CSR Limited Annual Report 2017

INSPIRING BUILDING FOR LIFE

CSR

CONTENTS

↑ **Viridian** is the largest glass supplier in Australia and leads the industry for quality and innovation

↑ **Bradford** is more than just insulation, providing acoustic control and energy saving products for homes and commercial buildings

↑ **AFS** is a leader in load bearing permanent formwork walling solutions to deliver faster, lower cost construction

↑ **PGH Bricks** produces a range of over 180 colours and sizes of bricks from 10 sites across the east coast of Australia

Cover photo: Photographer Simon Kenny
Location: Meriton Serviced Apartments North Sydney

Monier brings over 100 years in the roofing industry with our commitment to Australian made roofing products

Hebel is Australia's only manufacturer of autoclaved aerated concrete that is used in residential, commercial and infrastructure applications

BUILDING GREAT SPACES TO LIVE AND WORK

CSR's products are a core part of the industry that creates homes and buildings where people live, work and play. Our scale and network brings together those in the industry that believe in creating great spaces.

We are developing new systems to make it easier and faster to build and inspire smarter, more connected homes and buildings.

We are helping our customers reduce construction time, and deliver better energy efficiency, comfort and design, so that together we can build great spaces to live and work.

FINANCIAL OVERVIEW

The lift in full year net profit was driven by a significant increase in earnings from Building Products, which delivered a record year EBIT of $202.8 million, up 21%.

TRADING REVENUE

$2.5b ↑ **7%**

EBITDA[1]

$386.5m ↑ **7%**

EARNINGS BEFORE INTEREST AND TAX (EBIT)[1]

$298.0m ↑ **8%**

- **BUILDING PRODUCTS EBIT** of $202.8 million up 21% with higher volumes across all products with increased margins reflecting improved pricing and market activity
- **VIRIDIAN EBIT** of $7.0 million, down $1.1 million with growth in revenue offset by impacts from WA and NZ operations
- **ALUMINIUM EBIT** of $93.1 million, down 11% due to a lower realised aluminium price (including premiums) partly offset by increased production and improved operational performance
- **PROPERTY EBIT** of $15.0 million which included a number of smaller transactions completed in the first half of the year

NET PROFIT AFTER TAX[1]

$183.8m ↑ **11%**

EARNINGS PER SHARE[1]

36.5c ↑ **11%**

STATUTORY NET PROFIT AFTER TAX

$177.9m ↑ **25%**

FULL YEAR DIVIDEND

26.0c ↑ **11%**

1 All references are before significant items. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from CSR's financial statements for the year ended 31 March 2017 (YEM17). All comparisons are to the year ended 31 March 2016 (YEM16) unless otherwise stated.

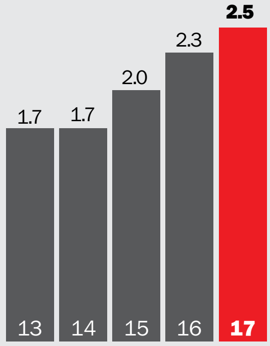
FIVE YEAR PERFORMANCE OVERVIEW

FIVE YEAR PERFORMANCE Year ended 31 March ($ million) unless stated

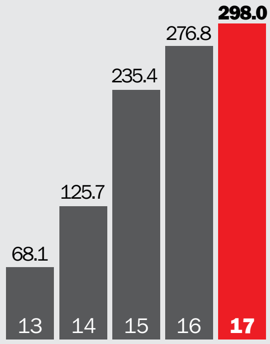
	2017	2016	2015	2014[1]	2013[1,2]
Operating results					
Trading revenue	**2,468.3**	2,298.8	2,023.4	1,746.6	1,682.4
Earnings before interest and tax (EBIT)					
Building Products[3]	**202.8**	167.6	119.7	91.5	76.3
Viridian	**7.0**	8.1	3.1	(14.9)	(38.8)
Aluminium	**93.1**	104.1	104.3	51.9	50.3
Property	**15.0**	23.3	30.2	17.3	–
Segment total	**317.9**	303.1	257.3	145.8	87.8
Corporate[3,4]	**(14.0)**	(17.7)	(16.8)	(14.6)	(12.7)
Restructuring and provisions	**(5.9)**	(8.6)	(5.1)	(5.5)	(7.0)
EBIT	**298.0**	276.8	235.4	125.7	68.1
Net profit after tax (before significant items)	**183.8**	166.0	146.5	80.5	41.4
Net profit/(loss) after tax (after significant items)	**177.9**	142.3	125.5	88.1	(150.0)
Financial position					
Total equity	**1,206.5**	1,317.2	1,206.0	1,157.2	1,086.6
Total assets	**2,097.1**	2,215.8	2,119.3	2,008.3	2,032.7
Net (debt)/cash	**(11.4)**	70.9	68.4	(28.5)	(25.1)
Key data per share					
Earnings before significant items (cents)	**36.5**	32.9	29.1	16.0	8.2
Earnings after significant items (cents)	**35.3**	28.2	24.9	17.5	(29.6)
Dividend (cents)	**26.0**	23.5	20.0	10.0	5.1
Payout ratio before significant items (%)	**71.2**	71.4	68.7	62.5	62.2
Key measures					
Profit margin (EBIT/trading revenue) (%)	**12.1**	12.0	11.6	7.2	4.0
Return on funds employed (ROFE) (%)[5]	**21.6**	20.7	18.4	9.9	5.0
Gearing at 31 March (net debt/ net debt plus equity) (%)	**0.9**	n/a	n/a	2.4	2.3
Employees (number of people employed)[6]	**4,193**	3,578	3,134	2,985	3,218

1 On 1 April 2014, CSR Limited adopted a change of accounting policy over the classification of the discount unwind for the asbestos liability, resulting in a restatement of balances for the financial year ended 31 March 2014 and the other comparative years disclosed in the table above.
2 On 1 April 2013, CSR Limited adopted AASB 119 *Employee Benefits* (revised), resulting in a change of accounting policy and a restatement of balances for the financial year ended 31 March 2013.
3 From 1 April 2016 there was a change in internal reporting which resulted in a transfer of operating expenditure from Corporate to Building Products. As a result, the comparative years have been updated to reflect this change.
4 Represents unallocated overhead and other revenues.
5 ROFE is calculated as EBIT before significant items for the 12 months to 31 March divided by average funds employed which excludes cash, tax balances and certain other non-trading assets and liabilities as at 31 March.
6 Includes employees of PGH Bricks and Viridian NZ.

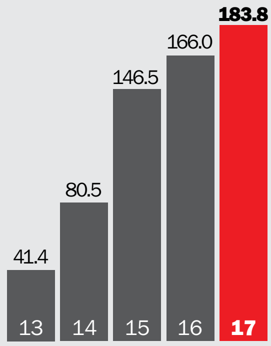
TRADING REVENUE
Year ended 31 March ($ billion)



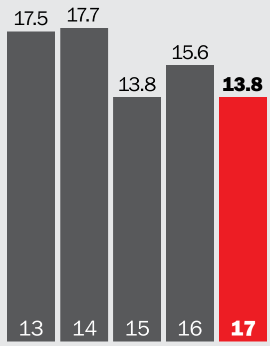
EBIT
Year ended 31 March ($ million)



NET PROFIT (BEFORE SIGNIFICANT ITEMS)
Year ended 31 March ($ million)



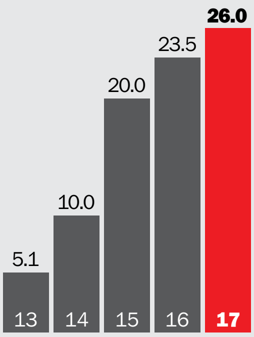
TOTAL RECORDABLE INJURY FREQUENCY RATE
Year ended 31 March
(per million work hours)



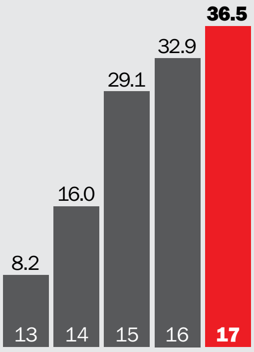
CHAIRMAN'S REPORT

"Strong performance in Building Products delivering another record profit."

CSR DIVIDENDS
Year ended 31 March (cents per share)



EARNINGS PER SHARE BEFORE SIGNIFICANT ITEMS
Year ended 31 March (cents per share)



CSR EARNINGS AT FIVE YEAR HIGH

CSR has continued its track record of growth in earnings which improved for the fourth consecutive year resulting in full year earnings reaching a five year high.

Our net profit after tax (before significant items) was up 11% year on year to $183.8 million and our statutory profit of $177.9 million was up 25%.

Building Products EBIT was up 21% to $202.8 million which exceeded last year's record. The result demonstrates the benefits that management focus, cost control, innovation and strategic investments have delivered to shareholders.

One of the key investments we made during the year was the $126 million acquisition of the 40% minority stake in the PGH Bricks JV. Since formation in May 2015, the PGH Bricks JV has delivered strong earnings growth with increased volumes and improved margins. By taking full ownership, we will benefit from new opportunities to drive operational efficiency, as well as accelerate future property development projects.

CSR's glass business, Viridian continues to face challenging markets in some regions. We are making good progress in growing revenue and earnings from higher margin products in double glazing and commercial applications. These improvements, however, have been offset by disappointing performances in Western Australia and New Zealand. Further restructuring is underway to align the cost base to demand and improve profitability in markets where Viridian can leverage our local manufacturing expertise.

CSR continues to benefit from its 25.2% interest in the Tomago Aluminium Smelter which performed well at an operational level. Increased sales tonnage, ongoing cost reduction and improved efficiency partly offset a reduction in realised aluminium prices. The division delivered EBIT of $93.1 million.

Our Property division continued to provide a significant return to shareholders with EBIT of $15.0 million and an expanded portfolio of future opportunities following the PGH Bricks investment.

Dividends and capital management

The growth in earnings over the last five years is also reflected in higher dividends, consistent with our policy of paying between 60-80% of full year net profit after tax (before significant items). Following the increase in earnings achieved this year, we have resolved to pay a final dividend of 13.0 cents per share on 4 July 2017 which will bring the full year dividend to 26.0 cents, up 11%. The growth in earnings has also contributed to an increase in franking credits, which will enable the company to resume partial franking of dividends with the final dividend to be franked at 50%.

In March 2016, CSR announced an on-market share buyback of up to $150 million to take place over two years. This provides CSR with flexibility to manage the buyback with regard to share price levels, cash flow generation and capital requirements.

The $126 million investment in the PGH Bricks JV provided a very attractive investment opportunity during the year and therefore we have only purchased a small number of shares to date. CSR's strong balance sheet and operating cash flows will support further capital management initiatives while also providing funds to invest in additional growth options and property projects over the coming years.

Progress on our strategy

CSR's business today is more resilient to future changes in the construction cycle. Our building products businesses are operating on a lower, more variable cost base and we have invested in adjacent markets in multi-residential and commercial construction.

We are making good progress on a number of new projects in structural systems and offsite construction. Most recently, we received a $3 million grant from the Federal Government to support development of an Australian-first high performance building façade system.

Our **AFS** and **Hebel** businesses are also gaining market share as they provide more flexible design systems with increased speed of construction incorporating lower labour and site crane requirements. Both businesses are expanding manufacturing capacity to meet growing demand.

Gyprock and **Bradford** have invested in their distribution channels and expanded their digital offering to provide delivery tracking and real-time notifications to our customers.

In **Aluminium**, a significant increase in A$ aluminium prices in the second half of the year also provided us the opportunity to increase our hedging position for the next three years to reduce future earnings volatility to movements in currency and aluminium prices.

We are also accelerating our investment in key **Property** sites as the market for industrial and residential land remains strong. We have a significant pipeline of development projects which will come to market over the next five to 10 years.

Board and management changes

In October 2016, we welcomed Christine Holman to the CSR board as a non-executive director. Christine brings over 20 years' experience across the technology, private equity and digital sectors in a variety of functions including finance, commercial, technology and marketing.

David Fallu also joined CSR in February 2017 as the company's chief financial officer. David brings a broad range of financial and corporate expertise following a number of roles in Australia and New Zealand. He will be a valuable addition to CSR as we continue to invest in new technology and market segments and expand services for customers.

CSR People

Finally, this year's excellent result could not have been achieved without the commitment and hard work of the 4,200 CSR employees across Australia and New Zealand. Everyone has been very busy this year.

On behalf of the board, I would like to thank them for their considerable effort and the strong leadership of managing director Rob Sindel and his management team.

Thanks as well, to you the shareholders for your ongoing support.

JEREMY SUTCLIFFE Chairman

CSR'S TRUSTED BRANDS

MANAGING DIRECTOR'S REVIEW

"Building a resilient business for the future."

EBIT UP BY 8% FOLLOWING STRONG GROWTH IN BUILDING PRODUCTS

Our strategy continues to deliver improved financial results, positioning CSR for growth in adjacent building solutions that improve speed and ease of construction, while cementing our position as a market leader in innovation and new products and systems.

The buyout of the PGH Bricks JV was a highlight of the year, achieving two prime objectives: much-needed industry rationalisation and the rebuilding of CSR's Property pipeline of developable sites. Both of these outcomes will add significant value for shareholders over the coming years.

In the next few years, we will focus on further improving our customers' experience by investing in our digital platforms and delivery processes. This will give our customers a greater level of visibility and certainty about the products they want from CSR, essential in today's changing world of digital services.

Workplace health, safety and environment

While the rate of lost time injuries is down 21% from five years ago, and many individual sites in CSR are performing well with year-on-year safety improvement, the overall performance in the past year did not reflect this improving trend. There can be no excuses for an increase in our injury frequency rates notwithstanding buoyant markets and greater demands on our employees. The safety performance of all our operations must be world-class. To that end, the focus for the year ahead is to ensure all of CSR's businesses continue to improve safety performance, supported by programs with four key themes: Leadership, Risk Management, Systems Performance and Healthy Body & Mind.

We have continued to make progress to meet CSR's 2020 goal of a 20% reduction per tonne of saleable product in energy, waste and water usage, using 2009/10 as the base year. We have now exceeded our targets for water consumption and waste production. And while we are on target to meet our emissions reduction goal we have more work to do to achieve our overall energy reduction target. A number of initiatives are helping CSR to improve operational performance in this area across all our sites.

Financial results by business

Trading revenue from **Building Products** was $1.6 billion, up 8%, with higher volumes and improved margins across all products.

EBIT was up 21% to $202.8 million with earnings growth across all divisions, reflecting the benefit of price increases, improved factory performance and cost management. The result includes investment of approximately $12 million in a number of growth initiatives, including CSR's digital customer platform and off-site construction development projects.

EBIT margin increased to 12.9%, up from 11.4% as improved volume, pricing and product mix flowed through to earnings.

Viridian's adjusted trading revenue of $315.1 million was up 5%, with increased volumes from higher margin products and improved performance in the commercial market. This was partly offset by pressure on float glass pricing due to ongoing import competition.

EBIT of $7.0 million was down from $8.1 million. Improved performance in Home Comfort, Commercial & Design and Local businesses was offset by a reduction in earnings of approximately $4 million in Western Australia and New Zealand.

In **Aluminium**, the realised aluminium price in Australian dollars (including hedging and premiums) was down 4% to A$2,422 per tonne with increased production offset by lower premiums. Sales volumes of 211,230 tonnes were up 1% due to improvements in Tomago's operating efficiency. Trading revenue of $511.5 million was down 4% from the prior year due to the 4% reduction in the realised aluminium price.

EBIT of $93.1 million was down 11% due to the lower realised aluminium price which was partly offset by increased production and improved operational performance.

Property recorded EBIT of $15.0 million, down from $23.3 million in the prior year. The result includes a number of smaller transactions completed in the first half of the year including the option fee at Rosehill, NSW and the sale of industrial land at Erskine Park, NSW and Clayton, VIC.

Sales from Stage 4 of the 584 lot residential development at Chirnside Park, VIC were delayed in construction due to significant wet weather events in the Melbourne region. The Stage 4 sales were completed in May 2017, following the end of CSR's financial year.

Outlook

Looking at the outlook for the year ending 31 March 2018 (YEM18), CSR confirmed:

- **Building Products** – While residential construction markets appear to have peaked from recent record levels of activity, the pipeline of activity currently underway will support demand for CSR's Building Products in the year ahead. Earnings will be supported by reasonably steady demand for detached housing and high-rise construction on the east coast.
- **Viridian** – Following a number of restructuring initiatives to reduce costs in certain regions combined with a growing position in higher margin commercial projects, earnings are expected to improve.
- **Aluminium** – Pricing has improved significantly in the past six months, which has provided an opportunity for Gove Aluminium Finance (70% CSR) to lock in returns in the hedge book to reduce volatility in future earnings.

  As previously highlighted, the Tomago smelter's new power supply contract with Macquarie Generation takes effect from November 2017. Based on this contract, power costs will increase by approximately A$250 per tonne of production.
- **Property** – Two transactions were recorded in the first six weeks of YEM18. These were the previously announced sale of the Monier roofing site at Rosehill, NSW, and completion of construction of Stage 4 at Chirnside Park, VIC. As a result, Property EBIT in YEM18 will substantially exceed long-term targets with $48 million secured in already completed projects.

In summary, CSR continues its strategy to invest in customer service and digital solutions while growing its position in lightweight building and façade systems. By strengthening our core businesses and investing in new market segments, we are more resilient to changes in the building cycle.

Overall earnings for the CSR group will be bolstered by higher Property profits and a significant increase in hedging in Aluminium reducing future earnings volatility.

ROB SINDEL Managing Director

DELIVERING ON OUR STRATEGY

We are building on our strategy that covers five key areas for CSR to grow our businesses over the medium term.

STRENGTHEN AND INVEST

Strengthening and investing in our businesses and our people

- 12%[1] improvement in total recordable injury frequency rate while the lost time injury frequency rate did not continue the recent trend of improvement ending the year at 3.3
- Acquisition of PGH Bricks JV 40% minority interest
- Commissioned new consolidated processing plant in Viridian New Zealand

SMARTER, FASTER, EASIER

Delivering building solutions that are smarter, faster and easier to use

- Relaunched the Gyprock Red Book, the market leading design guide with enhanced technical support in all states
- Launched development of an Australian-first high performance building façade system with the support of a $3 million grant from the Federal Government

CHANGING THE WAY WE LIVE AND WORK

Influencing design and adapting to the changing way we live and work

- Further expansion underway of the AFS Rediwall® manufacturing facility following growing demand for the PVC structural walling system in the multi-residential market
- Major expansion of Hebel's Somersby operations underway following growth in multi-residential and detached housing markets

COMFORT AND ENERGY

Improving comfort, quality and efficiency of buildings

- Bradford Energy Solutions expanded its alliances with a number of major builders to provide a solar PV and battery storage offering
- Growth in Bradford product offering in adjacent markets including polyester, specialist acoustic products, ventilation, PIR foams and construction fabrics

CUSTOMERS

Ensuring that our customers choose to do business with CSR

- Expanded 24/7 online and mobile digital access to CSR customers to include delivery tracking and notifications

1 Total recordable injury and lost time injury frequency rate (per million work hours).

BUILDING PRODUCTS

Higher volumes and improved pricing lift earnings

↑ **Gyprock** is Australia's leading range of plasterboard supporting design and industry professionals with high performance products and systems

TOTAL RESIDENTIAL COMMENCEMENTS ON A TWO QUARTER LAG BASIS FOR THE 12 MONTHS TO 31 MARCH 2017 OF 228,814 WERE UP 5% OVER THE PREVIOUS 12 MONTH PERIOD.

Detached housing continues its steady growth across key markets in New South Wales and Victoria, offset by declines in Western Australia.

The multi-residential market remains robust with growth in the last year of 11% driven by both the medium and high density segments.

The non-residential market remains benign. Recent increases in non-residential approvals in Australia point to more supportive medium-term activity in this segment. The alterations and additions market is marginally down with some activity being transferred to the 'knockdown rebuild' market. The New Zealand market remains strong across all segments.

While lead indicators, including building approvals, are pointing to a softening in activity in residential markets, the pipeline of projects underway is expected to underpin reasonably steady demand for CSR's products in the year ahead.

Higher volumes and improved pricing lift Building Products earnings

Trading revenue from Building Products was $1.6 billion, up 8%, with higher volumes and improved margins across all products.

EBIT was up 21% to $202.8 million with earnings growth across all divisions, reflecting the benefit of price increases, improved factory performance and cost management. The result includes investment of approximately $12 million in a number of growth initiatives including CSR's digital customer platform and off-site construction development projects.

EBIT margin increased to 12.9%, up from 11.4% as improved volume, pricing and product mix flowed through to earnings.

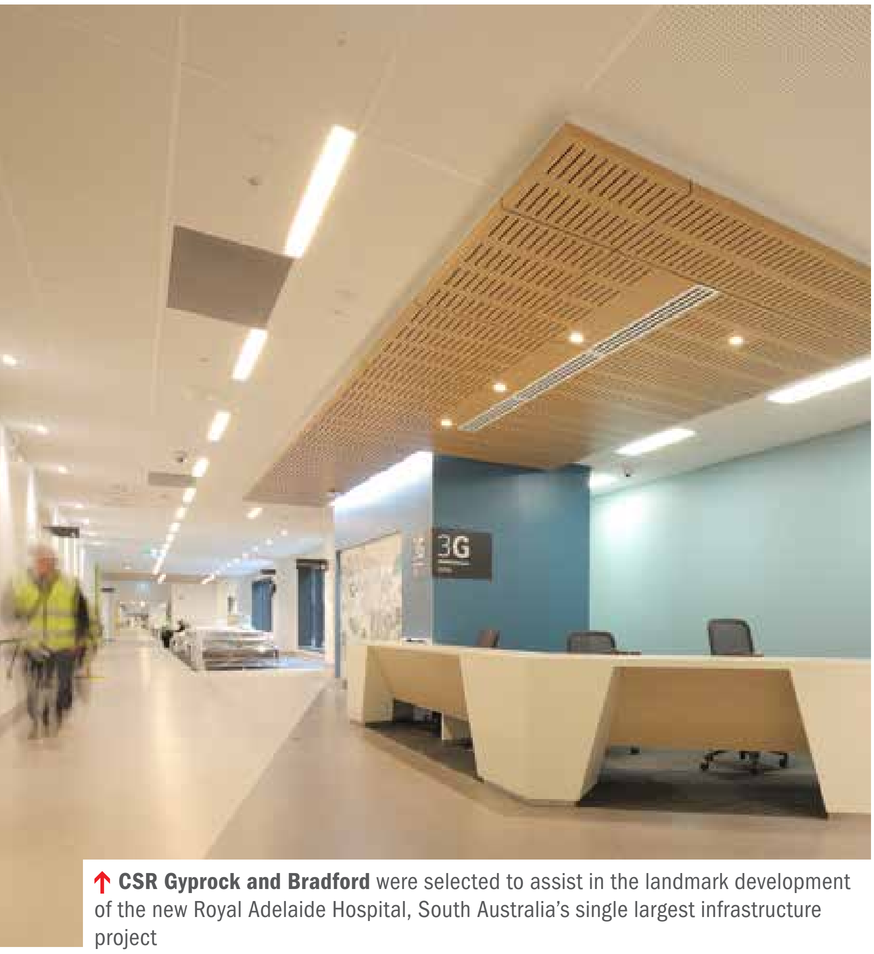
PGH Bricks brings hundreds of colours, shapes, styles and textures with smart design, blending of brick types and diverse bricklaying techniques for homes and buildings

SUMMARY OF BUILDING PRODUCTS BUSINESS UNIT PERFORMANCE

GYPROCK™ Everything else is just plasterboard	**Gyprock** increased earnings with higher volumes reflecting the strong east coast activity in the residential construction market, while average selling prices increased in all states. Gyprock continues to expand its customer service experience including new delivery tracking services, relaunched the Gyprock Red Book design guide with technical support across all states and investment in three new Gyprock Trade Centre locations in Queensland and in New South Wales.
CEMINTEL®	**Cemintel** fibre cement earnings were higher due to strong east coast building activity along with growth from new façade systems and prefinished panels.
hebel® The better way to build	**Hebel** continued to increase earnings with market share growth in all major segments. The $65 million expansion of the Somersby, NSW factory is underway to meet growing demand.
afs	**AFS** walling systems including Logicwall® fibre cement and Rediwall® PVC continued to increase earnings reflecting increased demand from the multi-residential market. Expansion of the Rediwall® manufacturing facility located at Minto, NSW is underway to double the site's capacity. AFS also expanded its network in the Brisbane and Melbourne markets with new distribution and warehouse facilities opened during the year.
Bradford™ more than insulation	**Bradford** earnings increased with higher volumes across all product groups underpinned by strong market activity and improved pricing. CSR Martini has expanded its range of thermal and acoustic polyester insulation products with growth from major commercial projects. Bradford Energy Solutions is also growing its alliances with a number of major builders to provide solar PV and battery storage.
MONIER™	**Monier** roofing earnings grew during the year reflecting strong demand from the detached housing market in NSW and Victoria. Product development continues with the launch of the Elemental lightweight roofing range and Colour Lock Technology.
PGH BRICKS & PAVERS	**PGH Bricks**' earnings were higher with improved margins following strong market activity and the full year benefit of the synergies following integration of the joint venture. PGH is expanding its digital services and delivery tracking for customers in addition to further investment in its product ranges and brick façade solutions.

Building Products (continued)

↑ **Bradford's** latest range of insulation is soft to touch, easy installation, allergy friendly and Australian made with sustainable, organic binders



↑ **CSR Gyprock and Bradford** were selected to assist in the landmark development of the new Royal Adelaide Hospital, South Australia's single largest infrastructure project

← CSR helps deliver landmark hospital project

CSR Gyprock and Bradford were selected to assist in the landmark development of the new Royal Adelaide Hospital (nRAH). The world-class facility in South Australia is the state's single largest infrastructure project designed to admit more than 80,000 patients per year.

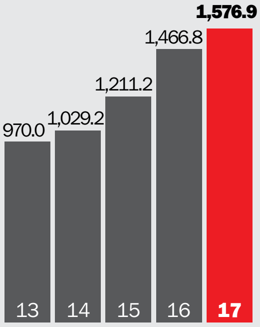
Gyprock and Bradford were able to provide integrated design solutions to meet the high performance and environmental standards required for the project. These systems also delivered critical energy efficiency, increased comfort and safety solutions designed into the building.

The nRAH included over 40km of internal wall partitioning, made up of Gyprock systems including EC08 Complete, Gyprock's premium, multi-function plasterboard which brings superior performance for mould, impact, fire, acoustic and moisture resistance.

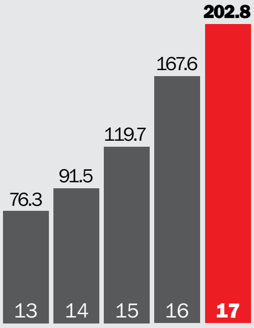
Bradford's Glasswool Supertel boards were customised for interior and external walls to provide a more cost effective and faster installation, as well as systems used in the HVAC and Safebridge roofing systems.

The construction of nRAH is the largest healthcare project CSR has been involved with to date and highlights the expertise of CSR's technical support team as well as operations and logistics teams to deliver the engineering solutions required for the complex building requirements of the project.

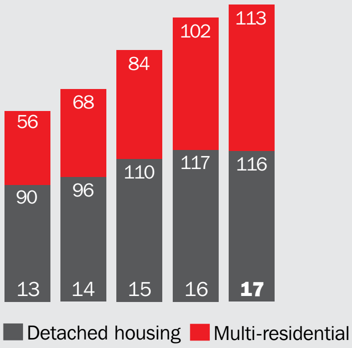
BUILDING PRODUCTS TRADING REVENUE
Year ended 31 March ($ million)



BUILDING PRODUCTS EBIT
Year ended 31 March ($ million)



AUSTRALIAN HOUSING STARTS
Year ended 31 March (000 per annum)



Source: ABS, two quarter lag

VIRIDIAN

Revenue higher with WA and NZ impacting performance

↑ Viridian's Lightbridge high performance double glazing brings the ultimate comfort and natural light into your home

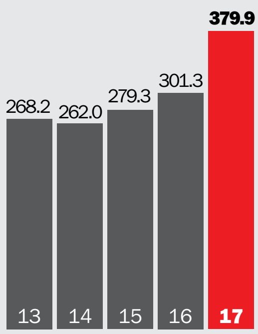
ADJUSTED TRADING REVENUE OF $315.1 MILLION WAS UP 5% WITH INCREASED VOLUMES FROM HIGHER MARGIN PRODUCTS AND IMPROVED PERFORMANCE IN THE COMMERCIAL MARKET.

This was partly offset by pressure on float glass pricing due to ongoing import competition. The adjusted revenue excludes nine months of revenue from NZ Viridian Glass Limited Partnership (VGLP) following CSR's acquisition of the remaining 42% stake in the JV completed on 30 June 2016.

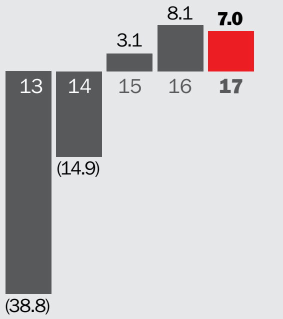
EBIT of $7.0 million was down from $8.1 million. Improved performance in Home Comfort, Commercial & Design and Local businesses was offset by an approximately $4 million impact from Viridian's exposure to the market slowdown in Western Australia and higher costs from the commissioning of the new consolidated processing plant in Auckland, New Zealand which opened in September 2016. An operational review is underway for both regions.

Commercial market exposure is increasing with an expanded product and service offering for larger commercial projects. A number of operational changes have now been completed that are forecast to deliver efficiencies and improve service during the next year. This includes the commercial double glazing plant in Ingleburn, NSW and the recently commissioned commercial glass processing plant in Canberra.

VIRIDIAN TRADING REVENUE
Year ended 31 March ($ million)



VIRIDIAN EBIT
Year ended 31 March ($ million)



ALUMINIUM

Improved operational performance helped to offset lower realised aluminium prices

↑ Tomago's operational improvement programs have steadily increased production with Gove Aluminium's sales volumes increasing from 193,808 in YEM12 to 211,230 in YEM17

THE REALISED ALUMINIUM PRICE IN AUSTRALIAN DOLLARS (INCLUDING HEDGING AND PREMIUMS) WAS DOWN 4% TO A$2,422 PER TONNE WITH INCREASED PRODUCTION AND IMPROVED OPERATIONAL PERFORMANCE OFFSET BY LOWER PREMIUMS.

There was significant price momentum in US$ aluminium prices in the second half of the financial year with prices increasing 18% since 3 October 2016 to US$1,954 per tonne by the end of March 2017. This provided an opportunity for Gove Aluminium Finance (GAF – 70% CSR) to lock in hedge book returns to reduce volatility in future earnings.

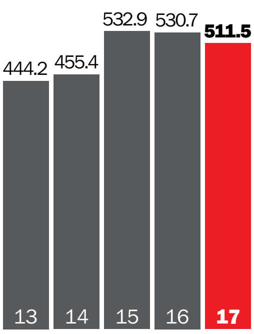
The Australian dollar averaged 75.3 US cents during the year compared to 73.6 US cents in the prior year.

