

CSR Limited
ABN 90 000 001 276
For the half year ended 30 September 2020

Details of the reporting periods	
Current:	Six months ended 30 September 2020
Previous corresponding:	Six months ended 30 September 2019

Results for announcement to the market¹

				A\$m
Revenue from ordinary activities	down	6%	to	1,075.5
Net profit after tax from ordinary activities, before significant items, attributable to members ²	down	7%	to	66.4
Net profit after tax from ordinary activities, after significant items, attributable to members	down	15%	to	58.7

Net tangible assets

<i>As at</i>	30 Sep 2020	30 Sep 2019
Net tangible assets per share attributable to CSR shareholders	\$2.18	\$2.10

Dividends

<i>Financial year ended</i>	31 March 2021	Franking	31 March 2020	Franking
Interim ordinary	8.5 cents	100%	10.0 cents	50%
Interim special	4.0 cents	100%	4.0 cents	50%
Final	N/A	N/A	-	-

Record date for determining entitlements to interim dividends 9 November 2020

Interim dividend payment date 8 December 2020

Dividend Reinvestment Plan

The Company's dividend reinvestment plan (DRP) will operate for the interim dividends payable on 8 December 2020. The last date for receipt of the election notice for participation in the DRP is 10 November 2020, being the business day after the dividend record date of 9 November 2020. For the interim dividends, 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 16 November 2020. 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 4.2A of the Australian Securities Exchange and should be read in conjunction with the most recent annual financial report.
- 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 half year ended 30 September 2020. A reconciliation to net profit after tax is included in Note 2 to the CSR half year financial statements.

DIRECTORS' REPORT

The directors of CSR Limited present their report on CSR Limited and its controlled entities (CSR group) for the half year ended 30 September 2020.

Directors

The directors of CSR Limited at any time during the half year ended 30 September 2020, or since that date, are as follows:

John Gillam (Chairman)
Julie Coates (Managing Director and CEO)
Christine Holman
Michael Ihlein
Matthew Quinn
Penny Winn

Review of Operations

A review of operations of the CSR group during the half year ended 30 September 2020 is set out in the results announcement to the market and forms part of this directors' report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration made under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this directors' report.

Rounding

CSR Limited is a company of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued 24 March 2016. In accordance with that Instrument, amounts in this Directors' Report and the half year financial report are rounded to the nearest tenth of a million dollars unless otherwise stated.

The directors' report is signed in accordance with a resolution of directors made pursuant to section 306(3) of the *Corporations Act 2001*.



John Gillam
Chairman
2 November 2020



Julie Coates
Managing Director and CEO
2 November 2020



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

2 November 2020

Dear Directors

CSR Limited

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

As lead audit partner for the review of the financial statements of CSR Limited for the half year ended 30 September 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

A handwritten signature in black ink that reads "J L Gorton".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink that reads "J L Gorton".

J L Gorton
Partner
Chartered Accountants

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HALF YEAR FINANCIAL REPORT

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Statement of financial performance

For the half year ended 30 September

\$million	Note	2020	2019
Trading revenue – sale of goods		1,075.5	1,150.1
Cost of sales		(770.5)	(798.5)
Gross profit		305.0	351.6
Other income ¹		12.1	1.4
Warehouse and distribution costs		(96.1)	(101.8)
Selling, administration and other operating costs		(129.2)	(145.8)
Share of net profit of joint venture entities	16	7.2	7.7
Other expenses ¹		(12.4)	-
Profit before finance costs and income tax		86.6	113.1
Interest income	5	1.0	1.8
Finance costs	5	(5.0)	(10.6)
Profit before income tax		82.6	104.3
Income tax expense	6	(21.7)	(29.3)
Profit after tax		60.9	75.0
Profit after tax attributable to:			
Non-controlling interests		2.2	6.2
Shareholders of CSR Limited ²		58.7	68.8
Profit after tax		60.9	75.0
Earnings per share attributable to shareholders of CSR Limited			
Basic (cents per share)	4	12.1	13.8
Diluted (cents per share)	4	12.1	13.8

¹ Other expenses and Other income include significant items recorded in the half year ended 30 September 2020. Refer to note 3 of the financial statements.

