CSR LIMITED
ANNUAL REPORT 2016

Smarter | Faster | Easier

CHANGING THE WAY WE BUILD

CONTENTS

AFS Structural systems increase speed of construction, ease of design and specification and provide a high quality finish.

HEBEL Strong, versatile and resilient, Hebel is quick and easy to build with, better to live in and is a sustainable building material.

Photo credit: Central Park image (cover) courtesy of Frasers Property Australia and Sekisui House Australia.

CSR is investing in building systems that reduce construction complexity.

We are developing systems to make it easier and faster to use our products, helping our customers to reduce construction time and deliver better energy efficiency, comfort and design. We bring a unique offering of systems which work together to create great buildings with comfortable and sustainable spaces for people to live and work.

VIRIDIAN GLASS
Products such as LightBridge high performance double glazing bring the ultimate comfort and natural light into your home.

GYPROCK PLUS
Improved range of Gyprock products in a stronger and lighter package.

FINANCIAL OVERVIEW

Strong performance from all divisions led to the best net profit result since the divestment of Sugar in 2010

Overview

- **Trading revenue**[1] of $2.3 billion up 14% for the year ended 31 March 2016
- **EBITDA**[1] of $360.0 million up 15%
- **EBIT**[1] of $276.8 million up 18%
  - Building Products EBIT of $169.1 million up 40%, including consolidated EBIT from the PGH Bricks joint venture (JV), 60% owned by CSR. Higher volumes across all products with increased margins reflecting improved pricing outcomes and factory performance
  - Viridian EBIT of $8.1 million, up from $3.1 million with improved productivity and pricing lifting margins
  - Aluminium EBIT of $104.1 million in line with the previous year with increased production and improved smelter performance offset by a lower realised aluminium price including premiums
  - Property EBIT of $23.3 million which included the second tranche sale of the development site at New Lynn near Auckland and settlements from the Chirnside Park, VIC residential development
- **Net profit after tax (before significant items)**[1] of $166.0 million up 13%
- **Statutory net profit** of $142.3 million, up 13% which included $23.7 million (after tax) of significant items, including transaction and integration costs related to the formation of the PGH Bricks JV
- **Earnings per share**[1] of 32.9 cents, up 13% from 29.1 cents
- **Final dividend** of 12.0 cents per share bringing the full year dividend to 23.5 cents unfranked, up 18%

1 All references are before significant items. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from CSR's financial statements for the year ended 31 March 2016 (YEM16). All comparisons are to the year ended 31 March 2015 (YEM15) unless otherwise stated.

Key highlights

Trading revenue

$2.3b ↑ 14%

EBIT
before significant items

$276.8m ↑ 18%

Net profit after tax
before significant items

$166.0m ↑ 13%

Statutory net profit
after tax

$142.3m ↑ 13%

Earnings per share
before significant items

32.9c ↑ 13%

Full year dividend

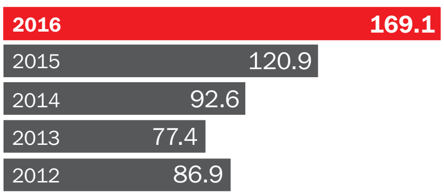
23.5c ↑ 18%

Five year performance

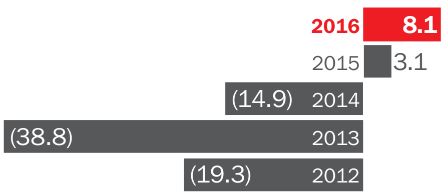
Year ended 31 March ($ million) unless stated	**2016**	2015	2014[1]	2013[1,2]	2012[1]
Operating results					
Trading revenue	**2,298.8**	2,023.4	1,746.6	1,682.4	1,801.9
Earnings before interest and tax (EBIT)					
Building Products	**169.1**	120.9	92.6	77.4	86.9
Viridian	**8.1**	3.1	(14.9)	(38.8)	(19.3)
Aluminium	**104.1**	104.3	51.9	50.3	80.5
Property	**23.3**	30.2	17.3	–	24.4
Segment total	**304.6**	258.5	146.9	88.9	172.5
Corporate[3]	**(19.2)**	(18.0)	(15.7)	(13.8)	(15.3)
Restructuring and provisions	**(8.6)**	(5.1)	(5.5)	(7.0)	(0.5)
CSR EBIT	**276.8**	235.4	125.7	68.1	156.7
Net profit after tax (before significant items)	**166.0**	146.5	80.5	41.4	104.1
Net profit/(loss) after tax (after significant items)	**142.3**	125.5	88.1	(150.0)	76.3
Financial position					
Total equity	**1,317.2**	1,206.0	1,157.2	1,086.6	1,278.7
Total assets	**2,215.8**	2,119.3	2,008.3	2,032.7	2,245.5
Net cash/(debt)	**73.1**	68.4	(28.5)	(25.1)	55.7
Key data per share					
Earnings before significant items (cents)	**32.9**	29.1	16.0	8.2	20.6
Earnings after significant items (cents)	**28.2**	24.9	17.5	(29.6)	15.1
Dividend (cents)	**23.5**	20.0	10.0	5.1	13.0
Payout ratio (%)	**71.4**	68.7	62.5	62.2	63.1
Key measures					
Profit margin (EBIT/trading revenue) (%)	**12.0**	11.6	7.2	4.0	8.7
Return on funds employed (ROFE) (%)[4]	**20.7**	18.4	9.9	5.0	10.4
Gearing at 31 March (%) (net debt/net debt plus equity)	**n/a**	n/a	2.4	2.3	n/a
Employees (number of people employed)[5]	**3,578**	3,134	2,985	3,218	3,582

1 On 1 April 2014, CSR Limited adopted a change of accounting policy over the classification of the discount unwind for the asbestos liability, resulting in a restatement of balances for the financial year ended 31 March 2014 and the other comparative years disclosed in the table above.
2 On 1 April 2013, CSR Limited adopted AASB 119 *Employee Benefits* (revised), resulting in a change of accounting policy and a restatement of balances for the financial year ended 31 March 2013.
3 Represents unallocated overhead and other revenues.
4 ROFE is calculated as EBIT before significant items for the 12 months to 31 March divided by average funds employed which excludes cash, tax balances and certain other non-trading assets and liabilities as at 31 March.
5 Includes employees of PGH Bricks JV.

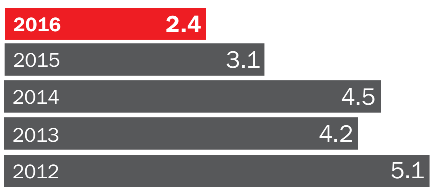
Building Products EBIT
Year ended 31 March ($ million)



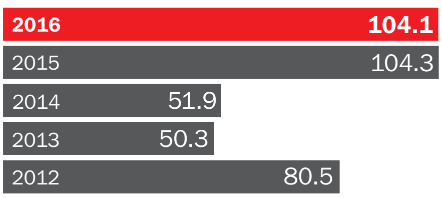
Viridian EBIT
Year ended 31 March ($ million)



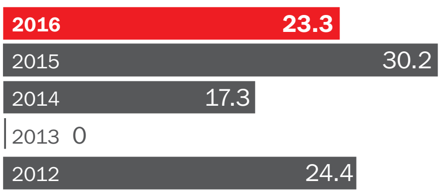
Lost Time Injury Frequency Rate
Year ended 31 March (per million work hours)



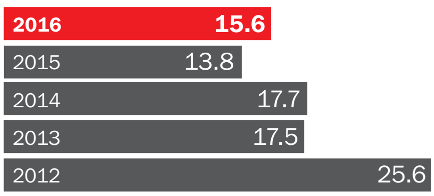
Aluminium EBIT
Year ended 31 March ($ million)



Property EBIT
Year ended 31 March ($ million)



Total Recordable Injury Frequency Rate
Year ended 31 March (per million work hours)



CHAIRMAN'S REPORT

Building on another successful year

Strong performance with Building Products delivering its best profit result ever.