The average ingot premium for the year was US$94 per tonne, down 44% (Platts Metals Week – Main Japanese Port ingot premium) as premiums found a floor at US$75 per tonne (Q4 CY16) before increasing to US$95 per tonne (Q1 CY17).

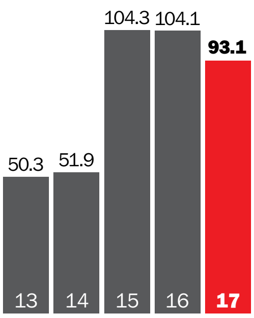
GAF's sales volumes of 211,230 tonnes were up 1% due to operational improvements at Tomago. Trading revenue of $511.5 million was down 4% reflecting the 4% reduction in the realised aluminium price.

EBIT of $93.1 million was down 11% due to the lower realised aluminium price, partly offset by increased production and improved operational performance at the Tomago smelter.

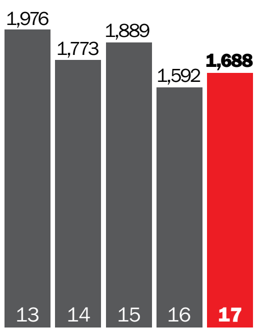
ALUMINIUM TRADING REVENUE
Year ended 31 March ($ million)



ALUMINIUM EBIT
Year ended 31 March ($ million)



AVERAGE LME US$ ALUMINIUM CASH PRICE
Year ended 31 March (US$ per tonne)



PROPERTY

Property transactions continue to deliver earnings

↑ CSR's Chirnside Park project is located 40 minutes from the Melbourne CBD. The Property division is coordinating the delivery of infrastructure, roads and other services to the site to enable buyers to begin construction of their new homes

CSR'S PROPERTY DIVISION RECORDED EBIT OF $15.0 MILLION, DOWN FROM $23.3 MILLION IN THE PRIOR YEAR.

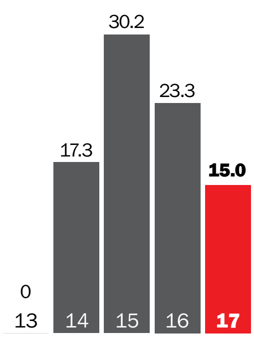
The result includes a number of smaller transactions completed in the first half of the year including the option fee at Rosehill, NSW and the sale of industrial land at Erskine Park, NSW and Clayton, VIC.

Sales from Stage 4 of the 584 lot residential development at Chirnside Park, VIC were delayed due to significant wet weather in the Melbourne region. The Stage 4 sales were completed and settled in May 2017, following the end of CSR's financial year.

Chirnside Park development has settled 363 lots with 112 contracts exchanged and 109 lots remaining as construction of Stage 5 continues. To date, this project has delivered earnings of $22.9 million.

Full development approval of the 70 hectare site at Schofields, NSW is expected to be completed by the end of 2018 with quarry rehabilitation underway.

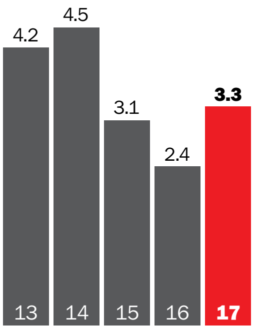
PROPERTY EBIT
Year ended 31 March ($ million)



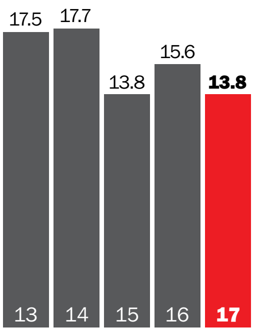
SUSTAINABILITY SUMMARY

Progressing our sustainability agenda

LOST TIME INJURY FREQUENCY RATE
Year ended 31 March
(per million work hours)



TOTAL RECORDABLE INJURY FREQUENCY RATE
Year ended 31 March
(per million work hours)



Note: includes joint ventures and acquired businesses

CSR REMAINS COMMITTED TO SUSTAINABLE PRACTICES THROUGHOUT ALL OF OUR BUSINESSES.

We understand that a sustainable business must ensure that it minimises its impact on the environment and the community.

Full details of CSR's sustainability agenda and data relating to greenhouse gas emissions, energy consumption and water and waste production are included in CSR's Sustainability Report which is available on CSR's website at www.csr.com.au

Safety

A major sustainability focus remains on safety, and we place the same emphasis and importance on managing workplace health and safety as any other business imperative.

While the rate of lost time injuries is down 21% from five years ago, and many individual sites in CSR are performing well with year-on-year safety improvement, the overall performance in the past year did not reflect this improving trend. The focus for the year ahead is to ensure all of CSR's businesses continue to improve safety performance, supported by programs with four key themes:

- Leadership – building leadership capability and performance measures
- Risk management – eliminating or reducing risk with a simple pragmatic approach
- Systems performance – building a robust workplace, health and safety system with an increased focus on managing risk
- Healthy body and mind – focusing on a high performance environment with high performance people

Environment

Our ongoing commitment is to minimise the impact on the environment with specific targets to reduce greenhouse gas emissions and waste production and the consumption of energy and water used in production.

We have continued to make progress to meet CSR's 2020 goal of a 20% reduction per tonne of saleable product in energy, waste and water usage, using 2009/10 as the base year. We have now exceeded our targets for water consumption and waste production. And while we are on target to meet our CO_2-e reduction goal we have more work to do to achieve our overall energy reduction target. A number of initiatives are helping CSR to improve operational performance in this area across all our sites.

Community

We continue to partner with a number of organisations in line with our commitment to operate in a sustainable manner, with the community at the centre of our right to operate. For over 10 years, the CSR Community Support Program has operated as a core component of our community involvement in which CSR matches employee contributions dollar for dollar to a range of charitable organisations.

CSR launched the Community Support Program 14 years ago and during that time CSR and its employees have donated over $2.9 million to charity. In the year ended 31 March 2017, CSR and its employees donated $102,553 to a range of charitable organisations.

CSR also works with the Australian Business and Community Network (ABCN), a partnership of highly committed national business leaders and companies working on mentoring and coaching programs in schools in high need areas. For the year to 31 March 2017, 107 CSR employees mentored 202 students from 10 schools and volunteered 758 hours.

People

At CSR we are committed to investing in our people. Over the last few years we have developed a suite of leadership development programs designed to provide our leaders with the knowledge, skills and support to enable them to perform at their best.

As at 31 March 2017, CSR had 4,193 full-time equivalent (FTE) employees across its operations in Australia and New Zealand. This total is up from 3,578 last year as it includes employees in joint ventures which were acquired during the past year.

DIVERSITY

A DIVERSE WORKFORCE

CSR believes that a diverse workforce improves business decision making as well as increasing workforce sustainability, leading to better organisational relationships and ultimately better solutions for our customers. Each of these helps to improve the financial results at CSR.

CSR workplace profile

20.6% of employees in senior management positions are women, including the executive general manager of Lightweight Systems, company secretary, general manager treasury and strategic capital, group financial controller, internal audit & risk manager and general manager investor relations & corporate communications. During YEM17, the percentage of women in the CSR workforce increased from 16.7% to 18.0%.

Measurable objectives

Improving diversity requires cultural change driven by the leadership and commitment of the board and senior management. CSR has structured its measurable objectives around this commitment.

The achievements for YEM17 are set out below along with a brief outline of the objectives for YEM18.

MEASURABLE OBJECTIVE	YEM17 ACHIEVEMENTS	OVERVIEW OF YEM18 OBJECTIVES
Leadership and culture	▪ 32% of attendees at CSR leadership programs were women ▪ Achieved gender pay equity through established bi-annual processes ▪ Senior executives were assessed on diversity achievements and performance in this area impacted short terms incentives ▪ Diversity reporting within the organisation was further improved to drive more informed recruitment decisions ▪ The CEO led diversity council meets every two months to drive and review diversity initiatives ▪ Diversity initiatives are promoted, shared and leveraged throughout the organisation through targeted communication	▪ Continue to provide opportunities for women to attend CSR leadership programs. Promote and continue to include diversity initiatives as part of these programs ▪ Maintain gender pay equity through established bi-annual processes ▪ Drive further accountability through the organisation by including specific diversity objectives for senior executives with achievements assessed as part of determination of short-term incentives ▪ Continue to promote, share and leverage diversity initiatives and achievements through targeted and regular communication
Understanding and engaging female talent	▪ Insights from the female talent review were leveraged to further support female talent within their business unit ▪ Career opportunities and development of women were promoted (in YEM17, 34% of internal promotions were women, compared with 33% in YEM16) ▪ CSR participated in multiple industry projects to attract more female candidates to the building industry	▪ Continue to leverage learnings from the detailed review of female talent, and maintain focus on pay equity, development and career aspirations ▪ Improve CSR policies and practices as they relate to workplace flexibility ▪ Influence industry associations to attract more females in non-traditional roles
Recruitment and retention	▪ Achieved a 36% increase in number of female applications through better attraction strategies, and industry partnerships ▪ Appointed 43% more female staff compared to the prior year ▪ Partnered with labour hire and recruitment providers to source more female applicants especially in operational roles ▪ Achieved target range for voluntary turnover of women ▪ Completed nine workshops with senior leaders in the organisation to discuss and identify any potential biases that might affect recruitment decisions	▪ Increase the number of female applicants by a further 10% ▪ Advance retention strategies for women through investment in career development and review of turnover analysis ▪ Challenge traditional recruitment processes and appointment decisions

CORPORATE GOVERNANCE SUMMARY

CORPORATE GOVERNANCE AT CSR

CSR's corporate governance is the system by which the company is directed and managed. It is the framework of rules, relationships, systems and processes that underpin CSR's long established values and behaviours, the way it does business and within which:

- the CSR board of directors is accountable to shareholders for the operations, financial performance and growth of the company; and
- the risks of business are identified and managed.

CSR's Corporate Governance Statement which provides detailed information about governance is available on CSR's website at www.csr.com.au in addition to policies in key areas including the code of business conduct; workplace health, safety and the environment; fairness, respect and diversity in employment and trading in CSR shares.

CSR GOVERNANCE FRAMEWORK	
The board	▪ The board strives to create shareholder value and ensure that shareholders' funds are safeguarded ▪ CSR's constitution, which sets out the provisions that govern the internal management of the company, can only be amended by special resolution of shareholders ▪ The board comprises directors with an appropriate mix of skills, experience and personal attributes which are summarised in a matrix included in the corporate governance statement
Senior management	▪ Day-to-day management of the company's affairs and the implementation of strategy and policy initiatives are formally delegated by the board to the managing director and senior executives
Risk management	▪ Risk management is sponsored by the board and is a priority for senior managers, starting with the managing director. The board oversees the risk appetite and profile of CSR and ensures that business developments are consistent with the risk appetite and goals of CSR
Remuneration	▪ CSR's policy is to reward executives with a combination of fixed remuneration and short and long-term incentives structured to drive improvements in shareholder value ▪ Non-executive directors receive no incentive payments and there are no retirement benefit schemes in place ▪ Executives and directors may forgo part of their cash salary or, for non-executive directors, their directors' fees, to acquire shares in CSR
Engagement with investors	▪ CSR has a long established practice of providing relevant and timely information to stakeholders, supported by its share market disclosure policy which details comprehensive procedures to ensure compliance with all legal obligations
Code of business conduct and ethics	▪ CSR has a robust framework of policies, underpinned by its goals and values and code of business conduct and ethics. CSR's code of business conduct and ethics and policies set the standards for dealing with obligations to external stakeholders ▪ The underlying principle of CSR's code of business conduct and ethics is that ethical behaviour is required of directors, executives and all other employees, as well as advisers, consultants and contractors

RISK SUMMARY

RISK MANAGEMENT AT CSR

There are a number of risks in the markets in which CSR operates. A range of factors, some of which are beyond CSR's control, can influence performance across CSR's businesses.

CSR's approach to manage and mitigate material risks is outlined in the Sustainability Report and the Corporate Governance Statement which are available on CSR's website at www.csr.com.au

KEY AREAS OF MATERIALITY	CHALLENGES
Aluminium and currency markets	▪ CSR's results are impacted by movements in the global US dollar price for aluminium and currency fluctuations
Australian construction activity and higher density living	▪ Approximately 50% of CSR's total revenue is generated from product and service supplied into the new residential construction sector of Australia and New Zealand which is impacted by several macro economic factors ▪ Multi-residential construction has increased as a proportion of total new home construction and now represents over 50% of housing starts ▪ Multi-residential houses are typically smaller which has the potential to reduce CSR product intensity per new dwelling ▪ As a supplier to the construction market, CSR is subject to a number of competitive forces including other domestic and international suppliers and new technology which could replace existing building methods ▪ The release of future land supply for residential development relies on the coordination of government and regulatory bodies with builders and developers to deliver infrastructure and services for new projects
Digital	▪ Digital services are increasingly used by the construction sector with CSR's digital capability critical to achieving growth in its key markets
Employee and community engagement	▪ CSR recognises that it plays an important role in the success and prosperity of local communities as an employer, operator of major manufacturing sites and developer of its legacy property assets ▪ An engaged and diverse workforce is critical to CSR's long-term success – to help develop new ideas and build a workforce more representative of our society
Energy and climate change	▪ CSR's manufacturing operations use significant amounts of energy including electricity and gas ▪ The transition to a low carbon economy and mitigating the potential impacts of climate change as well as government regulations and planning may impact the availability and nature of supply
Environmental management	▪ CSR has committed to a 20% per tonne reduction of greenhouse gas emissions, potable water consumption and solid waste production to landfill per tonne of saleable product by 2020 using 2009/10 as the base year
Product liability	▪ CSR's product liability is based on involvement in asbestos in Australia and exporting asbestos to the United States ▪ CSR ceased asbestos mining in 1966 and divested remaining interests in 1977 ▪ CSR meets all valid claims in both Australia and the United States ▪ The asbestos provision is impacted by movements in claim numbers, settlement rates and values and movements in A$/US$ exchange rates
Supply chain and product compliance	▪ CSR relies on an extensive supply chain to manufacture and distribute its products and services ▪ This supply chain can be impacted by natural, political or technological disruptions which the company reviews to develop alternative supply options and minimise the risk of potential supply dislocation
Workplace health and safety	▪ CSR has a stated long-term objective of achieving zero harm to CSR people across all operations

BOARD OF DIRECTORS

JEREMY SUTCLIFFE
LLB (HONS), MAICD.

Chairman since July 2011, non-executive director since December 2008 and held the position of interim CEO and managing director from 1 April to 31 December 2010.

Other CSR responsibilities
Member of the Remuneration & Human Resources Committee.

Experience and expertise
Jeremy was formerly Group CEO of Sims Metal Management Limited from 2002 until 2008 and a director until 2009.

Other directorships/offices held
- Non-executive director of Amcor Limited (2009 to current)
- Non-executive director of Orora Limited (2013 to current)
- Advisory role with Veolia Environmental Australia (2014 to current)

ROB SINDEL
BENG, MBA, GAICD.

Appointed to the board as an executive director in December 2010 and managing director in January 2011. Rob joined CSR in April 2008 as executive general manager of CSR Lightweight Systems. In October 2009, he was appointed CEO of CSR Building Products.

Other CSR responsibilities
Attends committee meetings by invitation.

Experience and expertise
Rob was formerly the managing director of Hanson's slag cement business in the United Kingdom, a subsidiary of the global building materials company, Heidelberg Cement Group. Rob also held the position of commercial trading director for Hanson Aggregates in the United Kingdom. His 25 year career in the construction industry started with Pioneer in Australia.

Other directorships/offices held
- Director (2013 to current) and chair of the Remuneration Committee (2015 to current) of the Green Building Council of Australia
- Director of the Australian Business and Community Network (2013 to current)
- Member of the UNSW Australian School of Business Advisory Council
- Member of the Yalari NSW Advisory Committee, an organisation that works with students from indigenous backgrounds

CHRISTINE HOLMAN
PGDipBA, MBA, GAICD.

Non-executive director since October 2016.

Other CSR responsibilities
Member of the Workplace Health, Safety & Environment Committee and the Remuneration & Human Resources Committee.

Experience and expertise
Christine was formerly commercial director at Telstra Broadcast Services until March 2016 and chief financial officer and commercial director of Globecast Australia until June 2015. Christine also spent seven years at Capital Investment Group involved in strategy, business development and mergers and acquisitions. Christine has over 20 years' experience across the technology, private equity and digital sectors in a variety of functions including finance, commercial, technology and marketing.

Other directorships/offices held
- Non-executive director of APN News & Media Limited (2015 to current)
- Non-executive director of The Bradman Foundation (2016 to current)
- Non-executive director of the State Library of NSW Foundation (2017 to current)

MIKE IHLEIN
BBUS (Accounting), FAICD, FCPA, FFIN, MFEI.

Non-executive director since July 2011.

Other CSR responsibilities
Chairman of the Risk & Audit Committee and member of the Workplace Health, Safety & Environment Committee.

Experience and expertise
Mike was formerly chief executive officer and executive director of Brambles Limited until November 2009, prior to which he was Brambles' chief financial officer for four years. Mike also had a long career with Coca-Cola Amatil Limited including seven years as chief financial officer and executive director and a number of senior operational, finance, business development and treasury roles including managing director of Coca-Cola Amatil Poland.

Other directorships/offices held
- Non-executive director of Scentre Group (2014 to current)
- Non-executive director (2012 to current) and chair of the People & Culture Committee (2015 to current) of Snowy Hydro Limited
- Non-executive director (2012 to current) and chair of the Finance, Risk & Audit Committee (2016 to current) of Murray Goulburn Co-operative Co Ltd
- Non-executive director of Spark Software sp. z o.o. (2015 to current)
- Non-executive director of Kilfinan Australia Limited (2016 to current)

MATTHEW QUINN
BSc (HONS), ACA, ARCS, FAPI, FRICS.

Non-executive director since August 2013.

Other CSR responsibilities
Chairman of the Remuneration & Human Resources Committee and member of the Risk & Audit Committee.

Experience and expertise
Matthew was formerly managing director of Stockland, a position held until January 2013. Matthew's management career with Stockland spanned 12 years, and he has an extensive background in commercial, retail, industrial and residential property investment and development.

Other directorships/offices held
- Non-executive director of Urban Growth NSW, a State owned corporation (2013 to current)
- Chairman of Class Super (Director since 2015, Chair since 2017 to current)
- Chairman of Carbonxt (2013 to current)
- Non-executive director of QSR Holdings Limited (2017 to current)
- Director of a number of smaller investment organisations
- Member of the Australian Business and Community Network Scholarship Foundation

PENNY WINN
BCOM, MBA, MAICD.

Non-executive director since November 2015.

Other CSR responsibilities
Chairman of the Workplace Health, Safety & Environment Committee and member of the Risk & Audit Committee.

Experience and expertise
Penny was formerly director Group Retail Services with Woolworths responsible for leading the Logistics and Information Technology divisions and the Customer Engagement teams, a position held until October 2015. Penny has over 30 years of experience in retail in senior management roles in Australia and overseas.

Other directorships/offices held
- Non-executive director of Caltex Australia Limited (2015 to current)
- Chairman of Port Waratah Coal Services Ltd (2015 to current)
- Member of the UTS Business School's Advisory Board

DIRECTORS' REPORT

The board of directors of CSR Limited (CSR) presents its report of the consolidated entity, being CSR and its controlled entities (CSR group), for the year ended 31 March 2017. The information appearing on pages 20 to 40 forms part of the directors' report and is to be read in conjunction with the following information:

Principal activities

The principal activities of entities in the CSR group during the year included the manufacture and supply of building products in Australia and New Zealand.

In Australia, the CSR group has an interest in the smelting of aluminium through its 70% interest in Gove Aluminium Finance Limited, which owns 36.05% of the Tomago aluminium smelter located near Newcastle, NSW. CSR also maximises returns from the sale of its surplus land by advancing sites through stages of the development process.

Review of operations and financial results

A review of CSR group operations and the results for the year ended 31 March 2017 is set out on the inside front cover to page 17 and pages 41 to 83 of the annual report and forms part of the directors' report. This includes the summary of consolidated results as well as an overview of the group's strategy, material risks and future prospects.

Significant changes

On 31 October 2016, CSR Limited (CSR) announced that it acquired Boral's 40% interest in the Boral CSR Bricks joint venture for $126.4 million, in addition to loan repayments to Boral of $7.5 million.

Further information on this business combination is set out in note 8 to the CSR group financial statements.

There have been no other significant changes to the CSR group in the financial year ended 31 March 2017.

Events after balance sheet date

On 10 May 2017, the board resolved to pay a final dividend of 13.0 cents per ordinary share for the year ended 31 March 2017 to be paid on 4 July 2017. CSR has sufficient franking credits at 31 March 2017 to resume franking and as a result this final dividend will be franked at 50%.

The final dividend for the financial year ended 31 March 2017 has not been recognised in this financial report.

On 18 April 2017, CSR announced the sale of its Monier Roofing site located at Rosehill, NSW. Profit before tax of $49.2 million is expected to be recognised as a result of the sale. Under the terms of the sale, a $9.8 million option fee was recorded in the statement of financial performance for the year ended 31 March 2017. The remaining $39.4 million of profit before tax will be recognised in the statement of financial performance in the year ending 31 March 2018.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the CSR group's operations, the results of those operations or the CSR group's state of affairs in future financial years.

Dividends and distributions to shareholders

Dividends through the year have been as follows:

- a final, unfranked dividend of 12.0 cents per ordinary share, with respect to the financial year ended 31 March 2016, was paid on 5 July 2016; and
- an interim, unfranked dividend of 13.0 cents per ordinary share was paid on 13 December 2016 (as set out in note 16 to the financial statements on page 63).

No other distributions were paid during the year.

Options over share capital

Other than as disclosed in the remuneration report:

- no CSR options were granted to executives or non-executive directors during the year;
- there were no unissued shares or interests in CSR subject to options at the date of this report; and
- no CSR shares or interests were issued pursuant to exercised options during or since the end of the year.

Indemnities and insurance

Under rule 101 of CSR's constitution, CSR indemnifies every person who is or has been an officer of CSR, to the extent permitted by law and subject to the restrictions in sections 199A and 199B of the *Corporations Act 2001* against:

- liability to third parties (other than related CSR companies) arising out of conduct undertaken in good faith in their capacity as a CSR officer; and
- the costs and expenses of defending legal proceedings arising out of conduct undertaken in their capacity as a current or former CSR officer, unless the defence is unsuccessful.

For the purposes of rule 101 of CSR's constitution, 'officer' means a director, secretary and executive officer (as defined in the *Corporations Act 2001*). CSR has entered into a deed of indemnity with current and former directors of CSR and its subsidiaries. The deeds of indemnity are substantially in the form approved by shareholders in July 1999.

CSR has a similar policy covering all employees. CSR's external auditor is not indemnified under rule 101 of CSR's constitution or any agreement.

During the year, CSR paid premiums in respect of insurance contracts for the year ended 31 March 2017 and, since the end of the year, CSR has paid, or agreed to pay, premiums in respect of such contracts for the year ended 31 March 2018. The insurance contracts insure against certain liability (subject to exclusion) incurred by persons who are or have been directors or officers of CSR and its controlled entities. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature of the liability covered by, or the premium payable under, the contract of insurance. No claims under the indemnities have been made against CSR during or since the end of the year.

Performance in relation to environmental regulation

The board places a high priority on environmental issues and is satisfied that adequate systems are in place for the management of CSR's compliance with applicable environmental regulations under the laws of the Commonwealth, States and Territories of Australia and of New Zealand. CSR is not aware of any pending prosecutions relating to environmental issues, nor is CSR aware of any environmental issues, not provided for, which would materially affect the business as a whole.

Political donations

CSR attended a small number of events organised by political parties such as conferences in the year ended 31 March 2017. CSR's businesses are often involved in a degree of interaction with all levels of government. CSR assists all sides of politics in the development of policy in fields where CSR has specific expertise. Fees to attend these events are below the threshold for disclosure to the Australian Electoral Commission and totalled $5,050 including GST for the year ended 31 March 2017 (2016: $20,035).

Auditor independence

There is no current or former partner or director of Deloitte Touche Tohmatsu, CSR's auditor, who is, or was at any time during the year ended 31 March 2017, an officer of the CSR group. No auditor played a significant role in the CSR group audit for the year ended 31 March 2017 in reliance on a declaration made under section 342A of the *Corporations Act 2001*. The auditor's independence declaration (made under section 307C of the *Corporations Act 2001*) is set out on page 22.

Non-audit services

Details of the amounts paid or payable to the CSR group auditor, Deloitte Touche Tohmatsu, for non-audit services provided by that firm during the year are shown in note 30 to the financial statements on page 82. In accordance with written advice provided by the Risk & Audit Committee, the directors are satisfied that the provision of non-audit services during the year by Deloitte Touche Tohmatsu:

- is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*; and
- did not compromise the auditor independence requirements of the *Corporations Act 2001* in view of the materiality of the amounts, the nature of the services and the processes established to monitor the independence of the auditors.

Proceedings on behalf of CSR

No proceedings have been brought, or intervened in, on behalf of CSR, nor has any application for leave been made in respect of CSR under section 237 of the *Corporations Act 2001*.

Remuneration of directors and key management personnel

The remuneration report on pages 23 to 40 provides: a summary of the board's remuneration policy and practices during the past year as they apply to directors and other KMP (as defined by the Accounting Standard AASB 124 *Related Party Disclosures*); the relationship between remuneration policy and the CSR group's performance; and the remuneration details for each director and other KMP.

Directors' secretaries, directors' meetings and directors' shareholdings

On 25 October 2016, Rebecca McGrath resigned as a non-executive director. On 25 October 2016, Christine Holman was appointed as a non-executive director and member of the Remuneration & Human Resources and Workplace Health, Safety & Environment Committees. There were no other changes to the board in the year ended 31 March 2017.

The names of directors who held office at 10 May 2017, as well as details about current directors' period of appointment, qualifications, experience, special responsibilities, current directorships and directorships for the past three years of other listed companies, are on pages 18 and 19 and forms part of the directors' report. The qualifications and experience of the company secretary at 10 May 2017 are as follows:

Debbie Schroeder
BED (HONS), LLB, MAICD, MGIA.

Joined CSR in 2001 and held various roles before being appointed Company Secretary. Debbie was previously a lawyer at Tress Cocks & Maddox and Lander & Rogers. Debbie has extensive experience in corporations law and corporate governance, dispute resolution, employment law, insurance and competition and consumer law. Debbie holds a Graduate Diploma in Applied Corporate Governance and is a member of Governance Institute of Australia and the Australian Institute of Company Directors (AICD).

The number of meetings of the company's board of directors and each board committee held during the year ended 31 March 2017, and the number of meetings attended by each director are detailed in Table 1 below. The directors' relevant interests in shares in CSR or a related body corporate as at the date of this report are detailed in the remuneration report on pages 38 and 40. Other than as disclosed elsewhere in this report, no director:

- has any relevant interest in debentures of, or interests in a registered scheme made available by, CSR or a related body corporate;
- has any rights or options over shares in, debentures of or interests in a registered scheme made available by, CSR or a related body corporate; or
- is a party to or entitled to a benefit under any contracts that confer a right to call for or deliver shares in, debentures of or interests in a registered scheme made available by, CSR or a related body corporate.

Table 1: Meetings of directors

Year ended 31 March 2017	CSR Board		Risk & Audit Committee		Workplace Health, Safety & Environment Committee		Remuneration & Human Resources Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
Jeremy Sutcliffe	10	10	4[5]	4	n/a	n/a	4	4
Christine Holman[3]	4	4	n/a	n/a	2	2	1	1
Michael Ihlein	10	10	4	4	4	3	n/a	n/a
Rebecca McGrath[4]	6	6	n/a	n/a	2	2	3	2
Matthew Quinn	10	10	4	4	n/a	n/a	4	4
Penny Winn	10	10	4	4	4	4	n/a	n/a
Rob Sindel	10	10	4	4	4	4	4	4

1 Meetings held while a member.
2 Meetings attended.
3 Christine Holman was appointed on 25 October 2016.
4 Rebecca McGrath resigned on 25 October 2016.
5 Jeremy Sutcliffe is not a member of the Risk & Audit Committee.

Jeremy Sutcliffe
Chairman
Sydney, 10 May 2017

Rob Sindel
Managing Director
Sydney, 10 May 2017

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Directors
CSR Limited
Triniti 3
39 Delhi Road
North Ryde NSW 2113

10 May 2017

Dear Directors

CSR Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of CSR Limited.

As lead audit partner for the audit of the financial statements of CSR Limited for the financial year ended 31 March 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

REMUNERATION REPORT

1 Basis of preparation

This remuneration report provides a summary of CSR's remuneration policy and practices during the past financial year as they apply to CSR directors and executives.

The remuneration report has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001* and Corporations Regulation 2M.3.03 and has been audited by CSR's external auditor.

The report contains an overview which is intended to provide a 'plain English' explanation for shareholders of the key management personnel (KMP) and senior executives' actual remuneration outcomes for the year ended 31 March 2017 (YEM17) and the remuneration framework including proposed changes for the financial year ended 31 March 2018 (YEM18).

Consistent with prior years, actual remuneration of executive KMP has been included in the remuneration report in note 4. In the interests of transparency, year-on-year analysis is also provided on aggregate remuneration for senior executives (as defined in note 2).

Overview

2 Key management personnel (KMP) and senior executives

KMP for the year ended 31 March 2017 are detailed in the table below. KMP are as defined by the Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124).

CSR's KMP are the non-executive directors, the managing director and the chief financial officer. This is consistent with the assessment performed for the last four years.

Table 1: Key management personnel

Name	Position	Term as KMP
Non-executive directors (NEDs)		
Jeremy Sutcliffe	Chairman	Full year
Christine Holman	Director	Appointed 25 October 2016
Michael Ihlein	Director	Full year
Rebecca McGrath	Director	Resigned 25 October 2016
Matthew Quinn	Director	Full year
Penny Winn	Director	Full year
Executive KMP		
Rob Sindel	Managing Director	Full year
David Fallu	Chief Financial Officer	Appointed 2 February 2017
Greg Barnes	Chief Financial Officer	Resigned 30 June 2016

Senior executives of CSR are detailed in the table below. These senior executives are not KMP as defined by AASB 124. In some cases, where aspects of the remuneration apply to other senior roles within CSR, the term 'executive' is also used.

Table 2: Senior executives

Name	Position	Term as senior executive
Ian Hardiman	Executive General Manager – New Business, Innovation and Technology[1]	Full year
Peter Moeller	Executive General Manager – Viridian	Full year
Luke Murphy	Executive General Manager – Human Resources	Full year
Andrew Mackenzie	General Manager – Property	Full year
Nick Pezet	Executive General Manager – PGH Bricks	Full year
Andrea Pidcock	Executive General Manager – Lightweight Systems	Appointed 15 August 2016
Anthony Tannous	Executive General Manager – Bradford	Full year
Mark White	General Manager – Aluminium	Full year

1 Mr Hardiman was the Executive General Manager – Lightweight Systems until Andrea Pidcock's appointment on 15 August 2016.

3 Overview of remuneration approach and framework

CSR's remuneration framework is based on the principles that remuneration is performance driven, aligns with shareholder interests and provides market competitive remuneration opportunities. The key features of CSR's executive remuneration and non-executive remuneration frameworks are outlined below, with further details provided in the body of the report.