² Net profit before significant items attributable to shareholders of CSR Limited is \$66.4 million (2019: \$71.6 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

For the half year ended 30 September

\$million	2020	2019
Profit after tax	60.9	75.0
Other comprehensive income (expense), net of tax		
<i>Items that may be reclassified to profit or loss</i>		
Hedge profit recognised in equity	29.9	1.0
Hedge profit transferred to statement of financial performance	(10.4)	(5.1)
Exchange differences arising on translation of foreign operations	(3.1)	(0.3)
Income tax benefit relating to these items	(5.9)	1.2
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gain (loss) on superannuation defined benefit plans	8.3	(4.5)
Income tax (expense) benefit relating to these items	(2.5)	1.3
Other comprehensive income (expense) - net of tax	16.3	(6.4)
Total comprehensive income	77.2	68.6
Total comprehensive income attributable to:		
Non-controlling interests	8.0	6.6
Shareholders of CSR Limited	69.2	62.0
Total comprehensive income	77.2	68.6

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

Statement of financial position

\$million	Note	As at 30 September 2020	As at 31 March 2020
Current assets			
Cash and cash equivalents		153.1	414.8
Receivables		235.1	254.1
Inventories and development projects		386.2	401.6
Other financial assets	15	47.3	48.1
Prepayments and other current assets		10.7	10.0
Total current assets		832.4	1,128.6
Non-current assets			
Receivables		20.0	15.0
Inventories and development projects		92.8	87.0
Investments accounted for using the equity method		38.5	42.6
Other financial assets	15	66.0	31.5
Property, plant and equipment	8	736.2	741.5
Right-of-use lease assets	9	139.7	153.2
Goodwill	8	58.3	58.3
Other intangible assets	8	14.6	15.8
Deferred income tax assets		130.3	130.3
Other non-current assets		5.2	0.7
Total non-current assets		1,301.6	1,275.9
Total assets		2,134.0	2,404.5
Current liabilities			
Payables		241.0	245.5
Lease liabilities	9	31.3	32.9
Other financial liabilities	15	28.3	33.2
Tax payable		20.4	39.4
Provisions		135.9	129.9
Total current liabilities		456.9	480.9
Non-current liabilities			
Borrowings	11	-	320.0
Lease liabilities	9	154.5	167.1
Other financial liabilities	15	40.0	19.0
Provisions		261.8	265.0
Deferred income tax liabilities		14.4	18.5
Other non-current liabilities		4.9	8.5
Total non-current liabilities		475.6	798.1
Total liabilities		932.5	1,279.0
Net assets		1,201.5	1,125.5
Equity			
Issued capital	12	966.7	966.7
Reserves	14	(42.2)	(45.7)
Retained profits		208.5	144.0
Equity attributable to shareholders of CSR Limited		1,133.0	1,065.0
Non-controlling interests		68.5	60.5
Total equity		1,201.5	1,125.5

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

Statement of changes in equity

For the half year ended 30 September

\$million	Note	Issued capital	Reserves	Retained profits	CSR Limited interest	Non-controlling interests	Total equity
Balance at 1 April 2020		966.7	(45.7)	144.0	1,065.0	60.5	1,125.5
Profit for the period		-	-	58.7	58.7	2.2	60.9
Total other comprehensive income – net of tax		-	4.7	5.8	10.5	5.8	16.3
Acquisition of treasury shares		-	(0.5)	-	(0.5)	-	(0.5)
Acquisition of non-controlling interest		-	(0.1)	-	(0.1)	-	(0.1)
Share-based payments – net of tax		-	(0.6)	-	(0.6)	-	(0.6)
Balance at 30 September 2020		966.7	(42.2)	208.5	1,133.0	68.5	1,201.5
Balance at 1 April 2019		1,028.8	(38.4)	162.1	1,152.5	52.7	1,205.2
Profit for the period		-	-	68.8	68.8	6.2	75.0
Total other comprehensive (expense) income – net of tax		-	(3.6)	(3.2)	(6.8)	0.4	(6.4)
Dividends paid	13	-	-	(64.9)	(64.9)	-	(64.9)
On-market share buy-back		(39.5)	-	-	(39.5)	-	(39.5)
Acquisition of treasury shares		-	(0.1)	-	(0.1)	-	(0.1)
Share-based payments – net of tax		-	0.8	-	0.8	-	0.8
Balance at 30 September 2019		989.3	(41.3)	162.8	1,110.8	59.3	1,170.1

