boral Cement), Murray Read (Boral Construction Materials), Ross Batstone (Boral Building Products), Mark Selway (Chief Executive), Mike Kane (Boral USA), Warren Davison (Other Businesses).



In 2010 the Group executive engaged the entire organisation in the Company's mission to put in place decisive actions designed to deliver excellent operational performance. We remain absolutely convinced that in doing so we will unlock our potential to deliver best in sector customer satisfaction and financial returns in the medium term.

Profit after tax\*

**\$132m**

Steady

Cash flow from operations

**\$459m**

Up 10%

During 2010 we undertook a critical review of every element of our business and validated our fundamental belief that delivering operational excellence provides the basis for improving margins, earnings and cash flow. From this work and the strategic outcomes we go forward with confidence, while focusing our efforts at the markets where we see excellent prospects for growth.

I am pleased with the Group's progress during FY2010 especially in light of the difficult economic and market conditions we faced during the year. I attribute much of our success to the actions initiated by our management team to improve productivity of our existing operations and focus our efforts at those markets where Boral has a realistic ambition to lead.

In the year ahead all of our businesses will be managed robustly with expectations that we press ahead with decisive actions to improve competitiveness and shareholder returns. The strategic changes required to deliver sector best performance are expected to make sound progress during the year.

\*Before significant items



I want to recognise the contribution of our employees at all levels. I am grateful for their tremendous enthusiasm and outstanding contribution during the year. We have worked hard to improve our processes and manage our costs in the face of an uncertain global economic outlook.

### **FY2010 divisional performance report**

In July of 2010 we reorganised the business into five core divisions to better reflect their composition and the markets in which we compete.

Full year revenue from Construction Materials was \$2.1b, down 6% (FY2009: \$2.3b) due to ongoing softness in the commercial construction sector. EBIT at \$201m was 13% below prior year (FY2009: \$231m) due to lower sales volumes and \$15m lower earnings from Quarry End Use. This was partially offset by sustained levels of infrastructure activity in our higher margin markets in the first half of the year.

Our strongest performance in FY2010 came from our Building Products division where our leading product offerings and geographic diversity produced earnings, profit and cash flow improvements when compared with the prior year. Revenue from Building Products of \$1.2b was up 6% (FY2009: \$1.1b), with growth in Plasterboard, Timber and Clay & Concrete Products. EBIT of \$101m was 90% above the prior year (FY2009: \$53m) reflecting strong performances from the Australian and Asian Plasterboard businesses combined with improved operational performance and housing related growth in our Clay & Concrete and Timber businesses.

Cement revenue at \$512m was 1% above the same period last year (FY2009: \$509m) reflecting improved results in Asia offset by lower sales volumes in the Australian non-dwelling sector. EBIT at \$88m was \$20m below last year (FY2009: \$108m) and included a significantly improved Asian performance offset by energy cost increases and the impact of lower Australian cement production as part of a planned strategy to reduce clinker inventories.

The USA operations reported revenue of A\$364m, 33% below last year (FY2009: A\$545m) and reflected continued deterioration in housing starts and construction related activity, and the strengthening of the Australian dollar during the year. At the EBIT level, the USA reported a loss of A\$104m against a A\$109m loss last year.

As previously predicted our USA division continued to experience a tough trading environment with housing starts and commercial construction lagging significantly below historic averages. Mike Kane the new CEO of the US businesses has settled in well and has a well developed plan to capitalise on our excellent market positions and leverage our earnings as the market recovers.

Revenue from the remaining Construction Related Businesses, which now includes only Dowell Windows and De Martin & Gasparini, at \$294m was up 13% (FY2009: \$260m) due to improved trading in the residential sector. EBIT at \$6m compared to \$2m in the prior year. The Windows businesses made excellent progress in the year and improved profits and sales, while De Martin & Gasparini performed well in an environment of lower commercial project work.

### **Pursuing our Building Something Great strategy**

We are now actively engaged in developing those businesses which provide the strongest prospects for the future. In 2010 the Group executive engaged the entire organisation in the Company's mission to put in place decisive actions designed to deliver excellent operational performance. We remain absolutely convinced that in doing so we will unlock our potential to deliver best in sector customer satisfaction and financial returns in the medium term.



**Boral has invested US\$75 million to acquire the remaining 50% of its concrete roof tile business, MonierLifetile, the market leader in concrete roof tiles. The acquisition allows Boral Roofing to strengthen its roofing portfolio and pursue its strategy of becoming a significant player in the high end roofing market. The MonierLifetile acquisition represents excellent value for Boral in a market that has been hit hard by the housing downturn but which we expect will recover over the next two to three years. The investment highlights Boral's commitment to our US business for the long term.**

Building Something Great  
Chief Executive Review 2010  
Continued



Boral is investing A\$80 million in its Australian plasterboard business to build a new state-of-the-art manufacturing and distribution facility at its Port Melbourne site in Victoria. The project includes a new energy efficient drier incorporated into a refurbished board line which will lift annual capacity by over 40% to around 30 million m<sup>2</sup>. A new gypsum receiving system to take gypsum directly from ships into the site will eliminate truck movements and reduce costs and an upgraded plaster production facility will incorporate new recycling plant to process on-site waste. The upgrade to Boral's ageing Port Melbourne facility, which is expected to be completed by June 2012, follows the successful construction of Boral's new Queensland plasterboard facility in mid-2008 (pictured above).

#### Operational excellence

The Group objective for operational excellence underpins our philosophy that meeting and exceeding our customer expectations will play a pivotal role in our earnings growth going forward.

In 2010 we commenced the implementation of the Boral Production System which is a structured process, underpinned with Company-wide training, and which is already beginning to deliver a leaner business culture across all of our operations irrespective of product or geographic diversity.

#### Developing our product portfolio

All of Boral's divisions are now completing their plans to develop more focused product portfolios aimed at the most attractive markets. The first range of new products will be launched in 2011 and a commitment has been made to further investments in research and development for the coming year.

I am confident that the technical and intellectual talent already in place at Boral, coupled with a deliberate and systematic approach to innovation, will enhance the Group's competitive positioning in the near term.

#### Sales and marketing excellence

An essential building block in the Group's future strategy is our ambition to meet and exceed customer expectations, which we are confident will play a direct role in the Group's earnings growth. We have engaged the entire organisation in the implementation of the sales and marketing excellence initiative which is a structured process geared to delivering a leaner and more customer focused organisation. Today, our best sales and marketing teams deliver industry leading performance and every business in the Group has well defined plans to maximise their customer performance. We remain absolutely convinced that these developments will continue to unlock our full potential for increased customer satisfaction and improving financial returns.

#### Leadership

During the year ahead we will continue to strengthen our management team and focus increased resources at developing our leadership talents. Personal development programs are being enhanced to identify our high potential employees and a new and intensive executive leadership training program is being developed to provide the platform to cultivate our next generation of leaders. Employee appraisal, career development and succession planning will form an important component of the executive calendar.

There is an integral link between the strategic steps we are taking now and our strategies for future growth. Excellent operational performance, outstanding customer service and increased investment in highly competitive products will deliver organic growth, provide the leverage to target acquisitions, and give Boral the position to form strong collaborative relationships with our partners, customers and suppliers.

### Prospects

As we move forward into the new financial year, we will continue to focus the entire group on delivering sector leading performance and rolling out best practice processes across the Group, and with this backdrop we are ideally placed to accelerate growth, both organically and by acquisition.

Structurally the Group has benefited from the disposal of a number of non-core businesses. This rationalisation provides a clearer vision of the massive potential for organic growth and inter-divisional collaboration within our core markets and sectors.

We are working to develop mutually beneficial strategic alliances and partnerships with businesses where we see opportunities to combine our respective skills to the benefit of our customers and shareholders. I am excited at the prospects for increased collaboration in our future growth endeavours.

While the uncertain economic climate and the dire state of the US housing market will continue to have an impact on short term profitability, Boral remains well positioned to succeed even in these difficult market conditions and the clear, decisive actions taken this year will have created a strong platform to accelerate growth and earnings in the future.

In July 2010 the Group announced the acquisition of the remaining share of MonierLifetile for a total consideration of US\$75m.

Looking further ahead we intend to focus the Group's available funding on those markets and geographies that offer superior growth potential and financial return. Our businesses hold commanding positions in our core Australian markets and have excellent foundations in the US and higher growth regions of Asia. All these geographies provide potential for future growth.



**Boral Construction Materials is considering a potential investment of around A\$200 million in a new hard rock quarry at Marulan South, known as Peppertree Quarry, along with a proposed new rail terminal in south-west Sydney. The investment in Peppertree Quarry would enable the Group to further strengthen its leading position in the Sydney market by providing a cost competitive and secure supply of high quality material for the next 50 years.**




**Mark Selway**  
Chief Executive

# THE BUILDING BLOCKS OF GROWTH



## 1. LAYING THE FOUNDATIONS

Review and respond, creating a strong platform for growth

We have conducted a detailed review of the market and Boral's position in it, to identify market attractiveness and Boral's ability to compete. Our objective is to operate at sector best performance. The long term core businesses and geographies have been identified and these are Cement and Construction Materials in Australia; Plasterboard in Australia and Asia; and Bricks, Roof Tiles and Masonry in Australia and the USA. Several non-core businesses have potential for value uplift from self-help initiatives and a number of under-performing assets may have more appropriate natural owners who can derive greater value from these businesses than Boral. A 'one Boral' approach has been adopted with a simplified organisational structure and streamlined processes.

Boral's new strategic growth platform has now been defined. We have laid the foundations and are putting the building blocks in place so that together we can work towards Building Something Great for our shareholders, our customers, our employees and our communities.

## 2. REINFORCING THE CORE

Focus and improve assets where Boral can be market leader

We are implementing structured programs of operational excellence, sales and marketing excellence and increased innovation to maximise the potential across the Group. LEAN principles are being applied to 'one Boral' with a Group-wide focus on superior manufacturing performance, reducing working capital, minimising waste and improving plant utilisation. Our ambition is to more effectively leverage our scale, distribution networks and geographic positions to improve sales and marketing performance across divisions. We are focused on improving inter-divisional cooperation to benefit the Group as a whole. We will increase investment in research and development to bring new innovative products to market.

## 3. INVESTING FOR GROWTH

Expand and invest, through acquisition and innovation worldwide

Our future investments will focus on markets with higher returns and where Boral has the potential to lead and grow. The strategic review confirmed market attractiveness and potential for Boral Construction Materials in Australia and we have highlighted a potential investment of around \$200m over three years in the Peppertree hard rock quarry to secure Boral's leading quarry position in the New South Wales market. We also intend to invest \$80m in upgrading the Melbourne Plasterboard plant to expand capabilities in the southern states of Australia. In the USA, we are committed to further growth and invested US\$75m to acquire the remaining 50% share of MonierLifetile.

## 4. SECTOR BEST PERFORMANCE

Realising sector best performance and market leading returns

We have started the journey to sector best performance. Our goal is to move all of our core businesses to be 'best in class' with leading market positions and returns. We are working towards superior through-the-cycle returns which will be an ongoing process over the next few years, underpinned by regular performance assessments to identify best practice standards and to bring all businesses in the Group to the highest standard in the sector. While areas of best practice are now evident throughout the Group, there is significant potential to improve the performance of Boral's businesses.



## REINFORCING THE CORE OPERATIONAL EXCELLENCE BORAL PRODUCTION SYSTEM

By continuously improving the Group's operations and manufacturing activities we have ambitions to be the best in the market at what we do. We intend to improve working capital through just-in-time principles, and reduce waste while improving plant utilisation and the flow of production.

All of Boral's divisions are actively implementing the Boral Production System, which is based on the principles of 'LEAN Manufacturing'. During the year, Boral's LEAN champions audited nearly 100 sites to conduct baseline assessments against which improvement targets have been set and performance is being monitored. Performance is assessed against 10 critical characteristics of Lean, including: housekeeping, continuous improvement, quick changeover capability, productive maintenance, material control and level production. The initial assessments have allowed Boral's businesses to identify common problems and issues and have confirmed that there are significant opportunities for improvement.