Table 3: CSR executive remuneration framework

Feature	Explanation
Market positioning	▪ Fixed remuneration is positioned at the market median against the Hay Group industrial and services index for roles of comparative size, or relative to their counterparts in related industries. ▪ Variable remuneration provides executives the opportunity to earn upper quartile total remuneration for stretch performance.
Fixed and variable pay mix	▪ Total remuneration is comprised of fixed plus variable (or 'at risk') remuneration. ▪ A significant proportion of the total remuneration opportunity for senior executives is variable and 'at risk' based on performance.
Short term incentive (STI) plan	▪ The STI plan provides rewards to executives for achievement of business financial performance metrics (60% weighting) and individual performance goals (40% weighting). ▪ Weightings of 50% financial and 50% individual performance goals may apply to lower job grades. ▪ In addition, 20% of the total STI earned by executive KMP and senior executives is deferred into shares.
Long term incentive (LTI) plan	▪ The Performance Rights Plan (PRP) provides CSR executives with grants of performance rights that vest based on: - CSR's three year total shareholder return (TSR) relative to the TSR of other S&P/ASX 200 index constituents (the peer group); - CSR's compound annual growth in earnings per share (EPS) over three years; and - The board's assessment of achieving set strategic objectives in the areas of Growth, Portfolio and Digital objectives at the end of the three year performance period (YEM17 PRP award only). ▪ Any performance rights which vest will be converted automatically into shares. ▪ Holders of performance rights are not entitled to dividends until the rights have vested and converted into shares.

Table 4: Non-executive director remuneration framework

Feature	Explanation
Market comparison	▪ Non-executive directors are paid a base fee for service to the board and an additional fee for service to the board committees. ▪ The fees are set with consideration to the fees paid in companies of a similar size and complexity.
Fee pool	▪ The fee pool is currently $1,450,000 per annum including superannuation.

4 Actual remuneration

Actual remuneration disclosure has been prepared to provide shareholders with a view of the remuneration structure and how remuneration was paid to the executive KMP for the year ended 31 March 2017. The board believes presenting information in this way provides shareholders with increased clarity and transparency of the executive KMP remuneration, clearly showing the amounts awarded for each remuneration component (fixed, short and long term) within the financial year. This disclosure differs from the statutory remuneration disclosures contained in note 12, with a summary of the differences detailed in the table below.

Table 5: Comparison of actual and statutory remuneration disclosures

	Fixed remuneration	Short term incentive	Long term incentive	Leave accruals	Other benefits
Actual remuneration disclosures	Cash salary and superannuation contributions	STI award for YEM17, inclusive of the 20% STI deferral, expressed as a cash value	Value of LTIs that have vested during the year, calculated based on the number of shares valued using the five day volume weighted average price (VWAP) prior to issue of the shares. Excludes the value of unvested LTIs at 31 March 2017	Not included	Includes Universal Share Ownership Plan (USOP), and other costs relating to company business or contractual obligations, where the benefit has been received.
Statutory remuneration disclosures	As above	STI award for YEM17, exclusive of STI deferral, plus amortisation of STI deferrals relating to current year and prior two years	Value of LTIs recorded in accordance with accounting standards (based on fair value determined at grant date expensed over the vesting period). The amount relates to YEM14 to YEM17 LTI grants	Included	As above, except where PRPs are granted as part of contractual obligations. These are expensed over the vesting period.

4 Actual remuneration (continued)

Actual remuneration received by executive KMP is set out in the table below. The remuneration disclosure is prepared on the basis summarised in table 5. No termination benefits were paid to executive KMP during the year.

Table 6: Actual remuneration received by executive KMP

Year ended 31 March 2017 $	Fixed remuneration	Short term incentive[1]	Long term incentive	Other benefits[2]	Total
Rob Sindel	1,219,987	899,000	2,503,729	3,856	4,626,572
David Fallu[3]	89,376	–	–	100,000	189,376
Greg Barnes[4]	162,500	–	286,441	–	448,941
Total	1,471,863	899,000	2,790,170	103,856	5,264,889

1 The STI award represented 105% of Mr Sindel's target STI opportunity for YEM17.
2 Other benefits included travel expenditure for Mr Sindel and his spouse, all of which related directly to company business. The other benefit awarded to Mr Fallu represents amounts paid to ensure no undue disadvantage upon resignation from his previous employment.
3 Appointed 2 February 2017.
4 Resigned 30 June 2016.

Given the flat organisation structure of the company and following a review of senior executives against the criteria for determining executive KMP, only the managing director and chief financial officer qualify as executive KMP. The year-on-year change in total actual remuneration for senior executives is summarised in the table below and is prepared on the basis outlined in Table 5. The analysis excludes the executive KMP, Mr Sindel, Mr Fallu and Mr Barnes. The year-on-year decrease in total remuneration for senior executives was driven predominantly by the LTI outcomes. No termination benefits were paid to senior executives during the year.

Table 7: Senior executive remuneration

Year ended 31 March $	Fixed remuneration	Underlying increase in fixed remuneration[1]	Short term incentive	Long term incentive	Other benefits[2]	Total	Change in total
2017	**3,751,680**	**2.5%**	**2,023,598**	**2,207,355**	**137,980**	**8,120,613**	**(9.4%)**
2016	3,314,873		2,168,812	3,359,135	119,077	8,961,897	

1 In YEM17 there is an additional senior executive for part of the year, following the appointment of an Executive General Manager - New Business, Innovation and Technology. As a result, given the additional executive included the actual change in aggregate fixed remuneration is 13.2%.
2 Other benefits include USOP, travel expenditure and relocation costs, related to company business or contractual obligations. In addition, for YEM17 other benefits include amounts paid to the Executive General Manager – Lightweight Systems to ensure no undue disadvantage upon resignation from previous employment.

5 Performance outcomes

Table 8: Summary of performance outcomes for the year ended 31 March 2017

Remuneration	Performance outcome
Total remuneration	▪ Total remuneration expense decreased for executive KMP and senior executives from YEM16 to YEM17 due to: - changes in executive KMP following the resignation of Mr Barnes as Chief Financial Officer on 30 June 2016; - reduced STI payments given the demanding budget targets set; and - a decrease in the number of LTI rights that vested in YEM17.
Short term incentive (STI)	▪ YEM17 STI decreased compared with those for YEM16. YEM17 CSR group EBIT result was moderately above target, compared to the YEM16 CSR group EBIT result which achieved between target and stretch performance.
Long term incentive (LTI)	▪ The value of LTI that vested in YEM17 decreased compared to YEM16 due to a lower number of rights vesting. ▪ In YEM17, EPS and TSR performance hurdles for the YEM14 PRP were met resulting in a full vesting of the grant. However, fewer rights were allocated in YEM14 when compared to the YEM13 grant, reflecting the relative share price of the group at the time. Further detail is contained in note 9.

6 Remuneration framework changes

The board continually reviews the design of the remuneration framework to ensure the design is 'fit for purpose'. This means the remuneration framework supports the overall business strategy, is aligned with shareholder interests, is competitive with market practices and is simple for both participants and shareholders to understand. The board has reviewed both the STI and LTI plans with changes outlined below.

Changes impacting YEM17 remuneration

As outlined in the YEM16 remuneration report, the following amendments have been made in relation to the YEM17 Performance Rights Plan:

Table 9: Changes to hurdles and weightings of the LTI plan

Performance hurdle	YEM17	YEM16	Detailed explanation
Relative TSR	30%	50%	▪ The proportion of the grant tested against this performance hurdle decreased from 50% in YEM16 to 30% in YEM17.
EPS	40%	50%	▪ The proportion of the grant tested against this performance hurdle decreased from 50% in YEM16 to 40% in YEM17. ▪ EPS is measured on an averaged basis over the three year performance period rather than point to point. The EPS performance hurdles were set at 5% to 10% compound growth for target and stretch performance respectively. This was a reduction from the previous hurdles of 7% to 12% which were set in a higher growth environment and were no longer considered appropriate. Average EPS growth between 5% and 10% will result in vesting between 50% and 100% increasing on a straight-line basis.
Strategic objectives	30%	0%	▪ The proportion of the grant tested against this performance hurdle increased from 0% in YEM16 to 30% in YEM17. ▪ There are three objectives in the YEM17 plan set by the board in the areas of growth, portfolio and digital. Each objective is equally weighted with 5% to 10% of the overall grant being allocated for target and stretch performance respectively. These objectives are aligned with CSR's strategy and, if achieved, will create value for shareholders. ▪ The board will review performance against each objective at the end of the performance period and determine any associated vesting. Any vesting will be disclosed in the remuneration report in the year it occurs, with specific details regarding the outcomes achieved.

Changes impacting YEM18 remuneration

The board has resolved to make the following changes to the LTI and STI plan from YEM18:

Table 10: Changes to hurdles and weightings of the LTI plan from YEM18

Performance hurdle	YEM18	YEM17	Detailed explanation
Relative TSR	50%	30%	▪ This measure is consistent with market practice and aligns with shareholder interests. The ASX 200 will continue to be used as the comparator group given that CSR sits within this index.
EPS	50%	40%	▪ EPS will continue to be measured on an averaged basis over the three year performance period rather than point to point. The board believes this better addresses the cyclicality of the business and incentivises participants to improve performance year on year by removing the current exposure solely to the final year of the performance period. ▪ The board will assess average EPS over the three year performance period and this result will then be compared against the hurdles set by the board. The EPS performance hurdles will be set at 5% to 10% compound growth for target and stretch performance respectively.
Strategic objectives	0%	30%	▪ Objectives were included in the YEM17 grant and in the absence of materially different strategic objectives it was determined that the grants would revert to the well-established performance hurdles of relative TSR and average EPS equally weighted at 50% of grant value.

Changes to the STI plan from YEM18

Consistent with the group strategy to drive a customer centric organisation, all eligible STI participants will have a customer related objective with a weighting between 10% and 20% at target performance. This customer objective will form part of the individual component of the STI with the financial component of the STI remaining unchanged.

In recognition of the growth of the business and the hedging in place for Aluminium in YEM18, the threshold target for the YEM18 STI plan will be increased from 90% to 95% and the stretch target will reduce from 120% to 110%.

Remuneration Policy

7 Remuneration governance

CSR's remuneration governance framework is set out below. Whilst the board retains ultimate responsibility, CSR's remuneration policy is implemented through the Remuneration & Human Resources Committee. The composition and functions of the Remuneration & Human Resources Committee, which oversees remuneration issues and human resources matters, are set out in the charter available from the CSR website. The charter was reviewed and updated during the year.

Figure 1: CSR's remuneration governance framework

CSR Board

- Overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors.
- Reviews and, as appropriate, approves recommendations from the CSR Remuneration & Human Resources Committee.

Remuneration & Human Resources Committee

Management and Board remuneration policy

Monitors, recommends and reports to the board on:

- Alignment of remuneration incentive policies and guidelines for executive managers and senior employees with long-term growth and shareholder value.
- Superannuation arrangements.
- Employee share plans.
- Recruitment, retention and termination policies and procedures for senior management.
- Board remuneration including the terms and conditions of appointment and retirement, non-executive remuneration within aggregate approved by shareholders.
- Overseeing induction of new non-executive directors and evaluation of board performance.
- The remuneration of the managing director and senior executives.

Human Resources, Talent Management and Diversity

Monitors, recommends and reports to the board on:

- The adequacy of talent pools for senior management succession.
- The effectiveness of CSR's diversity policies and initiatives, including an annual assessment of performance against measurable objectives and the relative proportion of women at all levels.
- Management development frameworks and individual development progress for key talent.
- Monitoring surveys conducted by the company in relation to the culture of the organisation.
- Initiatives to improve and drive a strong performance culture.
- Assessing performance against CSR's compliance with external reporting requirements.

Managing Director and Executive General Manager – Human Resources

Makes recommendations to the CSR Remuneration & Human Resources Committee on:

- Incentive targets and outcomes.
- Remuneration policy for all employees.
- Long term incentive participation.
- Individual remuneration and contractual arrangements for executives.

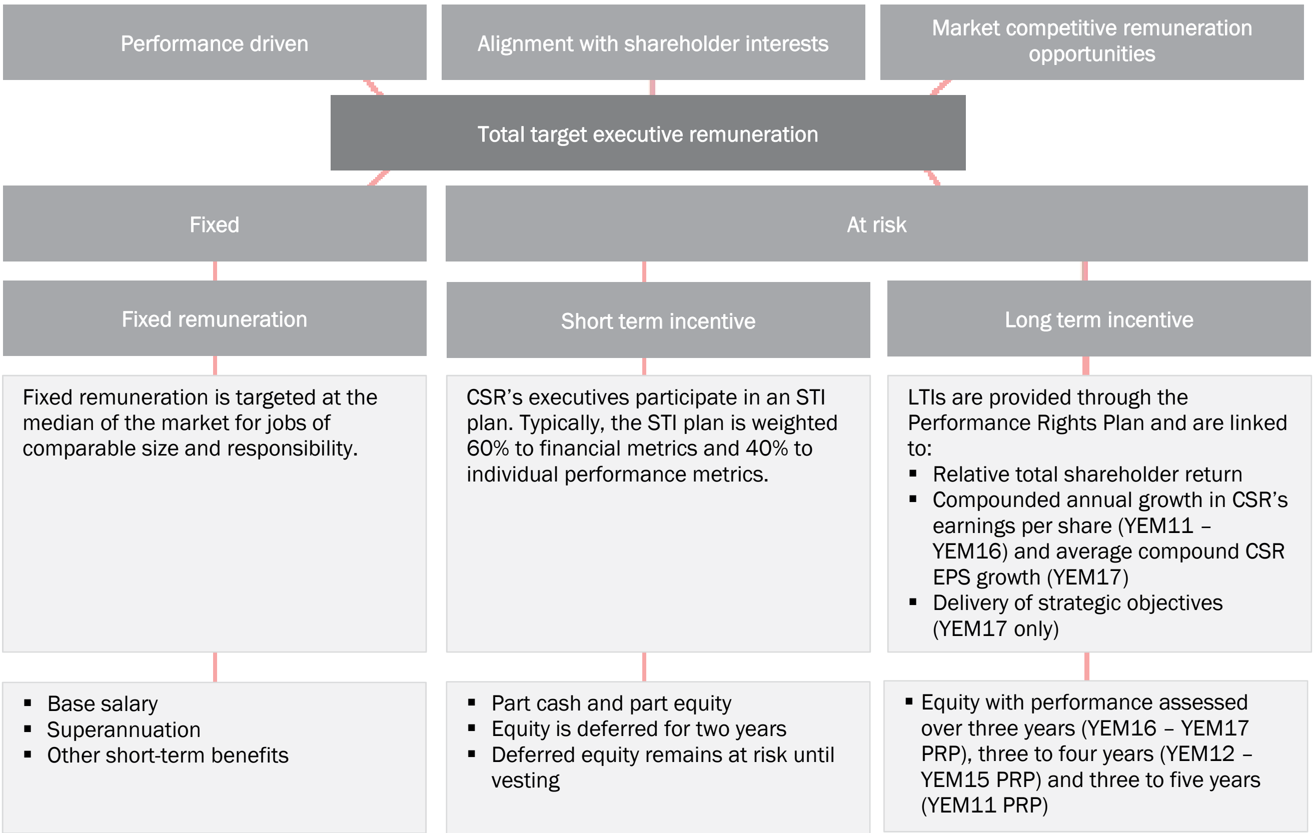
External advisors

- Provide independent advice, information and recommendations relevant to remuneration decisions.
- Throughout the year, the Remuneration & Human Resources Committee and management received information from external providers Ernst & Young, Hay Group, Herbert Smith Freehills and Mercer Consulting (Australia) Pty Ltd related to remuneration market data and analysis, market practice on the structure and design of incentive programs (both long term and short term), performance testing of existing long term incentives and legislative and regulatory requirements.
- There were no remuneration recommendations received from external providers during the year.

8 Remuneration strategy

The core elements of CSR's remuneration strategy for the executive KMP and executives are outlined below.

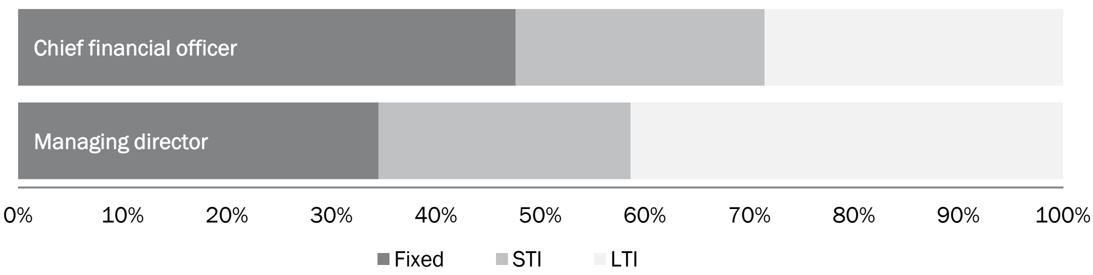
Figure 2: CSR's remuneration strategy



The key principles on which CSR's executive remuneration policy is based are outlined below.

Table 11: Key principles of CSR's executive remuneration policy

Objective	Explanation
Performance driven	Remuneration should reward executives based on annual performance against business plans and longer term shareholder returns. The variable components of remuneration (both short term and long term) are driven by challenging targets focused on both external and internal measures of financial and non-financial performance. A significant proportion of executive remuneration is 'at risk'. The following remuneration mix chart sets out the remuneration mix as fixed remuneration, on-target STI and the maximum value of the LTI granted during the year for the managing director and the chief financial officer.



Market competitive remuneration opportunities	Remuneration opportunities, including those elements which can be earned subject to performance, are set at competitive levels that will attract, motivate and retain high quality executives. Executive remuneration is reviewed annually. CSR aims to provide market-competitive remuneration against jobs of comparable size and responsibility (as measured by the Hay Group job evaluation system and by position matching against equivalent roles from organisations with similar market capitalisation) as follows: ▪ fixed remuneration for executives is targeted at market median; and ▪ variable remuneration (through STI and LTI) provides the opportunity to earn total remuneration (fixed remuneration plus variable remuneration) that reaches the top quartile of the market for superior performance.

8 Remuneration strategy (continued)

Table 11: Key principles of CSR's executive remuneration policy (continued)

Objective	Explanation
Alignment with shareholder interests	Executives' remuneration is aligned with shareholder interests through a significant emphasis on variable remuneration. Incentive plans and performance measures are aligned with CSR's short and long-term success. Ownership of CSR shares is encouraged through the use of equity as the vehicle for the LTI plan, the STI deferral plan (introduced in YEM12) for executive KMP and senior executives and the ability to forgo part of fixed remuneration to acquire shares up to a maximum value of $5,000 annually through the Employee Share Acquisition Plan. Executive KMP and senior executives are required to hold, or make progress towards holding, a minimum CSR shareholding equivalent to 50% of their fixed annual remuneration.

9 Composition of remuneration

The components of the fixed and variable or 'at risk' remuneration (STI and LTI) are detailed below.

(i) Fixed remuneration

Fixed remuneration comprises base salary, superannuation and other short-term benefits provided by the company. As discussed above, fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. In some cases, superior performance or strong market demand for specific job categories may justify above-median fixed remuneration.

Base salary is reviewed annually or on promotion. There are no guaranteed base salary increases included in any executives' contracts. Employees are able to forgo part of their fixed remuneration to acquire CSR shares under the Employee Share Acquisition Plan (ESAP), discussed in note 9(iv), up to a maximum salary sacrifice of $5,000 annually.

(ii) At risk remuneration – short term incentive plan

Table 12: Details of the short term incentive plan

Purpose	To drive individual and team performance to deliver annual business plans and increase shareholder value.
Frequency and timing	Awards are determined on an annual basis with performance measured over the year to 31 March. Payment is normally made in June following the end of the performance year.
Financial measures	The quantum of the STI pool is determined by EBIT before significant items, which assesses the amount of pre-tax profit generated by the business. Typically, the STI plan is weighted 60% to financial metrics and 40% to individual performance metrics. Financial performance for YEM17 STI awards was measured against EBIT that was assigned at the organisational level that best reflects the role's influence. All executives and eligible employees had 50% of their financial component aligned to the CSR financial result (EBIT) with the remaining 50% of the financial component aligned with the financial performance (EBIT) of the business unit which best reflects the role's influence. Hence, the measures used in the YEM17 STI plan are: ▪ corporate roles: CSR EBIT before significant items (100%*); and ▪ business unit executive roles: business unit EBIT before significant items (50%*) and CSR EBIT before significant items (50%*). * Expressed as a percentage of the STI financial component. STI financial component typically comprises 60% of target STI. Return on Funds Employed (ROFE) is also assessed by the board to ensure that the effectiveness with which capital is deployed within the business is measured and rewarded. The financial targets are set each year by the managing director, in consultation with the business unit executives and are approved by the board. The managing director's targets are set each year by the board. Threshold financial performance is set at 90% of the budget approved by the board, below which no financial component can be paid. Target financial performance equates to the approved budget while stretch performance is set at 120% of the approved budget. These parameters apply at both the CSR and business unit level.
Individual objectives used (and rationale)	Individual objectives are set for each participant and are aligned to the business plan. These objectives include safety, health and environment, meeting customer needs and becoming supplier of choice, leadership and development of people, sales targets, operational improvement, restructuring and rationalisation plans, production targets, growth and other personally attributable goals.

9 Composition of remuneration (continued)

Table 12: Details of the short term incentive plan (continued)

Assessment of performance against measures	At the end of the CSR financial year, each participant's performance is assessed based on financial results for CSR and the relevant businesses. A review by the executive's manager is undertaken to determine performance against the relevant individual objectives for each executive. The Remuneration & Human Resources Committee approves KMP and senior executive STIs and the overall STI pool in aggregate. STI assessments and recommendations are made by an executive's immediate manager, as he or she is best placed to assess the individual's performance. All recommendations are reviewed and approved by the business unit executive general manager, the human resources executive general manager and the managing director. Payment for the individual component is normally dependent on the business financial result. Should either CSR or the applicable business unit fail to reach threshold EBIT performance set by the board, then only 50% of the individual component will be eligible for payment. Should both CSR and the applicable business unit not reach the EBIT threshold set, then any payment for the individual component will be at the discretion of the board. The payout, based on performance, is between a minimum of 0% and a maximum of 200% of target.
Board discretion	The intention is to minimise discretionary adjustments to the plan outcomes. However, the board and the managing director retain discretion in certain circumstances to alter payments having regard to: ▪ CSR's overall financial performance; ▪ any significant changes in AUD price for aluminium compared with the prices assumed in the budget; ▪ occurrence of a fatality, regardless of fault; ▪ maintenance and preservation of the company's assets; ▪ development and attention to customer relationships; ▪ any short term action which causes market share loss or other damage to CSR; and ▪ other special circumstances (e.g. acquisitions and divestments).
Service condition	New starters with CSR or people promoted into eligible roles can participate in the STI with pro rata entitlements if they have been in the role for more than three months of the relevant financial year. For staff who retire, die or are retrenched during the performance period, the managing director and the board have discretion in awarding a payment. No payment will be made to participants who cease employment voluntarily, or have their employment terminated for inadequate performance or for cause, before the end of the performance year.
Equity deferral	Under the STI deferral plan, 20% of any STI earned by executive KMP and senior executives is delivered in CSR shares. These shares must be held in trust subject to trading restrictions and have a continued service requirement for a minimum of two years from the date of allocation. During this restriction period, the shares are subject to forfeiture if the executive resigns or is terminated for cause. No further performance conditions will apply and shares will fully vest to the executive at the end of the restriction period if the continued service requirement is met. As the shares are awarded in lieu of a full cash STI payment and relate to an incentive that has already been earned, the board has determined that during the restriction period, executives are entitled to all dividend and voting entitlements applying to the shares held in trust in their name. An important feature of the STI deferral plan rules is the clawback provisions which can allow the board to withhold some or all of the deferred equity in the event of fraud, financial errors, misstatements or misrepresentations.

(iii) At risk remuneration – long term incentive plan

CSR's LTI program aims to:

- drive performance and deliver strategic objectives that create long-term shareholder value;
- provide executives with the opportunity to build their interests in CSR equity; and
- attract, motivate and retain the necessary executive talent to deliver and sustain business performance and increase returns to shareholders.

All securities referred to in this report are granted by CSR Limited.

9 Composition of remuneration (continued)

Table 13: Features of the long term incentive plan – summary of the PRP

Participation	Managing director, direct reports and selected key roles are eligible subject to approval by the board.
Grant frequency	Grants are made on an annual basis.
Type of award	Grants of performance rights are subject to service requirements and performance vesting criteria. If performance conditions are met, CSR shares will be purchased on market and transferred to participants. Refer to 'Performance period and conditions' below for more detail.
Vesting and performance period	**YEM16 to YEM17 PRP:** Awards are subject to a three year vesting period. Immediately following completion of the vesting period, the performance conditions (detailed below) are tested to determine whether, and to what extent, awards vest. To the extent that performance rights have not vested following the testing, they will lapse (i.e. participants forfeit their interests in the performance rights). **YEM12 to YEM15 PRP:** Awards are subject to a three year vesting period. If some or all of the awards do not vest at the initial three year test date, they are carried forward and the performance period is extended by 12 months and retested over a four year performance period to determine if any additional vesting is achieved. Performance for both tranches is measured over this extended period to try and mitigate any distortion caused by business and commodity cycles or capital investment decisions. To the extent that performance rights do not vest as part of the retest, they will lapse. **YEM11 PRP:** Awards were subject to a performance hurdle based on CSR's TSR over a three year performance period, with subsequent performance subject to a second and final test in years four and five. This retest was completed in July 2015 and all remaining unvested grants lapsed in YEM16.
How is performance assessed and why is it assessed that way?	TSR performance compared to the constituents of the S&P/ASX 200 index is considered appropriate given CSR's size and mix of businesses. EPS performance hurdles were implemented in YEM12 and have been consistently applied for all subsequent grants. Compound growth in EPS assesses the success of the business in generating continued growth in earnings and aligns the effort of executive KMP and senior executives with shareholder interests.
Performance period and conditions	For YEM17 PRP grants, three performance hurdles are applied and assessed over the performance period as follows: **Relative TSR (Tranche A – 30% of PRP grant)** This measure remains consistent with the methodology adopted for YEM12 to YEM16 PRP grants as detailed below. **EPS (Tranche B – 40% of PRP grant)** EPS is measured on an averaged basis over the three year performance period rather than point to point. The EPS performance hurdles have been set at 5% to 10% compound growth for target and stretch performance respectively. Target performance is calculated by taking the total EPS from the performance period using actual YEM16 EPS compounding 5% per annum for three years, and dividing the result by three. Stretch performance is calculated by taking the total EPS from the performance period using actual YEM16 EPS compounding 10% per annum for three years and dividing the result by three. This is illustrated below.

EPS performance hurdle	Average EPS growth (% CAGR)	YEM16 EPS (cps)	Cumulative EPS required over next three years (cps)	Average EPS required over next three years (cps)
Target	5.0%	32.9	108.9	36.3
Stretch	10.0%	32.9	119.8	39.9

Average EPS growth (% CAGR) between 5% and 10% will result in vesting between 50% and 100% increasing on a straight-line basis.

Strategic objectives (Tranche C – 30% of PRP grant)

There are three objectives for the YEM17 plan. Each objective is equally weighted with 5% to 10% of the overall grant being allocated for target and stretch performance respectively. The objectives as set by the board are:

- **Growth:** A specific EBIT growth objective to be derived from new products and services beyond 'business as usual'.
- **Portfolio:** To increase CSR's exposure to its core building materials businesses through strategic acquisitions and to reduce exposure to non-core businesses through divestments. The board will have regard to profit and Return on Funds Employed (ROFE) when assessing the contribution from any acquisitions.
- **Digital:** Further development and execution of CSR's digital strategy that will drive significant change in customer engagement, improved efficiencies and superior commercial outcomes.