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

Statement of cash flows

For the half year ended 30 September

\$million	Note	2020	2019
Cash flows from operating activities			
Receipts from customers		1,215.1	1,290.1
Payments to suppliers and employees		(1,053.0)	(1,165.0)
Dividends and distributions received		9.9	6.4
Interest received		0.7	1.8
Income tax paid		(51.0)	(16.9)
Net cash from operating activities		121.7	116.4
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets		(53.1)	(65.7)
Proceeds from sale of property, plant and equipment and other assets		14.6	82.1
Proceeds from sale of Glass division		-	78.5
Purchase of businesses, net of cash acquired ¹		(0.7)	(2.3)
Loans and receivables repaid		0.3	9.6
Net cash (outflow) inflow from investing activities		(38.9)	102.2
Cash flows from financing activities			
On-market share buy-back		-	(39.5)
Net repayment of borrowings		(320.0)	-
Dividends paid	13	-	(64.9)
Acquisition of shares by CSR employee share trust		(0.5)	(0.1)
Lease payments	9	(17.2)	(16.7)
Interest and other finance costs paid ²		(6.7)	(5.9)
Net cash used in financing activities		(344.4)	(127.1)
Net (decrease) increase in cash held		(261.6)	91.5
Cash at the beginning of the financial year		414.8	50.0
Effects of exchange rate changes		(0.1)	0.1
Cash at the end of the period		153.1	141.6

- 1 Deferred consideration of \$0.7 million was paid during the half year ended 30 September 2020 in relation to a Building Products segment business acquisition that occurred during the year ended 31 March 2020.
- 2 In accordance with AASB 16 Leases the interest and other finance costs paid for the half year ended 30 September 2020 includes finance costs relating to leases of \$4.2 million. Refer to notes 5 and 9 for further details.

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

Notes to the half year financial report

1 Basis of preparation

Basis of preparation: This half year report for CSR Limited and its controlled entities (CSR group) is prepared in accordance with the Accounting Standard AASB 134 *Interim Financial Reporting*, the requirements of the *Corporations Act 2001*, other applicable accounting standards and interpretations, and complies with other requirements of the law and the Listing Rules of the Australian Securities Exchange Limited. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half year report does not include all the notes normally included in an annual report. Accordingly, it is recommended that this report be read in conjunction with the CSR Annual Report for the year ended 31 March 2020 and any announcements to the market made during the financial half year in accordance with the CSR group's continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rule 3.1. With the exception of new accounting standards outlined below, the accounting policies and measurement bases adopted in this report are consistent with those applied in the CSR Annual Report for the year ended 31 March 2020. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. The significant judgements made by management in applying the CSR group accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 31 March 2020.

Use of 'HY21' and 'HY20' in this half year report refers to the half year ended 30 September 2020 and the half year ended 30 September 2019 respectively.

Impact of COVID-19 pandemic: The global COVID-19 pandemic and the subsequent restrictions imposed by the Australian, New Zealand and other overseas governments have caused disruptions to businesses and economic activity. The forecast economic decline is expected to result in lower levels of construction activity in the near term, which will negatively impact CSR's trading revenue and operations.

The CSR group has managed, and continues to manage, the risks arising from COVID-19. This includes a financial response plan that incorporates financial forecasts over the near term, which are regularly updated for any material changes in market conditions. In addition to a CSR group business continuity plan (BCP), all CSR businesses have tailored BCPs, which are specific to their business with operational responses implemented at varying levels of construction activity.

During HY21, the CSR group has also taken proactive measures to manage liquidity including:

- securing an additional \$200.0 million in borrowing facilities in May 2020;
- prudently managing costs, including reducing working hours where appropriate and the deferral or cancellation of non-essential expenditure; and
- moderating capital investments to safety and business critical projects.

As of 30 September 2020, the CSR group had:

- a net cash position of \$153.1 million, calculated as cash and cash equivalents less borrowings, as disclosed in the statement of financial position. The net cash position at 30 September 2020 increased by \$58.3 million compared to 31 March 2020;
- nil borrowings, with available undrawn borrowing facilities of \$520.0 million, as disclosed in note 11;
- positive cash inflow from operating activities of \$121.7 million, as disclosed in the statement of cash flows; and
- net current assets of \$375.5 million, calculated as current assets of \$832.4 million less current liabilities of \$456.9 million, as disclosed in the statement of financial position.