CSR achieved another strong performance this year, resulting in three years of consecutive earnings improvement supported by continued growth in construction market activity and a favourable A$ exchange rate assisting aluminium earnings.

The focus of the last few years to improve the profitability of our higher fixed cost businesses and align production capacity to demand were major factors, as were improving our customer service and investing in new products.

Importantly while we have seen increased activity and output in all of our businesses, our safety performance continues to improve. At the end of our financial year, the rate of lost time injuries was down 24% from last year. As you would expect, we are looking to further improve on this performance in the year ahead.

CSR has also benefitted from investment in innovation, acquisitions and joint ventures including the PGH Bricks JV (60% CSR) which has performed strongly in its first year of operation and is exceeding expectations.

Our net profit after tax (before significant items) was also up 13% year on year to $166.0 million and our statutory profit of $142.3 million was up 13%. Building Products EBIT was up 40% to $169.1 million (including the consolidated earnings of the PGH Bricks JV) while Viridian has continued its improvement with EBIT of $8.1 million up from $3.1 million last year.

The Tomago Aluminium Smelter, in which CSR has a 25.2% interest, performed extremely well at an operational level with sales tonnage increasing 4%. This helped to offset a decline in US$ aluminium prices and enabled the division to deliver EBIT of $104.1 million.

The market for industrial and residential property sites remains strong and sales from our Property assets continue to make a significant contribution to earnings. Future plant rationalisation following formation of the PGH Bricks JV ensures that CSR has a significant pipeline of development projects for the next five to 10 years.

Dividends and capital management

As CSR's performance has improved over the last few years, shareholders have benefitted from higher dividends, consistent with our policy of paying, by way of dividends, between 60-80% of full year net profit after tax (before significant items). Based on this year's earnings, we have resolved to pay a final, unfranked dividend of 12.0 cents per share on 5 July 2016.

This brings the unfranked full year dividend to 23.5 cents per share, up 18% on last year and represents a payout ratio of 71% of net profit after tax (before significant items).

The company's dividend reinvestment plan (DRP) will operate for the final dividend. Further details of the DRP are available on our website www.csr.com.au.

CSR's trusted brands

In March 2016, CSR announced an on-market share buyback of up to $150 million. CSR's strong balance sheet and operating cash flows allow us to undertake capital management initiatives to improve shareholder returns while also providing sufficient funds to support our strategy for growth.

Progress on our strategy

We are continuing to invest in a number of initiatives aligned to our core businesses, as well as making good progress on a number of new projects in structural systems, façades and offsite construction designed to reduce construction complexity. Our customers increasingly want systems that make it easier and faster to build and which also deliver better energy efficiency, comfort and design. These investments are positioning us well for the future.

We have strengthened our position in the multi-residential market by expanding our manufacturing capacity in AFS and Hebel. We are also targeting growth in the commercial market, particularly for Viridian with new commercial glass double glazing capacity. In Gyprock and Bradford, we have invested in a number of smaller acquisitions in the last year to expand our distribution network and consolidate our position in key markets.

Today CSR has a more diversified Building Products business covering a broad spectrum of market segments. Changes we have made over the past few years to align our cost structure and network of operations have made CSR a more robust business that can address the evolving needs of builders and is more resilient to changes in the building cycle.

Board changes

In November 2015, we welcomed Penny Winn to the CSR board as a non-executive director. Penny brings over 30 years of experience in retail in senior management roles in Australia and overseas and will be a valuable addition to the board as we expand our services for our customers.

CSR people

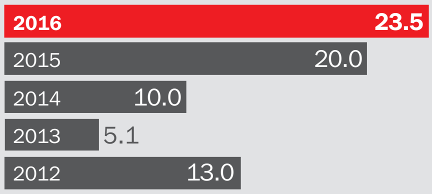
Once again, this year's result was, in large part, achieved by the hard work and enthusiasm of more than 3,500 CSR and PGH Bricks JV employees across Australia and New Zealand. Our teams have been very busy this year meeting strong demand from our customers in a safe and efficient manner. On behalf of the board, I would like to thank them for their considerable effort and hope they have enjoyed their year working for CSR. A special thanks must go to CSR's managing director Rob Sindel and his management team for their leadership throughout the year.

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

Jeremy Sutcliffe Chairman

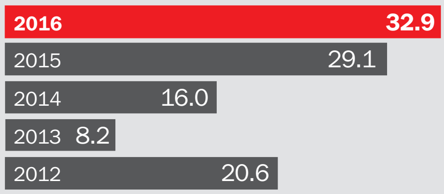
CSR dividends

Year ended 31 March (cents per share)



Earnings per share before significant items

Year ended 31 March (cents per share)



MANAGING DIRECTOR'S REVIEW

Developing systems to make it easier and faster to build

Favourable market activity and progress on our strategy lifts EBIT by 18%.

The company is performing well. Our operations are now safer, more efficient and have lower cost structures.

Our strategy in the last few years has ensured we are well positioned to take advantage of the strong construction activity now being experienced. We are also making good progress on our strategy to grow the business into the future, targeting ways to develop building systems that are smarter, faster and easier to use.

Workplace health, safety and environment

CSR's safety performance continued to improve with a number of new initiatives underway to continue the track record of improvement. A key insight and area of focus is that nearly half of all recordable injuries at CSR are by people who are under 30 years old or have been working at CSR for less than three years. A number of new programs targeting "The Young and the New" are underway to assist young and new people across CSR as they gain experience at CSR.

While CSR's safety record continues to improve, particularly in the severity of injuries which is down 66% over the last two years, considerable work is required to achieve our ambition of zero harm to our employees across all of our operations.

We are also making good progress towards our goal to minimise our environmental impact by targeting a 20% reduction by 2020 per tonne of saleable product in greenhouse gas emissions, solid waste to landfill, and the amount of energy and potable water we use in production.

In the past five years our greenhouse gas emissions were down 15%, water use was down 23% and solid waste produced was down 43%, thanks to efficiency programs across all of our sites.

Financial results by business

Building Products revenue was $1.5 billion, up 21% with higher volumes and improved margins. The result includes 100% of the revenue from the PGH Bricks JV which began operations on 1 May 2015. Excluding the minority portion of PGH Bricks JV revenue, Building Products revenue was up 12%.

EBIT was up 40% to $169.1 million, a record for Building Products. The business performed strongly with earnings growth across all divisions, reflecting the benefit of higher sales volumes and improved factory performance. Excluding the minority portion of PGH Bricks JV EBIT, Building Products EBIT was up 28%.

EBIT margin increased to 11.5%, up from 10.0% as improved volume, pricing and product mix flowed through to results.