9 Composition of remuneration (continued)

Table 13: Features of the long term incentive plan – summary of the PRP (continued)

<table>
<tr><td>Performance period and conditions</td><td>
For YEM12 to YEM16 PRP grants, two equally weighted (50%) performance hurdles are applied and assessed over the performance period as follows:
Relative TSR (Tranche A – 50% of PRP grant)
▪ TSR measures the percentage growth in shareholder value, taking into account share price growth, dividends and capital returns.
▪ TSR performance is assessed against the constituents of the S&P/ASX 200 index defined at the start of the performance period with the following vesting schedule applying:
<table>
<tr><th>TSR of CSR relative to the peer group</th><th>Proportion of Tranche A to vest</th></tr>
<tr><td>Below the 50th percentile</td><td>0%</td></tr>
<tr><td>At the 50th percentile</td><td>50%</td></tr>
<tr><td>Between the 50th percentile and the 75th percentile</td><td>Straight-line vesting between 50% and 100% (e.g. each percentile improvement will result in an additional 2% vesting)</td></tr>
<tr><td>75th percentile or greater</td><td>100%</td></tr>
</table>
▪ For the purposes of the TSR calculation, the start and end share prices will be calculated based on 10 trading days VWAP.
EPS (Tranche B – 50% of PRP grant)
▪ The annual compound EPS growth over the period from commencement of the performance period to the test date.
▪ EPS is defined as net profit after tax per share before significant items. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one-off costs.
▪ The board sets a threshold vesting schedule of 7% compound growth in EPS per year, with the following vesting schedule applying:
<table>
<tr><th>EPS target range (compound growth per annum)</th><th>Proportion of Tranche B to vest</th></tr>
<tr><td>Below 7% compound EPS</td><td>0%</td></tr>
<tr><td>Equal to 7% compound EPS</td><td>50%</td></tr>
<tr><td>Between 7% and 12% compound EPS</td><td>Between 50% and 100% increasing on a straight-line basis</td></tr>
<tr><td>Greater than 12% compound EPS</td><td>100%</td></tr>
</table>
</td></tr>
<tr><td>Treatment of capital return</td><td>There is no entitlement to a capital return. However, the board may make an adjustment to the number of shares underlying unvested performance rights that would be awarded to the participant if and when the performance rights vested. The number of additional shares underlying the performance rights corresponds to the cash amount per share returned to shareholders, and is intended to ensure that the value of awards of PRP holders is not eroded by capital returns. Capital returns are included as part of TSR performance.</td></tr>
<tr><td>Treatment on vesting</td><td>For all PRP grants, rights are eligible for one CSR share per one performance right on vesting.</td></tr>
<tr><td>Sales restrictions post vesting</td><td>Shares transferred to participants on the vesting of performance rights are subject to the CSR share trading policy.</td></tr>
<tr><td>Treatment of dividends</td><td>There is no entitlement to dividends on performance rights under the plan during the vesting period.</td></tr>
<tr><td>Treatment on cessation of employment</td><td>Unvested awards: Generally, a participant who ceases to be employed prior to the performance conditions being met will forfeit their interest in the unvested shares. However, if the cessation of employment is the result of retirement, redundancy, total or permanent disablement, death or any other special circumstances at the board's discretion, board policy is to retain awards in the plan subject to ongoing performance hurdles following cessation of employment, i.e. awards remain 'on foot'. In exercising this discretion, the board would not generally accelerate vesting and would apply pro rata assessments for plans on foot.
Vested awards: Awards that have vested are transferred to participants immediately at the time of vesting.</td></tr>
<tr><td>Treatment on change of control</td><td>Unvested awards: The board has discretion to allow awards to vest on a change of control of CSR (e.g. a takeover or merger). In exercising this discretion, the board would generally apply pro rata assessments for plans on foot.
Vested awards: Awards that have vested are transferred to participants at the time of vesting.</td></tr>
<tr><td>Prohibition of hedging arrangements</td><td>Participants will forfeit their interests in unvested shares if they enter into any hedging transaction in relation to those shares in breach of CSR's Share Trading Policy.
At 31 March 2017, executive KMP confirmed in writing their beneficial interest in CSR shares, including confirming that they had not entered into any hedging arrangements over vested or unvested CSR shares.</td></tr>
</table>

9 Composition of remuneration (continued)

Table 14: Status and key dates of PRP awards

Grant date	Valuation per right[1]	Holding period	Performance testing windows	Expiry date (if hurdle not met)	Performance status[2]
24 July 2010 (YEM11)	$1.23	24 July 2010 to 23 July 2013	24 July 2013 to 23 July 2015	24 July 2015	Performance condition (TSR) met at 51st percentile in July 2014, resulting in 52.4% vesting of the allocation grant. Following retesting in July 2015 the balance of unvested rights lapsed.
23 July 2011 (YEM12)	Tranche A (TSR) $1.49 Tranche B (EPS) $2.27	23 July 2011 to 22 July 2014	23 July 2014 to 22 July 2015 (Tranche A) 1 April 2014 to 31 March 2015 (Tranche B)	23 July 2015	Tranche A (TSR): Performance condition met at 68th percentile in July 2014, resulting in 86.4% vesting of the allocation grant. Following retesting in July 2015 the balance of unvested rights lapsed. Tranche B (EPS): Performance condition was not met and unvested rights lapsed.
23 July 2012 (YEM13)	Tranche A (TSR) $0.62 Tranche B (EPS) $0.93	23 July 2012 to 22 July 2015	23 July 2015 to 22 July 2016 (Tranche A) 1 April 2015 to 31 March 2016 (Tranche B)	23 July 2016	Tranche A (TSR): Performance condition met at 97th percentile in July 2015, resulting in maximum (100%) vesting of the allocation grant. Tranche B (EPS): 12% compound growth performance condition met with maximum (100%) vesting of the allocation grant.
23 July 2013 (YEM14)	Tranche A (TSR) $1.23 Tranche B (EPS) $1.82	23 July 2013 to 22 July 2016	23 July 2016 to 22 July 2017 (Tranche A) 1 April 2016 to 31 March 2017 (Tranche B)	23 July 2017	Tranche A (TSR): Performance condition met at 85th percentile in July 2016, resulting in maximum (100%) vesting of the allocation grant. Tranche B (EPS): 12% compound growth performance condition met with maximum (100%) vesting of the allocation grant.
23 July 2014 (YEM15)	Tranche A (TSR) $2.24 Tranche B (EPS) $3.26	23 July 2014 to 22 July 2017	23 July 2017 to 22 July 2018 (Tranche A) 1 April 2017 to 31 March 2018 (Tranche B)[3]	23 July 2018	Tranche A (TSR) and Tranche B (EPS): Performance testing window not yet commenced.
24 July 2015 (YEM16)	Tranche A (TSR) $1.69 Tranche B (EPS) $3.05	24 July 2015 to 31 March 2018	1 April 2015 to 31 March 2018 (Tranche A and B)	1 April 2018	Tranche A (TSR) and Tranche B (EPS): Performance testing window not yet commenced.
26 July 2016 (YEM17)	Tranche A (TSR) $2.42 Tranche B (EPS) $3.40 Tranche C (Strategic objectives) $3.40	26 July 2016 to 31 March 2019	1 April 2016 to 31 March 2019 (Tranche A, B and C)	1 April 2019	Tranche A (TSR), Tranche B (EPS) and Tranche C (Strategic objectives): Performance testing window not yet commenced.

1 The value of performance rights at grant date calculated in accordance with AASB 2 *Share-based Payments*. Valuations are performed by a third party, Ernst & Young.
2 To ensure an independent TSR measurement, CSR engages the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate CSR's performance against the TSR hurdles.
3 Subsequent to 31 March 2017 and up to the date of this report:
Tranche B (EPS) for YEM15 was deemed by the board to have met the 12% compound growth performance condition required for maximum (100%) vesting resulting in 485,933 rights vesting. No further testing is necessary for this tranche. The value of these shares has not yet been determined and will be disclosed in the YEM18 remuneration report.

9 Composition of remuneration (continued)

(iv) Other equity incentive plans

Table 15: Other equity incentive plans

	Universal Share Ownership Plan (USOP)	Employee Share Acquisition Plan (ESAP)
Purpose	To encourage share ownership by enabling executives and employees to benefit from favourable Australian tax treatment.	
Participation	All executives and employees (except executive directors), who have the equivalent of at least one year's full-time service at the date the shares are allotted.	Selected employees and directors within Australia.
Form and quantum of award	Each year, the board approves the purchase of shares up to a maximum value of $1,000 (being the limit of the tax exemption) for each eligible participant. The award is structured such that participants buy shares which are then matched one for one by the company at no additional cost to participants.	Directors and employees can forgo up to $5,000 of their cash remuneration annually to acquire shares in the company. The shares are purchased on market by the CSR Share Plan trustee, who acts on instructions given in accordance with the plan rules and the company's Share Trading Policy.
Vesting period	Shares vest immediately upon acquisition by participants. The shares can only be sold three years after the date of grant, unless the participant's employment ceases before then.	The shares are held in trust while the participant is employed by CSR, unless board approval is granted to sell or transfer shares under specific circumstances (e.g. financial hardship). Under current Australian tax law, the maximum period of income tax deferral on the shares purchased is 15 years.
Absence of a performance condition	The plans are designed to encourage share ownership for employees and therefore do not have any performance conditions attached.	
Dividends and voting rights	Participants are entitled to dividends and other distributions and have full voting rights.	Participants are entitled to dividends and other distributions and have full voting rights while the shares are held in trust.

10 Linking remuneration to performance

A key underlying principle of CSR's executive remuneration strategy is the link between company performance and executive reward.

(i) STI and LTI financial measures

STI payments are based on a variety of performance metrics, both financial and non-financial.

The key financial measure in YEM17 for determining the value of STI payments was EBIT before significant items (while ROFE was maintained as a qualifying metric). Significant items (both positive and negative) are generally excluded when measuring performance for STIs as they are not considered part of ordinary trading results. Each year an assessment is undertaken by the board to determine whether any of these significant items are included for the purpose of assessing STIs.

Building on the improved financial performance in YEM16, the YEM17 EBIT (before significant items) performance of CSR's businesses improved significantly, increasing by 8% to $298.0 million.

The improvements in financial performance and specifically EBIT results moderately exceeded the EBIT target for STIs set by the board. All Building Products business units with the exception of Viridian made strong improvements in EBIT performance, reflecting a continued focus on customer service, cost control and business growth. Aluminium EBIT decreased compared to the prior year with the impact of lower realised aluminium prices partly offset by increased production and improved smelter performance. The Property business continues to generate strong value from the portfolio. Whilst Property EBIT was lower than the target set, the board has recognised the significant work and shareholder value associated with the Rosehill sale which will underpin a very strong Property result for YEM18.

LTIs have been linked to company performance as follows:

- the value of performance rights (under the PRP) ultimately depends on share price performance; and
- awards vest subject to CSR's relative TSR performance compared against the constituents of the S&P/ASX 200 index and EPS growth. In addition, the YEM17 PRP award also includes performance against specific strategic objectives in the areas of growth, portfolio and digital.

CSR's TSR improved significantly against that of the S&P/ASX 200 index, resulting in full vesting of the YEM14 PRPs. Subsequent to 31 March 2017 but prior to the date of this report, the board determined that the EPS tranche of the YEM15 PRP met the performance condition required, resulting in all rights vesting.

10 Linking remuneration to performance (continued)

The following table summarises the clear link between company performance and incentives awarded to executive KMP, senior executives and other eligible employees:

Table 16: Summary of financial performance and STIs and LTIs awarded

	Financial performance[7,8]					STI			LTI	
	EBIT ($ million)[1]	TSR (%)[2]	EPS (cents)[1]	ROFE (%)[3]	Share price ($)[4]	Executive KMP ($ million)	Senior executives ($ million)	All eligible employees STI as a % of EBIT	Vested value – Executive KMP ($ million)[6]	Vested value – Senior executives ($ million)[6]
YEM17	**298.0**	**45.7**	**36.5**	**21.6**	**4.51**	**0.9[5]**	**2.0[5]**	**5.5%**	**2.8**	**2.2**
YEM16	276.8	(10.9)	32.9	20.7	3.30	1.2	2.2	6.7%	3.6	3.4
YEM15	235.4	17.3	29.1	18.4	4.03	1.5	2.6	9.0%	1.7	1.2
YEM14	125.7	74.6	16.0	9.9	3.51	1.3	1.7	10.7%	–	–
YEM13	68.1	27.0	8.2	5.0	2.06	–	0.5	5.1%	–	–

1 EBIT and EPS are calculated before significant items.
2 TSR at 31 March sourced from Bloomberg. Relative TSR performance is disclosed in Table 14 along with the LTI vesting outcomes.
3 Return on Funds Employed (ROFE) defined in note 2 to the CSR group financial statements.
4 Closing share price at 31 March.
5 Represents approved and expensed STI for YEM17 but at the time of writing this report, this amount has not yet been paid.
6 Represents the value of PRPs vesting in the period, calculated based on the number of shares issued, valued using the five day VWAP prior to issue.
7 Dividends paid for the last five years are disclosed on page 3.
8 During the year, 1,219,457 shares were bought back on-market as part of CSR's ongoing capital management strategy. There has been no impact on remuneration. Further information is disclosed in note 15 to the CSR group financial statements.

(ii) STI non-financial measures

For YEM17, payments approved by the board for the non-financial component of the STI averaged across executive KMP and senior executives were on target. The following table provides some examples of key performance measures used in YEM17 to assess executive performance in the non-financial component of the STI.

Table 17: Non-financial measures and YEM17 performance

Performance area	Measure	Performance
Workplace Health, Safety and Environment		**Below target**
	Year on Year Reduction in: Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR)	LTIFR increased to 3.3 from 2.4 and was below the target set TRIFR improved by 12%, however, was below the target set
	Leading Safety Indicators	Achieved 98% against a target of 90% for the Injury Prevention Indicator
	Energy Reduction	Achieved a 3% reduction against a 2% target at major facilities
People and Culture		**On target**
	Leadership Development	Additional investment and expanded offering to participate in CSR leadership programs
	Culture	2016 assessment resulted in improvement in overall results
	Succession	Biannual talent and succession reviews completed and actions implemented
	Diversity	These measures are important in delivering CSR's overall business strategy. The full set of measureable objectives is set out in the corporate governance report which is available on CSR's website CSR's female participation in the business improved from 16.7% to 18% Promotions across the business for women increased from 33% to 34% during the year
Innovation and Growth[1]		**On target**
	Product Development	Each business has targets to develop and introduce new products
	Growth from New Business or Acquisitions	CSR commenced a Lean Startup program to accelerate innovation and growth.
Customer		**On target**
	Customer Service	Each business unit has a range of customer service metrics monitored during the year
	Customer focused culture	A number of CSR wide forums were completed to engage and drive a more customer centric organisation. Specific customer objectives are now included in the YEM18 STI plan
	Digital Strategy	Further progress was made on providing an end-to-end digital solution for our customers. Our CSR Connect Platform and delivery tracking systems have significantly advanced during the year. These all provide greater certainty, visibility and improved service for our customers

Remuneration in detail

11 Service agreements

Managing director – Executive service agreement

Rob Sindel was appointed as managing director of CSR effective 1 January 2011. Mr Sindel's remuneration package is summarised as follows:

Table 18: Managing director's remuneration package

Fixed remuneration	Annual fixed remuneration of $1,227,471 inclusive of superannuation contributions effective from 1 July 2016. Fixed remuneration is reviewed annually, but with no guarantee of an increase.
Notice period	Under the Executive Services Agreement there is no fixed term and Mr Sindel's employment can be terminated by: ▪ the company giving him 12 months' notice of termination; or ▪ Mr Sindel giving six months' notice of resignation.
STI	There is no minimum entitlement to an STI payment and the maximum STI opportunity is 100% of annual fixed remuneration for exceptional performance. Achievement of target performance would result in 70% of the maximum STI being paid. The STI is weighted 60% on financial performance and 40% on individual performance. Under the STI deferral plan rules, 20% of the STI value will be deferred into CSR shares which vest two years from the date of allocation. Further detail on the STI deferral plan is contained in Table 12.
LTI	The value of any award of performance rights is currently set at a maximum of 120% of annual fixed remuneration. Grants of performance rights are subject to performance hurdles and vesting criteria set by the board (refer to note 9 for details).

Chief financial officer – Executive service agreement

David Fallu was appointed as chief financial officer effective 2 February 2017. Mr Fallu's remuneration package is summarised as follows:

Table 19: Chief financial officer's remuneration package

Fixed remuneration	Annual fixed remuneration of $550,000 inclusive of superannuation contributions effective from 2 February 2017.
Notice period	Under the Executive Services Agreement, Mr Fallu's employment can be terminated by: ▪ the company giving him six months' notice of termination; or ▪ Mr Fallu giving six months' notice of resignation.
STI	There is no minimum entitlement to an STI payment and the maximum STI opportunity is 100% of annual fixed remuneration for exceptional performance. Achievement of target performance would result in 50% of the maximum STI being paid. The STI is weighted 60% on financial performance and 40% on individual performance. Under the STI deferral plan rules, 20% of the STI value will be deferred into CSR shares which vest two years from the date of allocation. Further detail on the STI deferral plan is contained in Table 12.
LTI	The potential value of any award of performance rights is set at a maximum of 60% of annual fixed remuneration. Grants of performance rights are subject to performance hurdles and vesting criteria set by the board (refer to note 9 for details).

11 Service agreements (continued)

Table 20: Treatment of the managing director's and chief financial officer's incentives on termination

Circumstance	Short term incentive[1]	Long term incentive – unvested performance rights[2]
Immediate termination for cause	No STI payable and clawback provisions may apply (including deferred STI)	Rights are forfeited
Resignation	Board discretion to award STI on a pro rata basis (including deferred STI)	Rights are forfeited unless board determines otherwise
Notice by company, good leaver, retirement, redundancy, death or permanent disability	Board discretion to award STI on a pro rata basis (including deferred STI)	Board discretion to allow awards to vest or remain subject to performance hurdles after termination on a pro rata basis
Change of control and subsequent material change to managing director's role[3]	STI will be paid on a pro-rata basis (including deferred STI)	The board has discretion to allow awards to vest on a change of control of CSR (e.g. a takeover or merger). In exercising this discretion, the board would generally apply pro rata assessments for plans on foot

1 Any STI payments will be paid according to the normal annual STI payment time frame (i.e. payment timing will not be accelerated).
2 Shares allocated in respect of vested performance rights are not subject to restrictions after vesting.
3 Only applies to the managing director. If the managing director resigned due to a material change in the managing director's status (including the company undergoing a change of control), there would be an entitlement to a payment equivalent to 12 months' notice of termination.

12 Statutory remuneration

Managing director's and chief financial officer's remuneration

The remuneration table below shows an increase in total remuneration expensed for accounting purposes for executive KMP in YEM17 compared with YEM16. The LTI expense in YEM17 accounts for the majority of the change in total expensed remuneration year on year.

Table 21: Executive KMP statutory remuneration

$ Year ended 31 March	Fixed[1]			Variable				'At risk'	
	Cash salary	Super-annuation	Leave benefits	Other benefits[2]	STI expense[3]	LTI expense[4]	Total	STI[5]	LTI[5]
Managing director – Rob Sindel									
2017	1,200,448	19,539	6,795	3,856	907,729	1,119,756	3,258,123	28%	34%
2016	1,171,054	19,177	63,389	4,662	908,009	1,021,162	3,187,453	28%	32%
Chief financial officer – David Fallu[6]									
2017	84,472	4,904	7,144	131,883	–	–	228,403	–	–
2016	–	–	–	–	–	–	–	–	–
Chief financial officer – Greg Barnes[7]									
2017	157,673	4,827	(94,680)	–	(67,787)	(314,876)	(314,843)	-	-
2016	623,323	19,177	22,967	–	365,894	254,346	1,285,707	28%	20%

1 Fixed remuneration may be allocated at the executive's discretion to cash, superannuation (subject to legislative minimums), annual and long service leave benefits, motor vehicles and certain other benefits.
2 Other benefits included travel expenditure for Mr Sindel and his spouse, all of which directly related to company business. The other benefit awarded to Mr Fallu represents amounts paid to ensure no undue disadvantage upon resignation from his previous employment. This includes the PRP grant of 43,000 rights which is being expensed over the vesting period. Further information is contained in note 14.
3 STI expense for YEM17 plus amortisation of STI deferrals relating to prior years' grants. STI payments may be allocated at the executive's discretion to cash or additional superannuation contributions.
4 LTI expense is as defined in the accounting standards. PRP grants are expensed over the vesting period at a valuation determined on grant date. Valuations are performed by a third party.
5 STI and LTI as a percentage of total remuneration.
6 Appointed 2 February 2017.
7 Following Mr Barnes' resignation on 30 June 2016, provision for long service leave, the STI deferral expense relating to the YEM15 grant and the LTI expense relating to PRP grants which lapsed were reversed.

13 Deferred shares

Table 22: STI deferred shares for executive KMP

	Number of STI deferred shares				
	Balance 1 April 2016	Granted[1]	Vested	Lapsed	Balance 31 March 2017[2]
Managing director – Rob Sindel	54,278	51,294	(54,278)	–	**51,294**
Chief financial officer – David Fallu[3]	–	–	–	–	**–**
Chief financial officer – Greg Barnes[4]	26,840	–	–	(26,840)	**–**

1 The value of deferred shares provided to Mr Sindel at grant date was $3.51 per share. These shares related to the YEM16 STI and were granted on 17 May 2016 and will vest on 31 March 2018 consistent with the STI deferral plan.
2 The closing balance of deferred shares at 31 March 2017 represents unvested shares for YEM16 STI. Shares for the deferred portion for the YEM17 STI will be granted in May 2017. The number of shares will depend on the 10 day VWAP prior to the May 2017 trading window.
3 Appointed 2 February 2017.
4 Following Mr Barnes' resignation on 30 June 2016, unvested deferred shares relating to the YEM15 STI grant lapsed.

14 Performance rights

Table 23: Executive KMP performance rights

	Number of performance rights				
	Balance 1 April 2016	Granted[1]	Vested[2]	Lapsed	Balance 31 March 2017
Managing director – Rob Sindel	1,455,805	448,760	(682,215)	–	**1,222,350**
Chief financial officer – David Fallu[3]	–	43,000	–	–	**43,000**
Chief financial officer – Greg Barnes[4]	359,307	–	(80,461)	(278,846)	**–**

1 The accounting value of Mr Sindel's and Mr Fallu's rights granted were $1,393,849 and $150,070 respectively.
2 The following rights vested to ordinary shares during the year ended 31 March 2017:
Mr Sindel: (a) YEM14 Tranche B (rights vested and shares awarded 341,107 on 12 May 2016). The value of each of these shares was $3.56, representing a total value to Mr Sindel of $1,214,341. (b) YEM14 Tranche A (rights vested and shares awarded 341,108 on 3 November 2016). The value of each of these shares was $3.78, representing a total value to Mr Sindel of $1,289,388.
Mr Barnes: (a) YEM14 Tranche B (rights vested and shares awarded 80,461 on 12 May 2016). The value of each of these shares was $3.56, representing a total value to Mr Barnes of $286,441.
The rights vested do not include Tranche B (EPS) from the YEM15 PRP that were determined to have vested by the board subsequent to 31 March 2017 but prior to the date of this report. These approved rights represented 207,290 shares for Mr Sindel.
3 Appointed 2 February 2017. PRP grant issued to Mr Fallu for 43,000 rights will vest automatically in the November 2017 trading window provided Mr Fallu remains employed by the group. The accounting value of these rights granted was $3.49.
4 Following Mr Barnes' resignation on 30 June 2016, unvested PRPs lapsed.

15 Shareholdings

Table 24: Executive KMP shareholdings

	Number of CSR shares[1]				
	Balance 1 April 2016	Acquired[2]	Sold or transferred	Other[4]	Balance 31 March 2017
Managing director – Rob Sindel	816,570	733,509	(620,000)	–	**930,079**
Chief financial officer – David Fallu[3]	–	–	–	–	**–**
Chief financial officer – Greg Barnes	268,694	80,461	–	(349,155)	**–**

1 CSR shares in which the executive KMP has a beneficial interest, including shares held by the CSR share plan trustee for vested shares from the PRP and shares held in respect of the STI deferral plan, by the ESAP trustee or via their related parties. It also includes spouse shareholdings.
2 Represents shares allocated upon vesting of rights under the PRP and shares acquired under the STI deferral plan as detailed earlier in this report. Mr Sindel's acquired shares include 682,215 shares issued on vesting of PRPs and 51,294 shares acquired under the STI deferral plan. Mr Barnes' acquired 80,461 shares issued on vesting of PRPs.
3 Appointed 2 February 2017.
4 Following Mr Barnes' resignation on 30 June 2016, Mr Barnes is no longer a KMP. The 'other' change does not represent a disposal of shares.

Non-executive directors and other

16 Arrangements

Table 25: Non-executive director arrangements

Role	Annual fee for YEM17
Chairman base fees	$344,418
Other NED base fees (including one committee membership)	$137,767
Chairman of the Risk & Audit Committee	An additional $30,750
Chairman of the Remuneration & Human Resources Committee	An additional $20,500
Chairman of the Workplace Health, Safety & Environment Committee	An additional $20,500
Additional committee memberships	An additional $10,250 per additional committee (applies to NEDs other than the chairman)

All fees are exclusive of any Superannuation Guarantee Contribution (SGC). No retirement allowances are payable to NEDs. NEDs do not participate in the company's STI or LTI plans or receive any variable remuneration, but are able to forgo fees for CSR shares under the ESAP. To further align NEDs' interests with those of shareholders, the company expects all NEDs to acquire a beneficial interest in CSR shares. Following benchmarking in YEM17, effective 1 April 2017 a 2.25% fee increase was applied to the chairman's base fees, other NED base fees and all committee fees.

17 Remuneration

Table 26: Non-executive directors' remuneration

Year ended 31 March		Directors' fees	Termination benefits	Superannuation	Total
Kathleen Conlon[1]	**YEM17**	–	–	–	–
	YEM16	88,431	–	8,401	96,832
Christine Holman[2]	**YEM17**	**64,459**	–	**6,124**	**70,583**
	YEM16	–	–	–	–
Michael Ihlein	**YEM17**	**168,517**	–	**16,009**	**184,526**
	YEM16	164,407	–	15,619	180,026
Rebecca McGrath[3]	**YEM17**	**88,654**	–	**8,422**	**97,076**
	YEM16	154,407	–	14,669	169,076
Matthew Quinn	**YEM17**	**158,267**	–	**15,035**	**173,302**
	YEM16	156,324	–	14,851	171,175
Jeremy Sutcliffe (chairman)[4]	**YEM17**	**357,600**	–	**19,539**	**377,139**
	YEM16	348,763	–	19,177	367,940
Penny Winn[5]	**YEM17**	**153,569**	–	**14,589**	**168,158**
	YEM16	56,961	–	5,411	62,372
Total non-executive directors	**YEM17**	**991,066**	–	**79,718**	**1,070,784**
	YEM16	969,293	–	78,128	1,047,421

1 Resigned 9 November 2015.
2 Appointed 25 October 2016.
3 Resigned 25 October 2016.
4 Effective 1 July 2014, Jeremy Sutcliffe's SGC was reduced from 9.5% of his base director's fees to the capped minimum SGC. His base fees increased by the difference between the employer's SGC requirement and the minimum SGC cap. The application of these arrangements continued in YEM17 consistent with any changes in SGC legislative requirements.
5 Appointed 9 November 2015.

18 Shareholdings

Table 27: Non-executive directors' shareholdings

	Number of CSR shares[1]				
	Balance 1 April 2016	Included in remuneration	Acquired	Other[4]	Balance 31 March 2017
Christine Holman[2]	–	–	20,000	–	20,000
Michael Ihlein	58,357	–	1,316	–	59,673
Rebecca McGrath[3]	35,441	–	–	(35,441)	–
Matthew Quinn	17,321	–	21,723	–	39,044
Jeremy Sutcliffe (chairman)	137,729	–	1,316	–	139,045
Penny Winn	26,548	–	16,855	–	43,403

1 CSR shares in which the director has a beneficial interest, including shares held under the ESAP trust or via related parties.
2 Appointed 25 October 2016.
3 Resigned 25 October 2016.
4 Following Ms McGrath's resignation on 25 October 2016, Ms McGrath is no longer a KMP. The 'other' change does not represent a disposal of shares.

19 Other transactions with KMP

There were no other transactions, including loans between CSR and KMP (including their related parties), during YEM16 and YEM17.

FINANCIAL REPORT

Statement of financial performance

$million	Note	2017	2016
Trading revenue – sale of goods	2	**2,468.3**	2,298.8
Cost of sales		(1,634.6)	(1,527.2)
Gross margin		**833.7**	771.6
Other income	5	27.6	31.2
Warehouse and distribution costs		(233.4)	(214.0)
Selling, administration and other operating costs		(340.2)	(324.8)
Share of net profit of joint venture entities	23	14.7	13.2
Other expenses		(26.5)	(25.2)
Profit before finance costs and income tax		**275.9**	252.0
Interest income	6	3.5	2.8
Finance costs	6	(12.6)	(21.1)
Profit before income tax		**266.8**	233.7
Income tax expense	7	(61.7)	(64.4)
Profit after tax		**205.1**	169.3
Profit after tax attributable to:			
Non-controlling interests	21	27.2	27.0
Shareholders of CSR Limited[1]		177.9	142.3
Profit after tax		**205.1**	169.3
Earnings per share attributable to shareholders of CSR Limited			
Basic (cents per share)	4	35.3	28.2
Diluted (cents per share)	4	35.1	28.0

1 Net profit before significant items attributable to shareholders of CSR Limited is $183.8 million (2016: $166.0 million). Refer to note 3 of the financial statements.

The above statement of financial performance should be read in conjunction with the accompanying notes.

Statement of comprehensive income

$million	Note	2017	2016
Profit after tax		**205.1**	169.3
Other comprehensive income (expense), net of tax			
Items that may be reclassified to profit or loss			
Hedge (loss) profit recognised in equity		(44.6)	14.1
Hedge (profit) transferred to statement of financial performance		(16.3)	(0.9)
Share of (loss) on changes in fair value of cash flow hedges of joint venture entities	17	–	(0.5)
Exchange differences arising on translation of foreign operations	17	(0.5)	(1.9)
Recycling of foreign currency translation reserve on disposal of equity accounted investment, transferred to statement of financial performance	17	(5.6)	–
Income tax benefit (expense) relating to these items	11	18.4	(3.9)
Items that will not be reclassified to profit or loss			
Actuarial gain on superannuation defined benefit plans	25	24.1	20.9
Income tax (expense) relating to these items	11	(7.3)	(6.2)
Other comprehensive (expense) income – net of tax		(31.8)	21.6
Total comprehensive income		**173.3**	190.9
Total comprehensive income attributable to:			
Non-controlling interests		13.6	31.6
Shareholders of CSR Limited		159.7	159.3
Total comprehensive income		**173.3**	190.9

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

$million	Note	2017	2016
Current assets			
Cash and cash equivalents	31	19.1	73.1
Receivables	9	312.1	319.6
Inventories	9	385.7	348.8
Other financial assets	18	5.9	32.7
Income tax receivable		0.5	0.5
Prepayments and other current assets		13.1	11.0
Total current assets		**736.4**	785.7
Non-current assets			
Receivables	29	23.4	51.3
Inventories	9	81.6	72.7
Investments accounted for using the equity method	23	39.9	61.0
Other financial assets	18	2.9	2.5
Property, plant and equipment	10	848.6	864.0
Goodwill	10	97.1	74.2
Other intangible assets	10	46.7	48.1
Deferred income tax assets	11	201.2	239.3
Other non-current assets	29	19.3	17.0
Total non-current assets		**1,360.7**	1,430.1
Total assets		**2,097.1**	2,215.8
Current liabilities			
Payables	9	291.9	260.6
Other financial liabilities	18	29.9	17.6
Tax payable		10.3	38.1
Provisions	12	181.5	172.5
Total current liabilities		**513.6**	488.8
Non-current liabilities			
Payables		3.7	18.9
Borrowings	14	30.5	2.2
Other financial liabilities	18	22.9	3.3
Provisions	12	319.8	351.2
Deferred income tax liabilities	11	–	20.9
Other non-current liabilities	25	0.1	13.3
Total non-current liabilities		**377.0**	409.8
Total liabilities		**890.6**	898.6
Net assets		**1,206.5**	1,317.2
Equity			
Issued capital	15	1,036.8	1,041.1
Reserves	17	(73.4)	20.4
Retained profits		191.6	123.2
Equity attributable to shareholders of CSR Limited		**1,155.0**	1,184.7
Non-controlling interests	21	51.5	132.5
Total equity		**1,206.5**	1,317.2

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

$million	Note	Issued capital	Reserves	Retained profits	CSR Limited interest	Non-controlling interests	Total equity
Balance at 1 April 2016		1,041.1	20.4	123.2	1,184.7	132.5	1,317.2
Profit for the year		–	–	177.9	177.9	27.2	205.1
Total other comprehensive (expense) income – net of tax		–	(35.0)	16.8	(18.2)	(13.6)	(31.8)
Dividends paid	16	–	–	(126.3)	(126.3)	(20.4)	(146.7)
On-market share buy-back	15	(4.3)	–	–	(4.3)	–	(4.3)
Acquisition of treasury shares	17	–	(5.4)	–	(5.4)	–	(5.4)
Acquisition of non-controlling interest	8	–	(57.1)	–	(57.1)	(74.2)	(131.3)
Share-based payments – net of tax		–	3.7	–	3.7	–	3.7
Balance at 31 March 2017		1,036.8	(73.4)	191.6	**1,155.0**	51.5	**1,206.5**
Balance at 1 April 2015		1,042.2	21.7	82.6	1,146.5	59.5	1,206.0
Profit for the year		–	–	142.3	142.3	27.0	169.3
Total other comprehensive income – net of tax		–	2.3	14.7	17.0	4.6	21.6
Dividends paid	16	–	–	(116.4)	(116.4)	(28.5)	(144.9)
On-market share buy-back		(1.1)	–	–	(1.1)	–	(1.1)
Acquisition of treasury shares	17	–	(7.1)	–	(7.1)	–	(7.1)
Non-controlling interest on acquisition of subsidiary	17	–	0.5	–	0.5	69.9	70.4
Share-based payments – net of tax		–	3.0	–	3.0	–	3.0
Balance at 31 March 2016		1,041.1	20.4	123.2	1,184.7	132.5	1,317.2

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

$million	Note	2017	2016
Cash flows from operating activities			
Receipts from customers		2,726.0	2,499.5
Payments to suppliers and employees		(2,424.6)	(2,246.4)
Dividends and distributions received	23	14.2	11.2
Interest received		1.9	2.5
Income tax paid		(52.7)	(14.6)
Net cash from operating activities		**264.8**	252.2
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets		(93.2)	(120.0)
Proceeds from sale of property, plant and equipment and other assets		44.7	71.2
Purchase of controlled entities and businesses, net of cash acquired	8	(3.5)	(19.3)
Costs associated with acquisition of businesses		(3.4)	(12.8)
Loans and receivables (advanced) repaid		(5.3)	0.1
Net cash used in investing activities		**(60.7)**	(80.8)
Cash flows from financing activities			
On-market share buy-back	15	(4.3)	(1.1)
Net drawdown (repayment) of borrowings		28.3	(10.4)
Dividends paid[1]		(146.7)	(144.9)
Acquisition of shares by CSR employee share trust	17	(5.4)	(7.1)
Interest and other finance costs paid		(3.4)	(3.2)
Transactions with non-controlling interests	8	(126.4)	–
Net cash used in financing activities		**(257.9)**	(166.7)
Net (decrease) increase in cash held		(53.8)	4.7
Net cash at the beginning of the financial year		73.1	68.4
Effects of exchange rate changes		(0.2)	–
Net cash at the end of the financial year		**19.1**	73.1
Reconciliation of net profit attributable to shareholders of CSR Limited to net cash from operating activities			
Net profit attributable to shareholders of CSR Limited	2	177.9	142.3
Net profit attributable to non-controlling interests	21	27.2	27.0
Depreciation and amortisation	5	88.5	83.2
Impairment of assets	10	11.2	–
Costs associated with acquisition of business		(1.5)	10.8
Share of profits of associates not received as dividends or distributions		(0.5)	(2.0)
Net gain on purchase of associate	3	(4.1)	–
Share-based payments	17	3.2	3.1
Finance cost net of discount unwind		3.3	8.8
Profit on disposal of assets	5	(16.9)	(26.1)
Net change in trade receivables		5.7	(26.2)
Net change in current inventories		(15.7)	1.0
Net change in trade payables		19.7	12.6
Movement in product liability provision		(22.1)	(16.2)
Net change in other provisions		(2.9)	(13.5)
Movement in current and deferred tax balances		1.7	48.1
Net change in other assets and liabilities		(9.9)	(0.7)
Net cash from operating activities		**264.8**	252.2

1 During the year ended 31 March 2017, within the $146.7 million of dividends paid, dividends to CSR Limited shareholders were $126.3 million. Of the $126.3 million in dividends, $8.5 million was used to purchase CSR shares on-market to satisfy obligations under the Dividend Reinvestment Plan (DRP), and the remaining $117.8 million was paid in cash.