On the basis of reviews of the financial forecasts and consideration of the financial position summarised above, as at the date these financial statements are authorised for issue, the directors of CSR Limited consider it is appropriate for the going concern basis to be adopted in the preparation of this financial report.

Any known impacts of the COVID-19 pandemic have been reflected in the financial statements for the half year ending 30 September 2020, including the assessment of asset recoverability. To mitigate the impacts of COVID-19, governments have provided businesses with financial assistance. During HY21 the CSR group qualified for the New Zealand Wage Subsidy and received an amount of NZ\$0.7 million. The CSR group did not qualify for the Australian JobKeeper Payment scheme.

As at the date these financial statements are authorised for issue, the directors of CSR Limited consider that the financial effects of any future impacts of COVID-19 cannot be reasonably estimated. As the situation remains fluid, due to evolving changes in government policy and business and customer reaction thereto, the directors consider that the general economic impacts arising from COVID-19 and lower levels of forecast activity are likely to negatively impact the financial results and position of the CSR group over the near term. As a result, there is a potential that the lower levels of forecast activity may impact the future recoverability of the group's assets, including debtors, inventory, property, plant and equipment and intangible assets.

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 a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued 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 2020. There have been no new or revised accounting standards which materially impacted the half year financial report.

New standards not yet applicable: standards not yet applicable are not expected to have a material impact on the CSR group.

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

Key financial performance and balance sheet items: provides a breakdown of individual line items in the statement of financial performance and statement of financial position, and other information that is considered most relevant to users of the half year report. This section includes significant items (note 3). 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.

Capital structure and risk management: provides information about the capital management practices of the CSR group and shareholder returns for the period.

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.

Key financial performance and balance sheet items

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 a reportable segment.

Building Products	The Building Products business unit comprises Interior Systems (Gyprock plasterboard, Martini, Himmel Interior Systems and Rondo rolled formed steel products joint venture), Construction Systems (Hebel autoclaved aerated concrete products, AFS walling systems and Cemintel fibre cement), and Masonry and Insulation (Bradford insulation, Bradford energy solutions, Edmonds ventilation systems, Monier roofing, PGH Bricks and Pavers and New Zealand Brick Distributors joint venture).
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.
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.

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 costs; and
- significant items.

2 Segment information (continued)

For the half year ended 30 September								
\$million	Trading revenue ¹		EBITDA before significant items ²		Depreciation and amortisation		Earnings before interest, tax and significant items	
Business segment	2020	2019	2020	2019	2020	2019	2020	2019
Building Products	797.1	839.4	137.8	137.5	41.5	41.6	96.3	95.9
Property	-	-	1.7	(1.5)	-	0.7	1.7	(2.2)
Aluminium	278.4	310.7	12.1	31.3	5.9	5.9	6.2	25.4
Corporate ³	-	-	(7.1)	(4.1)	1.3	1.4	(8.4)	(5.5)
Restructuring and provisions ⁴	-	-	(1.4)	(0.2)	-	0.3	(1.4)	(0.5)
Total CSR group	1,075.5	1,150.1	143.1	163.0	48.7	49.9	94.4	113.1

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

For the half year ended 30 September				
\$million	Note	2020	2019	
Earnings before interest, tax and significant items		94.4	113.1	
Net finance costs	5	(0.8)	(4.8)	
Income tax expense		(25.0)	(30.5)	
Profit after tax before significant items (before non-controlling interests)		68.6	77.8	
Less: non-controlling interests		(2.2)	(6.2)	
Profit after tax before significant items attributable to shareholders of CSR Limited		66.4	71.6	
Significant items after tax attributable to shareholders of CSR Limited	3	(7.7)	(2.8)	
Profit after tax attributable to shareholders of CSR Limited		58.7	68.8	

Business segment	Funds employed (\$million) ⁵		Return on funds employed (%) ⁶	
	As at 30 September 2020	As at 31 March 2020	As at 30 September 2020	As at 30 September 2019
Building Products	904.0	945.8	18.6%	19.4%
Property	174.2	167.8	1.4%	18.2%
Aluminium	140.6	141.0	29.1%	27.9%
Corporate	(67.1)	(65.6)	-	-
Total CSR group	1,151.7	1,189.0	17.0%	19.9%

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.