Delivering on our strategy

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

Strengthen and invest *Strengthening and investing in our businesses and our people*	▪ 24%[1] improvement in lost time injury frequency rate with fewer and less severe injuries in the last year ▪ PGH Bricks JV integration completed ▪ Viridian EBIT improvement continues following investment to deliver long-term growth targets
Smarter, faster, easier *Delivering building solutions that are smarter, faster and easier to use*	▪ Extended Gyprock Optimised Core technology. Stronger and easier to use plasterboard across all residential product lines ▪ Trial of CSR Velocity™ pre-fabricated walling system completed with Mirvac in western Sydney
Changing the way we live and work *Influencing design and adapting to the changing way we live and work*	▪ Commissioned AFS Rediwall® manufacturing facility following growing demand for the PVC structural walling system in the multi-residential market ▪ 30% increase in capacity of Hebel's Somersby operations completed following growth from multi-residential and detached housing markets
Comfort and energy *Improving comfort, quality and efficiency of buildings*	▪ Bradford Energy Solutions launched solar PV offering with Tesla batteries ▪ Growth in Bradford product offering in adjacent markets including polyester, specialist acoustic products, ventilation, PIR foams and construction fabrics
Customers *Ensuring that our customers choose to do business with CSR*	▪ Expanded 24/7 online and mobile access to CSR customers for ordering, payments and managing account information with now over 2,000 users on the CSR Connect digital platform

1 Lost time injury frequency rate (per million work hours)

Viridian's trading revenue of $301.3 million was up 8% with improved pricing and increased volumes from higher margin products.

EBIT of $8.1 million was up from $3.1 million which includes the contribution of a number of bolt-on acquisitions completed during the year.

In **Aluminium**, sales volumes of 210,158 tonnes were up 4% following operational improvements. Trading revenue of $530.7 million was down slightly from the previous year as the increased sales volume was offset by the lower realised price.

EBIT of $104.1 million was in line with the previous year with the EBIT margin steady at 19.6% as higher alumina costs, due to the weaker Australian dollar, were offset by a reduction of $11.7 million in cyclical costs associated with pot relining. In addition, Tomago received an exemption to the Renewable Energy Target (RET) backdated to 1 January 2015 which had a year on year benefit of $7.9 million.

Property recorded EBIT of $23.3 million down from $30.2 million in the previous year.

The result includes the sale of residential sites at Chirnside Park, VIC in addition to the second tranche of the multi-residential development site at New Lynn, NZ completed in the first half of the year.

Outlook

Looking at the outlook for the year ending 31 March 2017 (YEM17), CSR confirmed:

- In **Building Products**, residential construction markets continue to experience record levels of activity, which will support demand for CSR's products in the year ahead. The pipeline of residential construction activity continues to rise as total commencements for the 12 months to December 2015 were 221,000 compared to 192,000 dwellings completed over the same period.
- **Viridian** is expected to deliver further earnings improvements as it focuses on revenue growth from high performance glass and increasing its presence in the commercial market.
- In **Aluminium**, Gove Aluminium Finance (GAF) – in which CSR has a 70% stake – has 51% of its aluminium sales (net of alumina) hedged at an average price of A$2,338 per tonne (before premiums) as of 5 May 2016. Ingot premiums, which are paid to producers above the London Metal Exchange aluminium price, have stabilised recently at around the US$110–$115 per tonne level.
- **Property** earnings are always subject to the timing of completed transactions. The continuing development of a number of projects will underpin Property earnings over the next five to 10 years.

In summary, CSR will continue with its strategy of investing in building systems that improve the speed of construction while reducing the complexity of building. These investments, together with a more aligned cost structure and network of operations, increase CSR's resilience to fluctuations in the building cycle and better position CSR to meet the future needs of the market.

Rob Sindel Managing Director

BUILDING PRODUCTS

Higher volumes and improved pricing lift Building Products earnings to record level

Total residential commencements on a two quarter lag basis for the 12 months to 31 March 2016 of just under 217,000 grew by 12% over the previous 12 month period.

Strengthening conditions in New South Wales, Queensland and Victoria more than offset weakness in Western Australia, South Australia and the Northern Territory.

The sustained growth in residential activity on the east coast has created some supply-side constraint, which, combined with the significant increase in high-rise apartment construction, has caused extended lead times between commencement and completion.

This is leading to an increased construction pipeline with detached housing taking an average of nine months to complete while the pipeline in the high rise residential market has expanded to in excess of two years.

The combination of strong annual approvals, stable demand for detached housing and a growing pipeline of multi-residential activity underpins continued strong demand for CSR's products in the year ahead.

Trading revenue from Building Products was $1.5 billion, up 21%, with higher volumes and improved margins across all products. The result includes 100% of the revenue from the PGH Bricks JV which began operations on 1 May 2015. Excluding the minority portion of PGH Bricks revenue, Building Products revenue was up 12%.

EBIT was up 40% to $169.1 million with earnings growth across all divisions, reflecting the benefit of higher sales volumes and improved factory performance. Excluding the minority portion of PGH Bricks JV EBIT, Building Products EBIT was up 28%.

EBIT margin increased to 11.5%, up from 10.0% as improved volume, pricing and product mix flowed through to results.

Building Products trading revenue
Year ended 31 March ($ million)

2016	**1,466.8**
2015	1,211.2
2014	1,029.2
2013	970.0
2012	991.4

Building Products EBIT
Year ended 31 March ($ million)

2016	**169.1**
2015	120.9
2014	92.6
2013	77.4
2012	86.9

Australian housing starts
Year ended 31 March ('000 per annum)

	Detached housing	Multi-residential
2016	**115**	**102**
2015	108	85
2014	95	69
2013	90	57
2012	97	62

Source: ABS, two quarter lag

HEBEL is strong, versatile and delivers a range of benefits including thermal and acoustic insulation, fire protection and faster construction. Plus, it uses a third of the energy to make (compared to other masonry products) and can be used to create a wide range of designs.

THE BLOCK OCTAGON CSR products including Gyprock, Cemintel and Viridian transformed The Block's Octagon project in Melbourne. The 11th series of the program featured contestants converting the octagonal-shaped hotel into luxury apartments.

Business unit overview

Gyprock increased earnings with higher volumes reflecting the improved residential construction market while average selling prices increased in most States. Gyprock maintained its market-leading brand position with the extension of its Optimised Core Technology across its core residential product lines. The business also expanded its trade network including the acquisition of Picton Hopkins in Melbourne.

Cemintel fibre cement earnings were higher with increased volumes across the east coast offset by investment in initiatives to develop the market for new external cladding products in residential and commercial construction.

Hebel continued to increase earnings following strong activity in the multi-residential market and growing demand from the detached housing market as an alternative to brick. The 30% increase in capacity of Hebel's Somersby operations in NSW was completed in November 2015 following a period of strong growth in Hebel's business with compound annual revenue growth of over 20% over the last five years.

AFS walling systems increased earnings following growing demand from the multi-residential market for Logicwall® fibre cement and Rediwall® PVC systems. Commissioning of the Rediwall® manufacturing facility located at Minto, NSW was completed in November 2015 as demand grows for load bearing walling systems.

Bradford earnings increased with higher volumes across all product groups underpinned by strong market activity and improved pricing. The Martini joint venture continued to perform well and included the acquisition of Pacific Non Wovens in July 2015. Bradford Energy Solutions launched a solar PV offering with Tesla batteries in January 2016 targeting demand for battery storage across residential and commercial markets.

Monier roofing earnings grew during the year with increased volumes reflecting strong demand from the detached housing market in NSW and Victoria.

PGH Bricks traded as a joint venture (60% owned by CSR) from 1 May 2015. For the 11 months since formation, PGH Bricks' earnings were higher with volume growth and improved margins across the east coast markets compared to the comparable period last year. The integration of the two businesses is on track to deliver the full year benefit of ~$10 million in synergies in the financial year ending 31 March 2017, of which $2.7 million was realised during the period.

AFS LOGICWALL This permanent formwork system has achieved the CodeMark certification – a single certificate of conformity ensuring the system is fully compliant for use in concrete structures. AFS systems have been used in over 1,000 projects across Australia.