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial report

1 Basis of preparation

This section sets out the basis upon which the CSR group's financial statements are prepared as a whole. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. All other accounting policies are outlined in note 31.

Statement of Compliance: CSR Limited is a limited company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

This general purpose financial report is prepared in accordance with the *Corporations Act 2001* and applicable Accounting Standards and Interpretations, and complies with other requirements of the law. CSR Limited is a 'for profit' entity. The financial report includes the consolidated financial statements of CSR Limited and its controlled entities (CSR group).

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the CSR group comply with International Financial Reporting Standards.

Basis of preparation: The financial report is based on historical cost, except for certain financial assets which are at fair value.

In preparing this financial report, the CSR group is required to make estimates and assumptions about carrying values of assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The accounting policies adopted are consistent with those of the previous year, unless otherwise stated.

Basis of consolidation: The consolidated financial statements have been prepared by aggregating the financial statements of all the entities that comprise the CSR group, being CSR Limited and its controlled entities. In these consolidated financial statements:

- results of each controlled entity are included from the date CSR Limited obtains control and until such time as it ceases to control an entity; and
- all inter-entity balances and transactions are eliminated.

Control is achieved where CSR Limited is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity. Entities controlled by CSR Limited are under no obligation to accept responsibility for liabilities of other common controlled entities except where such an obligation has been specifically undertaken.

Business combinations: Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial performance, statement of comprehensive income, statement of financial position and statement of changes in equity respectively. The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interest in subsidiaries even if the accumulated losses should exceed the non-controlling interest in the individual subsidiary's equity.

Comparative information: Where applicable, comparative information has been reclassified in order to comply with current period disclosure requirements, the impact of which is not material to the financial report.

Rounding: Unless otherwise shown in the financial statements, amounts have been rounded to the nearest tenth of a million dollars and are shown by $million. CSR Limited is a company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

Currency: Unless otherwise shown in the financial statements, amounts are in Australian dollars, which is the CSR group's functional currency.

New or revised accounting standards: The CSR group has adopted all amendments to Australian Accounting Standards which became applicable from 1 April 2016. There have been no new or revised accounting standards which materially impacted the financial report. New standards not yet applicable are discussed in note 31.

Critical accounting judgments and key sources of estimation uncertainty: Critical judgments and key assumptions that management has made in the process of applying the CSR group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are detailed in the notes below:

Note	Judgment/Estimation
10	Asset impairment
11	Recoverability of deferred tax assets
12	Measurement of provisions for restoration and environmental rehabilitation and legal claims
12	Provision for uninsured losses and future claims
12, 13	Product liability
22	Classification of joint arrangements
23	Non-consolidation of entities in which the CSR group holds more than 50%

NOTES TO THE FINANCIAL REPORT: The notes are organised into the following sections.

Financial performance overview: provides a breakdown of individual line items in the statement of financial performance, and other information that is considered most relevant to users of the annual report.

Balance sheet items: provides a breakdown of individual line items in the statement of financial position that are considered most relevant to users of the annual report.

Capital structure and risk management: provides information about the capital management practices of the CSR group and shareholder returns for the year. This section also discusses the CSR group's exposure to various financial risks, explains how these affect the CSR group's financial position and performance and what the CSR group does to manage these risks.

Group structure: explains aspects of the CSR group structure and the impact of this structure on the financial position and performance of the CSR group.

Other:

- provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements; and
- provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the CSR group's financial position and performance.

Financial performance overview

2 Segment information

Operating and reportable segments

The CSR group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in their role as the chief operating decision makers (CODM) in assessing performance and in determining the allocation of resources. Operating segments are identified by management and the board of directors based on the nature of the product sold and production processes involved. Reportable segments are based on operating segments determined by the similarity of the products produced and sold as these are the sources of the CSR group's major risks and have the most effect on the rates of return. Each of the business units disclosed below has been determined as both an operating segment and reportable segment.

Building Products	Lightweight Systems (Gyprock plasterboard, Hebel autoclaved aerated concrete products, Cemintel fibre cement, Ceilector ceiling solutions, Potter interior systems and Rondo rolled formed steel products joint venture), Insulation (Bradford and Martini insulation, Bradford energy solutions and Edmonds ventilation systems), AFS walling systems, Bricks (PGH Bricks and Pavers and New Zealand Brick Distributors joint venture) and Roofing (Monier roofing).
Glass	The Glass business includes the operations of Viridian in Australia and New Zealand. Viridian is Australia’s leading architectural glass provider and the only manufacturer of float glass and hard coated performance products in Australia. It manufactures clear float, coated and bulk laminate glass in Victoria and value-added processing of glass from a number of facilities across Australia.
Aluminium	The Aluminium business unit relates to the CSR group’s 70% interest in Gove Aluminium Finance Limited, which in turn holds a 36.05% interest in the Tomago aluminium smelter (i.e. an effective interest of 25.24%). Gove Aluminium Finance Limited sources alumina, has it toll manufactured by Tomago and then sells aluminium into predominantly the Asian market. Products from the aluminium business include aluminium ingot, billet and slab.
Property	The Property business unit generates returns typically from the sale of former operating sites by advancing the sites through various stages of the development cycle. In addition, this business is currently involved in a small number of large-scale developments in New South Wales, Queensland and Victoria. These projects, in most cases, are in-fill developments (currently vacant land or discontinued operating sites within otherwise built up areas) located in metropolitan regions.

Accounting policies and inter-segment transactions

The accounting policies used by the CSR group in reporting segments internally are the same as those disclosed in the significant accounting policies, with the exception that significant items (i.e. those items which by their size and nature or incidence are relevant in explaining financial performance) are excluded from trading profits. This approach is consistent with the manner in which results are reported to the CODM.

Transfers of assets between segments are recognised at book value. It is the CSR group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent. Reporting provided to the board of directors in respect of earnings is primarily measured based on earnings before interest and tax (EBIT), excluding significant items, with significant items reviewed and reported separately to the CODM.

The following items are not allocated to operating segments as they are not considered part of the core trading operations of any segment:

- corporate overheads;
- restructuring and provisions;
- net finance cost; and
- significant items.

Geographical information

The CSR group operates principally in Australia. For the year ended 31 March 2017, the CSR group's trading revenue from external customers in Australia amounted to $2,343.4 million (2016: $2,245.4 million), with $124.9 million (2016: $53.4 million) of trading revenue related to other geographical areas. The CSR group's non-current assets excluding investments accounted for using the equity method, deferred tax assets and other financial assets from continuing operations in Australia amounted to $1,055.8 million at 31 March 2017 (2016: $1,085.6 million), with $60.9 million (2016: $41.7 million) related to other geographical areas.

2 Segment information (continued)

$million	Trading revenue[1]		EBITDA before significant items[2]		Depreciation and amortisation		Earnings before interest, tax and significant items	
Business segment	2017	2016	2017	2016	2017	2016	2017	2016
Building Products[7]	1,576.9	1,466.8	252.2	213.4	49.4	45.8	202.8	167.6
Glass	379.9	301.3	20.3	17.9	13.3	9.8	7.0	8.1
Aluminium	511.5	530.7	118.0	131.0	24.9	26.9	93.1	104.1
Property	–	–	15.3	23.3	0.3	–	15.0	23.3
Segment total	**2,468.3**	2,298.8	**405.8**	385.6	**87.9**	82.5	**317.9**	303.1
Corporate[3,7]	–	–	(13.4)	(17.0)	0.6	0.7	(14.0)	(17.7)
Restructuring and provisions[4]	–	–	(5.9)	(8.6)	–	–	(5.9)	(8.6)
Total CSR group	**2,468.3**	2,298.8	**386.5**	360.0	**88.5**	83.2	**298.0**	276.8

Reconciliation of earnings before interest, tax and significant items to profit after tax

$million	Note	2017	2016
Earnings before interest, tax and significant items		298.0	276.8
Net finance costs	6	(0.4)	(5.3)
Income tax expense		(85.0)	(73.4)
Profit after tax before significant items (before non-controlling interests)		**212.6**	198.1
Less: non-controlling interests		(28.8)	(32.1)
Profit after tax before significant items attributable to shareholders of CSR Limited		**183.8**	166.0
Significant items after tax attributable to shareholders of CSR Limited	3	(5.9)	(23.7)
Profit after tax attributable to shareholders of CSR Limited		**177.9**	142.3

	Funds employed ($million)[5]		Return on funds employed (%)[6]	
Business segment	As at 31 March 2017	As at 31 March 2016	As at 31 March 2017	As at 31 March 2016
Building Products	877.4	903.1	22.8%	19.4%
Glass	247.4	208.4	3.1%	4.1%
Aluminium	137.3	167.2	61.1%	60.5%
Property	142.0	133.0	10.9%	18.1%
Segment total	**1,404.1**	1,411.7	–	–
Corporate	(36.3)	(17.5)	–	–
Total CSR group	**1,367.8**	1,394.2	**21.6%**	20.7%

1 Trading revenue excludes net gain on disposal of assets, interest income, dividend income from other entities, share of net profit of joint venture entities and other income. Inter-segment sales are negligible.
2 EBITDA before significant items is earnings before interest, tax, depreciation, amortisation and significant items.
3 Represents unallocated overhead expenditure and other revenues, including interest income.
4 Represents restructuring and provisions. Includes legal and managerial costs associated with long-term product liabilities and minor product liability claims that arise from time to time, certain defined benefit superannuation liabilities and expenses, other payables, non-operating revenue and other costs (excluding those categorised as significant items).
5 Funds employed is net assets of the CSR group less certain non-trading assets and liabilities. Funds employed at 31 March 2017 is calculated as net assets of $1,206.5 million (2016: $1,317.2 million), excluding the following assets: net cash of $19.1 million (2016: $73.1 million), net tax assets of $191.4 million (2016: $180.8 million), net financial assets of $nil (2016: $14.3 million), net superannuation assets of $14.5 million (2016: $nil) and interest receivable of $0.6 million (2016: $0.5 million). In addition, the following liabilities have been excluded from funds employed: asbestos product liability provision of $312.4 million (2016: $334.5 million), net superannuation liabilities of $nil (2016: $9.0 million), net financial liabilities of $44.0 million (2016: $nil) and borrowings of $30.5 million (2016: $2.2 million).
6 Return on funds employed (ROFE) is calculated based on EBIT before significant items for the 12 months to year end divided by average funds employed. ROFE is not a measure used for Corporate costs which are considered in the context of the CSR group result. Property ROFE varies due to timing of projects.
7 The prior period disclosure has been updated to reflect a change in CSR internal reporting to the CODM, resulting in a transfer of operating expenditure from Corporate to Building Products. As a result, EBIT for Building Products decreased by $1.5 million and corporate EBIT cost reduced by an equivalent amount. This change had no impact on the CSR group EBIT. Funds employed and ROFE have also been updated accordingly.

3 Significant items

$million	2017	2016
Transaction and integration costs[1]	(5.4)	(21.5)
Restructuring costs and asset impairments[2]	(23.8)	(3.3)
Legal disputes, warranties and land remediation[3]	(0.7)	–
Gain on acquisition of controlled entity[4]	4.1	–
Reduction in product liability provision[5]	3.7	–
Significant items before finance costs and income tax	**(22.1)**	(24.8)
Discount unwind and hedging relating to product liability provision	(10.4)	(12.6)
Transaction costs included in finance costs	(0.4)	(0.4)
Interest income on tax refund[6]	2.1	–
Significant items before income tax	**(30.8)**	(37.8)
Income tax benefit on significant items	10.7	9.0
Income tax refund related to divested business[6]	12.6	–
Significant items after tax	**(7.5)**	(28.8)
Significant items attributable to non-controlling interests	1.6	5.1
Significant items attributable to shareholders of CSR Limited	**(5.9)**	(23.7)
Net profit attributable to shareholders of CSR Limited	177.9	142.3
Significant items attributable to shareholders of CSR Limited	5.9	23.7
Net profit before significant items attributable to shareholders of CSR Limited	**183.8**	166.0
Earnings per share attributable to shareholders of CSR Limited before significant items[7]		
Basic (cents per share)	36.5	32.9
Diluted (cents per share)	36.3	32.7

1 During the financial years ended 31 March 2017 and 31 March 2016, the CSR group incurred costs associated with potential and completed acquisitions, including integration costs relating to PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited) which was formed on 1 May 2015 (refer note 8). In addition, in the financial year ended 31 March 2016 adjustments were recorded as a result of the fair value re-measurement of contingent consideration on previous acquisitions.
2 During the financial years ended 31 March 2017 and 31 March 2016, restructuring and relocation programs took place across the Building Products, Glass and Aluminium segments to align the business cost base with current market conditions and secure ongoing efficiencies. In addition, during the year ended 31 March 2017, asset impairments were recorded in the Building Products segment to reduce the carrying value of assets to their recoverable amount following a review of plant and equipment.
3 During the financial year ended 31 March 2017, the group recorded a net charge of $0.7m as a result of the re-measurement of provisions in relation to legal disputes, warranties and land remediation.
4 On 30 June 2016, the CSR group acquired the remaining 42% interest in Viridian Glass Limited Partnership (VGLP). As a result of this transaction, a gain has been recognised including the realisation of cumulative foreign exchange gains in relation to the previously held investment (refer note 8). This amount has been recognised in other income in the statement of financial performance.
5 During the financial year ended 31 March 2017, the group reduced the product liability provision by $3.7 million to bring the prudential margin to $60.0 million or 23.8% of the actuarially assessed product liability provision at 31 March 2017 (refer note 13).
6 During the financial year ended 31 March 2017, a tax refund (including interest) was finalised following an amendment to the capital gains tax paid in relation to the divestment of the Sucrogen group in the year ended 31 March 2011.
7 The basis of calculation is consistent with the earnings per share disclosure in the statement of financial performance (refer note 4).

Recognition and measurement

Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the CSR group, and as such are disclosed separately.

4 Earnings per share

	2017	2016
Profit after tax attributable to shareholders of CSR Limited ($million)	177.9	142.3
Weighted average number of ordinary shares used in the calculation of basic EPS (million)[1]	503.9	504.6
Weighted average number of ordinary shares used in the calculation of diluted EPS (million)[2]	506.3	508.0
Basic EPS (cents per share)	35.3	28.2
Diluted EPS (cents per share)	35.1	28.0

1 Calculated by reducing the total weighted average number of shares on issue of 505.0 million (2016: 506.0 million) by the weighted average number of shares purchased on market and held in trust to satisfy incentive plans as these plans vest of 1,098,543 (2016: 1,371,255).
2 Calculated by increasing the weighted average number of shares used in calculating basic EPS by outstanding performance rights of 2,430,857 (2016: 3,372,155). Performance rights granted under the LTI plan are included in the determination of diluted earnings per share to the extent to which they are dilutive.

5 Revenue and expenses

$million	Note	2017	2016
Trading revenue		2,468.3	2,298.8
Other income			
Net gain on disposal of assets		16.9	26.1
Gain on acquisition of controlled entity	8	4.1	–
Other		6.6	5.1
Expenses			
Significant items	3	26.2	24.8
Employee benefits expense		581.9	523.6
Operating lease expense		67.3	58.5
Depreciation	10	81.6	78.2
Amortisation	10	6.9	5.0

Recognition and measurement

- **Trading revenue:** measured at the fair value of the consideration receivable, and is recognised when each of the following conditions is met:
  - persuasive evidence that an arrangement exists, which is usually in the form of a contractual arrangement;
  - the seller's price to the buyer is fixed or determinable;
  - the significant risks and rewards of ownership of the goods have transferred from the CSR group to the buyer; and
  - collectability is reasonably assured.
- **Net gain on disposal of assets:** income is recognised when the risks and rewards have been transferred and CSR does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold. The revenue is measured as the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.
- **Employee benefits expense:** includes salaries and wages, share-based payments and other entitlements.
- **Operating lease expense:** payments made under operating leases (net of any incentives received by the lessor) are expensed on a straight-line basis over the period of the lease.

6 Net finance costs

$million	Note	2017	2016
Interest expense and funding costs		3.4	4.1
Discount unwind and hedge (gain) loss relating to product liability provision		10.4	12.6
Discount unwind of other non-current liabilities		1.3	1.4
Foreign exchange (gain) loss		(2.5)	3.0
Finance costs		**12.6**	21.1
Interest income		(3.5)	(2.8)
Net finance costs		**9.1**	18.3
Finance costs included in significant items	3	(8.7)	(13.0)
Net finance costs before significant items		**0.4**	5.3

Recognition and measurement

Interest income and expense are accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates. Funding costs are capitalised and subsequently amortised over the term of the facility. Unwinding of the interest component of discounted assets and liabilities is treated as a finance cost.

7 Income tax expense

Reconciliation of income tax expense charged to the statement of financial performance:

$million	Note	2017	2016
Profit before income tax		**266.8**	233.7
Income tax expense calculated at 30%		**80.0**	70.1
(Decrease) increase in income tax expense due to:			
Share of net profit of joint venture entities		(4.3)	(3.7)
Non-taxable profit on property disposals		(1.9)	(5.9)
Income tax (over) under provided in prior years[1]		(11.4)	0.9
Other items[2]		(0.7)	3.0
Total income tax expense on profit		**61.7**	64.4
Comprising of:			
Current tax expense		29.3	43.9
Deferred tax expense relating to movements in deferred tax balances	11	32.4	20.5
Total income tax expense on profit		**61.7**	64.4

1 Includes a tax refund of $13.2 million and tax expense on interest income of $0.6 million. This relates to an amendment of the income tax return for the year ended 31 March 2011, in relation to capital gains tax paid on the sale of the Sucrogen group.
2 Includes the impact of permanent differences related to significant items.

Recognition and measurement

Current and deferred tax is recognised as an expense in the statement of financial performance except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from an initial accounting for a business acquisition, in which case it is taken into account in the determination of goodwill.

Disclosure of company tax information

Under tax legislation the Australian Tax Office will publish in 2017 the following data for the CSR Limited tax consolidated group, PGH Bricks & Pavers Pty Limited and Gove Aluminium Finance Limited in relation to the 2016 tax year:

Entity	Total revenue[1] ($million)	Taxable income ($million)	Tax payable ($million)
CSR Limited (ABN: 90 000 001 276)	1,883.7	Nil	Nil
PGH Bricks & Pavers Pty Limited (ABN: 68 168 794 821)	263.4	30.9	9.3
Gove Aluminium Finance Limited (ABN: 45 001 860 073)	535.2	127.0	34.5

1 For financial reporting and taxation purposes, items may have been classified between revenue and expenses differently. Therefore, total revenue may not reconcile to note 2.

Income tax is payable on profits (not total revenue) after allowing for expenses and specific adjustments under the tax law. For CSR Limited, taxable income and tax payable were nil because CSR was entitled to utilise prior year tax losses and claim certain tax deductions that made taxable income lower than accounting profit (for example, tax depreciation, certain restructure costs and payments of asbestos claims settlements).

8 Business combinations

i) Current year

PGH Bricks & Pavers Pty Limited

Background

On 1 November 2016, the CSR group acquired Boral Limited's ('Boral') 40% minority interest in PGH Bricks & Pavers Pty Limited ('PGH Bricks'), formerly Boral CSR Bricks Pty Limited ('BCB') for cash consideration of $126.4 million. In addition, outstanding borrowings held by PGH Bricks of $7.5 million were repaid to Boral.

Revenue and profit contribution

If the minority interest share of PGH Bricks was excluded from the CSR group results for the year ended 31 March 2017, profit after tax attributable to non-controlling interests would have been $7.6 million lower and profit after tax attributable to shareholders of CSR Limited would have been $7.6 million higher.

Preliminary acquisition accounting for the transaction

In accordance with AASB 10 *Consolidated Financial Statements*, as the CSR group has a controlling interest in PGH Bricks, the acquisition is treated as a transaction between shareholders. As a result, the difference between the consideration paid by the CSR group to purchase the remaining 40% of PGH Bricks and the non-controlling interest has been recorded in equity. In accordance with AASB 132 *Financial Instruments*, transaction costs associated with the purchase of a non-controlling interest are also recorded in equity. Fair value acquisition accounting is not required and the CSR group continues to consolidate PGH Bricks. Effective 1 November 2016, the CSR group has recognised 100% of the net profit after tax of PGH Bricks.

At the date of finalisation of this full year report, the necessary tax consolidation calculations have not been finalised (refer note a). Therefore, the initial accounting for this acquisition and the net impact of this transaction on equity has only been provisionally determined at 31 March 2017 based on the directors' best estimates.

Details of the effect of changes in the ownership interest on the equity attributable to owners of the CSR group during the year is summarised as follows:

	Note	$million
Carrying amount of non-controlling interests acquired at acquisition date		74.2
Consideration paid		(126.4)
Less: deferred tax impact arising from PGH Bricks joining the tax consolidation group	(a)	–
Less: acquisition costs	(b)	(4.9)
Amounts recognised in non-controlling interests reserve		(57.1)

a) Deferred tax impact arising from PGH Bricks joining the CSR tax consolidation group

PGH Bricks automatically entered the CSR tax consolidation group at acquisition date. Accordingly, the tax cost base of the net assets of PGH Bricks needs to be reset, which will result in an adjustment to the deferred tax balances. As the entry into the tax consolidation group was a direct consequence of CSR's acquisition of the non-controlling interest, the impact of revising the deferred tax assets will be recorded in equity.

At 31 March 2017, calculations are being prepared to quantify the deferred tax impact arising from PGH Bricks joining the tax consolidation group. This will be finalised for the 30 September 2017 half year financial report.

b) Acquisition related costs

The CSR group has incurred acquisition related costs of $4.9 million related to legal fees, due diligence, stamp duty and other costs. These costs have been recorded in equity.

8 Business combinations (continued)

i) Current year (continued)

Viridian Glass Limited Partnership

Background

The CSR group acquired a 42% interest in the glass processing joint venture operating in New Zealand, Viridian Glass Limited Partnership (VGLP) on 30 June 2016. Following the acquisition, the CSR group now holds 100% of the interest in VGLP.

VGLP is a leader in the manufacture, sale and installation of glass and related products. The primary reason for the acquisition was to continue CSR's growth in the Glass segment.

Revenue and profit contribution

If VGLP's share of revenue and profit before income tax and significant items were excluded from the CSR group results for the year ended 31 March 2017, CSR group revenue would have been $64.8 million lower and profit before income tax and significant items would be $0.9 million higher.

Acquisition related costs

Acquisition related costs expensed were $0.2 million.

Preliminary acquisition accounting for the transaction

In accordance with AASB 3 *Business Combinations*, the CSR group:

- transferred any other comprehensive income to the statement of financial performance, which resulted in a gain of $5.6 million; and
- recorded the VGLP business at fair value at acquisition date and recorded the impact of acquisition date adjustments in relation to the previously held interest, resulting in a loss of $1.5 million.

The gain of $4.1 million recognised within other income in the statement of financial performance for the year ended 31 March 2017 has been disclosed as a significant item, refer to note 3.

At the date of finalisation of this full year report, the necessary acquisition accounting calculations have been finalised.

Details of the effective purchase consideration and the fair value of the VGLP assets and liabilities acquired are set out below.

	Note	$million
Consideration		
Acquisition date fair value		19.9
Cash paid	(a)	7.8
Contingent consideration	(b)	1.8
Total consideration		**29.5**
Assets acquired and liabilities assumed		
Cash		4.3
Trade and other receivables		13.3
Inventories		7.8
Property, plant and equipment		24.6
Deferred tax assets		0.6
Other intangible assets		0.2
Trade and other payables		(9.2)
Borrowings from related parties		(32.8)
Provisions		(3.1)
Fair value of net assets acquired		**5.7**
Goodwill arising on acquisition		**23.8**

The goodwill is attributable to the workforce, profitability and growth potential of the acquired business. It will not be deductible for tax purposes.

a) Purchase consideration – cash outflow

	$million
Consideration	
Cash consideration	7.8
Less cash acquired	(4.3)
Outflow of cash – investing activities	**3.5**

b) Contingent consideration

In the event that certain predetermined conditions are met at all times by the subsidiary from 1 October 2015 up to and including 30 June 2017, additional consideration is payable. The maximum amount payable is $1.8 million. The fair value of the contingent consideration is not materially different to the maximum amount payable.

8 Business combinations (continued)

ii) Prior year

Boral CSR Bricks Pty Limited (now PGH Bricks & Pavers Pty Limited)

Background

On 4 April 2014, CSR and Boral Limited ('Boral') announced an intention to combine each company's brick operations on the east coast of Australia. The Australian Competition and Consumer Commission announced on 18 December 2014 it would not oppose the proposed transaction. Subsequently, on 1 May 2015, CSR and Boral announced the completion of the transaction and formation of the combined venture.

The new venture, Boral CSR Bricks Pty Limited ('BCB' and trading as 'PGH Bricks') is owned 60% by CSR and 40% by Boral, reflecting the valuation of the two businesses. There was effectively no cash consideration as part of the transaction except for typical working capital and closing adjustments.

The purpose of the transaction is to drive efficiencies across the combined network of operations.

Consolidation of Boral CSR Bricks into CSR group

The structure of the transaction has seen the CSR group consolidate the operating results and assets and liabilities of the newly formed company, BCB, from 1 May 2015.

Structure of transaction

The effect of the transaction was that CSR and Boral transferred their bricks business assets into the newly formed entity in return for shares in BCB and loans to BCB. The net impact of the transaction is summarised below.

	Boral	CSR	Total
Fair value of net assets contributed by each entity ($million)	82.4	123.6	206.0
Number of shares in BCB issued to each entity at $1 each (million)	70.4	105.6	176.0
Debt issued by each entity to BCB ($million)	12.0	18.0	30.0

Revenue and profit contribution

If the non-controlling interest's share of BCB revenue and profit before income tax, finance cost, significant items and non-controlling interests (PBT) were excluded from the CSR group results for the year ended 31 March 2016, CSR trading revenue and PBT would have been lower by $105.2 million and $14.9 million ($7.5 million after finance cost and significant items) respectively.

Acquisition accounting for the transaction

In accordance with AASB 3 *Business Combinations*, the CSR group:

- transferred the CSR bricks business to BCB at carrying value at 30 April 2015; and
- recorded the Boral bricks business in BCB at fair value at 1 May 2015.

The initial accounting and fair value of acquired net assets for this acquisition was finalised at 30 September 2016. Details of the effective purchase consideration and the fair value of the Boral bricks assets and liabilities acquired are set out in this note.

	$million
Consideration	
Ordinary shares issued to Boral[1]	70.4
Loan payable to Boral	12.0
Total consideration	**82.4**
Assets acquired and liabilities assumed	
Trade and other receivables	21.7
Inventories	30.6
Property, plant and equipment	48.9
Other intangible assets	1.3
Deferred tax assets	3.8
Trade and other payables	(15.5)
Provisions	(8.4)
Fair value of net assets acquired	**82.4**

1 Promissory notes were issued by Boral Bricks Pty Limited in exchange for the shares issued by BCB. These promissory notes were then settled when BCB acquired the Boral bricks assets.

As part of the transaction, BCB paid $4.0 million related to typical working capital and closing adjustments.

Acquisition related costs

The CSR group has incurred acquisition related costs of $13.7 million related to legal fees, due diligence, stamp duty and other costs. These costs have been expensed and included within transaction and integration costs in significant items (refer note 3) in the year they were incurred.

Accounting for non-controlling interest

The CSR group recognised the non-controlling interest in the acquired entity based on the non-controlling interest's proportionate share of BCB's net identifiable assets. This decision is made on an acquisition-by-acquisition basis.

Other acquisitions during the prior year

During the year ended 31 March 2016, the CSR group acquired:

- Australian Glass Group Queensland (Glass segment) for cash consideration of $4.0 million with goodwill of $2.6 million arising as a result of the acquisition.
- Pacific Non-Wovens (Building Products segment) for cash consideration of $2.1 million with no goodwill arising as a result of the acquisition.
- Picton Hopkins (Building Products segment) for cash consideration of $1.3 million with goodwill of $0.9 million arising as a result of the acquisition.
- Southern Glass (Glass segment) for cash consideration of $4.8 million with goodwill of $2.9 million arising as a result of the acquisition.
- Glazing and Construction Supplies (Glass segment) for cash consideration of $2.0 million with goodwill of $1.9 million arising as a result of the acquisition.
- A-Jacks (Building Products segment) for cash consideration of $1.1 million with no goodwill arising as a result of the acquisition.

In addition, $0.6 million was reclassified to goodwill in relation to prior period acquisitions.