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, 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 30 September 2020 is calculated as net assets of \$1,201.5 million (31 March 2020: \$1,125.5 million), excluding the following assets: cash of \$153.1 million (31 March 2020: \$414.8 million), net tax assets of \$95.5 million (31 March 2020: \$72.4 million), net financial assets of \$41.5 million (31 March 2020: \$24.0 million) and interest receivable of \$0.9 million (31 March 2020: \$0.7 million). In addition, the following liabilities have been excluded from funds employed: borrowings of \$nil (31 March 2020: \$320.0 million), asbestos product liability provision of \$240.5 million (31 March 2020: \$246.9 million) and net superannuation liabilities of \$0.7 million (31 March 2020: \$8.5 million).

6 Return on funds employed (ROFE) is calculated based on EBIT before significant items for the 12 months to period 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.

3 Significant items

For the half year ended 30 September \$million	Note	2020	2019
Strategy implementation and re-organisation costs ¹		(11.8)	-
Lease adjustments for previously impaired leases ²		4.0	-
Significant items before finance costs and income tax		(7.8)	-
Discount unwind and hedging relating to product liability provision	5	(3.2)	(4.0)
Income tax benefit on significant items		3.3	1.2
Significant items after tax		(7.7)	(2.8)
Significant items attributable to non-controlling interests		-	-
Significant items attributable to shareholders of CSR Limited		(7.7)	(2.8)
Net profit attributable to shareholders of CSR Limited		58.7	68.8
Significant items attributable to shareholders of CSR Limited		7.7	2.8
Net profit before significant items attributable to shareholders of CSR Limited		66.4	71.6
Earnings per share attributable to shareholders of CSR Limited before significant items³			
Basic (cents per share)		13.7	14.4
Diluted (cents per share)		13.7	14.4

- During the half year ended 30 September 2020, the CSR group incurred costs associated with strategy implementation including the re-organisation and streamlining of the operating model to drive efficiency of business performance.
- During the half year ended 30 September 2020, the CSR group sub-let a leased site where the leased asset had previously been impaired through significant items. A receivable for the sub-lease income has been recorded during the period, resulting in a gain of \$4.0m.
- 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

For the half year ended 30 September	2020	2019
Weighted average number of ordinary shares used in the calculation of basic EPS (million) ¹	485.1	496.8
Weighted average number of ordinary shares used in the calculation of diluted EPS (million) ²	485.8	497.5
Profit after tax attributable to shareholders of CSR Limited (\$million)	58.7	68.8
Basic EPS (cents per share)	12.1	13.8
Diluted EPS (cents per share)	12.1	13.8

- Calculated by reducing the total weighted average number of shares on issue of 485.4 million (2019: 497.3 million) by the weighted average number of shares purchased on market and held in trust to satisfy incentive plans as these plans vest of 0.3 million (2019: 0.5 million).
- Calculated by increasing the weighted average number of shares used in calculating basic EPS by outstanding performance rights of 0.7 million (2019: 0.7 million). 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 Net finance costs

For the half year ended 30 September \$million	Note	2020	2019
Interest expense and funding costs		2.5	1.1
Finance cost relating to leases	9	4.2	4.8
Discount unwind and hedging relating to product liability provision	3	3.2	4.0
Discount unwind of other non-current liabilities		0.4	0.4
Foreign exchange (gain) loss		(5.3)	0.3
Finance costs		5.0	10.6
Interest income		(1.0)	(1.8)
Net finance costs		4.0	8.8
Finance costs included in significant items	3	(3.2)	(4.0)
Net finance costs before significant items		0.8	4.8

6 Income tax expense

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

For the half year ended 30 September \$million	2020	2019
Profit before income tax	82.6	104.3
Income tax expense calculated at 30%	24.8	31.3
Increase (decrease) in income tax expense due to:		
Share of net profit of joint venture entities and rebates on dividend income	(2.1)	(2.2)
(Non-assessable income)/ Non-deductible expenditure and other	(1.0)	0.5
Income tax adjustments relating to prior years	-	(0.3)
Total income tax expense	21.7	29.3

7 Business combinations

There have been no acquisitions in the half year ended 30 September 2020.

During the year ended 31 March 2020 the:

- CSR group acquired the 30% minority interest in CSR Martini Pty Limited for cash consideration of \$12.1 million and the non-controlling interest reserve was recognised for \$6.4 million;
- Building Products segment acquired the business assets of two entities for total consideration of \$3.9 million with goodwill of \$1.8 million arising as a result of these acquisitions; and
- Building Products segment also invested in an entity for cash consideration of \$1.5 million.