VIRIDIAN

Earnings higher following improved pricing

Trading revenue of $301.3 million was up 8% with improved pricing and increased volumes from higher margin products.

EBIT of $8.1 million was up from $3.1 million which includes the contribution of a number of bolt-on acquisitions completed during the year.

Viridian is targeting increased volumes in the residential market from double glazing and coated products with a range of marketing activities to build awareness for high performance glass. Earnings improved following strong demand for new products launched during the year including the LightBridge double glazing range.

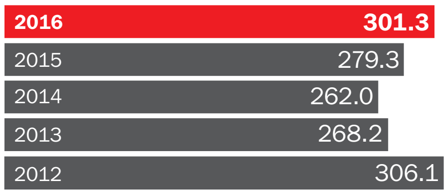
In February 2016, Viridian commissioned the dedicated commercial double glazing plant in Ingleburn, NSW which will manufacture units in large format sizes to meet increased demand from commercial projects.

The Viridian Trade Centre launched operations in Sydney in May 2015 and provides trade solutions for the glazing industry including trade quality tools, hardware, consumables, services and expert advice. The new business is performing well with further sites under consideration.

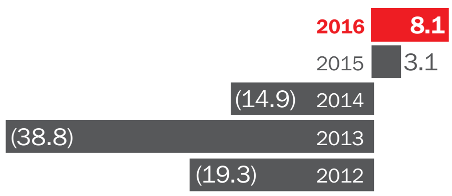
In November 2015, CSR announced the proposed acquisition of the remaining 42% stake in the NZ Viridian Glass Limited Partnership (VGLP) joint venture. This acquisition is conditional on the approval by the Overseas Investment Office in New Zealand, and is targeted for completion within the next three months.

Results from the New Zealand operations continued to improve driven by market activity and operational improvement initiatives.

Viridian trading revenue
Year ended 31 March ($ million)



Viridian EBIT
Year ended 31 March ($ million)



MELBOURNE ZOO Super tough, super clear and super engaging, Melbourne Zoo's new lion enclosure heightens the experience between human and beast. To achieve the required connection, 19 weighty panels of Viridian's custom super tough SuperClear™ were needed for a result that virtually disappears into its setting.

ALUMINIUM

Volumes higher following improved smelter performance

The realised aluminium price in Australian dollars (including hedging and premiums) was down 4% to A$2,525 per tonne as the lower Australian dollar was offset by a decline in the LME aluminium price and premiums.

The LME aluminium cash price before hedging averaged US$1,592 per tonne, down 16%; while the Australian dollar averaged 73.6 US cents compared to 87.5 US cents during the previous year.

Ingot premiums, the premiums paid to producers above the LME aluminium price, fell at the beginning of the year, then stabilised around the US$110 per tonne level. The average ingot premium for the year was US$169 per tonne, 58% lower than the previous year (Premiums source: Platts Metals Week – Main Japanese Port ingot premium).

Gove Aluminium Finance (GAF – 70% CSR) sales volumes of 210,158 tonnes were up 4% following operational improvements. Trading revenue of $530.7 million was down slightly from the previous year as the increased sales volume was offset by the lower realised price.

EBIT of $104.1 million was in line with the previous year with the EBIT margin steady at 19.6% as higher alumina costs, due to the weaker Australian dollar, were offset by a reduction of $11.7 million in cyclical costs associated with pot relining. In addition, Tomago received an exemption to the Renewable Energy Target (RET) backdated to 1 January 2015 which had a year on year benefit of $7.9 million.

Aluminium trading revenue

Year ended 31 March ($ million)

2016	**530.7**
2015	532.9
2014	455.4
2013	444.2
2012	504.4

Aluminium EBIT

Year ended 31 March ($ million)

2016	**104.1**
2015	104.3
2014	51.9
2013	50.3
2012	80.5

Average LME US$ aluminium cash price

Year ended 31 March (US$ per tonne)

2016	**1,592**
2015	1,889
2014	1,773
2013	1,976
2012	2,317

TOMAGO, NSW Tomago's operational improvement programs have steadily increased production with Gove Aluminium's sales volumes increasing from 188,247 tonnes in YEM11 to 210,158 tonnes in YEM16, a 12% increase over the last five years. A range of improvement programs have lifted production including increasing amperage to Tomago's 840 pots and upgrading the pot lining in all pots to current technology.

PROPERTY

Development continues on a number of major projects

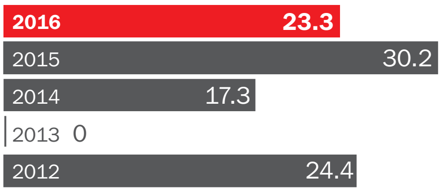
CSR's Property division recorded EBIT of $23.3 million, down from $30.2 million in the previous year.

The result includes the sale of residential sites at Chirnside Park, VIC in addition to the second tranche of the multi-residential development site at New Lynn, NZ completed in the first half of the year.

Construction continues on Stage 4 of the 533-lot residential development at Chirnside Park with 100 sales contracts exchanged as of 30 April 2016.

Marketing of the remaining 38.5 hectare industrial site at Brendale in Brisbane is progressing.

Property EBIT
Year ended 31 March ($ million)



Chirnside Park, Vic	▪ 533 lot residential development ▪ Progress to date: 263 lots settled, 100 contracts exchanged with 170 lots remaining to be sold
Schofields, NSW	▪ 70ha – future residential ▪ Between 1,000 to 1,200 lots ▪ Quarry rehabilitation underway ▪ Rezoning application lodged in 2015
Horsley Park, NSW	▪ 30ha – surplus land future industrial ▪ Subdivision of surplus land underway ▪ Construction commencing in June 2016
Brendale, Qld	▪ Marketing continues of ~39ha industrial development

CLOVERLEA, VIC Situated among the sprawling hills of the Yarra Valley Shire in Victoria (40 minutes from the Melbourne CBD). Cloverlea, Chirnside Park offers buyers a range of different lot sizes. CSR's Property division is coordinating this major project to deliver infrastructure, roads and other services to the site, to enable buyers to begin construction of their new homes. Cloverlea is situated amongst ample public space and close to local amenities including several schools and shopping centres, public transport, entertainment facilities and restaurants.

SUSTAINABILITY SUMMARY

Progressing our sustainability agenda

CSR remains committed to sustainable business practices throughout all of our businesses.

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

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

We have enhanced our reporting this year to cover the principle of materiality in CSR's Sustainability Report. These priorities reflect our economic, environmental and social sustainability risks and our approach to manage and mitigate these risks.

Safety

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

CSR's safety performance continued to improve with a 24% reduction in the lost time injury frequency rate. A number of new initiatives are underway to continue the track record of safety performance improvement. A key area of focus is that nearly half of all recordable injuries at CSR are by people who are under 30 years old or have been working at CSR for less than three years. A number of new programs targeting "The Young and the New" are underway to assist young and new people as they gain experience at CSR.

Environment

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

We have continued to make progress to ensure CSR is on track to meet its 2020 goal of a 20% reduction per tonne of saleable product using 2009/10 as the base year, with the following reductions achieved over the last five years:

- Total greenhouse gas emissions down 15%
- Potable water usage down 23%
- Solid waste produced down 43%

Note: Data reported for the period 1 July 2010 to 30 June 2015 to be consistent with National Greenhouse and Energy Reporting scheme.

To achieve these targets, CSR progressed a number of initiatives to improve operational performance and efficiency with energy reduction initiatives underway across our sites.