Balance sheet items

9 Working capital

i) Current receivables

$million	2017	2016
Trade receivables	291.9	289.0
Allowance for doubtful debts	(8.0)	(8.9)
Net trade receivables	**283.9**	280.1
Property debtors[1]	4.5	19.1
Other loans and receivables	23.7	20.4
Total current receivables	**312.1**	319.6
Ageing		
Past due 0-60 days – not impaired	8.7	7.7
Past due >60 days – not impaired	–	–
Past due 0-60 days – impaired	2.5	0.6
Past due >60 days – impaired	5.5	8.3
Movement in allowance for doubtful debts		
Opening balance	(8.9)	(6.0)
Trade debts written off	3.8	2.6
Trade debts provided	(2.9)	(5.5)
Closing balance	**(8.0)**	(8.9)

1 Includes no amounts past due.

ii) Inventories

$million	2017	2016
Current		
Raw materials and stores	80.3	92.1
Work in progress	18.7	18.8
Finished goods	235.4	199.2
Land development projects	51.3	38.7
Total current inventories[1]	**385.7**	348.8
Non-current		
Land development projects	81.6	72.7
Total non-current inventories	**81.6**	72.7

1 Write-down of inventories recognised as an expense for the year ended 31 March 2017 totalled $12.4 million (2016: $10.2 million).

iii) Current payables

$million	2017	2016
Trade payables	240.5	227.1
Other payables	51.4	33.5
Total current payables	**291.9**	260.6

Recognition and measurement

- **Trade receivables:** are recognised initially at fair value and subsequently measured at amortised cost. An allowance for doubtful debts is raised based on a review of outstanding balances at balance date. Bad debts are written off against the allowance account and any other change in the allowance account is recognised in the statement of financial performance.
- **Inventories:** are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessary to make the sale.
  - **Raw materials, stores, work in progress and finished goods:** costs included in inventories consist of materials, labour and manufacturing overheads which are related to the purchase and production of inventories. The value of inventories is derived by the method most appropriate to each particular class of inventories. The major portion is valued on either a first-in-first-out or average cost basis.
  - **Land development projects:** cost includes the cost of acquisition, development and holding costs during development. Costs incurred after completion of development are expensed as incurred. Land development projects not expected to be sold within 12 months are classified as non-current inventories.
- **Trade and other payables**: are recognised when the CSR group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at their amortised cost.

10 Property, plant and equipment and intangible assets

i) Property, plant and equipment

		Land and buildings		Plant and equipment		Total	
$million	Note	2017	2016	2017	2016	2017	2016
Cost or written down value		389.9	393.4	1,476.7	1,392.7	1,866.6	1,786.1
Accumulated depreciation		(98.3)	(87.0)	(919.7)	(835.1)	(1,018.0)	(922.1)
Net carrying amount		**291.6**	306.4	**557.0**	557.6	**848.6**	864.0
Net carrying amount at 1 April		306.4	281.5	557.6	539.8	864.0	821.3
Capital expenditure		2.1	1.3	54.9	64.9	57.0	66.2
Disposed		–	(0.1)	(1.7)	(1.2)	(1.7)	(1.3)
Depreciation	5	(11.1)	(11.3)	(70.5)	(66.9)	(81.6)	(78.2)
Write downs and impairments		–	–	(11.0)	–	(11.0)	–
Exchange differences		(0.1)	(0.2)	(0.3)	(0.2)	(0.4)	(0.4)
Reclassifications		–	2.9	–	(2.9)	–	–
Acquisitions through business combinations	8	–	27.2	24.6	27.0	24.6	54.2
Transferred (to) from intangible assets	10ii)	(2.4)	–	3.7	(2.1)	1.3	(2.1)
Transferred (to) from inventories and other assets		(3.3)	5.1	(0.3)	(0.8)	(3.6)	4.3
Balance at 31 March		**291.6**	306.4	**557.0**	557.6	**848.6**	864.0

ii) Goodwill and other intangible assets

		Goodwill		Software		Other		Total other intangible assets	
$million	Note	2017	2016	2017	2016	2017	2016	2017	2016
Cost		97.1	74.2	81.5	82.2	49.5	49.4	131.0	131.6
Accumulated amortisation		–	–	(65.2)	(66.5)	(19.1)	(17.0)	(84.3)	(83.5)
Net carrying amount		**97.1**	74.2	**16.3**	15.7	**30.4**	32.4	**46.7**	48.1
Net carrying amount at 1 April		74.2	66.1	15.7	13.7	32.4	28.4	48.1	42.1
Capital expenditure		–	–	6.8	6.6	–	–	6.8	6.6
Disposed		–	–	(0.2)	–	–	–	(0.2)	–
Amortisation	5	–	–	(4.9)	(3.2)	(2.0)	(1.8)	(6.9)	(5.0)
Write downs and impairments		(0.2)	–	–	–	–	–	–	–
Exchange differences		(0.7)	(0.8)	–	–	–	(0.2)	–	(0.2)
Acquisitions through business combinations	8	23.8	8.9	0.2	–	–	2.5	0.2	2.5
Transferred (to) from property, plant and equipment	10i)	–	–	(1.3)	1.1	–	1.0	(1.3)	2.1
Transferred from software to other intangibles		–	–	–	(2.5)	–	2.5	–	–
Balance at 31 March		**97.1**	74.2	**16.3**	15.7	**30.4**	32.4	**46.7**	48.1

Recognition and measurement

- **Property, plant and equipment:** assets acquired are recorded at historical cost of acquisition less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
- **Software**: developed internally or acquired externally, is initially measured at cost and includes development expenditure. Subsequently, these assets are carried at cost less accumulated amortisation and impairment losses.
- **Other intangible assets**: including trade names and customer lists obtained through acquiring businesses are measured at fair value at the date of acquisition. Trade names of $19.3 million (2016: $19.3 million) that have an indefinite life are assessed for recoverability anually. See below for further detail. Customer lists and all other trade names that have a defined useful life are amortised and subsequently carried net of accumulated amortisation. Intangible assets not obtained through acquiring businesses are measured at cost. These assets are subsequently carried at cost less accumulated amortisation and impairment losses.

10 Property, plant and equipment and intangible assets (continued)

Recognition and measurement (continued)

- **Goodwill:** represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is not amortised, but tested annually and whenever there is an indicator of impairment.
- **Depreciation/amortisation:** assets are depreciated or amortised at rates based upon their expected economic life using the straight-line method. Land, goodwill and trade names with indefinite lives are not depreciated or amortised. Trade names currently have an indefinite life as the CSR group is continually investing in marketing activities to develop and maintain the trade names and there are no contractual or other restrictions on the use of the trade names. Useful lives are as follows: buildings 10 to 40 years; plant and equipment 2 to 40 years; and systems software and other intangible assets 2 to 8 years. The average life of buildings is 28 years and plant and equipment is 11 years.

Critical accounting estimate – carrying value assessment

The CSR group tests property, plant and equipment and intangible assets for impairment to ensure they are not carried at above their recoverable amounts:

- at least annually for goodwill and trade names with indefinite lives; and
- where there is an indication that the assets may be impaired (which is assessed at least each reporting date).

These tests for impairment are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows. The recoverable amount is the higher of an asset or a CGU's fair value less costs of disposal and value in use. The value in use calculations are based on discounted cash flows expected to arise from the asset. Management judgment is required in these valuations to forecast future cash flows and a suitable discount rate in order to calculate the present value of these future cash flows. Future cash flows take into consideration forecast changes in the building cycle, aluminium prices and exchange rates where appropriate.

The carrying amount of goodwill forms part of the Building Products segment: $65.9 million (2016: $66.8 million) and Glass segment: $31.2 million (2016: $7.4 million). The recoverable amounts of the cash generating units that include goodwill are determined using discounted cash flow projections. Where a valuation is required, the valuation is determined using discounted cash flows. Cash flows are reforecast annually, covering the next 10 years, and a valuation calculated using a post-tax annual discount rate of 9.0% for all segments other than Aluminium which uses 10.0% (2016: 10.2% for all segments other than Aluminium which was 12.2%). A terminal value is used from year 11 onwards including an annual growth rate, which was 2.5% in the year ended 31 March 2017 (2016: 2.5%). Discounted cash flow projections over the period are deemed appropriate given the cyclical nature of the markets in which the CSR group operates. The first five years represent financial plans forecast by management, based on the CSR group's view of the respective cycle, with years six to 10 applying averaging assumptions to ensure cash flows in year 10 are sufficiently stable to apply the terminal value.

If the recoverable amount of a cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount with any impairment recognised immediately in the statement of financial performance.

Impact of possible changes in key assumptions:

The recoverable amount of the Viridian Australia and Viridian New Zealand CGUs is estimated to exceed the carrying amount of the CGUs at 31 March 2017 by $25.1 million and $13.6 million respectively. The recoverable amount of the CGU would equal its carrying amount if any of the following key assumptions were to change as follows:

	Viridian Australia	Viridian New Zealand
Business cash contribution	- Reduces by 9% for each year modelled	- Reduces by 17% for each year modelled
Pre-tax discount rate	- Increase from 9.0% to 9.7%	- Increase from 9.0% to 10.4%
Long-term growth rate	- Decrease from 2.5% to 1.5%	- Decrease from 2.5% to 0% (no growth)

Reasonable possible changes in other key assumptions have been considered and no instances have been identified which may cause the carrying amount to exceed its recoverable amount.

11 Net deferred income tax assets

$million	2017	2016
Total deferred income tax assets arising on temporary differences[1]	145.6	133.6
Tax losses – revenue recorded as asset	55.6	84.8
Total net deferred income tax assets	**201.2**	218.4
As disclosed in the statement of financial position:		
Deferred income tax assets	201.2	239.3
Deferred income tax liabilities	–	(20.9)
Total net deferred income tax assets	**201.2**	218.4

1 Includes temporary differences recorded as an asset of $145.6 million (31 March 2016: $154.5 million) and temporary differences recorded as a liability of $nil (31 March 2016: $20.9 million).

11 Net deferred income tax assets (continued)

Movement in deferred income tax assets

$million	Opening balance	Credited (charged) to profit or loss[1]	Credited (charged) to equity	Other (including transfers)[2]	Closing balance
2017					
Property, plant and equipment	(11.0)	(3.4)	–	2.7	(11.7)
Superannuation defined benefit plans	2.8	0.2	(7.3)	–	(4.3)
Product liability provision	100.3	(6.6)	–	–	93.7
Employee benefits provisions	34.0	0.4	–	0.3	34.7
Other provisions	23.3	(2.3)	–	1.2	22.2
Spares and stores	(8.7)	0.3	–	0.1	(8.3)
Fair value of hedges	(4.7)	–	18.4	–	13.7
Other individually insignificant balances	(2.4)	3.2	0.5	4.3	5.6
Tax losses	84.8	(21.1)	–	(8.1)	55.6
Total net deferred income tax assets	218.4	(29.3)	11.6	0.5	**201.2**
2016					
Property, plant and equipment	(5.4)	(6.7)	–	1.1	(11.0)
Superannuation defined benefit plans	8.6	0.4	(6.2)	–	2.8
Product liability provision	105.2	(4.9)	–	–	100.3
Employee benefits provisions	31.1	0.2	–	2.7	34.0
Other provisions	24.7	(2.9)	–	1.5	23.3
Spares and stores	(13.5)	4.8	–	–	(8.7)
Fair value of hedges	(0.8)	–	(3.9)	–	(4.7)
Other individually insignificant balances	(3.6)	1.6	(0.5)	0.1	(2.4)
Tax losses	96.9	(11.2)	–	(0.9)	84.8
Total net deferred income tax assets	243.2	(18.7)	(10.6)	4.5	218.4

1 The movement in tax losses of $21.1 million (2016: $11.2 million) includes research and development tax benefits of $3.1 million (2016: $1.8 million) included in other income in the statement of financial performance.
2 For the year ended 31 March 2017, the movement of $0.5 million in 'other' relates to net deferred tax assets recognised on the acquisition of the minority interest in Viridian Glass Limited Partnership, and an adjustment to the net deferred tax assets recognised on the formation of PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited). For the year ended 31 March 2016, the movement of $4.5 million relates to net deferred tax assets recognised on the formation of PGH Bricks & Pavers Pty Limited, and other acquisitions during the year. Refer to note 8 for further details.

Recognition and measurement

Current tax: represents the amount expected to be paid in relation to taxable income for the financial year measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax: is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities, when the tax balances relate to the same taxation authority and when the CSR group intends to settle the tax assets and liabilities on a net basis. No provision for withholding tax has been made on undistributed earnings of overseas controlled entities where there is no intention to distribute those earnings.

Critical accounting estimate – recoverability of deferred income tax assets

The deferred income tax assets include an amount of $55.6 million (2016: $84.8 million) which relates to the carried forward tax losses of the CSR group. The CSR group has concluded that the deferred income tax assets will be recoverable using estimated future taxable income based on the approved business plans. The losses have no expiry date and can be carried forward indefinitely.

12 Provisions

$million	2016	Acquired through business combination	Recognised/ remeasured	Settled/ transferred	Discount unwind	2017
Current						
Employee benefits	105.9	1.9	59.8	(57.0)	–	110.6
Restructure and rationalisation	7.7	–	10.2	(8.6)	–	9.3
Product liability	26.0	–	32.6	(29.4)	–	29.2
Restoration and environmental rehabilitation	9.5	–	2.7	(3.5)	–	8.7
Uninsured losses and future claims	5.5	–	6.2	(6.1)	–	5.6
Other[1]	17.9	1.2	2.6	(3.6)	–	18.1
Total current provisions	172.5	3.1	114.1	(108.2)	–	**181.5**
Non-current						
Employee benefits	7.5	–	–	(2.3)	–	5.2
Product liability	308.5	–	(36.3)	–	11.0	283.2
Restoration and environmental rehabilitation	1.0	–	–	–	–	1.0
Uninsured losses and future claims	23.1	–	–	(1.6)	0.7	22.2
Other[1]	11.1	–	–	(3.1)	0.2	8.2
Total non-current provisions	351.2	–	(36.3)	(7.0)	11.9	**319.8**

1 Includes provision for anticipated disposal costs of Tomago aluminium smelters spent pot lining.

Recognition, measurement and critical accounting estimates

Provisions are recognised when the CSR group has a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will be required and the obligation can be reliably estimated. Provisions which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the CSR group.

Provisions representing critical accounting estimates and key sources of estimation uncertainty

- **Product liability:** provision is made for all known asbestos claims and reasonably foreseeable future claims has been determined using reports provided by independent experts in each of Australia and the United States, and includes an appropriate prudential margin. Refer to note 13 for further details of the key assumptions and uncertainties in estimating this liability.
- **Measurement of provisions for restoration and environmental rehabilitation and legal claims:** the CSR group is in the process of remediating land in relation to legacy factory sites and is involved in a number of ongoing legal disputes. The liability is immediately recognised when the environmental exposure is identified and the rehabilitation costs can be reliably estimated. Judgment is required in arriving at an estimate of future costs required to extinguish these obligations. Given the nature of these issues, circumstances may change and estimates and provisions will be updated accordingly. Expert advice is relied upon (where available) and known facts at the date of this report are considered to arrive at the best estimate for future liabilities.
- **Provision for uninsured losses and future claims:** relates to the CSR group's self insurance for workers' compensation program. CSR Limited is a licensed self insurer in New South Wales, Queensland, Victoria, Western Australia and the Australian Capital Territory for workers compensation insurance. The provision recognises the best estimate of the consideration required to settle the present obligation for anticipated compensation payments and is determined at each year end reporting date using reports provided by independent experts annually.

Other provisions

- **Employee benefits provisions:** provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

13 Product liability

Product liability

CSR Limited and/or certain subsidiaries (CSR) were involved in mining asbestos and manufacturing and marketing products containing asbestos in Australia, and exporting asbestos to the United States. CSR's involvement in asbestos mining, and the manufacture of products containing asbestos, began in the early 1940s and ceased with the disposition of the Wunderlich asbestos cement business in 1977. As a result of these activities, CSR has been named as a defendant in litigation in Australia and the United States.

In Australia, asbestos related personal injury claims have been made by employees and ex-employees of CSR, by others such as contractors and transporters and by users of products containing asbestos, by people who lived near factories operated by former subsidiaries of CSR, as well as residents of and visitors to Wittenoom. As at 31 March 2017, there were 372 such claims pending.

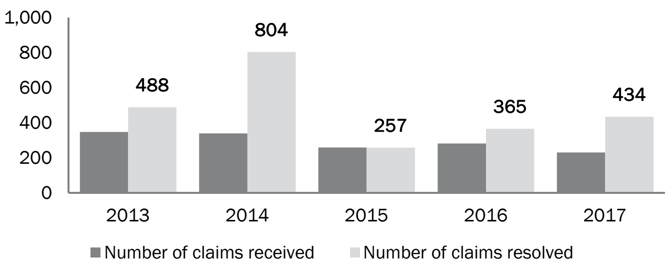
In the United States, claims are made by people who allege exposure to asbestos fibre used in the manufacture of products containing asbestos or in the installation or use of those products. As at 31 March 2017, there were 378 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2017, CSR had resolved approximately 4,300 claims in Australia and approximately 137,500 claims in the United States.

The annual amounts paid by CSR in respect of asbestos related claims vary year on year depending on the number and types of claims received and resolved during each year, the litigation or other determination of particular claims or issues and any determination by management to resolve claims that may have been received in earlier years.

CSR's recent claims experience is summarised in the graph and table below.

Graph 1: Five year history – claim numbers



Basis of provision

CSR includes in its financial statements a product liability provision covering all known claims and reasonably foreseeable future asbestos related claims. This provision is reviewed every six months. The provision recognises the best estimate of the consideration required to settle the present obligation for anticipated compensation payments and legal costs as at the reporting date. The provision is net of anticipated workers compensation payments from available workers compensation insurers.

CSR does not believe there is any other significant source of insurance available to meet its asbestos liabilities. CSR no longer has general insurance coverage in relation to its ongoing asbestos liabilities.

In determining the product liability provision, CSR has obtained independent expert advice in relation to the future incidence and value of asbestos related claims in each of the United States and Australia. CSR has appointed Finity Consulting Pty Limited as the independent expert to estimate the Australian liabilities. CSR has appointed Gnarus Advisors LLC as the independent expert to estimate the United States liabilities. The independent experts make their own determination of the methodology most appropriate for estimating CSR's future liabilities. The assessments of those independent experts project CSR's claims experience into the future using modelling techniques that take into account a range of possible outcomes. The present value of the liabilities is estimated by discounting the estimated cash flows using the pre-tax rate that reflects the current market assessment of the time value of money and risks specific to those liabilities.

Many factors are relevant to the independent experts' estimates of future asbestos liabilities, including:

- numbers of claims received by disease and claimant type and expected future claims numbers, including expectations as to when claims experience will peak;
- expected value of claims;
- the presence of other defendants in litigation or claims involving CSR;
- the impact of and developments in the litigation and settlement environment in each of Australia and the United States;
- estimations of legal costs;
- expected claims inflation; and
- the discount rate applied to future payments.

There are a number of assumptions and limitations that impact on the assessments made by CSR's experts, including the following:

- assumptions used in the modelling are based on the various considerations referred to above;
- the future cost of asbestos related liabilities are inherently uncertain for the reasons discussed in this note;
- uncertainties as to future interest rates and inflation;
- the analysis is supplemented by various academic material on the epidemiology of asbestos related diseases that is considered by the experts to be authoritative;
- the analysis is limited to liability in the respective jurisdictions of Australia and the United States that are the subject of the analysis of that expert and to the asbestos related diseases that are currently compensated in those jurisdictions; and
- the effect of possible events that have not yet occurred which are currently impossible to quantify, such as medical and epidemiological developments in the future in treating asbestos diseases, future court and jury decisions on asbestos liabilities, and legislative changes affecting liability for asbestos diseases.

Table 1: Five year history – claim numbers and expenditure

	Year ended 31 March				
	2013	2014	2015	2016	2017
Number of claims received	347	339	258	281	230
Number of claims resolved	488	804	257	365	434
Amount spent on settlements (A$ million)[1]	31.0	29.2	25.0	21.9	24.0
Average cost per resolved claim (A$)	63,553	36,411	97,276	59,980	55,249

1 Excludes external legal costs, net of insurance and third party recoveries.

13 Product liability (continued)

Basis of provision (continued)

In Australia, the methodology used by Finity Consulting Pty Limited produces the central estimate of future asbestos liabilities which represents the average expectation of the range of possible outcomes. At 31 March 2017 the central estimate was A$157.9 million calculated using a discount rate of 3.75%. On an undiscounted and inflated basis that central estimate would be A$214.1 million over the year to 2066, being the year that the Australian independent expert advises CSR is relevant for the estimation of CSR's future Australian asbestos liabilities.

In the United States the methodology used by Gnarus Advisors LLC produces a base case estimate or most likely outcome. At 31 March 2017, the base case estimate was US$72.2 million calculated using a discount rate of 2.80%. On an undiscounted and inflated basis that base case estimate would be US$84.6 million over the anticipated further life of the United States liability (40 years).

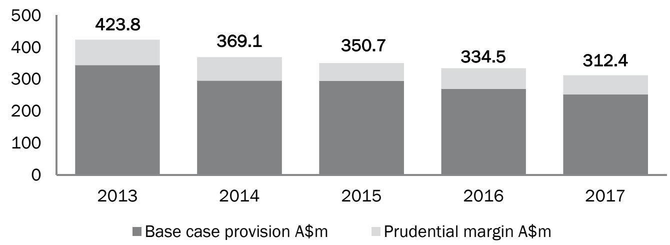
The product liability provision is determined every six months by aggregating the Australian and United States estimates noted above, translating the United States base case estimate to Australian dollars using the exchange rate prevailing at the balance date and adding a prudential margin. The prudential margin is determined by the CSR directors at the balance date, having regard to the prevailing litigation environment, any material uncertainties that may affect future liabilities and the applicable long-term Australian dollar to United States dollar exchange rate. As evidenced by the analysis below, due, in particular, to the fluctuations in exchange rate, the prudential margin has varied over the past five years. The directors anticipate that the prudential margin will continue to fluctuate within a range approximating 10% to 30% depending on the prevailing circumstances at each balance date.

At 31 March 2017, a provision of $312.4 million (31 March 2016: $334.5 million) has been made for all known claims and reasonably foreseeable future claims, and includes a prudential margin of $60.0 million (31 March 2016: $65.2 million) above the aggregate most likely estimate of the future asbestos liabilities in Australia and the United States as determined by Finity Consulting Pty Limited and Gnarus Advisors LLC respectively.

Having regard to the extremely long tailed nature of the liabilities and the long latency period of disease manifestation from exposure, the estimation of future asbestos liabilities is subject to significant complexity. As such, there can be no certainty that the product liability provision as at 31 March 2017 will definitively estimate CSR's future asbestos liabilities. If the assumptions adopted by CSR's experts prove to be incorrect, the current provision may be shown to materially under or overstate CSR's asbestos liability.

However, taking into account the provision already included in CSR's financial statements and current claims management experience, CSR is of the opinion that asbestos litigation in the United States and Australia will not have a material adverse impact on the CSR group's financial condition.

CSR's asbestos provision from 2013 to the year ended 31 March 2017 is summarised in the graph and table below.



Process agreed with the Foreign Investment Review Board (FIRB)

On 22 December 2010, CSR sold its Sucrogen business to Wilmar International Limited (Wilmar). The sale of Sucrogen to Wilmar required approval from the Commonwealth Treasurer (via the FIRB).

As part of the approval process, and as further evidence of CSR's commitment to responsibly managing its asbestos related liabilities, CSR has put in place a process for the external oversight of any repatriation of capital by CSR to its shareholders during the period of seven years following the sale of Sucrogen (subject to limited earlier termination provisions).

As part of this process, CSR has entered into an agreement with an independent body, The Trust Company (TTC) which was acquired by Perpetual Limited in 2013, pursuant to which CSR must demonstrate that CSR has fulfilled certain requirements prior to any repatriation of funds to its shareholders other than half yearly or annual dividends paid by CSR in accordance with its usual practice and its dividend policy in force from time to time.

These requirements include that:

- CSR's asbestos liabilities have been reviewed by an additional independent expert;
- CSR intends to retain its 'investment grade' credit rating following any repatriation; and
- an approved accounting firm has expressed an opinion that the decision of CSR's directors that a particular repatriation of capital would not materially prejudice creditors, including current and reasonably foreseeable future asbestos claimants, was formed on a reasonable basis.

In accordance with the agreement with TTC, documentation was provided by CSR to TTC to demonstrate that the above requirements were fulfilled in relation to:

- the special dividend and the capital return which were paid to CSR shareholders on 2 February 2011 and 3 March 2011 respectively; and
- the on-market share buy-back announced by CSR on 4 March 2016 (refer note 15 for further details).

Graph and table 2: Five year history – asbestos provision

$million	Year ended 31 March				
	2013	2014	2015	2016	2017
United States base case estimate US$	194.0	123.5	104.9	86.0	72.2
United States base case estimate A$	185.8	133.5	137.0	112.2	94.5
Australian central estimate A$	158.3	161.8	157.2	157.1	157.9
Subtotal A$	344.1	295.3	294.2	269.3	252.4
Prudential margin A$	79.7	73.8	56.5	65.2	60.0
Prudential margin %	*23.2%*	*25.0%*	*19.2%*	*24.2%*	*23.8%*
Total product liability provision A$	**423.8**	**369.1**	**350.7**	**334.5**	**312.4**

Capital structure and risk management

14 Borrowings and credit facilities

i) Borrowings

	2017	2016
Non-current borrowings – unsecured[1]	30.5	2.2

1 Of the $2.2 million in borrowings at 31 March 2016, $1.6 million related to loans held by PGH Bricks & Pavers Pty Limited. These loans were repaid during the year (refer note 8).

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

ii) Credit facilities

The CSR group has a total of $325.0 million (31 March 2016: $325.0 million) committed standby facilities with external financial institutions. These facilities have fixed maturity dates as follows: $30.0 million in 2018, $131.0 million in 2019, with the balance of $164.0 million in 2020. As at 31 March 2017, $294.5 million of the standby facilities were undrawn (2016: $325.0 million undrawn).

15 Issued capital

	Ordinary shares fully paid[1]	Issued capital $million
On issue 31 March 2016	505,700,315	1,041.1
On-market share buy-back – net of transaction costs	(1,219,457)	(4.3)
On issue 31 March 2017	**504,480,858**	**1,036.8**

1 Fully paid ordinary shares are listed on the Australian Securities Exchange and carry one vote per share and the right to dividends.

No shares were issued during the years ended 31 March 2017 and 31 March 2016 under employee share plans as shares in respect of the plans were acquired on market. During the years ended 31 March 2017 and 31 March 2016, eligible shareholders were able to reinvest all or part of their dividends in fully paid ordinary shares. Shares were acquired on-market and did not have any impact on issued capital.

Net tangible assets per ordinary share for the year ended 31 March 2017 are $2.00 (2016: $2.10). Net tangible assets per share is calculated as net assets attributable to CSR Limited shareholders of $1,155.0 million (2016: $1,184.7 million) less intangible assets of $143.8 million (2016: $122.3 million) divided by the number of issued ordinary shares of 504.5 million (2016: 505.7 million).

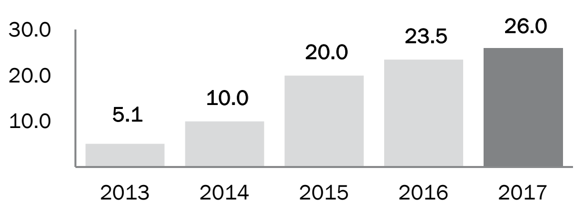
During the year ended 31 March 2016, the company announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back of up to $150.0 million. The share buy-back commenced on 21 March 2016 and will continue over the financial years ending 31 March 2017 and 31 March 2018.

16 Dividends and franking credits

i) Dividends

Dividend type	Cents per share	Franking	Total amount $million	Date paid/payable
2015 Final	11.5	Nil	58.2	7 July 2015
2016 Interim	11.5	Nil	58.2	15 December 2015
2016 Final	12.0	Nil	60.7	5 July 2016
2017 Interim	13.0	Nil	65.6	13 December 2016
2017 Final[1]	13.0	50%[2]	65.6	4 July 2017

Graph 1: Dividends declared in each financial year – cents per share



1 The final dividend for the financial year ended 31 March 2017 has not been recognised in this financial report because it was resolved to be paid after 31 March 2017. The amounts disclosed as recognised in 2017 are the final dividend in respect of the financial year ended 31 March 2016 and the interim dividend in respect of the financial year ended 31 March 2017.
2 Final dividend of 13.0 cents per share, 50% (6.5 cents) franked at 30.0% corporate tax rate.

ii) Franking credits

$million	2017	2016
Franking account balance on an accrual basis[1]	38.2	7.3

1 The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of income tax liabilities or receivables after the end of the year.

17 Reserves

$million	Hedge reserve	Foreign currency translation reserve	Employee share reserve	Share based payment trust reserve	Non-controlling interests reserve	Other	Total
Balance at 1 April 2016	6.7	(0.5)	27.5	(10.5)	0.5	(3.3)	20.4
Hedge loss recognised in equity	(31.3)	–	–	–	–	–	(31.3)
Hedge profit transferred to the statement of financial performance	(10.1)	–	–	–	–	–	(10.1)
Translation of foreign operations	–	(0.5)	–	–	–	–	(0.5)
Recycling of foreign currency translation reserve on disposal of equity accounted investment	–	(5.6)	–	–	–	–	(5.6)
Income tax benefit related to other comprehensive income	12.5	–	–	–	–	–	12.5
Share-based payments expense	–	–	3.2	–	–	–	3.2
Income tax benefit related to share-based payments expense	–	–	0.5	–	–	–	0.5
Acquisition of treasury shares	–	–	–	(5.4)	–	–	(5.4)
Non-controlling interests on acquisition of subsidiary	–	–	–	–	(57.1)	–	(57.1)
Balance at 31 March 2017	**(22.2)**	**(6.6)**	**31.2**	**(15.9)**	**(56.6)**	**(3.3)**	**(73.4)**
Balance at 1 April 2015	2.5	1.4	24.5	(3.4)	–	(3.3)	21.7
Hedge profit recognised in equity	7.6	–	–	–	–	–	7.6
Hedge profit transferred to the statement of financial performance	(0.9)	–	–	–	–	–	(0.9)
Translation of foreign operations	–	(1.9)	–	–	–	–	(1.9)
Share of loss on changes in fair value of cash flow hedges of joint venture entities	(0.5)	–	–	–	–	–	(0.5)
Income tax expense related to other comprehensive income	(2.0)	–	–	–	–	–	(2.0)
Share-based payments expense	–	–	3.1	–	–	–	3.1
Income tax expense related to share-based payments expense	–	–	(0.1)	–	–	–	(0.1)
Acquisition of treasury shares	–	–	–	(7.1)	–	–	(7.1)
Non-controlling interests on acquisition of subsidiary	–	–	–	–	0.5	–	0.5
Balance at 31 March 2016	6.7	(0.5)	27.5	(10.5)	0.5	(3.3)	20.4

Nature and purpose of reserves

Hedge reserve: the hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Foreign currency translation reserve: exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity.

Employee share reserve: the employee share reserve is used to recognise the share-based payments expense and associated income tax recognised through other comprehensive income.