8 Property, plant and equipment and intangible assets

\$million	30 September 2020	31 March 2020
Property, plant and equipment – at net book value		
Land and buildings	298.5	292.1
Plant and equipment	437.7	449.4
Total property, plant and equipment	736.2	741.5
Goodwill and other intangible assets – at net book value		
Goodwill	58.3	58.3
Other intangible assets	14.6	15.8
Total goodwill and other intangible assets	72.9	74.1

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.

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

The carrying amount of goodwill and trade names with indefinite lives forms part of the Building Products segment: \$58.3 million and \$1.6 million respectively (31 March 2020: \$58.3 million and \$1.6 million respectively).

In accordance with AASB 136 *Impairment of Assets*, at 30 September 2020 the CSR group assessed whether there was any indication that an asset may be impaired. Following a review of all cash generating units, at 30 September 2020, the carrying amounts of the cash generating units are considered recoverable and no impairments have been identified.

Aluminium cash generating unit

The Aluminium cash generating unit has experienced a reduction in earnings compared to the half year ended 30 September 2019. This is primarily due to a reduction in the realised aluminium price. Following a detailed impairment review of future cash flow projections, the recoverable amount of the Aluminium CGU is estimated to exceed the carrying amount at 30 September 2020. Cash flows were modelled over a five year period with a terminal value used from year six onwards.

Key assumptions applied in the Aluminium CGU impairment model at 30 September 2020 include:

- Post-tax annual discount rate of 11.2% (2020: 11.2%).
- Terminal value annual growth rate was 2.5% (2020: 2.5%).
- The cash flows for the Aluminium cash generating unit reflect the most recent forecasts for key assumptions such as the US\$ London Metal Exchange (LME) price and USD:AUD exchange rate. The range used for the US\$ Aluminium LME price assumption is an annual average of between US\$1,720 and US\$2,170 per tonne, and the range used for the USD:AUD exchange rate assumption is an annual average of between \$0.68 and \$0.74.

The impact of reasonable possible changes in key assumptions have been considered. The recoverable value of the Aluminium CGU would equal its carrying value if:

- The Aluminium LME price decreased by approximately US\$60 per tonne throughout the period modelled, all other assumptions remaining the same.
- The USD:AUD exchange rate increased by 2 cents throughout the period modelled, all other assumptions remaining the same.

9 Leases

i) The CSR group's leasing activities

The CSR group leases various properties, equipment and cars. Property leases typically are for a period of 5 to 10 years and often have extension options and equipment and car leases are typically for a period of 3 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of financial performance. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise IT equipment and office equipment such as photocopiers.

ii) Amounts recognised in the financial statements

The statement of financial position shows the following amounts relating to leases:

\$million	30 September 2020	31 March 2020
Right-of-use assets		
Properties	127.6	140.4
Equipment	6.3	6.4
Vehicles	5.8	6.4
Total right-of-use assets	139.7	153.2
Lease liabilities		
Current	31.3	32.9
Non-current	154.5	167.1
Total lease liabilities	185.8	200.0

The statement of financial performance contains the following amounts relating to leases:

For the half year ended 30 September \$million	2020	2019
Depreciation charge for right-of-use assets		
Properties	12.3	12.9
Equipment	1.2	1.1
Vehicles	1.9	2.0
Total depreciation charge for right-of-use assets	15.4	16.0
Interest expense (included in finance cost)	4.2	4.8
Expense relating to short term and low value leases	5.9	6.8

The statement of cashflows contains the following amounts within 'financing activities' relating to leases:

For the half year ended 30 September \$million	2020	2019
Lease payments	17.2	16.7
Interest	4.2	4.8
Total lease cash outflows included in 'cash flows from financing activities'	21.4	21.5

10 Product liability

Background

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.

CSR has been settling claims since 1989. It has been, and remains, CSR's policy to ensure that all legitimate asbestos related claims, whether in Australia or the US, are resolved on a fair and equitable basis. Where there is a demonstrated liability, CSR will seek to offer a fair settlement and, in the case of US claimants, one that is consistent with claim settlement values in Australia.

Default judgements have been sought and obtained against CSR in the US, without CSR being present or represented (and for damages that are excessive and of a nature that would not be recognised in Australia). Australian law does not recognise the jurisdiction of US courts in such matters. There have not been any US judgements enforced against CSR. As at 30 September 2020, CSR had resolved approximately 5,000 claims in Australia and approximately 137,900 claims in the United States.