The review process has also identified internal 'best practice', encouraging all our businesses to strive towards a similar level of performance.

### Objectives

- Operational excellence delivers improved results and better safety outcomes.
- Safety performance improves through better housekeeping, improved workflow and standardised operating procedures.
- Production wastes reduce, with improved environment and lower costs.
- Working capital reduces to align inventories to market demand.
- Plant capacity opens up through improved utilisation without adding new capital.



## SALES AND MARKETING EXCELLENCE

Excellence in sales and marketing is an essential building block to the Group's ambition of delivering sector best returns. As 'one Boral' we are working to improve collaboration between sales teams across the businesses and strengthen our sales and marketing effectiveness capabilities.

### Audit

Following a pilot study in Queensland, an assessment of the Group's sales effectiveness was completed with performance benchmarked against seven areas of performance: strategic marketing, customer and product mix, pricing, account management, sales force effectiveness, customer-back innovation, and channel management.

### Improvements

The benchmark studies confirm significant potential exists for margin and customer service improvements across the Group. The Group is rolling out a structured sales and marketing program to deliver a sustained improvement in capabilities and performance, which will involve every sales and marketing professional across Boral.

### Maximise potential

We identified opportunities and are developing processes to maximise potential for logistics and distribution efficiencies across all of Boral. Sales opportunities will be more easily leveraged across Boral's product portfolio to maximise value for our customers and for Boral.

### Leverage

Boral is one of the most recognised brands in the industry and is a household name in Australia. We are working hard to leverage the Boral brand across the entire Group and maximising the potential for cross selling integrated solutions by better serving customers with a 'one Boral' approach.



## INNOVATION

To support our growth objective the Group is embarking on an exciting program to create a culture of innovation. We are developing processes and allocating resources to add dynamism to our research activities and will invest in product development to commercialise successful innovations faster.

Boral is well positioned to deliver new products to market; we interact with retailers, home builders, contractors and commercial builders. We have a proven ability to deliver innovative product solutions, but we have been too slow at doing this. We plan to increase funding for research and to develop more dynamism in delivering great new products to market. We intend to capitalise on the use of fly ash in Australia and the USA and other by-products and recycled materials to produce products that are recognised for their environmental credentials. Boral Trim is one such product which we are working to commercialise in the USA by investing \$14 million to build our first world class composite products plant.

### Objectives

- Increased funding for innovation will enable Boral to respond to changing customer needs and market trends.
- Improved leverage of Boral's sustainability credentials and reputation as an industry leader.
- Better utilisation of our existing channels to market by developing great new products to grow our market position.
- A culture of innovation delivering better products, services and manufacturing performance.
- Encouragement and support of innovation will help to attract and retain the best people in the industry.

Currently supporting  
**30 projects**  
focused on  
innovation

Investing  
**\$14m**  
to build world class  
composites plant

Boral's ground-breaking new product Boral Trim has been launched after four years of research, development and field testing. The product has been designed for a range of construction trim applications including corners, fascias, friezes, batten strips, window and door surrounds and rake boards. Boral Trim is easy to install and has exceptional durability. It will be manufactured at Boral's first full-scale composite production facility in the US Southeast.



# CONSTRUCTION MATERIALS

Boral Construction Materials (BCM) is an integrated, resource-based manufacturing business with outstanding resource positions in key markets. The division is actively developing industry leading performance in manufacturing, sales and marketing, logistics and contracting. The division's leading positions in the Australian concrete, quarry and asphalt markets provide a strong foundation from which to grow.

## Divisional results

Revenue

**\$2,119m**

Down 6%

EBIT

**\$201m**

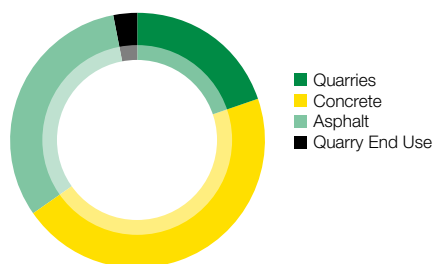
Down 13%

LTIFR

**3.1**

Versus 2.6 last year

Revenue breakdown



## Performance

Full year revenue from Construction Materials was \$2.1b, down 6% (prior year; \$2.3b) due to ongoing softness in the commercial construction sector. EBIT at \$201m was 13% below prior year (prior year: \$231m) due to lower sales volumes and \$15m lower earnings from Quarry End Use.

Infrastructure spending was particularly strong in New South Wales and Queensland while dwelling activity was strong in Victoria and South Australia. Offsetting these positive outcomes was a significant downturn in non-dwelling commercial work.

Despite a 4% decline in volumes, Concrete and Quarry results were supported by strong infrastructure activity, including the Northern Expressway and Desalination plant in South Australia, the Hinze Dam in Queensland, and the F3 widening and Ballina Bypass in New South Wales.

While concrete and quarry prices made progress during the year, concrete margin remains unacceptable in a number of markets and will be a key focus of the division's improvement objectives.

Record profits were delivered from the asphalt businesses as a result of successful execution of several major infrastructure projects.

Quarry End Use contributed \$32m of EBIT compared to \$47m in the prior year, underpinned by property sales at George's Fair (Moorebank) and sales of Boral sites in Geelong and Perth.

Employee lost time injury frequency rate of 3.1 was disappointing and compares with 2.6 in the previous year. Renewed management focus emphasising line management accountability is being rigorously implemented to reverse this decline.

## Key achievements

- The operating structure of the division was realigned in August to increase focus on operational and customer initiatives.
- Completion of the Ipswich Motorway project, upgrading from four to six lanes and providing a multilevel interchange.
- The Port Botany project involving the production of 200 precast counterfort units on site as part of the largest port project in Australia in 30 years.
- Rebuild and modernisation of Boral's Artarmon concrete plant was completed in June 2010.
- Divisional LEAN implementation team established and undertook baseline LEAN assessments across 89 major sites in the second half of the year.

## Market review and outlook

In the year ahead we expect continued strong infrastructure and improving commercial activity to drive volume growth in concrete and quarries. Asphalt demand should remain at current high levels. We anticipate some softening in dwelling activity due to affordability and interest rates and in social construction activity with the completion of the government stimulus programs in schools.

Concrete and quarry price increases that became effective in April 2010 are being reinforced by further increases announced to take effect in October 2010 and demonstrate our commitment to strong pricing outcomes.

The increased focus on Sales and Marketing initiatives and implementation of the LEAN Boral Production System is expected to improve productivity and deliver growth. The BCM business is being restructured to better support the delivery from these initiatives.

Quarry End Use earnings are forecast to be broadly similar in FY2011.

## Quarries

Boral is Australia's leading quarry operator with 90 quarries, sand pits and gravel operations producing concrete aggregates, crushed rock, asphalt, road base materials, sands and gravels for the Australian construction industry.

## Concrete

Boral's market-leading network of 250 premix concrete plants produce a wide range of concrete mixes throughout Australia. The Group's geographic cover and responsiveness to customer needs differentiates us in the market.

## Asphalt

Boral is a leading full service supplier of asphalt and technical materials for the surfacing and maintenance of road networks. The division has over 50 plants throughout Australia and is a leading supplier to critical road building projects.

## Logistics and Property

The division operates an integrated logistics business with a fleet of 316 company-owned and 860 contracted vehicles. The division also operates a Quarry End Use business, formed in 2000, to realise appropriate end uses and maximise the value of Boral's land assets.





Employees  
**4,152**  
 Down 2%

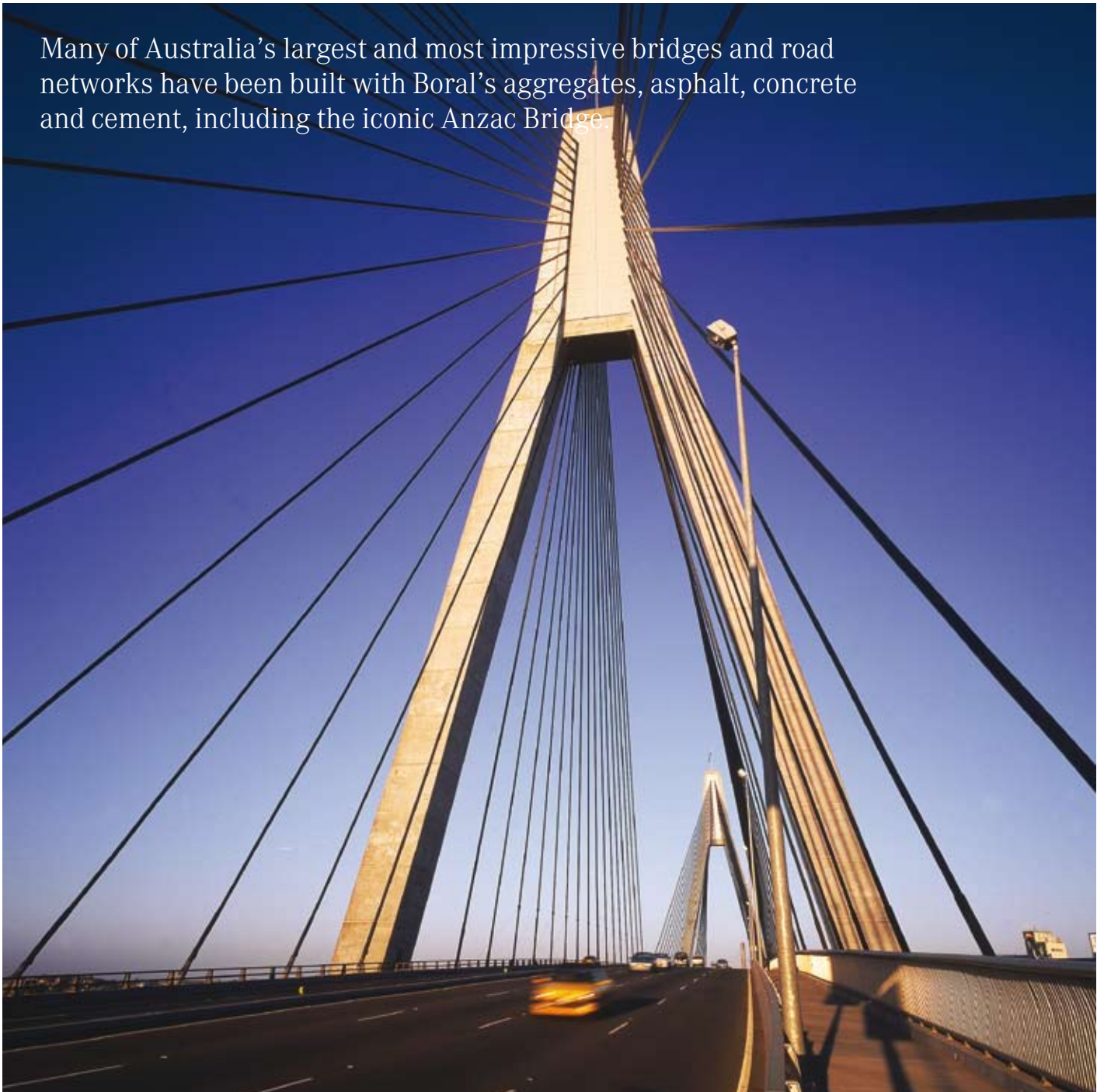


Capital expenditure  
**\$81m**  
 Down 18%



Boral has played a vital role in the expansion project at the Port Botany container port facilities. Boral was selected to supply 97,000 cubic metres of high durability and standard concrete which is being used to produce more than 200 enormous precast concrete wall sections.

Many of Australia's largest and most impressive bridges and road networks have been built with Boral's aggregates, asphalt, concrete and cement, including the iconic Anzac Bridge.