Share-based payment trust reserve: treasury shares are shares in CSR Limited that are held by the CSR Limited Share Plan Trust ('Trust') for the purpose of issuing shares under the CSR employee share plans and the CSR executive incentive plans (see pages 29 to 34 of the remuneration report for further detail). When the Trust purchases the company's equity instruments, the consideration paid is recorded in the share-based payments trust reserve.

Number of shares	2017	2016
Opening balance	989,753	1,457,775
Acquisition of shares by the Trust (average price of $3.51 (2016: $3.31) per share)	1,540,000	2,145,000
Issue of shares under executive incentive plans	(1,705,534)	(2,613,022)
Closing balance	**824,219**	989,753

Non-controlling interests reserve: this reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control. Details of the nature of the amounts recognised in the year ended 31 March 2017 are set out in note 8.

Other reserves: other reserves are used to recognise the written put option the minority shareholders of the Martini business have to sell all of their remaining interest to the group at an agreed price (based on the financial results of the business).

18 Financial risk management

The CSR group's activities expose it to a variety of financial risks:

(i) credit risk;
(ii) liquidity risk; and
(iii) market risk.

This note presents information about the Risk Management Policy framework ('framework') and each of these risks.

The framework sets out the specific principles in relation to the use of financial instruments in hedging exposures to commodity risk, foreign exchange risk, interest rate risk and credit risk, in addition to the use of derivatives and the investment of excess liquidity. The Risk Management Policy has been approved by the board of directors.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the CSR group's activities. Compliance with the framework and procedures is reviewed by the Finance Committee on a routine basis. The Finance Committee membership consists of the managing director and other relevant senior executives.

The CSR group uses a variety of derivative instruments to manage financial and commodity price risks. There have been no changes in the CSR group's exposure to risks or the Risk Management Policies used to manage these risks during the years ended 31 March 2017 and 31 March 2016.

The CSR group does not use derivative or financial instruments for speculative or trading purposes.

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

i) Credit risk

Nature of the risk

Credit risk is the risk of financial loss to the CSR group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the CSR group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk management: receivables

The CSR group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. To manage this risk, the CSR group has a policy for establishing credit approvals and limits under which each new customer is analysed individually for creditworthiness before the CSR group's standard payment and delivery terms and conditions are offered. Sale limits are established for each customer and reviewed regularly.

Any sales exceeding those limits require approval from the general manager. The CSR group continuously monitors the financial viability of its counterparties, ageing analysis and, where necessary, carries out a reassessment of sale limits provided.

Concentrations of credit risk with respect to receivables are limited due to the large number of customers and markets in which the CSR group does business, as well as the dispersion across many geographic areas.

The CSR group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see note 9).

Credit risk management: derivatives

The CSR group has an established counterparty credit risk policy. Derivatives may be entered into with banks that are rated at least A– from rating agency Standard & Poor's or A3 from rating agency Moodys, unless otherwise approved by the board.

ii) Liquidity risk

Nature of the risk

Liquidity risk is the risk that the CSR group has insufficient funds to meet its financial obligations when they fall due.

Liquidity risk management

Liquidity risk management requires maintaining sufficient cash, bank facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The CSR group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the CSR group's reputation. Details of credit facilities and the maturity profile are given in note 14.

The table below analyses the undiscounted cash flows for the CSR group's financial liabilities and derivative financial instruments, currently in a liability position, into relevant maturity groupings based on the remaining period at the reporting date to maturity:

Liquidity risk ($million)	1 year or less	1 to 3 years	3 to 5 years	Total
2017				
Current payables	291.9	–	–	291.9
Non-current other payables	–	3.7	–	3.7
Borrowings (including interest)	0.8	30.7	–	31.5
Commodity financial instruments	29.6	23.0	0.9	53.5
Foreign currency financial instruments[1]	0.6	0.1	–	0.7
Total	322.9	57.5	0.9	**381.3**
2016				
Current payables	260.6	–	–	260.6
Non-current other payables	–	18.9	–	18.9
Borrowings (including interest)	0.1	1.7	–	1.8
Commodity financial instruments	0.2	2.1	1.5	3.8
Foreign currency financial instruments[1]	17.6	–	–	17.6
Total	278.5	22.7	1.5	302.7

1 Settlement of commodity and foreign currency financial instruments will be offset by revenue from the sale of commodities.

18 Financial risk management (continued)

iii) Market risk

Nature of commodity price risk – aluminium

The CSR group has exposure to aluminium commodity prices which arises from sales contracts that commit the CSR group to supply aluminium in future years. Prices for product supplied under these contracts are a function of the US dollar market price at the time of delivery.

Commodity price risk management – aluminium

The CSR group has a policy of hedging its aluminium sales (net of any linked exposure on inputs such as Alumina), where acceptable pricing is available, to reduce the volatility of its aluminium earnings when exchanged into Australian dollars. Eligible hedging instruments used for hedging commodity price risk include commodity forward contracts and commodity options. Hedging is undertaken at declining levels for up to four years.

The price of product supplied under sales contracts comprises two components, the London Metal Exchange (LME) Primary Aluminium cash price, and a physical premium. Over the year ended 31 March 2017, the average of the daily LME cash price was US$1,688.0 per tonne and the average Platts mid-point physical premium was US$94.1 per tonne. The LME price component represented 95% of the sum of the two. The CSR group designates the LME price component of sales as the hedged item. Commodity forward and option contracts are also priced against the LME Primary Aluminium cash price. There is an established economic relationship between the physical sales of aluminium and the commodity forward and option contracts as they are both priced using the same reference price. As the underlying risk of the aluminium price risk is identical to the hedged component, the CSR group has established a hedge ratio of 1:1 for all its hedging relationships over aluminium price risk.

The CSR group does not hedge its exposure to the variability in physical metal premiums. In the CSR group's view, there is currently no viable hedge instrument for physical metal premiums and this component of the metal sales price remains unhedged.

The table below provides information about the aluminium commodity swaps entered into by the CSR group to manage its aluminium commodity price exposure:

	Notional value				Fair value	
Commodity price risk ($million)	1 year or less	1 to 3 years	3 to 5 years	Total	Asset	Liability
2017						
Aluminium commodity swaps[1,2]	254.0	356.1	10.4	620.5	–	(49.1)
2016						
Aluminium commodity swaps[1,2]	143.6	24.4	–	168.0	25.5	(0.2)

1 The average price in US dollars per metric tonne at 31 March 2017 was $1,838.4 (2016: $1,814.2). The average price for the individual periods does not materially differ from the overall average price disclosed.
2 $49.1 million net of commodity contract losses (2016: $25.3 million net gains) were deferred in 2017 as the losses relate to cash flow hedges of highly probable forecast transactions. The expected timing of recognition based on the fair values at 31 March 2017 is one year or less: $28.9 million loss (2016: $23.5 million gain); one to three years: $20.0 million loss (2016: $1.8 million gain); three to five years: $0.2 million loss (2016: $nil).

Commodity price risk sensitivity – aluminium

A 10% increase in the aluminium price, assuming a constant exchange rate on hedging contracts in place at 31 March 2017, would result in a decrease in other equity before tax of $65.5 million (2016: $14.1 million). A decrease of 10% in the aluminium price would have the opposite impact.

Nature of commodity price risk – oil

The CSR group has exposure to oil commodity prices through an oil price linked gas purchasing contract. The A$ gas purchase price is partially a function of the prevailing US$ oil price and A$/US$ exchange rate.

Commodity price risk management – oil

The CSR group has a policy of hedging the oil price component of the price of gas purchased to reduce the volatility of its energy costs. Eligible hedging instruments include commodity and foreign exchange forward contracts and commodity and foreign exchange option contracts. The CSR group designates the oil price converted to A$ component of the gas price as the hedged item. Both the gas purchasing contract and the commodity forwards and options are priced against the ICE Brent futures contract price and the A$/US$ hedge settlement rate reference prices and, as such, the CSR group has established a hedge ratio of 1:1 for the hedging relationship between the oil price component of the gas purchase contract and the derivative hedges for all its oil price risk.

The table below provides information about the oil commodity swaps entered into by the CSR group to manage its oil commodity price exposure:

	Notional value				Fair value
Commodity price risk ($million)	1 year or less	1 to 3 years	3 to 5 years	Total	Liability
2017					
Oil commodity swaps[1,2]	2.9	16.3	5.2	24.4	(3.0)
2016					
Oil commodity swaps[1,2]	–	10.5	10.3	20.8	(3.3)

1 The average price in A$ per barrel at 31 March 2017 was $81.4 (2016: $82.8). The average price for the individual periods does not materially differ from the overall average price disclosed.
2 $3.0 million net of commodity contract losses (2016: $3.3 million) were deferred in 2017 as the losses relate to cash flow hedges of highly probable forecast transactions. The expected timing of recognition based on the fair values at 31 March 2017 is one year or less: $0.4 million loss (2016: $nil); one to three years: $2.1 million loss (2016: $2.0 million loss); three to five years: $0.5 million loss (2016: $1.3 million loss).

Commodity price risk sensitivity – oil

A 10% increase in the oil price, assuming a constant exchange rate on hedging contracts in place at 31 March 2017, would result in an increase in other equity before tax of $2.0 million (2016: $1.6 million). A decrease of 10% in the oil price would have the opposite impact.

Interest rate risk management

At the reporting date, CSR group's interest rate exposure is limited to the net debt balance of $11.4 million (2016: $70.9 million net cash balance). The carrying amount of the net debt balance is the same as the fair value. The maturity profile for the cash balance of $19.1 million is less than 1 year and the maturity profile for the borrowings balance of $30.5 million is one to three years. The average interest rate on debt for the year was 2.4% (2016: nil) and the average interest rate on cash balances for the year was 0.44% (2016: 0.95%).

At 31 March 2017, if interest rates had increased/decreased by one percentage point per annum from the year end rates with all other variables held constant, the post-tax profit for the year would have been $0.1 million higher/lower (2016: $0.9 million higher/lower), mainly as a result of higher interest expense on debt balances.

18 Financial risk management (continued)

iii) Market risk (continued)

Nature of foreign exchange risk

The CSR group's major foreign currency exposure relates to its US dollar aluminium sales revenue and payments for raw materials and capital equipment.

Foreign exchange risk management

The CSR group uses a variety of foreign exchange risk management instruments, including spot, forward and swap currency contracts and currency options, to hedge foreign currency denominated receipts resulting from revenue and payments for raw materials and capital equipment denominated in foreign currencies.

The CSR group's policy is to hedge its net US dollar aluminium exposure to reduce the volatility of aluminium earnings, when acceptable Australian dollar outcomes can be achieved.

Forecast US dollar receipts are based on highly probable forecast monthly sales transactions of aluminium which ensures that the underlying foreign currency exchange risk is identical to the hedged risk component (i.e. the US dollar price). Therefore the CSR group has established a hedge ratio of 1:1 for all its foreign exchange hedging relationships. Hedging is undertaken at declining levels for up to four years.

The CSR group's policy to hedge foreign exchange exposures arising from payments for raw materials are hedged for up to 18 months with a declining hedge level over time, although higher levels can be hedged when using currency options. The policy requires that material foreign currency denominated purchases of capital equipment be fully hedged to the domestic currency to eliminate currency exposure. Similarly, the policy also requires that all material foreign currency assets and liabilities are hedged to the relevant entity's domestic currency.

Foreign exchange risk sensitivity

At 31 March 2017, had the Australian dollar strengthened/weakened by 10% against the respective foreign currencies with all other variables held constant, the post-tax profit arising from forward exchange rate agreements would have been materially unchanged, mainly as a result of the effectiveness of the hedging in place. Equity before tax would have been $31.7 million higher/$36.8 million lower (2016: $9.7 million higher/$10.3 million lower) had the Australian dollar strengthened/weakened by 10% against the respective foreign currencies arising mainly from foreign forward exchange contracts designated as cash flow hedges.

The table below provides information about the CSR group's significant exchange rate exposures in forward exchange rate agreements:

Foreign exchange risk[1,3] ($million)	Average exchange rate[2]	Notional value			Fair value	
		1 year or less	1 to 3 years	Total	Asset	Liability
2017						
US dollar – buy	0.76	68.1	–	68.1	0.9	(0.1)
US dollar – sell	0.75	207.4	176.0	383.4	7.4	(0.1)
NZ dollar – buy	1.07	11.1	–	11.1	–	(0.3)
NZ dollar – sell	1.06	29.4	–	29.4	0.3	–
Euro – buy	0.69	9.1	–	9.1	–	(0.2)
Euro – sell	0.71	2.7	–	2.7	–	–
Total					**8.6**	**(0.7)**
2016						
US dollar – buy	0.73	179.2	–	179.2	0.4	(6.9)
US dollar – sell	0.76	202.9	11.7	214.6	8.4	(9.1)
NZ dollar – buy	1.10	32.5	–	32.5	0.3	(0.6)
NZ dollar – sell	1.11	71.0	–	71.0	0.5	(0.5)
Euro – buy	0.66	12.9	–	12.9	–	(0.3)
Euro – sell	0.66	5.8	–	5.8	0.1	–
Total					9.7	(17.4)

1 $6.7 million of net foreign exchange contract gains (2016: $6.4 million losses) have been deferred as the gains relate to cash flow hedges of highly probable forecast transactions. The expected timing of recognition based on the fair values at 31 March 2017 is one year or less: $3.9 million gain (2016: $7.3 million loss); and one to three years: $2.8 million gain (2016: $0.9 million gain).
2 Average rates for the individual periods do not materially differ from the overall average rates disclosed.
3 The CSR group has insignificant exchange rate exposures in GBP and JPY.

18 Financial risk management (continued)

iv) Capital management

The CSR group manages its capital to ensure that entities in the CSR group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the CSR group consists of debt which includes the borrowings disclosed in note 14, cash and cash equivalents, issued capital and reserves disclosed in notes 15 and 17 and retained profits. The CSR group reviews the capital structure regularly and balances its overall capital structure through the payment of dividends, new share issues, share consolidations and share buy-backs, as well as the issue of new debt or the redemption of existing debt.

v) Fair value measurement of financial instruments

The table below provides an analysis of hedge accounted financial instruments that are measured subsequent to initial recognition of fair value, including their levels in the fair value hierarchy:

	2017	2016
$million	Level 2	Level 2
Financial assets at fair value		
Commodity swaps – aluminium	–	25.5
Forward exchange rate contracts	8.8	9.7
Total	**8.8**	35.2
Financial liabilities at fair value		
Commodity swaps – aluminium	49.1	0.2
Commodity swaps – oil	3.0	3.3
Forward exchange rate contracts	0.7	17.4
Total	**52.8**	20.9

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. The CSR group has no Level 1 financial instruments in the fair value hierarchy.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The CSR group has no Level 3 financial instruments in the fair value hierarchy.

There were no transfers from Level 2 to Level 1 and Level 3 in 2017 and no transfers in either direction in 2017.

The fair value amounts shown above are not necessarily indicative of the amounts that the CSR group would realise upon disposition, nor do they indicate the CSR group's intent or ability to dispose of the financial instrument.

Recognition and measurement

The fair value of financial instruments, including financial assets and liabilities approximates their carrying amount.

The fair values of derivative instruments are calculated using quoted market prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

The CSR group designates its derivatives as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the year when the hedged item is recognised in profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts.

18 Financial risk management (continued)

vi) Cash flow hedging

The impact of hedging instruments designated in material hedging relationships as of 31 March 2017 on the statement of financial position of the CSR group is as follows:

	Commodity price risk[1]		Foreign exchange risk			
	Aluminium commodity swaps (forecast sales)[2]		Forward currency contracts (forecast sales)[3]		Forward currency contracts (forecast purchases)[4]	
$million	2017	2016	2017	2016	2017	2016
Notional amount	258,000 tonnes	71,000 tonnes	376.1	172.2	68.6	97.4
Carrying amount:						
Asset	–	25.5	7.4	7.2	–	0.9
Liability	49.1	0.2	0.1	9.2	0.7	5.3
Changes in value of instrument used for calculating hedge ineffectiveness – gain (loss)	(49.1)	25.3	7.4	(2.0)	(0.7)	(4.4)

1 The CSR group has insignificant hedging relationships in oil commodity swaps.
2 $nil (2016: $23.7 million) of the carrying amount of Aluminium commodity swaps are disclosed within current other financial assets and $nil (2016: $1.8 million) within non-current other financial assets. $28.9 million (2016: $0.2 million) of Aluminium commodity swaps are disclosed within current other financial liabilities and $20.2 million (2016: $nil) within non-current other financial liabilities.
3 $4.6 million (2016: $6.3 million) of the carrying amount of forward currency contracts are disclosed within current other financial assets and $2.8 million (2016: $0.9 million) within non-current other financial assets. $nil (2016: $9.2 million) of the carrying amount of forward currency contracts are disclosed within current other financial liabilities and $0.1 million (2016: $nil) within non-current other financial liabilities.
4 $nil (2016: $0.9 million) of the carrying amount of forward currency contracts are disclosed within current other financial assets. $0.7 million (2016: $5.3 million) of forward current contract liabilities are disclosed within current other financial liabilities.

The impact of hedged items designated in hedging relationships as of 31 March 2017 on the statement of financial position of the CSR group is as follows:

	Commodity price risk		Foreign exchange risk			
	Aluminium commodity swaps (forecast sales)		Forward currency contracts (forecast sales)		Forward currency contracts (forecast purchases)	
$million	2017	2016	2017	2016	2017	2016
Changes in value of hedged item used for calculating hedge ineffectiveness – gain (loss)	49.2	(25.6)	(7.4)	2.0	0.7	4.4
Cash flow hedge reserve (continuing hedges) – gain (loss)	(49.1)	25.3	7.4	(2.0)	(0.7)	(4.4)

The below hedging relationships affected profit or loss and other comprehensive income as follows:

	Commodity price risk		Foreign exchange risk			
	Aluminium commodity swaps (forecast sales)		Forward currency contracts (forecast sales)		Forward currency contracts (forecast purchases)	
$million	2017	2016	2017	2016	2017	2016
Hedge gain (loss) recognised in other comprehensive income[1]	(50.7)	14.0	6.6	8.0	(0.7)	(4.6)
Gain (loss) reclassified from other comprehensive income to profit or loss before tax[2]	(23.6)	25.7	2.8	(25.9)	4.5	1.1
Line item in statement of comprehensive income	Trading revenue	Trading revenue	Trading revenue	Trading revenue	Cost of sales	Cost of sales

No hedge ineffectiveness was recognised in profit or loss during the year.

1 The hedge gain (loss) recognised in other comprehensive income totalling $44.8 million loss (2016: $17.4 million gain) together with the $0.2 million gain (2016: $3.3 million loss) on oil swaps less non-controlling interests of $13.3 million (2016: $6.5 million gain) reconciles to the hedge gain (loss) transferred to equity in note 17.
2 The gain (loss) reclassified from other comprehensive income to profit or loss after tax totalling $16.3 million loss (2016: $0.9 million gain) less non-controlling interests of $6.2 million loss (2016: $nil) reconciles to the hedge gain (loss) transferred to statement of financial performance in note 17.

Group structure

19 Subsidiaries

	% CSR ownership			% CSR ownership	
Entity	2017	2016	Entity	2017	2016
Incorporated in Australia			**Incorporated in Australia (continued)**		
A-Jacks Hardwall Plaster Pty Ltd	100	100	Don Mathieson & Staff Glass Pty Ltd	100	100
A-Jacks Unit Trust	100	100	Gove Aluminium Finance Ltd	70	70
AFS Systems Pty Ltd	100	100	Midalco Pty Limited	100	100
AFS Unit Trust	100	100	Monier PGH Superannuation Pty Limited	100	100
BI (Contracting) Pty Limited	100	100	PASS Pty Limited	100	100
Bradford Energy Finance Pty Limited	100	100	PGH Bricks & Pavers Pty Limited[2,3]	100	60
Bradford Insulation Industries Pty Limited	100	100	Rediwall Unit Trust	100	100
Bradford Insulation (SA) Pty Limited[1]	100	100	Rivarol Pty Limited[2]	100	100
Bricks Australia Services Pty Limited[2]	100	100	SA Independent Glass Pty Ltd	100	100
Buchanan Borehole Collieries Pty Ltd	100	100	Seltsam Pty Limited	100	100
CSR Building Products Limited[2]	100	100	Softwood Holdings Limited[1]	100	100
CSR Developments Pty Ltd	100	100	Softwood Plantations Pty Limited[1]	100	100
CSR Erskine Park Trust	100	100	Softwoods Queensland Pty Ltd[1]	100	100
CSR Finance Ltd[2]	100	100	Thiess Bros Pty Ltd	100	100
CSR Industrial Property Trust	100	100	Thiess Holdings Pty Limited	100	100
CSR Industrial Property Nominees No. 1 Pty Limited	100	100			
CSR Industrial Property Nominees No. 2 Pty Limited	100	100	**Incorporated in New Zealand**		
CSR International Pty Ltd	100	100	CSR Building Products (NZ) Ltd	100	100
CSR Investments Pty Limited[2]	100	100	CSR Viridian (New Zealand) Holdings Limited	100	100
CSR Investments (Asia) Pty Limited	100	100	CSR Viridian (New Zealand) Limited	100	100
CSR Investments (Indonesia) Pty Limited	100	100	Viridian Glass Limited Partnership[4]	100	58
CSR Martini Pty Limited	70	70	Norm Fowke Glass Limited[4]	100	58
CSR Share Plan Pty Limited	100	100	Euroglass Systems Limited[4]	100	58
CSR Structural Systems Pty Limited[2]	100	100	Glass Concepts Limited[4]	100	58
CSR Viridian Finance Pty Limited[2]	100	100	National Glass Limited[4]	100	58
CSR Viridian Holdings Limited[2]	100	100	Tasman Glass Limited[4]	100	58
CSR Viridian International Pty Limited	100	100			
CSR Viridian Investment Company Pty Limited	100	100	**Incorporated in other countries**		
CSR Viridian Limited[2]	100	100	CSR Guangdong Glasswool Co., Ltd (China)	79	79
CSR Viridian Operations Pty Limited	100	100	CSR (Guangdong) Rockwool Co., Ltd[1] (China)	100	100
CSR Viridian Properties Pty Limited	100	100	CSR Insurance Pte Limited (Singapore)	100	100
CSR-ER Nominees Pty Ltd	100	100	PT Prima Karya Plasterboard (Indonesia)	100	100
DMS Security Glass Pty Ltd	100	100			

1 In members voluntary liquidation.
2 These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. PGH Bricks & Pavers Pty Limited became a party to the deed of cross guarantee on 6 February 2017, for further information refer note 20.
3 The CSR group held a 60% interest in Boral CSR Bricks Pty Limited ('BCB') until 31 October 2016 when the remaining 40% interest was acquired. Following the acquisition, BCB has changed its legal name to PGH Bricks & Pavers Pty Limited. Refer to note 8 for further details.
4 The CSR group held a 58% interest in Viridian Glass Limited Partnership until 30 June 2016 when the remaining 42% interest was acquired. Refer to note 8 for further details.

20 Deed of cross guarantee

CSR Limited, Bricks Australia Services Pty Limited, CSR Building Products Limited, CSR Finance Ltd, CSR Investments Pty Limited, CSR Structural Systems Pty Limited, CSR Viridian Finance Pty Limited, CSR Viridian Holdings Limited, CSR Viridian Limited, PGH Bricks & Pavers Pty Limited (joined during the year ended 31 March 2017) and Rivarol Pty Limited are parties to a deed of cross guarantee ('the Deed') under which each company guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the Deed that are controlled by CSR Limited, they also represent the 'extended closed group'.

20 Deed of cross guarantee (continued)

Set out below is a consolidated statement of financial performance, a consolidated statement of comprehensive income, a consolidated statement of financial position and a summary of movements in consolidated retained profits for the years ended 31 March 2017 and 31 March 2016 (restated) of the closed group.

i) Consolidated statement of financial performance

$million	2017	2016[1]
Trading revenue – sale of goods	**1,803.7**	1,425.3
Cost of sales	(1,105.9)	(903.0)
Gross margin	**697.8**	522.3
Other income	53.0	76.3
Warehouse and distribution costs	(206.6)	(158.0)
Selling, administration and other operating costs	(310.7)	(272.4)
Share of net profit of joint venture entities	14.2	12.5
Other expenses	(24.4)	(1.9)
Profit before finance costs and income tax	**223.3**	178.8
Interest income	2.3	0.5
Finance costs	(13.7)	(17.4)
Profit before income tax	**211.9**	161.9
Income tax expense	(32.5)	(27.2)
Profit after tax	**179.4**	134.7

ii) Consolidated statement of comprehensive income

$million	2017	2016[1]
Profit after tax	**179.4**	134.7
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss		
Hedge loss recognised in equity	(0.6)	(7.8)
Hedge loss (profit) transferred to statement of financial performance	4.5	(0.9)
Share of loss on changes in fair value of cash flow hedges of joint venture entities	–	(0.5)
Exchange differences arising on translation of foreign operations	(0.5)	(1.9)
Exchange differences on acquisition of controlled entity, transferred to statement of financial performance	(5.6)	–
Income tax (expense) benefit relating to these items	(1.0)	2.7
Items that will not be reclassified to profit or loss		
Actuarial gain on superannuation defined benefit plans	24.1	20.9
Income tax expense relating to these items	(7.3)	(6.2)
Other comprehensive income – net of tax	13.6	6.3
Total comprehensive income	**193.0**	141.0

iii) Summary of movements in consolidated retained profits

$million	2017	2016[1]
Opening retained profits	57.9	24.9
Profit for the year	179.4	134.7
Actuarial gain on superannuation defined benefit plans (net of tax)	16.8	14.7
Dividends provided for or paid	(126.3)	(116.4)
Closing retained profits	**127.8**	57.9

1 A number of entities which were not party to the Deed were included in the 2016 disclosure which has been restated to reflect only the entities party to the Deed. The disclosure for 2017 has been prepared on a consistent basis.

20 Deed of cross guarantee (continued)

iv) Consolidated statement of financial position

$million	2017	2016[1]
Current assets		
Cash and cash equivalents	15.8	66.4
Receivables	233.3	191.8
Inventories	306.3	205.1
Other financial assets	0.8	2.4
Income tax receivable	0.5	0.5
Prepayments and other current assets	3.6	3.8
Total current assets	**560.3**	470.0
Non-current assets		
Receivables	22.5	24.5
Inventories	81.6	72.7
Investments accounted for using the equity method	32.2	33.1
Other financial assets	131.5	245.3
Property, plant and equipment	704.8	594.4
Goodwill	85.5	63.9
Other intangible assets	43.7	43.9
Deferred income tax assets	184.2	218.0
Other non-current assets	19.3	9.6
Total non-current assets	**1,305.3**	1,305.4
Total assets	**1,865.6**	1,775.4
Current liabilities		
Payables	242.2	143.2
Other financial liabilities	1.0	8.2
Tax payable	7.5	15.7
Provisions	154.4	129.9
Total current liabilities	**405.1**	297.0
Non-current liabilities		
Payables	3.8	16.8
Borrowings	30.5	2.2
Other financial liabilities	2.6	3.3
Provisions	311.1	336.9
Other non-current liabilities	0.1	13.3
Total non-current liabilities	**348.1**	372.5
Total liabilities	**753.2**	669.5
Net assets	**1,112.4**	1,105.9
Equity		
Issued capital	1,036.8	1,041.1
Reserves[2]	(52.2)	6.9
Retained profits	127.8	57.9
Equity attributable to shareholders of the closed group	**1,112.4**	1,105.9

1 A number of entities which were not party to the Deed were included in the 2016 disclosure which has been restated to reflect only the entities party to the Deed. The disclosure for 2017 has been prepared on a consistent basis.

2 PGH Bricks & Pavers Pty Limited ('PGH Bricks') became a party to the Deed on 6 February 2017, following the acquisition of Boral Limited's 40% minority interest in PGH Bricks. The balance includes ($57.1) million recognised in the non-controlling interests reserve on acquisition. Refer to note 8 for further details.

21 Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the CSR group. The amounts disclosed are before intercompany eliminations.

	PGH Bricks & Pavers Pty Limited[1]		Gove Aluminium Finance Limited	
$million	2017	2016	2017	2016
Statement of financial position				
Current assets	–	114.6	155.4	137.9
Non-current assets	–	142.6	130.9	150.7
Current liabilities	–	64.8	98.6	74.6
Non-current liabilities	–	5.7	28.9	32.5
Statement of financial performance				
Revenue	179.6	263.0	511.5	530.7
Profit after tax for the year	19.1	12.0	63.1	72.3
Other comprehensive (expense) income for the year	–	–	(45.7)	15.5
Total comprehensive income for the year	19.1	12.0	17.4	87.8
Statement of cash flows				
Cash flows from operating activities	14.4	42.6	86.1	80.5
Cash flows from investing activities	(3.2)	(10.7)	(9.3)	(7.8)
Cash flows from financing activities	(6.6)	(27.5)	(40.4)	(95.0)
Net increase (decrease) in cash held	4.6	4.4	36.4	(22.3)
Transactions with non-controlling interests				
Profit allocated to non-controlling interests[2]	7.6	4.8	18.9	21.7
Dividends paid to non-controlling interests	8.3	–	12.1	28.5

1 The CSR group held a 60% interest in PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited) until 31 October 2016 when the remaining 40% interest was acquired. Refer to note 8 for further detail. Summarised financial information for the statement of financial performance and cash flows is for the 7 month period ended 31 October 2016 (2016: 11 month period ended 31 March 2016). As PGH Bricks & Pavers Pty Limited is wholly owned by the CSR group at 31 March 2017 the disclosure of the summarised statement of financial position is not applicable.

2 Profit allocated to non-controlling interests for subsidiaries that are not material for disclosure was $0.7 million for the year ended 31 March 2017 (2016: $0.5 million).

22 Interest in joint operations

The CSR group's interest in the Tomago aluminium smelter joint operation of 36.05% (2016: 36.05%) is held through a controlled entity in which the CSR group has a 70% interest, resulting in an effective interest in the joint operation of 25.24% (2016: 25.24%).

Recognition and measurement

The shareholders of the joint operation are jointly and severally liable for the liabilities incurred by the operation and have rights to the assets. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses. Where the CSR group and the parties to the agreements only have rights to the net assets of each of the operations under the arrangements, these entities will be classified as joint ventures of the CSR group and accounted for using the equity method. Refer to note 23.

Critical accounting estimate

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement, and therefore requires judgment in determining the classification. The CSR group has both joint operations and joint ventures.

23 Equity accounting information

Carrying amount ($million)	2017			2016		
Entity[1]	Long-term loan	Equity accounted investment	Net investment	Long-term loan	Equity accounted investment	Net investment
Glass						
Viridian Glass New Zealand[2]	–	–	–	–	21.2	21.2
Building products						
Rondo Pty Limited[3]	–	14.5	14.5	–	15.3	15.3
Gypsum Resources Australia[3]	12.0	–	12.0	12.0	–	12.0
New Zealand Brick Distributors[2]	–	7.8	7.8	–	7.1	7.1
Other[3]	2.4	3.2	5.6	2.4	3.0	5.4
Total investment	14.4	25.5	**39.9**	14.4	46.6	61.0

1 The CSR group held a 58% interest in Viridian Glass Limited Partnership until 30 June 2016 when the remaining 42% interest was acquired. Refer to note 8 for further detail. CSR group's interest in all other entities is 50% (2016: 50%).
2 These entities are limited partnerships in New Zealand.
3 Entities incorporated in Australia.