Community

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

CSR launched the Community Support Program 13 years ago and during that time CSR and its employees have donated over \$2.83 million to charity. In the year ended 31 March 2016, CSR and its employees donated nearly \$134,000 to a range of charitable organisations.

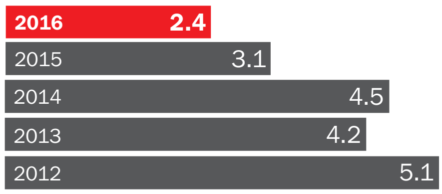
CSR also works with the Australian Business and Community Network (ABCN), a partnership of highly committed national business leaders and companies working on mentoring and coaching programs in schools in high need areas. For the year to 31 March 2016, 99 CSR employees mentored 207 students and volunteered 655 hours.

People

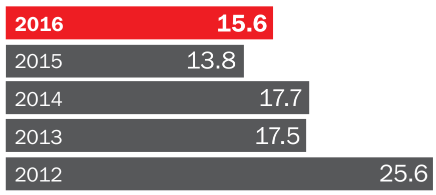
As CSR we are committed to investing in our people. Over the last few years we have developed a suite of leadership development programs designed to provide our leaders with the knowledge, skills and support to enable them to perform at their best.

As at 31 March 2016, CSR had 3,578 full-time equivalent (FTE) employees across its operations in Australia and New Zealand including the PGH Bricks JV. This total is up 14% from the comparable figure last year as former Boral employees moved into the PGH Bricks JV which began operations on 1 May 2015.

Lost Time Injury Frequency Rate
Year ended 31 March (per million work hours)



Total Recordable Injury Frequency Rate
Year ended 31 March (per million work hours)



Note: Includes PGH Bricks JV, excludes other joint ventures.

CORPORATE GOVERNANCE SUMMARY

Corporate governance at CSR

CSR's corporate governance is the system by which the company is directed and managed.

It is the framework of rules, relationships, systems and processes that underpin CSR's long established values and behaviours, the way it does business and within which:

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

CSR's full corporate governance statement which provides detailed information about governance at CSR is available on CSR's website at www.csr.com.au, in addition to policies in key areas including:

- code of business conduct and ethics
- workplace health, safety and the environment
- fairness, respect and diversity in employment
- trading in CSR shares

CSR Governance Framework

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

DIVERSITY

A diverse workforce improves business decision making as well as increasing workforce sustainability, leading to better organisational relationships and ultimately better solutions for our customers

Improving diversity requires cultural change driven by the leadership and commitment of the board and senior management. CSR has structured its measurable objectives around this commitment with the initial focus on gender diversity. The objectives and achievements for YEM16 are set out below along with a brief outline of the objectives for YEM17.

CSR workplace profile

10.4% of employees in senior management positions are women including the company secretary, group treasurer, group financial controller and general manager investor relations and corporate communications. During YEM16, the percentage of women in the CSR workforce was steady at 16.7%.

Measurable objective	YEM16 achievements	Overview of YEM17 initiatives
Leadership and culture	▪ 28% of attendees at CSR leadership programs were women ▪ Detailed pay equity reviews were completed as part of annual salary and talent review processes ▪ Senior executives were assessed on diversity achievements and performance in this area impacted short term incentives ▪ Improved diversity reporting within the organisation to drive more informed recruitment decisions ▪ CEO led diversity council meets every two months to drive and review diversity initiatives	▪ Continue to provide opportunities for women to attend CSR leadership programs. Promote and continue to include diversity initiatives as part of these programs ▪ Achieve gender pay equity through established bi-annual processes ▪ Drive further accountability through the organisation by including specific diversity objectives for senior executives with achievements assessed as part of determination of short term incentives ▪ Promote, share and leverage diversity initiatives and achievements through targeted and regular communication
Understanding and engaging female talent	▪ Each business unit EGM completed a review of female talent within their business unit with a focus on pay equity, development and career aspirations ▪ Promoted career opportunities and development of women (in YEM16, 33% of internal promotions were women, compared with 30% in YEM15) ▪ Participated in multiple industry projects to attract more female candidates to the building industry	▪ Leverage insights gained from the detailed review of female talent within business units with a focus on pay equity, development and career aspirations ▪ Improve CSR policies and practices as they relate to workplace flexibility ▪ Influence industry associations to attract more females in non-traditional roles
Recruitment and retention	▪ Achieved a 20% increase in number of female applications through better attraction strategies, presence at universities and industry partnerships ▪ Partnered with labour hire and recruitment providers to source more female applicants especially in operational roles ▪ Promoted CSR as a more diverse and inclusive organisation ▪ Achieved a 7% reduction in voluntary turnover of women ▪ Completed nine workshops throughout the senior leaders in the organisation on any bias that can affect recruitment decisions ▪ Conducted “superannuation for women” seminars across the company	▪ Increase the attraction of female applicants by 10% by: – Improving the employee value proposition and search capability for women through universities and industry partnerships – Ensuring labour hire and other recruitment providers meet set objectives of having women on shortlists for all roles – Conducting additional recruitment training for line managers including any bias that can affect recruitment decisions ▪ Advance retention strategies for women through investment in career development and review of turnover analysis ▪ Challenge traditional recruitment processes and appointment decisions by reviewing: – Attraction data – The application of recruitment policy of having at least one female on the shortlist and applying the “if not, why not rule” – The performance of labour hire and other recruitment providers to source female talent

BOARD OF DIRECTORS

Jeremy Sutcliffe
LLB (HONS) MAICD.

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

Experience, expertise and other directorships
Jeremy was Group CEO of Sims Metal Management Limited from 2002 until 2008 and a director until 2009. He is a non-executive director of Amcor Limited (2009 to current), Orora Limited (2013 to current), and a member and director of The Australian Rugby League Commission Limited (2012 to current). He also holds an advisory role with Veolia Environmental Australia.

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

Rob Sindel
BENG, MBA, GAICD.

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

Experience, expertise and other directorships
Rob was formerly the managing director of Hanson's slag cement business in the United Kingdom, a subsidiary of the global building materials company Heidelberg Cement Group. Rob also held the position of commercial trading director for Hanson Aggregates in the United Kingdom. His 25 year career in the construction industry started with Pioneer in Australia. A member of the UNSW Australian School of Business Advisory Council, a director of the Green Building Council of Australia, and chair of the Remuneration Committee of the Green Building Council of Australia. Rob is also a director of the Australian Business and Community Network Council, a not-for-profit organisation, working on mentoring and coaching programs with schools in areas of high need.

Other CSR responsibilities
Attends committee meetings by invitation.

Mike Ihlein
BBUS (Accounting), FAICD, FCPA, FFIN.

Non-executive director since July 2011.

Experience, expertise and other directorships
Mike was formerly chief executive officer and executive director of Brambles Limited until November 2009, prior to which he was Brambles' chief financial officer for four years. Mike has also had a long career with Coca-Cola Amatil Limited including seven years as chief financial officer and executive director and a number of senior operational, finance, business development and treasury roles including managing director of Coca-Cola Amatil Poland. Mike is currently a non-executive director of Scentre Group (2014 to current – formed through a merger with Westfield Retail Trust on which Mike was a non-executive director from 2010) and non-executive director of Snowy Hydro Limited (2012 to current) where he is also chair of the People & Culture Committee (2015 to current). He is also a non-executive director and chair of the Compliance Committee of Murray Goulburn Co-operative Co Ltd (2012 to current). Mike is a fellow of the Australian Institute of Company Directors (AICD), CPA Australia and Financial Services Institute of Australasia and a member of Financial Executives Institute of Australia. He is also a director of Spark Software sp. z o.o.