# CEMENT

Boral's Cement division is a leading supplier of cement, lime and fly ash in Australia and of concrete, quarry and pipe products in Asia. In 2009/10 the division experienced robust markets in Asia and grew volumes and margins. In Australia our focus was tied to improving productivity and reducing inventories to reflect current market demand.

## Divisional results

Revenue

**\$512m**

Up 1%

EBIT

**\$88m**

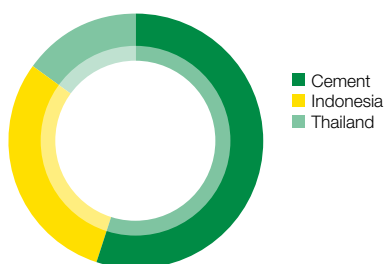
Down 19%

LTIFR

**1.0**

Versus 0.9 last year

Revenue breakdown



## Performance

Cement revenue at \$512m was 1% above the same period last year (prior year: \$509m) reflecting improved results in Asia offset by lower profits in Australia. EBIT at \$88m was \$20m below last year (prior year: \$108m) and included a significantly improved Asian performance offset by energy cost increases and the impact of lower Australian cement production as part of a planned strategy to reduce clinker inventories.

In Australia under a difficult trading environment the business focused on reducing costs and working capital while preparing to meet growing demand as markets recover. Cement kiln output was reduced by 17% to reduce high levels of clinker stock, resulting in the division's active cement kilns operating at less than 80% of capacity. Sharp increases in energy costs were offset by ongoing cost reduction measures, and restructuring costs including an 11% decrease in the number of employees.

During the year markets in Asia performed well and profitability of our Asian businesses improved significantly. Indonesian concrete and quarry revenue grew by 11%, while the pipe and precast business achieved 39% revenue growth. The Thailand Construction Materials business focused on the successful execution of a plan to reduce costs and increase sales volume.

Employee lost time injury frequency rate of 1.0 was up from the exceptional divisional result of 0.9 in the prior year.

However, there were no contractor LTIs versus three in the prior year, giving a small improvement overall.

## Key achievements

- Reduced cost structure and working capital leave the division well prepared to capitalise on growth of construction materials markets.
- Solid opening order book to supply cement to major infrastructure projects.
- Rebranding of Blue Circle Southern Cement to Boral Cement to capitalise on Group synergies.
- Strong growth in volumes and returns in the Indonesian concrete, quarry and pipe business.
- A turnaround in the Thailand Construction Materials business, with the June 2010 quarter being the first profitable quarter since 2007.

## Market review and outlook

The outlook for Boral Cement is encouraging, with a strong order book of infrastructure projects, resurgent lime demand driven by recovery in the steel sector, and steadily improving demand for ready-mixed concrete.

The division enters the new financial year prepared for growth, with cement clinker stocks at optimum levels, and inventories and other working capital reduced by \$18m.

The outlook for the Asian businesses remains positive in line with significant projected economic growth in the region.

The division will continue to grow in Indonesia through deployment of our fleet of mobile batching plants and expansion in pipes and precast.

In Thailand, our ambition is to grow margins through continued focus on materials cost and network optimisation.

## Cement Division

Boral's Cement division operates two distinct businesses. In Australia Boral Cement is a leading Australian cement producer. In Asia the division operates in Indonesia and Thailand, supplying concrete, quarry and pipe products. There are 4,600 employees working in the Cement division.

## Boral Cement

Boral Cement (formerly Blue Circle Southern Cement) has manufacturing operations in eastern states, including cement plants in NSW and Victoria, and through a 50%-owned JV, Sunstate Cement, a cement milling facility in Queensland. The division also supplies lime and limestone for a diverse range of purposes from steel manufacture to agriculture.

## Indonesia

PT Jaya Readymix is the #1 supplier of concrete in Indonesia. With 39 concrete batch plants, 11 mobile batch plants, two quarries and pipe and precast operations, the business is developing markets in the rapidly growing regions outside Western Java.

## Thailand

Thailand Construction Materials operates 45 concrete batch plants and a growing quarry position employing over 1,200 people. Approximately 450 owned and operated concrete trucks provide sector leading geographic coverage and responsiveness.



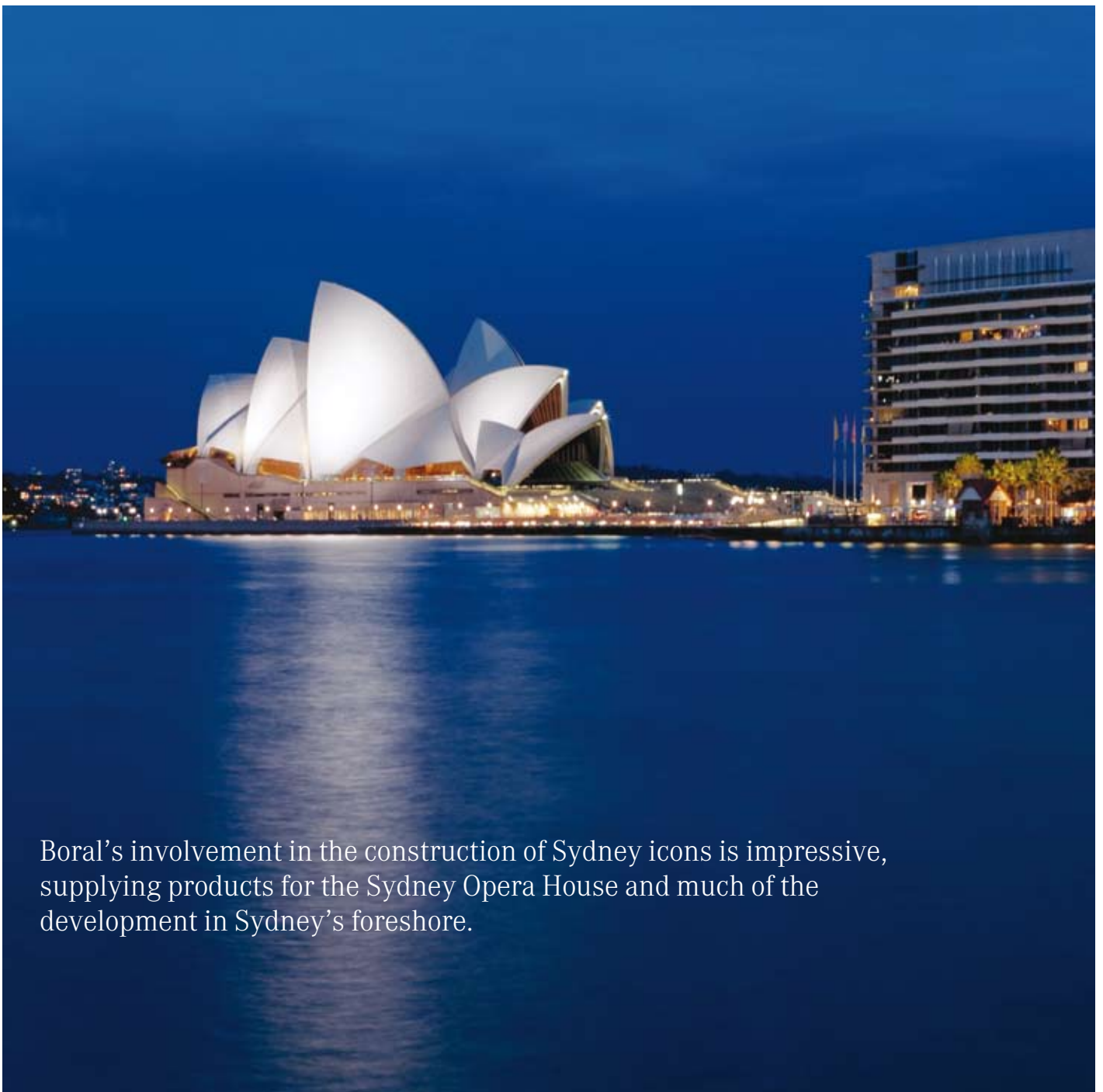
Employees  
**4,519**  
 Up 8%



Capital expenditure  
**\$26m**  
 Down 30%



Boral's PT Jaya Readymix has supplied around 52,000 m<sup>3</sup> of concrete into Equity Tower, a 44 storey office building in the Sudirman Central Business District in Jakarta. On its completion in October 2010 Equity Tower at 220 metres will be the tallest building in Jakarta.



Boral's involvement in the construction of Sydney icons is impressive, supplying products for the Sydney Opera House and much of the development in Sydney's foreshore.

# BUILDING PRODUCTS

Boral Building Products division holds leading positions in the manufacture and sale of clay and concrete products, plasterboard and timber in Australia and in plasterboard in Asia through its 50% owned venture, LBGA. A strong turnaround was delivered in 2009/10 as plant output realigned to stronger sales volumes and cost improvements were delivered across all businesses.

## Divisional results

Revenue

**\$1,206m**

Up 6%

EBIT

**\$101m**

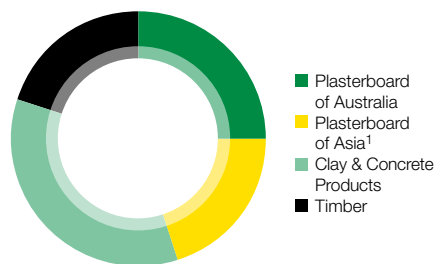
Up 90%

LTIFR

**2.0**

Versus 2.1 last year

Revenue breakdown



<sup>1</sup> Includes Boral's share of equity accounted revenue from the LBGA JV in Asia, which does not appear in the consolidated accounts.

## Performance

Revenue from Building Products of \$1.2b was up 6% (prior year: \$1.1b), with growth in Clay & Concrete Products, Plasterboard and Timber. EBIT of \$101m was 90% above the prior year (prior year: \$53m) reflecting strong performances from the Plasterboard businesses in Australia and Asia, combined with improved operational performance and housing related growth in our Clay & Concrete and Timber businesses.

All businesses contributed to the major operating profit and margin improvement in 2009/10. In the prior year, performance was impacted by the decision to operate plants in the Clay & Concrete Products and Timber businesses at below sales levels to reduce working capital and investments. One-off costs from the start up of the new plasterboard plant in Queensland also impacted returns in the prior year, with a significant improvement delivered year-on-year.

Cost reduction initiatives in our Brick, Roofing and Timber businesses also contributed to the EBIT increase, particularly in the half year to June. In Asia, LBGA improved strongly and benefited from strong demand in most countries and the delivery of excellent operational performance.

Employee lost time injury frequency rate improved from 2.1 in the prior year to 2.0.

## Key achievements

- The new plasterboard plant in Queensland performed strongly, achieving key performance goals including operating costs, energy efficiency, up-time and quality.
- Construction of the new masonry products plant in Perth is substantially complete and will replace two higher cost, lower efficiency plants which will be closed.
- New plasterboard production lines commenced operation at Baoshan (China) and Saraburi (Thailand); each with 35 million m<sup>2</sup> per annum of capacity.
- Cost reduction initiatives and improved operating efficiency in Bricks West, Hardwood and Plywood contributed to EBIT.
- Lean audits and improvement plans were completed in all of our manufacturing plants.

## Market review and outlook

Government stimulus projects are expected to drive further demand for Boral Building Products in the first half of the year. We are expecting an increased investor participation in new housing markets which should contribute to stronger sales volumes in the year. In Asia, continued robust construction activity in our key territories is expected to sustain plasterboard sales volumes.

A new streamlined organisation will facilitate LEAN manufacturing, sales and marketing and back office improvements. Lean audits highlight the potential for major efficiency gains going forward and provide a sound basis for improvement.

## Plasterboard Australia

Boral is a leading integrated supplier of plasterboard which operates six production plants and 51 distribution centres across Australia and is the largest plasterboard installer to the new housing sector.

## Plasterboard Asia

Lafarge Boral Gypsum Asia (LBGA) is the leading supplier of plasterboard and other internal linings products across Asia. The 50% owned joint venture operates production plants in seven countries and trades in a further three, as well as exporting to more than 30 countries.

