

# The Cost of Debt & Applicable Tax Rate

## Performance overview

### Cost of Debt

> Source: Boral's FY20  
Annual Report

Commentary in this performance overview, unless otherwise stated, is based on earnings from continuing operations excluding the impact of the new IFRS leasing standard (AASB 16) to provide a more comparable basis for analysis with the prior year. In addition, FY2019 comparative figures have been restated – see note 1d for further details.

#### Group performance

This year, Boral's results were impacted by challenging conditions, including a housing downturn in Australia, coupled with extreme weather events, and COVID-19 related impacts across each of our three divisions.

Group earnings before interest, tax, depreciation and amortisation (EBITDA)<sup>1</sup> of \$710 million declined by 30% on revenue of \$5.73 billion, down 2% on the prior year. This reflects adverse impacts from COVID-19 related costs and production impacts totalling \$76 million, a \$26 million impact from the bushfires and floods in Australia, as well as an adverse mix shift and higher costs.

Depreciation and amortisation of \$393 million increased by \$15 million, largely reflecting completion of capital investments in prior periods.

Net interest of \$109 million was modestly higher than the prior year, reflecting an effective cost of debt of 4.5%, up from 4.3% in FY2019.

Tax expense of \$26 million declined by \$84 million compared to the prior year due to lower earnings and an effective tax rate of 12.5% compared to 21% in FY2019. Boral's effective tax rate in FY2020 reflects the utilisation of previously unrecognised US tax losses and Australian capital losses. Excluding these, the effective tax rate was 19.5%.

Underlying Group profit after tax<sup>1</sup> of \$181 million was down 57% on the prior year. The Group recorded a net loss of \$1.316 billion for significant items that were excluded from the underlying result, including \$1.27 billion relating to asset impairments. Further explanation of our significant items can be found in note 2.1 of the financial statements.

**Cost of  
Debt: 4.5%**

### Applicable Tax Rate

> Source: Australian  
Government  
*(Full Company Tax  
Rate)*

The full company tax rate is 30% and the lower company tax rate is 27.5%. From the 2017–2018 income year, your business is eligible for the lower rate if it's a base rate entity.

A base rate entity is a company that both:

- has an aggregated turnover less than \$50 million from 2018–2019 (\$25 million for 2017–2018)
- 80% or less of your assessable income is base rate entity passive income (for example interest, dividends or rent)

The lower company tax rate and eligibility requirements have changed in recent years. Check out the ATO website to learn more about the [changes to company tax rates](#).

**Tax Rate:  
30%**