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

Rebecca McGrath
BTP (HONS), MASC, FAICD.

Non-executive director since February 2012.

Experience, expertise and other directorships
Rebecca was formerly chief financial officer and executive director of BP Australasia, a position held until January 2012, prior to which she was vice president operations and executive director, Australia & Pacific for BP Australasia and general manager, group marketing performance, for BP Plc (London). Rebecca's management career with BP spanned 23 years. Rebecca is currently a non-executive director of Goodman Group (2012 to current), OZ Minerals Limited (2010 to current), Incitec Pivot Limited (2011 to current) and Scania Australia, a subsidiary of Scania AB of Sweden (2016 to current) and was previously a director of Big Sky Credit Union. She is a member of the Advisory Council of JP Morgan Australia, a fellow of the Australian Institute of Company Directors (AICD) and Chairman of Project New Dawn, a homeless and unemployment focused not-for-profit organisation.

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

Matthew Quinn
BSc (HONS), ACA, ARCS, FAPI, FRICS.

Non-executive director since August 2013.

Experience, expertise and other directorships
Matthew was formerly managing director of Stockland, a position held until January 2013. Matthew's management career with Stockland spanned 12 years, and he has an extensive background in commercial, retail, industrial and residential property investment and development. Matthew is a non-executive director of Urban Growth NSW, a State owned corporation (2013 to current) and a director of Class Super (2015 to current). He is also a Director of a number of smaller, unlisted and unrelated organisations. Matthew is a member of the Australian Business and Community Network Scholarship Foundation and is a Chartered Accountant as well as a fellow of the Australian Property Institute and the Royal Institute of Chartered Surveyors.

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

Penny Winn
BCOM, MBA, MAICD.

Non-executive director since November 2015.

Experience, expertise and other directorships
Penny was formerly director of Group Retail Services with Woolworths responsible for leading the Logistics, Information Technology and Online Retailing divisions and the Customer Engagement teams; a position held until October 2015. Penny has over 30 years of experience in retail in senior management roles in Australia and overseas. She is chairman of Port Waratah Coal Services Ltd (2015 to current), a non-executive director of Caltex Australia Limited (2015 to current) and a member of the UTS Business School's Advisory Board.

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

Company Secretary

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

Company secretary since July 2010 and CSR legal counsel. Joined CSR in September 2001, managing workers' compensation from 2003 to 2006 and human resources for the sugar division from 2006 to 2008. Debbie was appointed legal counsel for CSR Limited in 2008. Debbie was previously a lawyer at Tress Cocks & Maddox and Lander & Rogers. Debbie has extensive experience in corporations law and corporate governance, dispute resolution, employment law, insurance and competition and consumer law. Debbie holds a Graduate Diploma in Applied Corporate Governance and is a member of Governance Institute of Australia and the Australian Institute of Company Directors (AICD).

DIRECTORS' REPORT

The board of directors of CSR Limited (CSR) presents its report of the consolidated entity, being CSR and its controlled entities (CSR group), for the year ended 31 March 2016 and the auditor's report thereon. Information in the annual report referred to in this report, including the remuneration report, as well as any information contained in a note to the financial statements referred to in this report, forms part of, and is to be read as part of, this report.

Principal activities

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

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

Review of operations and financial results

A review of CSR group operations and the results for the year ended 31 March 2016 is set out on the inside front cover to page 15 and pages 41 to 81 of the annual report.

Summary of consolidated results

Net profit after tax (before significant items) was $166.0 million, up 13% for the year ended 31 March 2016.

Earnings before interest and tax (EBIT before significant items) of $276.8 million were up 18%. The results included the consolidated earnings of the PGH Bricks JV (60% owned by CSR) which began operations on 1 May 2015. Excluding the minority portion of PGH Bricks JV EBIT, CSR EBIT was up 11%.

Statutory net profit after tax was $142.3 million, which included a significant items charge of $23.7 million (after tax). Significant items included transaction and integration costs relating to the formation of the PGH Bricks JV and the 'discount unwind' expense to record the asbestos-related provision in present value terms. This compares to statutory net profit of $125.5 million for the year ended 31 March 2015.

Tax expense of $73.4 million (before significant items) was up from $63.1 million due to the increase in pre-tax profits. CSR's effective tax rate for the year was 27.0%, a slight decrease from 27.3% in the previous year.

Net cash position of $73.1 million was up from $68.4 million as at 31 March 2015 following higher earnings. The timing of Property settlements led to net cash Property inflow of $15.9 million during the year.

Capital expenditure (excluding Property) was $72.8 million during the year. Of this total, $43.4 million was for stay-in-business projects and $29.4 million was development related capital expenditure including investment in the AFS Rediwall® manufacturing facility located at Minto, NSW and Viridian's commercial double glazing plant at Ingleburn, NSW. In addition, $19.3 million was invested in a number of smaller acquisitions in Building Products and Viridian.

CSR continued to invest in its Property business including the development of the Brendale and Chirnside Park sites.

As at 31 March 2016, the asbestos provision fell to $334.5 million, the lowest level in 11 years, due to a decrease in future estimated claims in the United States. This provision included a prudential margin of $65.2 million or 24% above the combined estimate of the independent experts in Australia and the United States. CSR paid asbestos related claims of $27.6 million (including legal costs), down 11% from $31.1 million last year.

Note 2 (segment information) to the financial statements on page 48 provides a breakdown of operating results by business segment and supporting comments are provided below:

Building products

Trading revenue from Building Products was $1.5 billion, up 21%, with higher volumes and improved margins across all products. The result includes 100% of the revenue from the PGH Bricks JV which began operations on 1 May 2015. Excluding the minority portion of PGH Bricks revenue, Building Products revenue was up 12%.

EBIT was up 40% to $169.1 million with earnings growth across all divisions, reflecting the benefit of higher sales volumes and improved factory performance bringing the result to an all time high. Excluding the minority portion of PGH Bricks JV EBIT, Building Products EBIT was up 28%.

EBIT margin increased to 11.5%, up from 10.0% as improved volume, pricing and product mix flowed through to results.

Glass (Viridian)

Trading revenue of $301.3 million was up 8% with improved pricing and increased volumes from higher margin products. EBIT of $8.1 million was up from $3.1 million which includes the contribution of a number of bolt-on acquisitions completed during the year.

Aluminium (GAF)

Gove Aluminium Finance (GAF – 70% CSR) sales volumes of 210,158 tonnes were up 4% following operational improvements. Trading revenue of $530.7 million was down slightly from the previous year as the increased sales volume was offset by the lower realised price.

EBIT of $104.1 million was in line with the previous year with the EBIT margin steady at 19.6% as higher alumina costs, due to the weaker Australian dollar, were offset by a reduction of $11.7 million in cyclical costs associated with pot relining. In addition, Tomago received an exemption to the Renewable Energy Target (RET) backdated to 1 January 2015 which had a year on year benefit of $7.9 million.

Property

CSR's Property division recorded EBIT of $23.3 million, down from $30.2 million in the previous year. The result includes the sale of residential sites at Chirnside Park, VIC in addition to the second tranche of the multi-residential development site at New Lynn, NZ completed in the first half of the year.

Significant changes

On 1 May 2015, the PGH Bricks JV between CSR and Boral's bricks operations located on the east coast of Australia began operations. Given the structure of the joint venture agreement and CSR's 60% interest, CSR consolidated the earnings of the business effective 1 May 2015 with the portion of after tax earnings attributable to Boral's share of the business recorded as a minority interest. Further information on this business combination is set out in note 8 to the CSR group financial statements.