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 Nathan Associates, Inc 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 (Australian liability 2.50% and US liability 2.0%); and
- the discount rate applied to future payments (Australian liability 2.25% and US liability 2.40%).

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

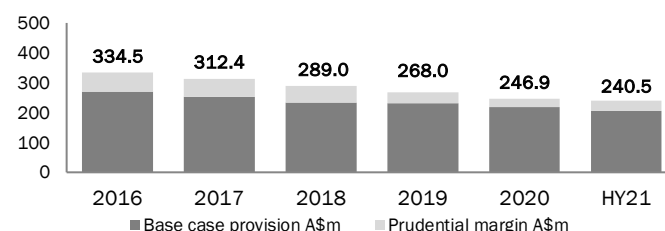
- assumptions used in the modelling are based on the various considerations referred to above;
- the future cost of asbestos related liabilities are inherently uncertain for the reasons discussed in this note;
- uncertainties as to future interest rates and inflation;
- the analysis is supplemented by 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.

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 and any material uncertainties that may affect future liabilities. As evidenced by the analysis below, 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.

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 30 September 2020 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 is summarised in the graph and table below:



\$million	As at 30 September 2020	As at 31 March 2020
Base case estimate	205.6	218.9
Prudential margin	34.9	28.0
Prudential margin %	17.0%	12.8%
Total product liability provision	240.5	246.9

Capital structure and risk management

11 Borrowings and credit facilities

i) Borrowings

\$million	As at 30 September 2020	As at 31 March 2020
Non-current borrowings – unsecured	-	320.0

ii) Credit facilities

At 30 September 2020, the CSR group has a total of \$520.0 million (31 March 2020: \$320.0 million) committed standby facilities with external financial institutions. These facilities have fixed maturity dates as follows: \$311.0 million in financial year 2022, \$134.0 million in financial year 2023 with the balance of \$75.0 million in financial year 2024. As at 30 September 2020, \$520.0 million of the standby facilities were undrawn (31 March 2020: \$320.0 million drawn).

12 Issued capital

	Ordinary shares fully paid ¹	Issued capital \$million
On issue 31 March 2020	485,382,776	966.7
Shares bought back on market and cancelled	-	-
On issue 30 September 2020	485,382,776	966.7

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

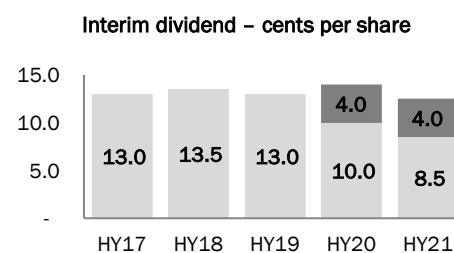
No shares were issued during the half year ended 30 September 2020 and the year ended 31 March 2020 under employee share plans as shares in respect of the plans were acquired on market. During the half year ended 30 September 2020 and the year ended 31 March 2020, eligible shareholders were able to reinvest 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 at the half year ended 30 September 2020 are \$2.18 (2019: \$2.10). Net tangible assets per share is calculated as net assets attributable to CSR Limited shareholders of \$1,133.0 million (2019: \$1,110.8 million) less intangible assets of \$72.9 million (2019: \$81.0 million) divided by the number of issued ordinary shares of 485.4 million (2019: 491.5 million).

During the year ended 31 March 2019, the company announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back of up to \$100 million. The share buy-back was paused in April 2020, as part of CSR's response to the COVID-19 pandemic.

13 Dividends

Dividend type	Cents per share	Franking	Total amount \$million	Date paid/payable
2019 Interim	13.0	100%	65.6	11 December 2018
2019 Final	13.0	50%	64.9	2 July 2019
2020 Interim ordinary	10.0	50%	49.1	10 December 2019
2020 Interim special	4.0	50%	19.7	10 December 2019
2020 Final	-	-	-	-
2021 Interim ordinary ¹	8.5	100% ²	41.3	8 December 2020
2021 Interim special ¹	4.0	100% ²	19.4	8 December 2020



¹ The interim dividends for the half year ended 30 September 2020 have not been recognised in this financial report because it was resolved to be paid after 30 September 2020.