## Clay & Concrete Products

Boral is one of Australia's leading suppliers of clay and concrete bricks, blocks, pavers and roof tiles. The group operates 20 production plants and 37 distribution centres nationally.

## Timber

Boral operates wholly owned hardwood and plywood businesses on the east coast of Australia. Boral also has 50% ownership of Highland Pine, a leading NSW based softwood manufacturer.



Employees  
**2,962**  
 Down 5%



Capital expenditure  
**\$60m**  
 Down 3%



Boral supplied bricks and masonry products for a Housing NSW Affordable Rental Housing Project in Sydney, made possible by the Australian Government Stimulus Program. Bricks were chosen for their robust and low maintenance finish and good thermal mass.

Boral's building products have been used in homes throughout Australasia, including landmark residential towers. The Eureka Tower in Melbourne used Boral EurekaWALL™ as the internal walling system.



# USA

Boral USA has an industry leading position in bricks, and concrete and clay roof tiles for exterior residential and midrise commercial buildings. The construction materials business has leading positions in Oklahoma and Colorado, while the fly ash processing and distribution business operates on a national basis. Housing starts remain at historically low levels and our focus is on reducing costs while readying the business for the upside in the cycle.

## Divisional results

Revenue

**A\$364m**

Down 33%

EBIT

**A\$(104)m**

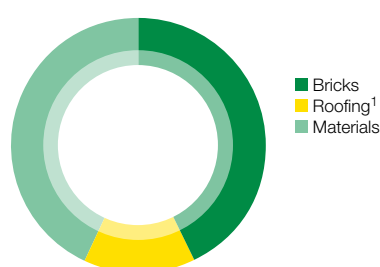
Up 5%

LTIFR

**3.3**

Versus 1.4 last year

Revenue breakdown



<sup>1</sup>Includes Boral's 50% share of equity accounted revenue from joint venture businesses, which does not appear in the consolidated accounts.

## Performance

The USA operations reported revenue of A\$364m, 33% below last year (prior year: A\$545m) reflecting a continued deterioration in housing starts and construction related activity, and the strengthening of the Australian dollar during the year. At the EBIT level, the USA reported a loss of A\$104m against a A\$109m loss last year.

US dollar losses increased to US\$91m against US\$81m in the prior year, impacted by reduced volume and low utilisation of fixed plant. Favourable exchange rate movements, lower head count and cost reductions largely mitigated the reduction in revenue.

The US continued to experience significant challenges during the year as housing activity and a difficult non-residential market resulted in declines in financial performance across all areas of the US business.

Revenue from Bricks was down 24% to US\$154m due to an 18% decline in volumes, coupled with a small decline in pricing caused by product mix and competitive pressures. Plant utilisation averaged 25%, requiring continuation of cost cutting initiatives which remains our primary focus until the market recovers.

The Roofing business (including our 50% share of revenue from the joint venture businesses) achieved revenues of US\$50m, 14% lower than the prior year driven by reduced volume levels.

Revenues in Construction Materials were down 17% to US\$156m due to a 24% decline in concrete volumes. Aggregate volumes increased 9% due to an increased market share and an increased focus on external sales.

Employee lost time injury frequency rate deteriorated significantly from 1.4 in FY2009 to 3.3. The division has launched a system-wide housekeeping initiative driven by the Lean 55 tool and a behaviour based safety observation program which is currently delivering improved results.

## Key achievements

- Purchased the remaining 50% of MonierLifetile which will be combined with clay roof tiles to form Boral Roofing.
- Roofing products achieved the prestigious cradle to cradle gold certification from the US Green Building Council (USGBC).
- Both the Cladding and Roofing businesses commenced the LEAN manufacturing journey with three facilities being audited.
- Our Technology Centre completed the development of its PACT fly ash beneficiation treatment to mitigate the impact of mercury in fly ash.
- Aggregate sales increased versus the prior year despite a falling market due to new products and customers.
- Successfully piloted composite Boral Trim plant which will move into volume production in 2011.

## Market review and outlook

It continues to remain unclear when and how rapidly a turnaround in US housing and construction activity will occur. We expect an increase in housing starts in the upcoming year, biased towards the second half. Non-residential construction activity is expected to remain flat throughout the year.

The US division's emphasis on LEAN manufacturing, full ownership of MonierLifetile with its associated synergies, together with a simplified organisation structure will provide the foundations to maximise the benefits of a market recovery.

## Bricks

Boral has a leading position in brick manufacturing with low cost facilities and arguably the best geographic position in the industry. A distribution network of 54 facilities across 11 states distributes brick, stone, and complementary masonry products.

## Roofing

Boral's high end roofing solutions consists of a market leading range of concrete and clay tile products. The acquisition of the remaining 50% of MonierLifetile provides significant synergy and market opportunities.

## Materials

With national fly ash and regional concrete and aggregates offerings, we are positioned to satisfy growing demand as the US economy returns to more normalised construction spending levels in the future.

## Technology

A well-funded national Technology Centre was developed during the year to provide a platform for innovation across the US businesses. The development of Green Sustainable products is a priority of our future plans.



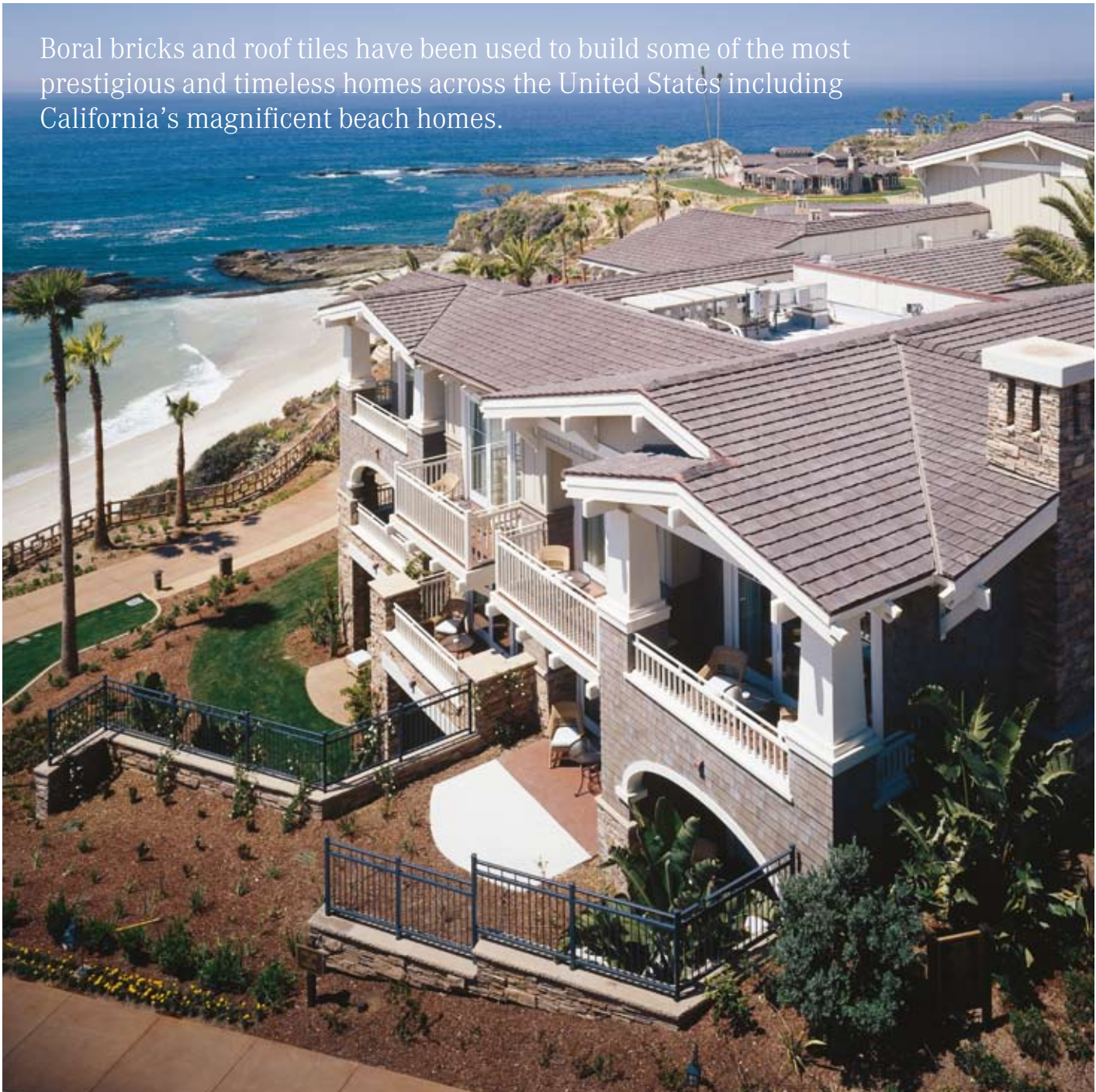
Employees  
**1,511**  
Down 5%



Capital expenditure  
**\$10m**  
Down 65%



Boral is the largest brick maker in the US with 80% direct distribution through Boral Direct, Boral's network of brick studios. Boral's key US market is the detached housing market.



Boral bricks and roof tiles have been used to build some of the most prestigious and timeless homes across the United States including California's magnificent beach homes.

# STEP BY STEP GROWTH

## FINANCIAL REVIEW



Chief Financial Officer Andrew Poulter

Revenue at \$4,599m declined by 6% over prior year as continued weakness in the US residential housing sector and a softening of demand in the Queensland construction materials sector directly impacted the result. Currency conversion had a measurable impact weakening the reported 2010 financial year US revenues due to the strengthening of the Australian dollar during the year. Adjusting for the US dollar conversion impact, in constant currency terms underlying Group revenues were 4% below prior year.

In Australia, construction activity was broadly comparable with prior year with the exception of Queensland, which after a record 2009, saw sales volumes soften as major projects were completed during the first half year. Overall housing starts for FY2010 at 155,000 were around 18% above prior year driven by the increased Government stimulus incentives for first time home buyers. Demand was sustained across all other states as increased infrastructure and schools infrastructure spending, funded by further stimulus programs, offset the continuing weakness in the commercial construction sector. The latter sector continues to be adversely impacted by funding constraints, higher vacancy rates and investor confidence.

Turning to the segmental reporting, Boral Construction Materials revenues at \$2,119m were 6% below prior year predominantly as a result of weaker demand in Queensland which impacted both concrete and quarry products sales and weaker metro sales in Western Australia. Asphalt sales weakened in the second half year due to the completion of major infrastructure expenditure projects in Queensland and South Australia.

The Cement Division revenues incorporating South East Asia construction materials showed broadly level revenues over prior year as growth in Indonesia and Thailand offset weaker cement sales in New South Wales.

Building Products revenues grew by 6% to \$1,206m through increased demand from all sectors and specifically stronger plasterboard, bricks and concrete products sales, the latter driven by the Government stimulus package directed towards investment in schools infrastructure, which had a significant impact upon commercial activity throughout the year.

The US market showed further deterioration in the first half year with the primary driver of demand, seasonally adjusted US housing starts, falling to an annualised rate of 576,000. Second half activity after an encouraging start fell away in the final quarter as a result of the cessation of the Federal first homeowner grant stimulus in June. As a result the June 30th annualised housing starts fell to 537,000 versus 590,000 in the prior year. Consequently Boral's US revenues fell by a further 33% to \$364m though this reduction was also materially impacted by the strengthening of the Australian dollar. In local currency terms, underlying US revenues were 21% below 2009. This reduction brings the cumulative decline in US revenues to around 60% from the peak market demand in the 2006 financial year.

Agreements were entered into for the sale of both the Precast Panels and the Scaffolding and Formwork businesses in August 2010. As a result, these operations have been classified as discontinued operations and assets held for sale in the 2010 income statement and balance sheet respectively. These sales realised gross proceeds of circa \$50m and are immediately earnings accretive from the 2011 financial year. The businesses have been revalued as part of the 2010 impairment review to their anticipated sale value.