On 4 March 2016, CSR announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back of up to $150 million. The share buy-back represents a return of surplus cash expected to be generated by CSR. The timing of the buy-back and the number of shares to be purchased will depend on share price levels, cash flow generation and capital requirements. The share buy-back commenced on 21 March 2016 and will continue over the financial years ending 31 March 2017 and 31 March 2018.

There have been no other significant changes to the CSR group in the financial year ended 31 March 2016.

Events after balance sheet date

Dividends

The final dividend for the financial year ended 31 March 2016 has not been recognised in this financial report because it was resolved to be paid after 31 March 2016. The amounts disclosed as recognised in 2016 are the:

- final dividend in respect of the year ended 31 March 2015; and
- interim dividend in respect of the year ended 31 March 2016.

The amounts disclosed as recognised in 2015 are the:

- final dividend in respect of the year ended 31 March 2014; and
- interim dividend in respect of the year ended 31 March 2015.

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

Future prospects and likely developments

In Building Products, residential construction markets continue to experience record levels of activity, which will support demand for CSR products in the year ahead. The pipeline of residential construction activity continues to rise as total commencements for the 12 months to December 2015 were 221,000 compared to 192,000 dwellings completed over the same period.

Viridian is expected to deliver further earnings improvement as it focuses on revenue growth from high performance glass and increasing its share in the commercial market.

In Aluminium, Gove Aluminium Finance (GAF) – in which CSR has a 70% stake – has 51% of its aluminium sales (net of alumina) hedged at an average price of A$2,338 per tonne (before premiums) as of 5 May 2016. Ingot premiums, which are paid to producers above the London Metal Exchange aluminium price, have stabilised at around the US$110-$115 per tonne level.

Property earnings are always subject to the timing of transactions. The continuing development of a number of projects will underpin Property earnings over the next five to 10 years.

In summary, CSR will continue with its strategy of investing in building systems that improve the speed of construction while reducing the complexity of building. These investments, together with a more aligned cost structure and network of operations, increases CSR's resilience to fluctuations in the building cycle and better positions CSR to meet the future needs of the market.

Risks

CSR's business segments are in building products (including architectural glass), aluminium and property development. As such, CSR's long term profitability and cash flows are responsive to domestic and international economic conditions, outlook and sentiment. Specifically, building products demand is driven by movements in residential and non-residential construction activity in Australia and New Zealand, and aluminium results are responsive to movements in the global US dollar price for aluminium. Building Products also imports certain products and raw materials and has businesses that are exposed to import competition and currency fluctuations. As a result, Building Products, Aluminium and the asbestos provision are exposed to movements in foreign currency and, in particular, to movements in the Australian and US dollar exchange rates.

Strategy

The CSR group is focused on delivering long term sustainable earnings growth centred around five key themes:

Strengthen and invest *Strengthening and investing in our people and our businesses*	▪ 24%[1] improvement in lost time injury frequency rate with fewer and less severe injuries in the last year ▪ PGH Bricks JV integration completed ▪ Viridian EBIT improvement continues following investment in the business to deliver long-term growth targets
Smarter, faster, easier *Delivering building solutions that are smarter, faster and easier to use*	▪ Extended Gyprock Optimised Core technology that is stronger and easier to use across all residential product lines ▪ Trial of CSR Velocity™ pre-fabricated walling system completed with Mirvac in western Sydney
Changing the way we live and work *Influencing design and adapting to the changing way we live and work*	▪ Commissioned AFS Rediwall® manufacturing facility following growing demand for the PVC structural walling system in the multi-residential market ▪ 30% increase in capacity of Hebel's Somersby operations completed following growth from multi-residential and detached housing markets
Comfort and energy *Improving comfort, quality and efficiency of buildings*	▪ Bradford Energy Solutions launched solar PV offering with Tesla batteries ▪ Growth in Bradford product offering in adjacent markets including polyester, specialist acoustic products, ventilation, PIR foams and construction fabrics
Customers *Ensuring that our customers choose to do business with CSR*	▪ Expanded 24/7 online and mobile access to CSR customers for ordering, payments and managing account information with now over 2,000 users on the CSR Connect digital platform.

1 Lost time injury frequency rate (per million work hours).

Performance in relation to environmental regulation

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

Political donations

CSR attended a small number of events organised by political parties such as conferences in the year ended 31 March 2016. CSR's businesses are often involved in a degree of interaction with all levels of government. CSR assists all sides of politics in the development of policy in fields where CSR has specific expertise. Fees to attend these events are below the threshold for disclosure to the Australian Electoral Commission and totalled $20,035 including GST for the year ended 31 March 2016 (2015: $11,700).

Dividends and distributions to shareholders

Dividends through the year have been as follows:

- a final, unfranked dividend of 11.5 cents per ordinary share, with respect to the financial year ended 31 March 2015, was paid on 7 July 2015; and
- an interim, unfranked dividend of 11.5 cents per ordinary share was paid on 15 December 2015 (as set out in note 16 to the financial statements on page 62).

Following the end of the financial year, on 11 May 2016, the board resolved to pay a final, unfranked dividend for the year ended 31 March 2016 of 12.0 cents per ordinary share, on 5 July 2016.

No other distributions were paid during the year.

Options over share capital

Other than as disclosed in the remuneration report:

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

Indemnities and insurance

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

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

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

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

During the year, CSR paid premiums in respect of insurance contracts for the year ended 31 March 2016 and, since the end of the year, CSR has paid, or agreed to pay, premiums in respect of such contracts for the year ended 31 March 2017. The insurance contracts insure against certain liability (subject to exclusion) incurred by persons who are or have been directors or officers of CSR and its controlled entities. In accordance with normal commercial practice, the insurance contract prohibits disclosure of the nature of the liability covered by, or the premium payable under, the contract of insurance. No claims under the indemnities have been made against CSR during or since the end of the year.

Auditor independence

There is no current or former partner or director of Deloitte Touche Tohmatsu, CSR's auditor, who is, or was at any time during the year ended 31 March 2016, an officer of the CSR group. No auditor played a significant role in the CSR group audit for the year ended 31 March 2016 in reliance on a declaration made under section 342A of the *Corporations Act 2001*. The auditor's independence declaration (made under section 307C of the *Corporations Act 2001*) is set out on page 22 and forms part of this report.

Non-audit services

Details of the amounts paid or payable to the CSR group auditor, Deloitte Touche Tohmatsu, for non-audit services provided by that firm during the year are shown in note 30 to the financial statements on page 81. In accordance with written advice provided by the Risk & Audit Committee, the directors are satisfied that the provision of non-audit services during the year by Deloitte Touche Tohmatsu:

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

Proceedings on behalf of CSR

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

Remuneration of directors and key management personnel

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

Directors' secretaries, directors' meetings and directors' shareholdings

Details of the directors meeting attendance are included in the table below.

On 9 November 2015, Kathleen Conlon resigned as a non-executive director. On 9 November 2015, Penny Winn was appointed as a non-executive director and member of the Risk & Audit Committee and Workplace Health, Safety & Environment Committee. There were no other changes to the board in the year ended 31 March 2016.

The names of directors who held office at 11 May 2016, as well as details about current directors' period of appointment, qualifications, experience, special responsibilities, current directorships and directorships for the past three years of other listed companies, are on pages 16 and 17.