Recognition and measurement

Investments in joint venture and associate entities have been accounted for under the equity method in the CSR group financial statements. CSR's share of net profit/loss of joint venture entities is recorded in the statement of financial performance.

Purchases and sales of goods and services to joint venture entities are on normal terms and conditions.

Critical accounting estimate – non-consolidation of entities in which the CSR group holds more than 50%

The CSR group held a 58% interest in Viridian Glass Limited Partnership until 30 June 2016 when the remaining 42% interest was acquired. Refer to note 8 for further detail. Up to 30 June 2016, the directors determined that they did not control Viridian Glass Limited Partnership even though the CSR group owned 58% of the interest of this entity. It was not a controlled entity of CSR Limited because the decisions over the relevant activities of the entity required unanimous consent between the two partners.

i) Net investment in joint ventures

$million	2017	2016
Opening net investment	61.0	63.3
Share of net profit before income tax	21.0	18.8
Share of income tax	(6.3)	(5.6)
Dividends and distributions received	(14.2)	(11.2)
Decrease in long-term loans	–	(0.7)
Disposal of investment in joint venture	(21.4)	–
Foreign currency translation and other	(0.2)	(3.6)
Closing net investment	**39.9**	61.0

ii) Summarised financial information of joint venture entities

$million	2017	2016
Statement of financial position		
Current assets	92.5	124.4
Non-current assets	22.3	47.8
Current liabilities	50.0	106.9
Non-current liabilities	2.3	1.9
Statement of financial performance		
Revenue	146.6	185.6
Share of net profit (loss) after tax		
Viridian Glass New Zealand[1]	(0.3)	0.2
Rondo Pty Limited	14.4	11.4
Other	0.6	1.6

1 Contribution to net profit is for the 3 month period ended 30 June 2016 (2016: 12 month period ended 31 March 2016).

23 Equity accounting information (continued)

iii) Balances and transactions with joint venture entities

$million	2017	2016
Current loans payable to CSR	0.1	26.8
Non-current loans payable to CSR	11.3	11.4
Purchases of goods and services	46.3	40.2
Sales of goods and services	3.3	8.1

24 Parent entity disclosures

i) Summary financial information of CSR Limited (parent)

$million	2017	2016
Statement of financial position		
Current assets	264.0	240.3
Non-current assets	1,821.0	1,807.5
Current liabilities[1]	(488.1)	(445.9)
Non-current liabilities[1]	(334.4)	(346.3)
Net assets	**1,262.5**	1,255.6
Equity		
Issued capital	1,036.8	1,041.1
Reserves	9.3	13.3
Retained profits	216.4	201.2
Total equity	**1,262.5**	1,255.6
Statement of financial performance		
Profit after tax for the year	126.0	100.1
Total comprehensive income	141.4	116.6

1 Included within current liabilities are the current portion of the product liability provision and uninsured losses and future claims provision of $29.2 million and $5.6 million respectively (2016: $26.0 million and $5.5 million respectively). Included within non-current liabilities are the non-current portion of the product liability provision and uninsured losses and future claims provision of $283.2 million and $22.2 million respectively (2016: $308.5 million and $23.1 million respectively). See notes 12 and 13 for further details.

ii) CSR Limited transactions with controlled entities

During the financial years ended 31 March 2017 and 2016, CSR Limited advanced and repaid loans, sold and purchased goods and services, and provided accounting and administrative assistance to its controlled entities. All loans advanced to and payable to these related parties are unsecured and subordinate to other liabilities. Loans between members of the Australian tax consolidation group are not on normal terms and conditions.

iii) Contingent liabilities

$million	2017	2016
Contingent liabilities, capable of estimation, arise in respect of the following categories:		
Performance guarantees provided to third parties	77.1	65.1
Bank guarantees to Harwood Superannuation Fund[1]	5.4	6.4
Total contingent liabilities[2]	**82.5**	71.5

1 CSR Limited has an obligation to contribute amounts so as to ensure that the assets attributable to certain superannuation defined benefit plans are not less than 120% of the amount required to meet the actuarial liabilities. Refer to note 25 for details of superannuation commitments as at 31 March 2017.

2 CSR Limited has not directly provided any financial guarantees to third parties outside of the CSR group. All financial guarantees disclosed above are related to bank guarantees provided to third parties to guarantee CSR Limited's performance of its liabilities. In addition, CSR Limited has undertaken to provide financial support, as and when required, to certain wholly owned controlled entities so as to enable those entities to pay their debts as and when such debts become due and payable.

iv) Capital commitments

CSR Limited has committed $nil to the acquisition of any property, plant and equipment as at 31 March 2017 (2016: $nil).

Other

25 Employee benefits

i) Superannuation commitments

During the year, the CSR group participated in a number of superannuation funds (funds) in Australia and New Zealand. The funds provide benefits either on a cash accumulation or defined benefit basis, for employees (and spouses) on retirement, resignation or disablement, or to their dependants on death. Employer contributions are legally enforceable, with the right to terminate, reduce or suspend those contributions upon giving written notice to the trustees. CSR Limited and its Australian controlled entities are required to provide a minimum level of superannuation support for employees under the Australian superannuation guarantee legislation.

Australian superannuation funds

In Australia, the CSR group participates in the Harwood Superannuation Fund and the Pilkington (Australia) Superannuation Scheme for those employees and pensioners who are currently members of these funds and any new employees who become members.

Retirement funds

The contributions to the funds for the year ended 31 March 2017 for the CSR group were $41.6 million (2016: $37.4 million).

Accumulation funds

The benefits provided by accumulation funds are based on the contributions and income thereon held by the funds on behalf of the members. Contributions are made as agreed between the member and the company and for the financial year ended 31 March 2017, contributions totalled $35.4 million (2015: $31.8 million). These contributions are expensed in the year they are incurred. CSR group's legal or constructive obligation is limited to these contributions.

Defined benefit funds

The benefits provided by defined benefit divisions of funds (DBDs) are based on length of service or membership and salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the rules of the fund. Employer contributions generally vary based on actuarial advice and may be reduced or cease when a fund is in actuarial surplus. DBDs are closed to new members.

Changes to defined benefit obligations

The Harwood Superannuation Fund Trust Deed was amended with effect from midnight on 31 December 2011 to restructure the various plans within the fund, including splitting the CSR Plan Division One (defined benefit) into three separate plans. The amendment reflected the agreement between CSR Limited and Wilmar International Limited that Sucrogen Limited would assume full responsibility to fund its obligations for defined benefit members employed by the Sucrogen business as well as its share of the funding obligation in respect of the Harwood Pensioner DBD Plan. As such, amounts recorded for the CSR group exclude funding obligations and share of assets and liabilities which have been assumed by Wilmar Sugar Australia Limited.

Asset backing

The last actuarial assessment for the Harwood Superannuation Fund and the Pilkington (Australia) Superannuation Scheme was completed as at 30 June 2016. The funding requirements were reviewed as at 30 June 2016. A combination of the attained age normal and projected unit credit funding methods were used to determine the contribution rates for the Harwood Superannuation Fund. The projected unit credit funding method was used for the Pilkington (Australia) Superannuation Scheme.

There is an obligation for plan employers to contribute such amounts so as to ensure that the assets are not less than 120% of the amount required to meet the actuarial liabilities of Division One of the Harwood Superannuation Fund which includes DBD CSR and DBD Harwood Pensioner. At the time of the last actuarial review, DBD CSR had a funding position of 153% and DBD Harwood Pensioner had a funding position of 112%. Therefore, CSR Limited made available to the trustee of the fund, bank guarantees to satisfy the balance of its commitment to 120%. As at 31 March 2017, CSR Limited has provided bank guarantees of $5.4 million to the Trustee of the fund (2016: $6.4 million). The bank guarantees have been disclosed in note 24.

Table 1: Defined benefit plans (DBDs) sponsored by the CSR group

$million	CSR contributions to the funds	Present value of fund assets	Present value of fund liability	Net defined benefit asset (liability)	Contributions paid
Harwood Superannuation Fund					
DBD CSR and DBD Harwood Pensioner[1]	$nil from 1 April 2017	73.0	(66.0)	7.0	–
DBD Monier PGH	$nil from 1 April 2017	47.5	(39.9)	7.6	1.0
Pilkington (Australia) Superannuation Scheme					
DBD[2]	14.6% of eligible salary	52.3	(52.4)	(0.1)	1.6

1 Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2017.
2 Funds contributed by CSR are for accumulation members.

25 Employee benefits (continued)

i) Superannuation commitments (continued)

Key assumptions used by actuaries

Key assumptions and parameters used by the actuaries (expressed as weighted averages) are outlined below:

%		2017	2016
Discount rate (after tax)		4.1	3.6
Expected salary increase		3.1	3.3
Asset class allocation	– Equity instruments	44.1	44.2
	– Debt instruments	39.5	39.5
	– Property	4.7	4.4
	– Other	11.7	11.9

Impact of plans on the statement of financial performance and comprehensive income

$million	2017	2016
Amounts recognised in the statement of financial performance[1]		
Current service cost	2.9	3.4
Finance cost	5.9	5.1
Interest income	(5.6)	(4.4)
Total expense included in the statement of financial performance	**3.2**	4.1
Actuarial gain incurred during the financial year and recognised in the statement of comprehensive income	**24.1**	20.9
Cumulative actuarial losses recognised in the statement of comprehensive income	**(49.4)**	(73.5)

1 Disclosed in selling, administration and other operating costs.

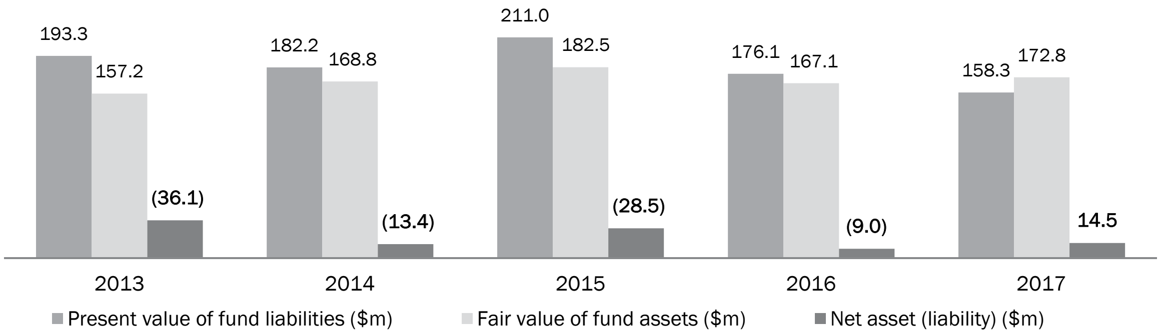
Impact of plans on the statement of financial position

$million	2017	2016
Net asset (liability) of superannuation defined benefit plans		
Fair value of assets	172.8	167.1
Present value of liabilities	(158.3)	(176.1)
Net asset (liability)	**14.5**	(9.0)
Included in the statement of financial position		
Non-current other assets (note 29)	14.6	4.3
Other non-current liabilities	(0.1)	(13.3)
Net asset (liability)	**14.5**	(9.0)
Movements in the fair value of the defined benefit plan assets		
Assets at the beginning of the financial year	167.1	182.5
Interest income	5.6	4.4
Return on assets (in excess of interest income)	8.4	(7.2)
Contributions from the employer	2.6	2.7
Contributions from participants	1.0	1.0
Benefits paid	(11.9)	(16.3)
Assets at the end of the financial year	**172.8**	167.1
Movements in the present value of the defined benefit plan liabilities		
Liabilities at the beginning of the financial year	176.1	211.0
Current service cost	2.9	3.4
Finance cost	5.9	5.1
Contributions from participants	1.0	1.0
Actuarial gain	(15.7)	(28.1)
Benefits paid	(11.9)	(16.3)
Liabilities at the end of the financial year	**158.3**	176.1

25 Employee benefits (continued)

i) Superannuation commitments (continued)

Net asset (liability) of superannuation defined benefit plans



Recognition and measurement

For superannuation defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained profits, in the year in which they occur, and are presented in the statement of comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

ii) Share-based payments

Long-term incentive (LTI) plan – Performance rights plan (PRP)

Under the LTI plan effective during the year ended 31 March 2017, eligible executives were invited to receive performance rights in the company. Shares acquired on vesting of performance rights are fully paid ordinary shares and the amount payable to acquire these shares is $nil.

A summary of the performance rights granted under the plan is set out below:

Number of performance rights	2017	2016
Opening balance	3,727,228	6,081,313
Granted during the year	1,315,620	1,053,185
Vested during the year	(1,557,577)	(2,396,680)
Lapsed during the year	(319,261)	(1,010,590)
Closing balance	**3,166,010**	3,727,228

There were no vested and exercisable shares at 31 March 2017 (2016: nil).

Performance rights outstanding at the end of the year have the following expiry dates:

		Performance rights	
Grant date	Expiry date	2017	2016
23 July 2013	23 July 2017	–	1,638,039
23 July 2014	23 July 2018	970,574	1,076,383
24 July 2015	1 April 2018	904,017	1,012,806
26 July 2016	1 April 2019	1,291,419	–
Total		**3,166,010**	3,727,228

A summary of key valuation assumptions for rights granted in the year ended 31 March 2017 is set out below:

Grant date	26 July 2016	26 July 2016
Vesting condition	Relative TSR	EPS and strategic objectives
Valuation method	Monte Carlo simulation	Binominal Tree
Start of performance period	1 April 2016	1 April 2016
Testing date	31 March 2019	31 March 2019
Expected life	2.7 years	2.7 years
Grant date share price	$3.96	$3.96
Volatility	32%	32%
Dividend yield	5.7%	5.7%
Risk-free rate	1.50%	1.50%
Fair value	$2.42	$3.40

Further details on the LTI plan and the terms of the grants during the year are detailed in the remuneration report on pages 30 to 33.

25 Employee benefits (continued)

ii) Share-based payments (continued)

Deferred shares

Under the STI deferral plan, 20% of any STI earned by senior executives is delivered in CSR shares. These shares must be held in trust subject to trading restrictions and have a continued service requirement for a minimum of two years from the date of allocation.

Deferred shares are administered by the CSR Share Plan Trust. The shares are acquired on market at the grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. The number of shares to be granted is determined based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange.

	2017	2016
Number of rights to deferred shares granted	174,797	216,342
Fair value of rights at grant date	$3.51	$3.79

Other plans

Universal Share Option Plan (USOP): eligible employees can buy shares to a maximum value of $1,000 and receive an equivalent number of shares for no cash consideration. The shares are acquired on market prior to issue with the cost of acquisition recognised in employee benefit expense.

Employee Share Acquisition Plan (ESAP): directors and employees can forgo up to $5,000 of their cash remuneration annually to acquire shares in the company. The shares are purchased on market by the CSR Share Plan trustee, who acts on instructions given in accordance with the plan rules and the company's Share Trading Policy.

Number of shares issued under the plans	2017	2016
USOP[1]	547,476	520,428
ESAP	99,485	98,745

1 Number of shares issued includes the number of purchased shares issued to employees under the plan. Each participant was issued with shares worth $1,000 based on the weighted average market price of $3.87 (2016: $3.77).

For further details on the USOP and the ESAP, refer to page 34 of the remuneration report.

Expenses arising from share-based payment transactions

$million	2017	2016
Long term incentive plan (PRP)	2,626,357	2,669,725
Deferred shares	571,002	465,719
Other plans	1,059,640	984,374
Total expense	**4,256,999**	4,119,818

Recognition and measurement

Share-based payments can either be equity settled or cash settled.

- **Equity settled:** the fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period (with a corresponding increase to the employee share reserve), based on the CSR group's estimate of shares that will eventually vest.
- **Cash settled:** the ultimate expense recognised in relation to cash settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

26 Related party disclosures

i) Transactions with directors or other key management personnel

Transactions entered into during the financial year with directors of CSR Limited and other key management personnel of the CSR group and with their closely related entities which are within normal customer or employee relationships on terms and conditions no more favourable than those available to other customers, employees or shareholders included:

- contracts of employment (see section ii) and reimbursement of expenses;
- acquisition of shares in CSR Limited under the employee share plans and the dividend reinvestment plan;
- dividends from shares in CSR Limited; and
- sale and purchase of goods and services.

No new loans, loan repayments or loan balances occurred between the CSR group and directors and other key management personnel of the CSR group during the financial year ended 31 March 2017 (2016: nil).

ii) Key management personnel remuneration

Total remuneration paid or payable to directors and key management personnel is set out below:

$	2017	2016
Short-term employee benefits	3,437,587	4,245,073
Share-based payments expense	804,880	1,275,508
Total	**4,242,467**	5,520,581

Details of remuneration and the CSR Limited equity holdings of directors and other key management personnel are shown in the remuneration report on pages 23 to 40.

iii) Other related parties

Other than transactions with joint venture entities disclosed in note 23, no material amounts were receivable from, or payable to, other related parties as at 31 March 2017 (2016: nil), and no material transactions with other related parties occurred during those years.

Details of payments to superannuation defined benefit plans are shown in note 25.

27 Subsequent events

With the exception of the items disclosed below, there has not arisen in the interval between 31 March 2017 and the date of this report, any other matter or circumstance that has significantly affected or may significantly affect the operations of the CSR group, the results of those operations or the state of affairs of the CSR group in subsequent financial years.

Dividends

For dividends resolved to be paid after 31 March 2017, refer to note 16.

Sale of Rosehill Monier Roofing site

On 18 April 2017, CSR announced the sale of its Monier Roofing site located at Rosehill, NSW. Profit before tax of $49.2 million is expected to be recognised as a result of the sale. Under the terms of the sale, a $9.8 million option fee was recorded in the statement of financial performance for the year ended 31 March 2017. The remaining $39.4 million of profit before tax will be recognised in the statement of financial performance in the year ending 31 March 2018.

Monier Roofing will continue its manufacturing operations at Rosehill under an operating lease and will transition to a new manufacturing site over the next three to four years.

28 Commitments and contingencies

i) Commitments

$million	2017	2016
Operating lease and hire expenditure		
Land and buildings	212.8	159.4
Plant and equipment	27.6	19.9
Total	**240.4**	179.3
Contracted lease and hire expenditure comprises:		
Within one year	51.1	44.0
Between one and five year(s)	117.6	91.2
After five years	71.7	44.1
Total	**240.4**	179.3
Contracted capital expenditure comprises:		
Payable within one year	12.6	7.7

The total of minimum rentals to be received in the future under non-cancellable sub-leases as at 31 March 2017 is not material. Contingent rentals for 2017 and 2016 financial years were not material. The leases on most of the CSR group's rental premises contain renewal options. The CSR group's decision to exercise renewal options is primarily dependent upon the profitability of business conducted at the location.

Recognition and measurement – operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the CSR group as lessee are classified as operating leases.

ii) Contingencies

Contingencies for CSR Limited are outlined in the parent entity note 24. There are no other contingencies in relation to controlled entities within the CSR group. Operating lease expenditure for 2017 and 2016 is disclosed in note 5.

29 Other non-current assets

$million	Note	2017	2016
Loans to joint venture entities[1]		11.3	37.2
Other loans and receivables[2]		12.1	14.1
Total non-current receivables		**23.4**	51.3
Prepayments		–	7.4
Other assets		4.7	5.3
Superannuation defined benefit plans – fair value of surplus	25	14.6	4.3
Total other non-current assets		**19.3**	17.0

1 The CSR group has provided facilities to joint venture entities on arm's length terms.
2 No fixed repayment term.

30 Auditor's remuneration

$	2017	2016
Deloitte Touche Tohmatsu in Australia		
Audit or review of financial statements	788,400	715,000
Sustainability and carbon related assurance services	58,000	57,500
Other advisory services	40,600	10,000
Total auditor's remuneration	**887,000**	782,500

31 Other accounting policies

Cash and cash equivalents: net cash is defined as cash at bank and on hand and cash equivalents, net of bank overdrafts. Cash equivalents include highly liquid investments which are readily convertible to cash, and loans which are not subject to a term facility. Cash and cash equivalents held at 31 March 2017 included $19.1 million of cash at bank and on hand (2016: $35.6 million) and $nil short-term deposits (2016: $37.5 million).

Tax consolidation: Australian tax legislation allows groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes.

The CSR group has elected for those entities within the CSR group that are wholly owned Australian resident entities to be taxed as a single entity from 1 April 2004.

Prior to the adoption of the tax consolidation system, CSR Limited, as the head entity in the tax consolidated group, agreed to compensate or be compensated by its wholly owned controlled entities for the balance of their current tax liability/(asset) and any tax loss related deferred tax asset assumed by CSR Limited. Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by CSR Limited and each member of the group in relation to the tax contribution amounts paid or payable between CSR Limited and the other members of the tax consolidated group in accordance with the arrangement.

Foreign currency: all foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are brought to account in profit or loss in the year in which they arise except if designated as cash flow hedges.

On consolidation, the results and financial position of foreign operations are translated as follows:
- assets and liabilities are translated using exchange rates prevailing at the end of the reporting period;
- income and expense items are translated at the average exchange rates for the period; and
- exchange differences arising, if any, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the operation.

Put option liabilities on non-controlling interests: contracts that contain an obligation to pay cash in the future to purchase minority shares held by non-controlling interests, even if the payment is conditional on the option being exercised by the holder, are recorded as a financial liability. The initial redemption liability is recorded against equity. The financial liability is recognised at the present value of the expected redemption amount.

Goods and services tax: revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as a current asset or liability.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authority are classified as operating cash flows.

New standards not yet applicable:

1 **AASB 16 *Leases (AASB 16)***: released on 23 February 2016 and will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The standard will be first applicable for the year commencing 1 April 2019 and the group is currently in the process of quantifying the expected impact. The impact of this standard is expected to be material to the CSR group. However, until the group undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard.

2 **AASB 15 *Revenue from contracts with customers (AASB 15)***: issued in December 2014 and is expected to be first applicable to CSR Limited in the year commencing 1 April 2018, with amended comparatives. AASB 15 will replace AASB 118 *Revenue*, which covers contracts for goods and services, and AASB 111 *Construction Contracts*, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, that is, the 'notion of control' replaces the existing 'notion of risks and rewards'. The impact of this standard is not expected to have a material impact to the CSR group.

3 **AASB 9 *Financial instruments (AASB 9):*** the CSR group has adopted AASB 9 as issued in December 2013, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The CSR group has adopted the two main phases relating to classification and measurement of financial assets and financial liabilities (Phase 1) and hedge accounting (Phase 3). The update to AASB 9 *Financial Instruments* as issued in December 2013 which includes impairment (Phase 2) has not yet been adopted by the CSR group. Phase 2 of this standard is not expected to have a material impact on the CSR group and is first applicable for the year commencing 1 April 2018.

CSR LIMITED

ABN 90 000 001 276

Directors' declaration

The directors declare that:

1 in the directors' opinion, there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable;

2 in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as disclosed in note 1;

3 in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the CSR group;

4 the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the managing director and chief financial officer for the financial year ended 31 March 2017; and

5 there are reasonable grounds to believe that CSR Limited and the group entities identified in note 20 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between CSR Limited and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001*.

Jeremy Sutcliffe
Chairman

Sydney, 10 May 2017

Rob Sindel
Managing Director

Sydney, 10 May 2017

Deloitte.

Deloitte Touche Tohmatsu
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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CSR Limited ("CSR" or the "company") and its subsidiaries (the "group"), which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of financial performance, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the group's financial position as at 31 March 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit responded to the key audit matter
Product Liability Provision (Refer to Note 13 Product liability) CSR has recognised a product liability provision of $312.4 million as at 31 March 2017. The provision is in respect of all known and reasonably foreseeable future asbestos claims. The provision is determined after considering the advice provided by management appointed external experts in Australia and the United States of America ("USA"), being the countries giving rise to the liabilities. The determination of the provision is subject to significant judgement as to expected settlement amounts and likelihood of future claims. In addition, the assumptions in respect of movements in foreign exchange rates and discount rates have a significant impact on the estimate of provisions. The size and complexity of the assumptions used in determining the provision result in it being considered as a key audit matter.	In conjunction with actuarial specialists, our procedures included, amongst others: ▪ assessing the competence and independence of management appointed external experts; ▪ assessing the appropriateness of the assumptions and methodology used in the reports prepared by the management appointed external experts; including: - evaluating the reasonableness of the methodology used to calculate the provision; - benchmarking of the discount rates; and - comparison of historical claims experience to assumptions used to estimate future claims; ▪ testing on a sample basis the accurate inclusion and exclusion of asbestos claims in management's liability database, which is provided to management appointed external experts and forms the basis for the reports; ▪ making enquiries of management appointed external experts and the company's internal and external legal counsel in respect of their conclusions; ▪ agreeing the provision breakdown between liabilities relating to Australia and the USA to the respective external experts' reports; ▪ testing the translation of the USA liability to Australian dollars at the appropriate foreign currency exchange rate; ▪ assessing the basis for the determination of the prudential margin through enquiries of management and their consideration of the external experts' reports; and ▪ assessing the appropriateness of the relevant disclosures in the financial statements.

<table>
<tr><th>Key audit matter</th><th>How the scope of our audit responded to the key audit matter</th></tr>
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Asset valuation
(Refer to Note 10 Property, plant and equipment and intangible assets)
At 31 March 2017 the group's consolidated statement of financial position includes goodwill amounting to $97.1 million, other intangible assets amounting to $46.7 million and property, plant and equipment amounting to $848.6 million, comprised of several cash generating units (CGUs).
The assessment of impairment of the company's goodwill, other intangible assets and property, plant and equipment balances involved the exercise of significant judgement in respect of key assumptions such as discount rates, inflation, growth rates, forecast changes in the building cycle and forecast future cash flows, as appropriate.
Management prepare an impairment trigger analysis to identify which CGUs should be considered further for impairment. The Viridian Australia and Viridian New Zealand CGUs were identified by management as CGUs requiring an impairment analysis due to the low return on funds employed.
We focussed on this area as a key audit matter due to the judgment involved in forecasting future cash flows and the selection of assumptions.
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In conjunction with valuation specialists, our procedures included, amongst others:

evaluating the process used by management in the determination of those CGUs requiring further impairment analysis as a consequence of an impairment trigger by:

assessing management's determination of the company's CGUs based on our understanding of the business and consistency with the segment reporting;
evaluating management's impairment trigger analysis based on a number of factors including annual financial performance and external market conditions; and
checking that each CGU containing goodwill had been included in management's impairment testing;

evaluating the analysis performed by management and the conclusions drawn in relation to the Viridian Australia and Viridian New Zealand CGUs by:

critically assessing the appropriateness of the impairment model methodology, key inputs and assumptions used in each model using our knowledge of each business and the industry, including assessment of:

the discount rate;
the terminal growth rate;
the inflation rate;
forecast changes in the business cycle; and
forecast cash flows;

testing, on a sample basis, the mathematical accuracy of the cash flow models, including agreeing relevant data to the latest board approved forecasts;
assessing the historical accuracy of forecasting of the CGUs;
obtaining and reading the position papers prepared by management to support the models for these CGUs;
evaluating management's process, including testing controls on a sample basis in respect of the preparation and review of forecasts; and
assessing the appropriateness of the relevant disclosures in the financial statements.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the year ended 31 March 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 40 of the company's annual report for the year ended 31 March 2017.

In our opinion, the Remuneration Report of CSR Limited for the year ended 31 March 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants
Sydney, 10 May 2017

20 LARGEST HOLDERS OF ORDINARY SHARES

As at 28 April 2017

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	161,695,116	32.05
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	81,826,711	16.22
3.	CITICORP NOMINEES PTY LIMITED	53,131,022	10.53
4.	NATIONAL NOMINEES LIMITED	28,266,912	5.60
5.	BNP PARIBAS NOMS PTY LTD	9,283,737	1.84
6.	BNP PARIBAS NOMINEES PTY LTD LENDING DRP	5,998,060	1.19
7.	BNP PARIBAS NOMINEES PTY LTD LENDING COLLATERAL	4,205,000	0.83
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,477,809	0.69
9.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,109,435	0.62
10.	AMP LIFE LIMITED	2,786,924	0.55
11.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,528,460	0.50
12.	PRUDENTIAL NOMINEES PTY LTD	2,500,000	0.50
13.	CITICORP NOMINEES PTY LIMITED	1,433,974	0.29
14.	ECAPITAL NOMINEES PTY LIMITED	1,202,622	0.24
15.	UBS NOMINEES PTY LTD	1,190,000	0.24
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,178,071	0.23
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,067,698	0.21
18.	MR ALLAN ERNEST ORMES	1,066,667	0.21
19.	CSR SHARE PLAN PTY LIMITED	874,219	0.17
20.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	850,934	0.17
Top 20 holders of issued capital		**367,673,371**	**72.88**
Remaining holders balance		**136,807,487**	**27.12**

SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

The Vanguard Group Inc. and its subsidiaries advised that as of 17 June 2016, it and its associates had an interest in 25.3 million shares, which represented 5.00% of CSR's issued capital at that time.

Blackrock Group and its subsidiaries advised that as of 2 February 2017, it and its associates had an interest in 25.2 million shares, which represented 5.00% of CSR's issued capital at that time.

SHAREHOLDINGS BY GEOGRAPHIC LOCATION

Location	Units	Units %	Holders	Holders %
AUSTRALIA	500,095,558	99.13	48,441	96.15
NEW ZEALAND	2,586,165	0.51	1,314	2.61
HONG KONG	668,749	0.13	43	0.09
UNITED KINGDOM	407,940	0.08	255	0.51
UNITED STATES OF AMERICA	148,754	0.03	97	0.19
Other	573,692	0.12	233	0.45
Total	**504,480,858**	**100.00**	**50,383**	**100.00**

DISTRIBUTION OF SHAREHOLDINGS

Range	Holders	Units	% of issued capital
1 – 1,000	24,897	12,389,868	2.46
1,001 – 5,000	20,449	45,809,154	9.08
5,001 – 10,000	3,151	22,290,833	4.42
10,001 – 100,000	1,788	38,506,073	7.63
100,001 and over	98	385,484,930	76.41
Total	**50,383**	**504,480,858**	**100.00**

UNMARKETABLE PARCELS

	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $4.70 per unit	107	1,344	46,773

RECENT CSR DIVIDENDS

Date paid	Type of dividend	Dividend per share	Franking	Franked amount per share at 30%
December 2012	Interim	3.0 cents	0%	NA
July 2013	Final	2.1 cents	0%	NA
December 2013	Interim	5.0 cents	0%	NA
July 2014	Final	5.0 cents	0%	NA
December 2014	Interim	8.5 cents	0%	NA
July 2015	Final	11.5 cents	0%	NA
December 2015	Interim	11.5 cents	0%	NA
July 2016	Final	12.0 cents	0%	NA
December 2016	Interim	13.0 cents	0%	NA

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

11:00am
Friday 23 June 2017

Northside Conference Centre
Corner Oxley Street and Pole Lane
Crows Nest NSW 2065 Australia

REGISTRY INFORMATION

All inquiries and correspondence regarding shareholdings should be directed to CSR's share registry:

Computershare Investor Services Pty Limited

GPO Box 2975 Melbourne VIC 3001 Australia

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The CSR Annual Report, Corporate Governance Statement and Sustainability Report are available to view online or download, visit www.csr.com.au csr.com.au