² Interim ordinary and special dividends of 8.5 and 4.0 cents per share respectively, 100% franked at 30.0% corporate tax rate.

14 Reserves

\$million	As at 30 September 2020	As at 31 March 2020
Hedge reserve	17.1	9.3
Foreign currency translation reserve	(5.2)	(2.1)
Employee share reserve	39.6	40.2
Share based payment trust reserve	(24.9)	(24.4)
Non-controlling interest reserve	(68.8)	(68.7)
Total reserves	(42.2)	(45.7)

15 Financial risk management

Fair value measurement of financial instruments

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

\$million	As at 30 September 2020	As at 31 March 2020
	Level 2	Level 2
Financial assets at fair value		
Commodity swaps - aluminium	10.4	53.2
Commodity swaps - alumina	34.7	-
Commodity swaps - electricity	0.4	0.7
Forward exchange rate contracts	64.3	22.3
Other	3.5	3.4
Total	113.3	79.6
Financial liabilities at fair value		
Commodity swaps - aluminium	19.1	0.1
Commodity swaps - alumina	24.5	8.1
Commodity swaps - oil	10.5	9.5
Commodity swaps - electricity	9.7	7.3
Forward exchange rate contracts	4.5	27.1
Other	-	0.1
Total	68.3	52.2

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 during the financial half year ended 30 September 2020 and no transfers in either direction in the financial year ended 31 March 2020.

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.

Other

16 Equity accounting information

Entity	Country of incorporation	Ownership interest at 30 September		Contribution to net profit for the half year ended 30 September (\$million)	
		2020	2019	2020	2019
Building products					
Rondo Building Services Pty Limited	Australia	50%	50%	6.8	7.5
New Zealand Brick Distributors	New Zealand	50%	50%	0.3	0.2
Other	Australia	50%	50%	0.1	-
Contribution to net profit				7.2	7.7

For the half year ended 30 September \$million	2020	2019
Share of net profit of joint venture entities		
Profit before income tax	10.3	11.0
Income tax expense	(3.1)	(3.3)
Contribution to net profit	7.2	7.7

17 Subsequent events

With the exception of the items disclosed below, there has not arisen in the interval between 30 September 2020 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 periods.

Dividends

For dividends resolved to be paid after 30 September 2020, refer to note 13.

Sale of land at Horsley Park

On 12 October 2020, the CSR group announced the sale of 8.6 hectares of the third tranche of land at Horsley Park, New South Wales for total proceeds of \$84.3 million. The sale is expected to generate earnings before interest and tax of approximately \$48 million and is anticipated to be recorded in the financial year ending 31 March 2024. The sale to a North American entity is subject to approval by the Foreign Investment Review Board.

Credit facilities revised maturity dates

On 30 October 2020, the CSR group updated its available committed standby credit facilities with external financial institutions. The total available credit facilities of \$520.0 million remained unchanged, with revised fixed maturity dates as follows: \$100.0 million in financial year 2022, \$154.0 million in financial year 2023, \$191.0 million in financial year 2024 with the balance of \$75.0 million in financial year 2025.

18 Contingencies

i) Contingent liabilities

Claims and possible claims (other than product liability which is disclosed in note 10) have arisen in the course of business against entities in the CSR group and made by entities in the CSR group. Based on legal advice obtained, the directors believe that any resultant liability or asset will not materially affect the financial position of the CSR group.

ii) Workers' compensation

CSR Limited is a licensed self-insurer in New South Wales, Queensland, Victoria, Western Australia and the Australian Capital Territory for workers' compensation insurance. Adequate provision has been made for all known claims and reasonably foreseeable claims with a provision of \$24.3 million as at 30 September 2020 (31 March 2020: \$24.0 million).

CSR LIMITED

ABN 90 000 001 276

Directors' declaration

In the directors' opinion:

- a) the financial statements and notes, set out on pages 4 to 20 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the CSR group's financial position as at 30 September 2020, and of its performance as represented by the results of its operations and its cash flows, for the financial half year ended on that date;
- b) there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.



John Gillam
Chairman
2 November 2020



Julie Coates
Managing Director and CEO
2 November 2020



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Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of CSR Limited, which comprises the statement of financial position as at 30 September 2020, and the statement of financial performance, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 4 to 21.

Directors' Responsibility for the Half Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2020 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CSR Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of CSR Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2020 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

J L Gorton
Partner
Chartered Accountants
Sydney, 2 November 2020