Profit after tax before significant items was \$132m versus \$131m for the prior year. Group reported net loss at \$91m included a number of significant items relating to asset impairments and business write downs which are set out in the table below:

### Reconciliation of underlying results to reported results

\$ millions	EBIT	Interest	Tax	Minority interest	Profit after tax
<b>Underlying results</b>	<b>251.9</b>	<b>(97.0)</b>	<b>(22.1)</b>	<b>(1.2)</b>	<b>131.6</b>
Significant items					
Business write downs	(92.6)				(92.6)
Impairment of assets	(178.7)				(178.7)
Organisation restructure	(13.7)				(13.7)
Tax			62.9		62.9
<b>Total</b>	<b>(285.0)</b>		<b>62.9</b>		<b>222.1</b>
<b>Reported results</b>	<b>(33.1)</b>	<b>(97.0)</b>	<b>40.8</b>	<b>(1.2)</b>	<b>(90.5)</b>

The Group has reviewed the carrying value of its assets with regard to the current projections of future market demand and the change in strategic intent of the Group. As a result a \$285m impairment charge (\$222m after tax) has been recognised as a significant item. This impairment charge relates to three specific areas:

(i) Business Write Downs: Following the re-assessment of current net present value of future cash flows of the Thailand Construction Materials business it has been necessary to recognise a \$17m impairment against the carrying value of these assets. At the balance sheet date, written offers for the sale of the Precast Panels and Scaffolding and Formwork businesses had been received. This required the recognition of a \$76m impairment against the net assets of these businesses.

(ii) Asset Impairments: Following the change in strategic intent of the Group the future operating requirements of specific plants currently mothballed have changed. As a result, it has been necessary to write down the carrying value of specific plant and associated obsolete spare parts inventories. In addition, recognition has been made for the impairment of specific obsolete and slow moving finished goods inventories. This has required the write down of \$94m of Australian and \$43m of US assets respectively. A further \$42m impairment has been recognised with regard to the write down of the carrying value of the Penrith Lakes Development. This has been necessary due to the uncertainty of the viability of the future development of this site west of Sydney.

(iii) Organisational Restructure: As a result of the strategic review and the need to simplify corporate and divisional management structures a \$14m provision has been recognised for the restructuring changes which were underway at June 30th.

The summary income statement recognising the significant items on an after tax basis is set out as follows:

### Income statement

\$ millions	2010	2010	2010	2009	2009	2009
	Group	Discontinued Operations	Continuing Operations	Group	Discontinued Operations	Continuing Operations
Sales revenue	4,599.3	105.5	4,493.8	4,875.1	147.4	4,727.7
EBITDA <sup>1</sup>	504.5	(12.8)	517.3	539.0	1.9	537.1
<b>EBIT/(Loss)<sup>1</sup></b>	<b>251.9</b>	<b>(18.6)</b>	<b>270.5</b>	275.7	(4.9)	280.6
Interest <sup>1</sup>	(97.0)		(97.0)	(127.2)		(127.2)
Income Tax <sup>1</sup>	(22.1)	5.7	(27.8)	(17.1)	1.0	(18.1)
Minority Interest	(1.2)		(1.2)	(0.2)		(0.2)
<b>Underlying Profit/(Loss) after tax<sup>1</sup></b>	<b>131.6</b>	<b>(12.9)</b>	<b>144.5</b>	131.2	(3.9)	135.1
Net Significant Items	(222.1)	(58.9)	(163.2)	10.8	(17.2)	28.0
<b>Net Profit/(Loss) after tax</b>	<b>(90.5)</b>	<b>(71.8)</b>	<b>(18.7)</b>	142.0	(21.1)	163.1
Earnings Per Share <sup>1</sup> (cents)	22.1			22.2		
Earnings Per Share (cents)	(15.2)			24.1		

<sup>1</sup> Excluding significant items

Step by Step Growth  
Financial Review  
Continued

### Earnings before interest and tax (EBIT)

EBIT at \$252m was \$24m (9%) below 2009 due to two significant variances, the loss of the \$16m dividend income from the Adelaide Brighton shareholding (which being fully franked also reduced net profit after tax by the same amount), and a \$15m reduction in Quarry End Use earnings.

The fall in Quarry End Use earnings was due to reduced land development activities in New South Wales during the year and specifically due to the completion of the Moorebank development. This lower level of development activity will defer land sales income to future years. EBIT from the operating divisions increased by 3% over the prior year after adjusting for the Quarry End Use reduction and the receipt in 2009 of the Adelaide Brighton dividend.

**Boral Construction Materials.** The Australian quarry, asphalt and concrete operations incorporating the Quarry End Use income returned a \$201m EBIT, a \$30m (13%) reduction over prior year. After adjusting for the Quarry End Use variance, underlying construction material EBIT was 7% below prior year. This was primarily driven by the weaker Queensland concrete sales volumes offset by tight cost control and gross margin optimisation across all regions. As a result EBIT margins dipped to 9.5% from 10.2% for the prior year.

**Boral Building Products.** The plasterboard, bricks, roof tile and masonry products businesses delivered a \$101m EBIT for the year, a \$48m (90%) improvement over prior year. This result was driven by improved operating performance in the Australian plasterboard and brick operations and specifically the Pinkenba, Queensland and West Australian plant investments. The LBGA Asian plasterboard joint venture showed a 31% increase in equity accounted earnings as a result of stronger sales in China, India and Vietnam. EBIT margins increased significantly to 8.4% versus 4.7% in the prior year.

**Boral Cement.** The Australian cement and Thailand and Indonesian construction materials businesses returned an \$88m EBIT for the year, a \$20m (19%) reduction over the prior year. Improved earnings from the Asian operations were based upon increased market demand and continued focus upon margin improvement, through both sales price and cost optimisation.

The Australian cement operations saw weaker earnings due to reduced equity accounted income from Sunstate due to weaker cement demand in Queensland and due to the planned 55% reduction in clinker inventories. The latter was achieved through a 15% curtailment in production, the combined effect of which resulted in a \$14m year on year adverse fixed cost variance. Energy costs increased by \$12m as a result of higher kiln fuel costs, though this adverse impact was primarily offset by the continued focus upon fixed cost reduction. EBIT margins declined to 17.2% versus 21.3% in the prior year.

**Other.** Following the agreement to sell the Precast Panels and Scaffolding businesses in August 2010, the Windows and Concrete Placing businesses are the remaining operations now reported in this category. The Windows business delivered a further increase in earnings through improved sales and further gains in operating efficiency. Concrete Placing continued to return stable earnings in its core New South Wales market.

### Interest

Net finance costs before significant items reduced by \$30m (24%) to \$97m versus prior year due to both the reduction in borrowings and the benefit of the lower underlying cash rate. Other non cash movements in finance costs relate to the unwinding of the discount on remediation provisions of \$2.9m. Interest cover (EBIT to interest) before significant items improved to 2.6 times versus 2.2 at 30 June 2009.

### Income tax

The tax charge at \$22m (2009 \$17m) before impairments represents an underlying effective tax rate of 14.3% (2009 11.5%). This increase resulted primarily from the loss of franking credits associated with the Adelaide Brighton dividend following the sale of the shares in May 2009. The underlying effective tax rate is below the 30% corporate tax rate due to the impact of the US losses and the accounting for equity accounted income from joint ventures.

## Earnings Per Share and dividends

Earnings Per Share (before significant items) at 22.1 cents was in line with the prior year (22.2 cents) as sustained net profits were delivered against a 1.9% increase in issued capital as a result of the 43% average take up of the shareholder Dividend Reinvestment Plan. Earnings Per Share (before significant items) from continuing operations increased to 24.3 cents versus 22.9 cents in the prior year.

A final dividend of 6.5 cents per share was declared bringing the full year dividend to 13.5 cents per share versus 13.0 cents per share for FY 2009. This 4% increase represents a 67% payout ratio which is towards the upper end of the Board's preferred range of 50% to 70%.

The net financial position of the Company improved as net debt was reduced by \$331m (22%) to \$1,183m. This reduction was achieved through a \$281m net cash inflow and a \$50m reduction in US dollar denominated debt as a result of the stronger Australian dollar at the balance sheet date.

At 30 June 2010 the Company had available undrawn committed debt facilities of \$1,030m, the Company's average debt maturity profile was 5.9 years compared with 6.1 years at 30th June 2009.

## Debt and Gearing

As at 30 June	2010 \$ millions	2009 \$ millions
Total debt	<b>1,339.6</b>	1,614.1
Total cash and deposits	<b>157.0</b>	100.5
<b>Net debt</b>	<b>1,182.6</b>	1,513.6
<b>Total shareholder equity</b>	<b>2,626.1</b>	2,753.6
<b>Gearing ratios</b>		
Net debt : equity (%)	<b>45</b>	55
Net debt : equity plus net debt (%)	<b>31</b>	35
Net debt/EBITDA <sup>1</sup>	<b>2.3</b>	2.8
Interest cover <sup>1</sup> (times)	<b>2.6</b>	2.2

<sup>1</sup> Excluding significant items.

Gearing, net debt to equity, was reduced to 45% from 55% reflecting the impact of the reduction in net debt. The underlying return on shareholders' funds increased from 4.8% to 5.0%.

Subsequent to the year end the Company raised \$490m through an accelerated renounceable 1 for 5 rights issue at \$4.10 per share. The pro forma gearing as at 30 June 2010 based upon the proceeds of this issue is reduced to 25%.<sup>1</sup>

The Net debt to EBITDA ratio improved to 2.3 times versus 2.8 at 30 June 2009.

## Cash flow

Cash flow from operating activities increased by \$40m to \$459m as a result of a \$44m reduction in working capital and lower tax and interest payments. A key driver in the working capital movement was the focus upon inventory reduction. Free cash flow increased by \$95m (41%) to \$324m as a result of reduced capital expenditure which, at \$180m, was \$60m (25%) below prior year. Sustaining, or stay in business capital expenditure, was \$119m, at 47% of depreciation (2009 \$163m, 62% of depreciation) and has continued for a second year at unsustainably low levels. This intentional capital constraint has allowed the Company to optimise cash flow and to re-evaluate its capital expenditure priorities to ensure consistency with the 2010 strategic review.

Net cash flow at \$281m was broadly level with 2009 \$286m though prior year included the \$205m sale proceeds from the divestment in the shareholding of Adelaide Brighton.

<sup>1</sup> Pro forma gearing at 30 June 2010 following completion of the \$490m equity raising and acquisition of 50% of MonierLifetile.

## SUSTAINABILITY IN BORAL

Over the past decade Boral has demonstrated a clear commitment to sustainable development and the ability to lift and sustain performance to a level of industry best practice. This is evident through the external recognition that Boral has received including membership of the FTSE4Good Index, the Dow Jones Sustainability Index and the 2010 Global 100 list of the world's most sustainable companies, announced at the Davos World Economic Forum.

Between 2001 and 2009 the Boral Sustainability Diagnostic Tool (BSDT) was an integral tool in developing sustainability management in Boral. In 2001 we set a target of 'industry specific best practice' across 20 sustainability elements. This target was broadly achieved and was verified with external assurance. All of Boral's divisions are now achieving high levels of sustainability performance and since 2004 we have provided extensive sustainability reporting by division to assure our stakeholders that this is the case. Our sustainability initiatives have provided Boral

with a strong foundation to move forward and our businesses are well equipped to respond to regulatory reporting and business specific requirements. We have now streamlined our corporate reporting with this summary report supplemented by a more comprehensive online report.

