Appendix 4E – Preliminary Final Report

CSR Limited
ABN 90 000 001 276
For the year ended 31 March 2017

Details of the reporting years	
Current:	Full year ended 31 March 2017
Previous corresponding:	Full year ended 31 March 2016

Result for announcement to the market[1]

				A$m
Revenue from ordinary activities	up	7%	to	**$2,468.3**
Net profit after tax from ordinary activities, before significant items, attributable to members[2]	up	11%	to	**$183.8**
Net profit after tax from ordinary activities, after significant items, attributable to members	up	25%	to	**$177.9**

Net tangible assets

As at	31 March 2017	31 March 2016
Net tangible assets per share attributable to CSR shareholders	**$2.00**	$2.10

Dividends

Financial year ended	31 March 2017	Franking	31 March 2016	Franking
Interim	**13.0 cents**	0%	11.5 cents	0%
Final	**13.0 cents** [a]	50%	12.0 cents	0%

a For Australian tax purposes, 100% of the dividend will be conduit foreign income.

Record date for determining entitlements to final dividend	2 June 2017
Final dividend payment date	4 July 2017

Dividend Reinvestment Plan

The company's dividend reinvestment plan (DRP) will operate for the final dividend payable on 4 July 2017. The last date for receipt of the election notice for participation in the DRP is 5 June 2017, being the business day after the dividend record date of 2 June 2017. For the final dividend, shares will be acquired on-market and transferred to participants to satisfy any shares to be issued under the DRP.

DRP shares will be allocated at the arithmetic average of the daily volume weighted average market prices of shares in CSR sold on ASX's trading platform (including the closing single price auction but excluding all off-market trades) ("VWAP") on each day over a period of 10 trading days commencing on 9 June 2017. No discount will apply to shares issued under the DRP. For further details of the DRP please refer to the DRP Terms and Conditions available on CSR's website (www.csr.com.au).

1 This document represents information provided pursuant to Listing Rule 4.3A of the Australian Securities Exchange.
2 Net profit after tax before significant items is a non-IFRS measure used internally by management to assess the performance of the business and has been extracted or derived from CSR's financial statements for the year ended 31 March 2017.

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.

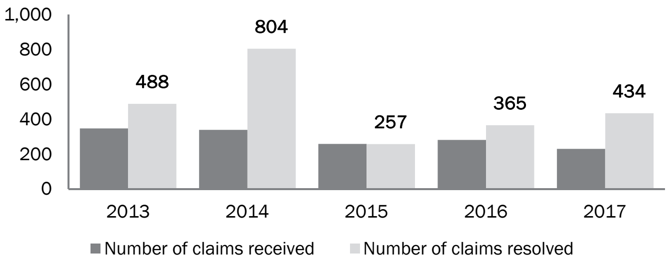
In the United States, claims are made by people who allege exposure to asbestos fibre used in the manufacture of products containing asbestos or in the installation or use of those products. As at 31 March 2017, there were 378 such claims pending.

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).

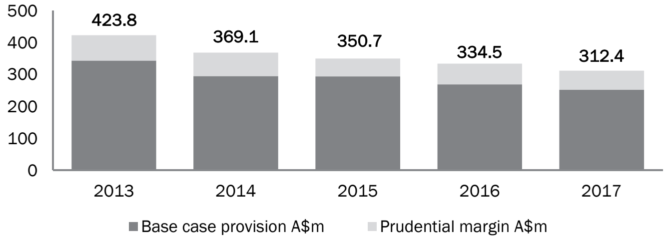
The product liability provision is determined every six months by aggregating the Australian and United States estimates noted above, translating the United States base case estimate to Australian dollars using the exchange rate prevailing at the balance date and adding a prudential margin. The prudential 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).

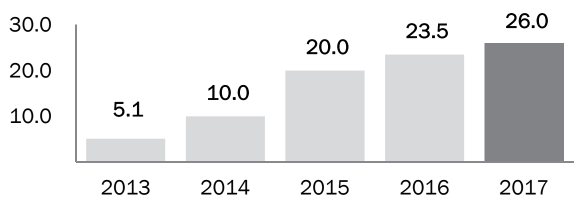
During the year ended 31 March 2016, the company announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back of up to $150.0 million. The share buy-back commenced on 21 March 2016 and will continue over the financial years ending 31 March 2017 and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

Entity	% CSR ownership 2017	2016	Entity	% CSR ownership 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.

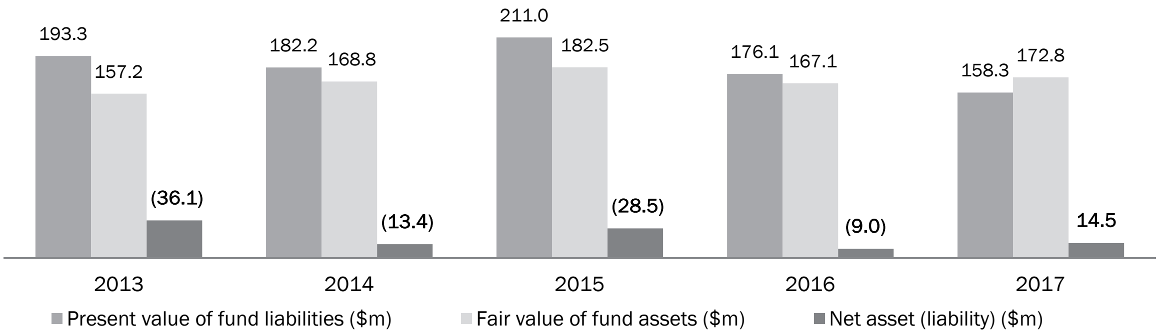
Impact of plans on the statement of financial position

$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.

Director's declaration in relation to financial statements and audit

Deloitte has audited the financial statements contained within the CSR group 2017 Annual Financial Report and has issued an unqualified audit report. This year end results announcement has not been subject to audit. The preceding financial information contained in the Financial Report includes financial information extracted from the audited financial statements. A copy of the audit report will be available with the CSR group 2017 Annual Financial Report when it is released on 24 May 2017 and has not been included within the Financial Report as it does not include all of the information otherwise presented in the Annual Financial Report.

Rob Sindel
Managing Director

Sydney, 10 May 2017