Boral's commitment to sustainability remains firm, and we are prioritising initiatives to ensure that our businesses are focused on those areas that will make the most difference to our shareholders, our customers, our

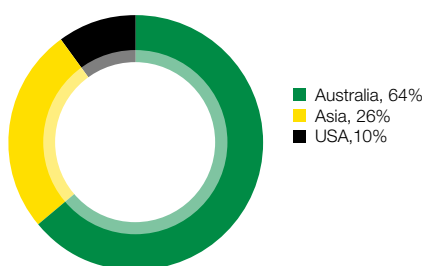
communities, our employees and the environment. Key areas of focus include health and safety, energy efficiency and emissions reduction, water management, sustainable product development, and community partnerships. These priorities remain critical areas in terms of business continuity and they present opportunities for cost reductions, revenue enhancement, reputation growth and stakeholder engagement.

## OUR PEOPLE

### At a glance

	FY2010	FY2009
FTE employees	14,806	14,766
JV employees	~3,000	~3,000
FTE contractors	~6,000	~5,700
Average length of service		
Aus	8.7 yrs	8.4 yrs
USA	11.8 yrs	11.1 yrs
Asia	4.8 yrs	4.8 yrs
Women in Boral	13%	13%
Women in management	9%	9%

### Employees by Region\*



\*FTE employees only

### Workforce profile

As at 30 June 2010, Boral had 14,806 full-time equivalent (FTE) employees and around 6,000 FTE contractors working across its global operations. In addition, approximately 3,000 employees were working in joint venture operations. The number of FTE employees was broadly steady on the prior year with a 5% decrease in the USA offset by an increase in employee numbers in Asia.

The average length of service of Boral employees is around eight years. In the USA, the average length of service is high at 11.8 years; in Australia it is 8.7 years; and in Asia it is just under five years.

### Diversity

Boral has maintained its status as an Employer of Choice for Women as recognised by the Australian Government's Equal Opportunity for Women in the Workplace Agency. Boral has also maintained its Indigenous Employment Strategy in partnership with the Australian Government's Corporate Leader Program.

Employing 46 Aboriginal people under the current Structured Training and Employment Program (STEP), Boral has applied for funding for another STEP program for 2010-12.

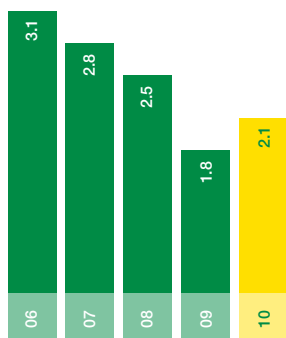
### Policies and values

Boral's corporate values guide employee decision making and influence our business activities. Boral's Code of Conduct states 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 strive for best practice. We take adherence to legal and ethical standards seriously.

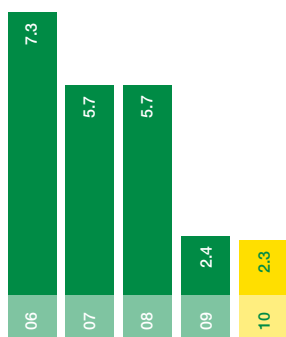
Enhanced personal development programs are being developed to identify high potential employees and a new executive leadership training program will cultivate the next generation of leaders. Focus is also being given to improving employee appraisal, career development and succession planning processes.

# HEALTH AND SAFETY

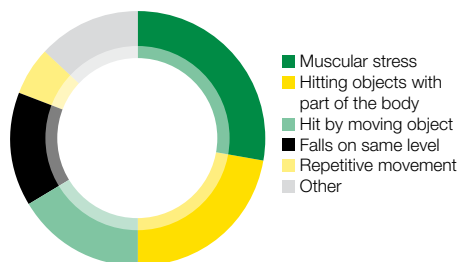
## LTIFR\* for Employees



## LTIFR\* for Contractors



## Mechanism of Injury



\*Lost Time Injury Frequency Rate per million hours worked

## Performance

During 2009/10, Boral's lost time injury frequency rate (LTIFR) for employees at 2.1 was up from 1.8 in the prior year. Percentage hours lost improved to 0.05 versus 0.06 last year. Contractor LTIFR of 2.3 was an improvement over last year's 2.4 but percentage hours lost of 0.05 was up from last year's 0.03.

The Group's overarching strategy has been to reduce LTIFR and percentage hours lost by 25% on the previous three year average. The 2010 LTIFR of 2.1 for employees represents an 11% improvement on the prior three year average, which is below targeted improvement and will remain a critical area of our focus. The percentage hours lost of 0.05 for employees is a 35% improvement, which is well above targeted gains. Contractor LTIFR of 2.3 is a 50% improvement on the prior three year average and percentage hours lost of 0.05 is also better than target at 29% down.

While the results show significant improvement, the year-on-year outcome in 2010 is disappointing and reflects the considerable work still required to achieve a 'zero accident' culture across all our operations.

During 2009/10, prosecutions for four past safety incidents were finalised, two in New South Wales, and one each in Western Australia and South Australia. Three of the four incidents occurred in 2006 while the other occurred in 2007. One New South Wales prosecution related to an incident where a contractor was fatally electrocuted while rewiring an electrical cabinet. The Company pleaded guilty and was fined \$250,000. The remaining three incidents resulted in prosecutions and fines totalling \$186,250. Lessons from all of these incidents have resulted in a significant enhancement to our systems of work and work practices.

There were no fatalities in Boral wholly owned operations in 2009/10, however, tragically there was an incident in a joint venture operation in China that resulted in the death of a contractor. A team of Boral staff were involved in reviewing the management systems of the joint venture operation to ensure the same standard expected of Boral's own operations. The factors that contributed to the incident have now been comprehensively addressed.

## Risk management and injury type

Boral uses statistical injury analysis to develop corrective action plans, including training and process redesign, to address specific risks and areas of concern. Nearly two-thirds of injuries in Boral's Australian workplaces in 2009/10 resulted from 'hitting objects with part of the body', 'muscular stress' and 'being hit by a moving object'. Our corporate actions will concentrate on these incident types in the year ahead.

## Employee health and wellbeing

Boral requires its employees to be fit for work, with the required level of fitness depending on the nature of the work. Pre-employment medicals are conducted for most employees, to ensure that they are physically able to meet the demands of the job, and in some higher-risk roles, regular employment medicals are also conducted.

Beyond Boral's requirement for employees to be 'fit for the job', Boral is committed to supporting the health and wellbeing of its employees. Boral's employee wellbeing program, BWell, is available to employees in Australia and is under consideration globally. BWell provides three core services: regular health assessments, wellbeing awareness seminars, and provision of educational information on health issues for employees and their families.

BWell aims to improve the health and awareness of employees through improvements in lifestyle and diet. Amongst Boral's employees who have had two or more health assessments, the average number of risk factors remained steady at 2.8 and the number of employees at the high end of the health risk spectrum with five or more undesirable risks reduced by a further 2% following a 9% improvement last year.

## Strategic initiatives

In line with Boral's newly defined strategic direction which is underpinned by a 'one Boral' approach, we are working toward the development of a single Group-wide safety management system, simplifying our workers compensation insurance arrangements, and introducing training initiatives to support these changes.

# ENVIRONMENT

## At a glance

GHG emissions (million T CO <sub>2e</sub> )	FY2010	FY2009
Boral operations	3.14	3.55 <sup>1</sup>
Share of JV operations	0.17	0.18
Mains water (million litres)	2,270	2,285

### PINS

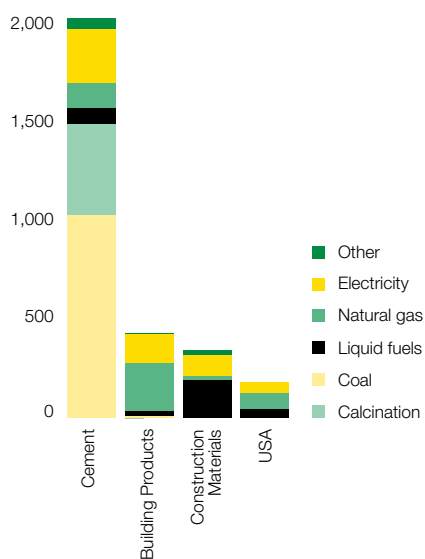
Number	2	9
Fines	\$4,000	\$19,921
Compliance audits	47	43

<sup>1</sup>Restated to reflect scope and methodology change

## Boral's energy use and related GHG emissions

(\*000 tonnes of CO<sub>2</sub>)

2,500



During 2009/10, Boral incurred two Penalty Infringement Notices (PINs) related to environmental contraventions in Australia (resulting in \$4,000 in fines). Both were issued in Queensland for minor technical non-compliances, being a contravention of a license relating to polluting of waters, and failure to report a monitoring exceedence in a timely fashion. There were no infringements in the USA or Asia for environmental contraventions in 2009/10.

### Energy use and GHG emissions

Boral's operations consume a significant amount of energy and some businesses are particularly emissions intensive. In 2009/10, greenhouse gas (GHG) emissions from Boral's fully owned businesses in Australia, the USA and Asia totalled 3.14 million tonnes of CO<sub>2</sub> a 12% decrease on the prior year. The decrease primarily reflects lower production in the USA and in Australia. Emissions from Boral's US operations were down by around 23% on a comparable basis or around 43,000 tonnes of CO<sub>2</sub>, reflecting the continued housing downturn and Boral's associated reduction in production. In Australia, emissions were down by a significant 355,000 tonnes of CO<sub>2</sub> or around 11%, as a result of Boral's strategy to reduce clinker inventories. Clinker inventories reduced by 55% on the prior year which was achieved in part by lowering production volumes by 19%. In Asia, Boral's GHG emissions were down 7% or around 12,000 tonnes of CO<sub>2</sub>.

While Boral's reduction in emissions was primarily due to the market downturn and inventory reductions, its businesses continue to undertake a range of projects to reduce energy consumption and GHG emissions. As markets recover and production increases, alternative fuel and energy efficiency improvements will deliver greater benefits. We have identified further abatement opportunities in the areas of energy efficiency, renewable energy, alternate fuels and alternate materials. The implementation and effectiveness of these initiatives largely depends on the anticipated cost of carbon in a trading environment, when compared to the costs of implementing identified abatement initiatives and available technologies.

### Water management

Boral's operations rely on water for manufacturing and maintenance processes, and for suppressing dust, for cleaning and for sanitation.

Mains or town water is Boral's most significant water source, with a total of 2,270 million litres of mains water used in its wholly 100% owned and controlled businesses in Australia, the USA and Asia in 2009/10. Mains water use was down slightly on a comparative basis on the prior year due to lower production, the increased use of rainwater, and water efficiency gains.

# COMMUNITY PARTNERSHIPS

Boral's strategic community partnership model, supported by key selection criteria, helps to determine the most effective partnerships for the Company. The core platform of Boral's partnership program is to make a valued and sustainable contribution to the communities in which we operate. Our partnership model focuses on our people, our products and our places. We encourage improved work/life balance and involve our employees to use our expertise to benefit the wider community.

Boral has seven key strategic partnerships. In 2009/10, a total of \$505,051 was invested in these community programs, together with a further \$371,191 donated through employee fundraising efforts in Australia, the USA and Asia, to the Juvenile Diabetes Research Foundation, and to allow 10 children to undergo restorative facial surgery in Indonesia.

Boral's longest standing community partnership with **Conservation Volunteers Australia** funded 488 volunteer days across 61 conservation projects which resulted in the planting of 5,620 trees/stems and an area of 21,470m<sup>2</sup> weeded and regenerated.

Boral has partnered with **Bangarra Dance Theatre**, Australia's leading Indigenous dance company, since 2002. In FY2010, 320 Boral people saw Bangarra perform and the partnership was named Australia's Arts Partnership of the Year by the Australian Business Arts Foundation.

Partnering with the **Taronga Conservation Society Australia** since 2003, Boral sponsors Youth at the Zoo (YATZ) and engages employees and customers. 204 Boral people attended Twilight Concerts and 600 were at Boral's Family Day. Boral products are widely used in Taronga's redevelopment work.

The **Juvenile Diabetes Research Foundation (JDRF)** has been Boral's preferred charity since 2001. Contributing over \$2.5m since 2001 with 85% from employee fundraising in Australia and the USA, in 2009 Boral jointly won JDRF's Freedom Award for the highest corporate fundraising team.

# CUSTOMERS AND SUPPLIERS

## Sustainable products

Through our Innovation Excellence program, we intend to capitalise on the use of fly ash and other by-products and recycled materials to produce products that are recognised for their environmental credentials. In the USA we have restructured our development team to focus our Technology Centre on more efficient and effective commercialisation of product innovation. Boral Trim uses patented bio-based polymer chemistry together with Boral's own Celceram® technology to maximise fly ash by-products from coal combustion. The Board has approved US\$12m to construct a leading edge facility to produce Boral Trim for the US\$3b US housing trim market.

New product developments including the integrated solar panel tile, The Solé Power Tile, and with 'Cradle to Cradle' and US Green Building Council accreditations, Boral is recognised as the premier sustainable and socially responsible roofing manufacturer in the USA. The Group has now supplied several 'LEED' certified projects and Cool Roof rated tile which provides the Southern California Air Quality Management District with real life case studies of cool roof options.

The Group continues to improve the sustainability of its products with recent examples including ENVIRO Plasterboard and Envirocrete, which can be found at [www.boral.com.au/buildsustainable/](http://www.boral.com.au/buildsustainable/).

## Product lifecycle

During the year, Boral continued projects to develop appropriate and consistent methodologies for undertaking product lifecycle assessments both internally and through industry groups. Boral's internal lifecycle assessment project has helped clarify the relative environmental performance of key building products in a typical residential building over its lifetime. This study will provide scientifically based, robust data to improve decision making and develop a better understanding in support of environmental related marketing.

In December 2009, Boral's US Brick business published a discussion paper entitled: 'Building with Brick: Sustainable and Energy Efficient – A White Paper on Performance Benefits of One of Man's Oldest Building Materials'. This paper is available at [www.boralbricks.com](http://www.boralbricks.com).

An important part of lifecycle management is ensuring raw materials are sourced in a sustainable way and Boral Timber is at the forefront in its endeavours to certify resource authenticity. Boral Timber products have full Chain of Custody certification aligned with the Australian Forestry Standard (AFS), which verifies that products are produced from certified, legal and sustainable resources, which provides an environmental assurance standard for the sustainable use of Australia's forest resources.

## CASE STUDY: Sustainable Cement Packaging

By identifying and working with like-minded suppliers we have successfully changed our cement bags from a three-ply to a two-ply paper sack reducing annual paper consumption by 860 tonnes, and setting a global benchmark for paper grammage, strength, customer satisfaction and lowest environmental impacts. More specifically, we have delivered: a 39% reduction in paper use per sack, which has associated lower environmental impacts in terms of emissions, water use and waste; a 20% reduction in price; elimination of perforations which created dust leakages and consequential safety hazards; an average 50% decrease in plastic film weight per sack; and reduction in leakage during transport by over 90%.

This initiative was recognised with the 2010 Award for Excellence in Green Purchasing (Business) at the Australian ECO-Buy Awards.

As a four-year partner with **HomeAid in the USA**, Boral commits US\$50,000 in cash and US\$50,000 in-kind product bi-annually to provide shelter for the homeless. Through this program Boral works with customers, showcases product and engages employees.

Boral continues to offer **Outward Bound Family Re-Discovery Scholarships** to Boral employees with high school aged sons or daughters. Since 2003, a total of 96 family groups have participated in the program across five states. Eight families received Boral scholarships in FY2010.

**Building Communities in Asia** Boral invested \$48,800 in FY2010 in Bayah, Indonesia to support 440 students, 20 teachers and 12 local clinic staff as well as agricultural assistance. Boral also has an Educational Scholarship program for 200 children of our Indonesian employees.

In addition to Boral's corporate partnerships, Boral's businesses support **local community activities**, including charities, emergency services and environmental groups, within Boral's Partnership Framework and Criteria and subject to Boral's Limits of Authority policy.

## MORE INFORMATION

Refer to Boral's online report at [www.boral.com.au/sustainability](http://www.boral.com.au/sustainability) for Boral's 2010 Sustainability Data Table together with more detailed information on the areas reported in this summary report and information on: 'Managing Sustainability', 'Boral's Stakeholders', 'Employee Development and Training', 'Waste, Recycling and Re-use', 'Land Management and Biodiversity', 'Other Emissions' and 'External Recognition'.



## BOARD OF DIRECTORS

### Bob Every

**Non-Executive Chairman,  
age 65**

Dr Bob Every joined the Boral Board in September 2007 and became Chairman of Directors on 1 June 2010. He is the Chairman of Wesfarmers Limited. He is also on the Board of Malcolm Sargeant Cancer Fund for Children Limited known as Redkite. He was Managing Director of Tubemakers of Australia and held senior executive positions with BHP Limited before becoming Managing Director and CEO of OneSteel Limited. He is a fellow of the Australian Academy of Technological Sciences and Engineers. He has a science degree (honours) and a doctorate of philosophy (metallurgy) from the University of New South Wales.

Dr Every is a member of the Remuneration & Nomination Committee.

### Brian Clark

**Non-Executive Director,  
age 61**

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

Dr Clark is Chairman of the Remuneration & Nomination Committee.

### Paul Rayner

**Non-Executive Director,  
age 56**

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

Mr Rayner is Chairman of the Audit Committee.

### Mark Selway

**Chief Executive,  
age 51**

Mark Selway became Chief Executive of Boral in January 2010. From 2001 to 2009, Mr Selway was the Chief Executive of the Weir Group PLC, a Scottish-headquartered, listed engineering business. Before returning to Australia to join Boral, Mr Selway worked in the UK for more than 13 years and prior to that, was based in the USA for seven years in the North American automotive market.

Mr Selway was previously a Non-Executive Director of Lend Lease and has a doctorate from the University of West Scotland.

#### Board of Directors (pictured)

From left to right: Bob Every,  
Brian Clark, Paul Rayner,  
Mark Selway, John Marlay,  
Eileen Doyle, Roland Williams,  
Richard Longes.





**John Marlay**  
**Non-Executive Director,**  
**age 61**

John Marlay joined the Boral Board in December 2009. He is a Non-Executive Director of Incitec Pivot Limited. He is Chairman of the EITE Expert Advisory Panel to the Australian Government Minister for Climate Change and Energy Efficiency. He was the Chief Executive Officer and Managing Director of Alumina Limited from December 2002 until his retirement from this position in 2008. Previously, he held senior executive positions and directorships with Esso Australia Limited, James Hardie Industries Limited, Pioneer International Group Holdings and Hanson plc. He has a Bachelor of 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.

**Eileen Doyle**  
**Non-Executive Director,**  
**age 55**

Eileen Doyle joined the Boral Board in March 2010. She is a Board member of the CSIRO and a Non-Executive Director of OneSteel Limited, GPT Group Limited and Ross Human Directions Limited. Dr Doyle's career in the materials and water industries in Australia has included five years in senior operational roles with CSR Limited. Prior to that Dr Doyle spent 13 years with BHP Limited in various senior operational, marketing and planning roles and four years with Hunter Water with responsibilities for planning and policy development. She has 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 a member of the Audit Committee.

**Roland Williams, CBE**  
**Non-Executive Director,**  
**age 71**

Roland Williams joined the Boral Board in 1999. He is a Director of Origin Energy Limited. He had an international career with the Royal Dutch/Shell Group from which he retired as Chairman and Chief Executive of Shell Australia. He has a chemical engineering degree (Honours) and a doctorate of philosophy from the University of Birmingham.

Dr Williams is a member of the Audit Committee.

**Richard Longes**  
**Non-Executive Director,**  
**age 65**

Richard Longes joined the Boral Board in 2004. He is the Chairman of Austbrokers Holdings Limited and a Director of Metcash Limited and Investec Bank (Australia) Limited. He was previously an executive of Investec Bank, a principal of Wentworth Associates, the corporate advisory and private equity group; and a partner of Freehills, a leading law firm. He has arts and law degrees from the University of Sydney and an MBA from the University of New South Wales.

Mr Longes is a member of the Audit Committee.



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# REMUNERATION

## MESSAGE FROM THE BOARD

In 2009, the Board commissioned an extensive independent review of Boral's remuneration policies and practices and the outcomes were included in the 2009 Remuneration Report. Shareholder and other stakeholder concerns were considered and addressed as part of that review and the outcomes continue to underpin the current remuneration structure.

In the 2009/10 financial year we continued to exercise restraint in our remuneration arrangements through the 'freeze' on senior executive fixed salaries and Directors' fees.

The Board is committed to ensuring that Boral's remuneration practices are properly aligned with shareholder value creation over the short and long term and work to appropriately motivate, reward and retain executives. Our remuneration policies and practices are focused on linking performance and reward while taking into consideration the particular challenges that face companies, such as Boral, in cyclical industries.

The Board and CEO intend to pursue ongoing improvements in Boral's remuneration policies and priorities in the coming years to ensure they align with our strategic objectives, market expectations and regulatory requirements and reward management appropriately for delivering successful performance outcomes.

We received positive feedback on the format and content of the 2009 Remuneration Report, and have retained our brief overview to provide shareholders a 'plain English' version of our remuneration practices, and the more detailed report prepared in accordance with statutory obligations and accounting standards.

The Board listens to the input it receives from Boral's shareholders. Your ongoing input is important to us and helps to shape our decision-making.

We commend Boral's 2010 Remuneration Report to you.

**Bob Every**  
Chairman of the Board

**Brian Clark**  
Chairman of the Remuneration and  
Nomination Committee

## 2010 REMUNERATION IN BRIEF

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements. This remuneration snapshot sets out the key details regarding Director and senior executive remuneration for 2010. The full Remuneration Report provides greater detail regarding the remuneration structures, decisions and outcomes for Boral in 2010.

Particular events and actions that impacted Boral's remuneration structure and outcomes for 2010 were:

- **Economic instability which continued throughout 2009/10.** While business activity showed some improvement in Australia over the previous year, in the USA, building and construction activity remained depressed and trading conditions continued to be difficult;
- **CEO and significant Board transition.** During the year Mark Selway was appointed Chief Executive Officer following Rod Pearse's retirement, and Bob Every was appointed Chairman following Ken Moss's retirement;
- **Improved financial performance against budgeted outcomes for some Boral businesses.** The improved financial performance of some Boral businesses has been reflected in this year's Short Term Incentive (STI) awards;
- **A comprehensive strategic review of the business.** A review of Boral's portfolio of businesses and business performance and subsequent review of the most appropriate organisational structure was completed in June 2010; and
- **National reviews of executive remuneration and legislative changes.**

Each of these matters is discussed in this snapshot and in more detail in the full Remuneration Report.

### Continued focus on remuneration strategy and restraint

Following the 2008 Annual General Meeting, the Board carried out a review of Boral's executive remuneration strategy and structure with the assistance of independent advisers Ernst & Young. This review included extensive consultation with stakeholders, including representatives of retail and institutional investors and governance advisory firms. The process was complemented by the CEO and senior executives electing to forego their entitlement to any STI in the 2008/09 financial year. Furthermore, in response to the difficult economic conditions impacting Boral's profitability, remuneration restraint initiatives were implemented which positively impacted the 2009/10 results. These included:

- a salary 'freeze' for all senior executives for the 2009/10 year;
- a 'freeze' on Directors' fees for the 2009/10 year;
- adopting a revised comparator group for benchmarking the CEO's remuneration package which includes companies of similar size and industry to Boral; and
- developing a contract for the new CEO which reflects current best practice in terms of employment arrangements and remuneration structure.

During the year, the Remuneration Committee was renamed the Remuneration and Nomination Committee and its responsibilities were expanded to include Board nominations, development and evaluation, and CEO succession. The Board considers that good corporate governance requires that it should receive high quality independent remuneration advice and has accordingly appointed PricewaterhouseCoopers as remuneration advisors to the Board and to management.

### CEO, Board and Senior Executive transition

Rod Pearse retired on 31 December 2009 after 10 years as CEO and 15 years with Boral. Mark Selway was appointed as Boral's CEO effective from 1 January 2010.

On 31 May 2010 after 10 years as Boral's Chairman and having overseen the CEO transition, Ken Moss retired from the Board. Bob Every was appointed Chairman from 1 June 2010.

Details of Mr Pearse's retirement arrangements were set out in full in the 2009 Remuneration Report. His remuneration details for the part of 2009/10 worked are shown in the remuneration table on page 36 of this report, including his termination entitlements as approved by shareholders at the 2004 Annual General Meeting.

The remuneration arrangements for Mark Selway reflect current corporate governance trends and 'best' market practice, with a maximum separation payment that will not exceed 12 months fixed salary. Mr Selway's remuneration arrangements were disclosed at the time of his appointment and are detailed in the Annual Report on page 53.

Several new senior executive appointments were also made during the year following the departures of Emery Severin, Ken Barton and John Douglas. The new appointees are Mike Kane as President USA, Andrew Poulter as Chief Financial Officer and Murray Read as Managing Director Boral Construction Materials. All were engaged under contemporary employment contracts which specify maximum termination payments within the legislated cap.

### Remuneration outcomes for CEO and senior executives

Details of the CEO and senior executive remuneration, prepared in accordance with statutory obligations and accounting standards, are contained on page 36 of this report.

The table below sets out the cash and other benefits received by the CEO and senior executives in the 2009/10 financial year.

The table highlights that most senior executives derived no value in 2009/10 through the exercising of options or vesting of rights.

The CEO and senior executives voluntarily elected to forego their entitlement to Short Term Incentives in the 2008/09 financial year. The STI awards made for the 2009/10 year reflect achievement of key financial and non-financial performance objectives, including improved financial performance against budgeted outcomes for some Boral businesses.

## 2010 REMUNERATION IN BRIEF CONTINUED

Cash and other benefits **actually received** by the current CEO and senior executives in 2009/10 are substantially lower than the amounts shown in the remuneration table on page 36 of this report. This is because the full remuneration table includes amounts in respect of benefits which did not deliver value to executives in 2009/10. For example, it includes accounting values for current and prior years' Long Term Incentive (LTI) grants which have not been and may never be realised as they are dependent on the market-based performance hurdles being met in future years.

A\$000'S	FIXED	STI	LTI	OTHER <sup>b</sup>	TOTAL
Mark Selway <sup>a</sup>	1,029.8	1,100.0	0	17.0	2,146.8
Ross Batstone	744.0	461.3	0	29.6	1,234.9
Mike Beardsell	631.5	272.8	0	29.3	933.6
John Douglas <sup>c</sup>	833.6	750.3	0	866.3	2,450.2
Mike Kane <sup>a</sup>	170.0	203.5	0	26.8	400.3
Andrew Poulter <sup>a</sup>	125.0	65.1	0	2.0	192.1
Nick Clark	575.0	294.5	2.2	9.3	881.0

a These executives commenced on the following dates: Mark Selway – 1 January 2010; Mike Kane – 15 February 2010; and Andrew Poulter – 1 May 2010. Details of executives who left Boral during the year are shown in the remuneration table on page 36 of this report.

b Other includes parking and long service leave accruals, and end of service payments are included for John Douglas.

c John Douglas resigned 9 July 2010.

### Business and organisation review

A strategic review of Boral's portfolio of businesses was completed in the second half of 2009/10. One outcome of this review has been a change of organisational structure. The Australian building products divisions of Plasterboard, Clay & Concrete Products and Timber were combined into one division, Boral Building Products. Boral Construction Materials, Cement, USA and Construction Related Businesses remain as separate divisions and organisational structures within these divisions were changed to provide improved focus on manufacturing and sales and marketing excellence, working together and reducing complexity.

The organisational changes introduced will require a fundamental change to STI measures to better align them with the stated objectives of the Group. The Remuneration and Nomination Committee, with advice from independent advisors and consultation with management have designed an STI approach which aligns management reward more closely to the interests of shareholders.

The main changes include performance measures which will be entirely focused on the achievement of the financial outcomes, specifically the Group's earnings and working capital management.

The Remuneration and Nomination Committee will also continue to review other remuneration components and the performance management process to ensure delivery of business strategy and non-financial objectives.

# NON-EXECUTIVE DIRECTORS' REMUNERATION

## Non-executive Directors' total remuneration

A\$000'S		SHORT TERM	POST EMPLOYMENT	SHARE BASED PAYMENT	TOTAL REMUNERATION	
		BOARD AND COMMITTEE FEES	SUPERANNUATION	SHARE PLAN		
<b>Directors</b>						
	J B Clark	2010	131.0	12.0	0.0	143.0
		2009	119.5	10.2	6.8	136.5
	E J Doyle	2010	36.8	3.3	0.0	40.1
	(appointed 16 March 2010)	2009	0.0	0.0	0.0	0.0
	R L Every	2010	142.9	11.5	0.0	154.4
	Chairman (from 1 June 2010)	2009	119.5	10.2	6.8	136.5
	R A Longes	2010	125.2	11.3	0.0	136.5
		2009	119.5	10.2	6.8	136.5
	J Marlay	2010	69.5	6.3	0.0	75.8
	(appointed 1 December 2009)	2009	0.0	0.0	0.0	0.0
	P A Rayner	2010	131.4	11.8	0.0	143.2
		2009	103.9	8.7	4.6	117.2
	J R Williams	2010	125.2	11.3	0.0	136.5
		2009	119.5	10.2	6.8	136.5
<b>Former Non-executive Directors</b>						
	E J Cloney	2010	43.8	3.9	0.0	47.7
	(retired 28 October 2009)	2009	125.4	10.7	7.2	143.3
	K J Moss	2010	309.0	13.5	0.0	322.5
	(retired 31 May 2010)	2009	302.7	13.9	35.2	351.8
	<b>Total</b>	<b>2010</b>	<b>1,114.8</b>	<b>84.9</b>	<b>0.0</b>	<b>1,199.7</b>
	Total	2009	1,010.0	74.1	74.2	1,158.3

# EXECUTIVE REMUNERATION TABLE

## Executive total remuneration

A\$000'S		SHORT TERM			POST EMPLOYMENT		SHARE BASED PAYMENT <sup>a</sup>		OTHER LONG TERM	TOTAL	
		CASH SALARY	SHORT TERM INCENTIVE	NON MONETARY <sup>f</sup> BENEFITS	SUPER-ANNUATION	END OF SERVICE	OPTIONS	RIGHTS			
<b>Executives</b>											
	M W Selway	2010	1,022.6 <sup>g</sup>	1,100.0	0.0	7.2	0.0	0.0	173.6	17.0	2,320.4
	Chief Executive Officer (appointed 1 January 2010)	2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	W R Batstone	2010	636.1	461.3	19.0	107.9	0.0	64.9	164.1	10.6	1,463.9
	Managing Director, Boral Building Products	2009	629.0	0.0	19.0	106.6	0.0	72.5	109.0	10.5	946.6
	M G Beardsell	2010	617.0	272.8	19.0	14.5	0.0	26.6	69.0	10.3	1,029.2
	Managing Director, Boral Cement	2009	138.9	0.0	4.3	3.1	0.0	6.4	9.7	2.3	164.7
	M P Kane	2010	170.0	203.5	26.8	0.0	0.0	0.0	0.0	0.0	400.3
	President, Boral Industries Inc. (appointed 15 February 2010)	2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	A D Poulter	2010	122.6	65.1	0.0	2.4	0.0	0.0	0.0	2.0	192.1
	Chief Financial Officer (appointed 1 May 2010)	2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	N J Clark	2010	560.5	294.5	0.0	14.5	0.0	19.4	52.4	9.3	950.6
	Executive General Manager, Clay and Concrete	2009	222.1	0.0	0.0	5.8	0.0	9.0	12.8	3.7	253.4
<b>Former Executives</b>											
	R T Pearse	2010	1,248.0	297.0	9.5	252.0	449.2 <sup>b</sup>	1,352.9	181.4	10.4	3,800.4
	Managing Director and CEO (retired 31 December 2009)	2009	2,461.3	0.0	19.0	497.0	4,043.2	3,927.9	522.1	41.0	11,511.5
	K M Barton	2010	537.0	0.0	12.7	9.6	0.0	40.6 <sup>d</sup>	-1.2 <sup>d</sup>	9.0	607.7
	Chief Financial Officer (resigned 28 February 2010)	2009	787.5	0.0	19.0	13.9	0.0	71.6	113.6	13.1	1,018.7
	E S Severin	2010	474.4	0.0	233.1	68.5	930.5 <sup>b</sup>	225.9 <sup>c</sup>	1,061.5 <sup>c</sup>	7.9	3,001.8
	President, Boral Industries Inc. (resigned 5 March 2010)	2009	791.8	0.0	635.1	102.8	0.0	108.3	161.4	13.2	1,812.6
	J M Douglas	2010	819.1	750.3	19.0	14.5	833.6 <sup>b</sup>	37.9 <sup>e</sup>	-12.6 <sup>e</sup>	13.7	2,475.5
	Executive General Manager, Australian Construction Materials (resigned 9 July 2010)	2009	808.8	0.0	19.0	13.9	0.0	69.5	120.1	13.5	1,044.8
	<b>Total</b>	<b>2010</b>	<b>6,207.3</b>	<b>3,444.5</b>	<b>339.1</b>	<b>491.1</b>	<b>2,213.3</b>	<b>1,768.2</b>	<b>1,688.2</b>	<b>90.2</b>	<b>16,241.9</b>
	<b>Total</b>	<b>2009</b>	<b>5,839.4</b>	<b>0.0</b>	<b>715.4</b>	<b>743.1</b>	<b>4,043.2</b>	<b>4,265.2</b>	<b>1,048.7</b>	<b>97.3</b>	<b>16,752.3</b>

a The fair value of the options and SARs is calculated at the date of grant using the Monte Carlo simulation analysis. The value is allocated to each reporting period evenly over the period of 5 years from the grant date. The value disclosed above is the portion of the fair value of the options and SARs allocated to this reporting period.

b Contractual payments to Mr R Pearse, Mr E Severin and Mr J Douglas payable upon termination of employment.

c Includes an expense for Mr E Severin for Options \$157,316 and Rights \$906,412 that would normally have been amortised over future years.

Proportion of remuneration which consists of options/rights is M Selway 7%, W Batstone 16%, M Beardsell 9%, M Kane 0%, A Poulter 0%, N Clark 8%, R Pearse 40%, K Barton 6%, E Severin 43%, J Douglas 1%.

Proportion of remuneration that is performance-based is M Selway 55%, W Batstone 47%, M Beardsell 36%, M Kane 51%, A Poulter 34%, N Clark 39%, R Pearse 48%, K Barton 6%, E Severin 43%, J Douglas 31%.

d Includes an adjustment for Mr K Barton for Options \$-4,090 and Rights \$-114,490 that lapsed on termination or would normally have been amortised over future years.

e Includes an adjustment for Mr J Douglas for Options \$-28,118 and Rights \$-209,837 that lapsed on termination or would normally have been amortised over future years.

f Includes parking and expatriate costs.

g Includes pre-employment payments to M Selway for duties undertaken prior to 1 January 2010.

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**The Annual General Meeting of Boral Limited will be held at the City Recital Hall, Angel Place, Sydney on Thursday 4 November 2010 at 10.30am.**

**Financial calendar\***

Ex dividend share trading commences	24 August 2010
Record date for final dividend	30 August 2010
Final dividend payable	28 September 2010
Annual General Meeting	4 November 2010
Half year	31 December 2010
Half year profit announcement	9 February 2011
Ex dividend share trading commences	18 February 2011
Record date for interim dividend	24 February 2011
Interim dividend payable	24 March 2011
Year end	30 June 2011

\* Timing of events is subject to change.