The qualifications and experience of the company secretary at 11 May 2016 are also on page 17. The number of meetings of the company's board of directors and each board committee held during the year ended 31 March 2016, and the number of meetings attended by each director are detailed in Table 1 below. The directors' relevant interests in shares in CSR or a related body corporate as at the date of this report are detailed in the remuneration report on page 40. Other than as disclosed elsewhere in this report, no director:

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

Table 1: Meetings of directors

Year ended 31 March 2016	CSR Board		Risk & Audit Committee		Workplace Health, Safety & Environment Committee		Remuneration & Human Resources Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
Jeremy Sutcliffe	10	10	3	3	n/a	n/a	5	5
Kathleen Conlon[3]	7	7	n/a	n/a	n/a	n/a	2	2
Michael Ihlein	10	10	4	4	4	4	n/a	n/a
Rebecca McGrath	10	10	n/a	n/a	4	4	5	5
Matthew Quinn	10	9	4	3	2	1	4	4
Penny Winn[4]	3	3	1	1	2	2	n/a	n/a
Rob Sindel	10	10	4	4	4	4	5	5

1 Meetings held while a member.
2 Meetings attended.
3 Kathleen Conlon resigned on 9 November 2015.
4 Penny Winn was appointed on 9 November 2015.

Jeremy Sutcliffe Chairman Sydney, 11 May 2016	Rob Sindel Managing Director Sydney, 11 May 2016

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

11 May 2016

Dear Directors

CSR Limited

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

As lead audit partner for the audit of the financial statements of CSR Limited for the financial year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

REMUNERATION REPORT

1 Basis of preparation

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

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

The report contains an overview which is intended to provide a 'plain English' explanation for shareholders of the key management personnel (KMP) and senior executives' actual remuneration outcomes for the year ended 31 March 2016 (YEM16) and the remuneration framework including proposed changes for the financial year ended 31 March 2017 (YEM17).

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

Overview

2 Key management personnel (KMP) and senior executives

KMP for the year ended 31 March 2016 are detailed in the table below. KMP are as defined by the Accounting Standard AASB 124 *Related Party Disclosures (AASB 124)*.

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

Table 1: Key management personnel

Name	Position and term as KMP
Non-executive directors (NEDs)	
Jeremy Sutcliffe	Chairman – full year
Kathleen Conlon	Director – resigned 9 November 2015
Michael Ihlein	Director – full year
Rebecca McGrath	Director – full year
Matthew Quinn	Director – full year
Penny Winn	Director – appointed 9 November 2015
Executive KMP	
Rob Sindel	Managing Director – full year
Greg Barnes	Chief Financial Officer – full year

Senior executives of CSR are detailed in table 2 below. These senior executives are not KMP as defined by *AASB 124*. In some cases, where aspects of the remuneration apply to other senior roles within CSR, the term "executive" is also used.

Table 2: Senior executives

Name	Position	Term as senior executive
Ian Hardiman	Executive General Manager – Lightweight Systems[1]	Full year
Peter Moeller	Executive General Manager – Viridian	Full year
Luke Murphy	Executive General Manager – Human Resources	Full year
Andrew Mackenzie	General Manager – Property	Full year
Nick Pezet	Executive General Manager – PGH Bricks	From 1 May 2015[2]
Anthony Tannous	Executive General Manager – Bradford	Full year
Mark White	General Manager – Aluminium	Full year

1 Mr Hardiman was appointed Executive General Manager – New Business and Technology Development on 23 November 2015. Mr Hardiman will continue in the role of Executive General Manager – Lightweight Systems until a replacement commences with CSR.
2 Mr Pezet was the Executive General Manager – Bricks and Roofing to 30 April 2015 and was appointed Executive General Manager – Boral CSR Bricks Pty Limited, trading as PGH Bricks, from 1 May 2015. Boral CSR Bricks Pty Limited is 60% owned by CSR (refer to note 8 in the financial report).

3 Overview of remuneration approach and framework

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

Table 3: CSR executive remuneration framework

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

Table 4: Non-executive director remuneration framework

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

4 Actual remuneration

Actual remuneration disclosure has been prepared to provide shareholders with a view of the remuneration structure and how remuneration was paid to the executive KMP for the year ended 31 March 2016. The board believes presenting information in this way provides shareholders with increased clarity and transparency of the executive KMP remuneration, clearly showing the amounts awarded for each remuneration component (fixed, short and long term) within the financial year. This disclosure differs from the statutory remuneration disclosures contained in note 12, with a summary of the differences detailed in the table below.

Table 5: Comparison of actual and statutory remuneration disclosures

	Fixed remuneration	Short term incentive	Long term incentive	Leave accruals	Other benefits
Actual remuneration disclosures	Cash salary and superannuation contributions	STI award for YEM16, inclusive of the 20% STI deferral, expressed as a cash value	Value of LTIs that have vested during the year, calculated based on the number of shares valued using the five day volume weighted average price (VWAP) prior to issue of the shares. Excludes the value of unvested LTIs at 31 March 2016.	Not included	Includes Universal Share Ownership Plan (USOP), travel expenditure and relocation costs all relating to company business or contractual obligations
Statutory remuneration disclosures	As above	STI award for YEM16, exclusive of STI deferral, plus amortisation of STI deferrals relating to current year and prior two years	Value of LTIs recorded in accordance with accounting standards (based on fair value determined at grant date expensed over the vesting period). The amount relates to YEM13 to YEM16 LTI grants.	Included	As above

4 Actual remuneration (continued)

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

Table 6: Actual remuneration received by executive KMP

Year ended 31 March 2016 $	Fixed remuneration	Short term incentive[1]	Long term incentive	Other benefits[2]	Total
Rob Sindel	1,190,231	900,784	2,718,882	4,662	**4,814,559**
Greg Barnes	642,500	305,240	919,142	–	**1,866,882**
Total	1,832,731	1,206,024	3,638,024	4,662	**6,681,441**

1 The STI awards represented 108% of Mr Sindel's target STI opportunity and 94% of Mr Barnes' target STI opportunity for YEM16. Given Mr Barnes' resignation, the STI awarded excludes the STI deferral component.
2 Other benefits included travel expenditure for Mr Sindel and his spouse, all of which related directly to company business.

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

Table 7: Senior executive remuneration

Year ended 31 March $	Fixed remuneration	Change in fixed remuneration[1]	Short term incentive	Long term incentive	Other benefits[2]	Total	Change in total
2016	**3,314,873**	**4.7%**	**2,168,812**	**3,359,135**	**119,077**	**8,961,897**	**28%**
2015	3,165,581		2,561,363	1,230,500	61,715	7,019,159	

1 Other than two senior executives whose role and remuneration were re-evaluated following market testing, the average increase in senior executives' fixed remuneration was 2.5% for the year ended 31 March 2016.
2 Other benefits include USOP, travel expenditure and relocation costs, related to company business or contractual obligations.

5 Performance outcomes

Table 8: Summary of performance outcomes for the year ended 31 March 2016

Remuneration	Performance outcome
Total remuneration	▪ Total remuneration expense increased for executive KMP and senior executives from YEM15 to YEM16 due to improved business performance resulting in higher LTI outcomes, as described below.
Short term incentive (STI)	▪ YEM16 STI decreased compared with those for YEM15. YEM16 CSR group EBIT result was between target and stretch performance, compared to the YEM15 CSR group EBIT result which achieved stretch performance.
Long term incentive (LTI)	▪ The value of LTI that vested in YEM16 increased compared to YEM15 due to a higher number of rights vesting. ▪ In YEM16, EPS and TSR performance hurdles for the YEM13 PRP were met resulting in a full vesting of the grant. The performance hurdles for the YEM11 PRP and YEM12 PRP were also assessed with remaining performance rights lapsing in YEM16. Further detail is contained in note 9.

6 Remuneration framework changes

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

The board's main focus of review is on the LTI plan to ensure that management is incentivised to create sustainable long term growth in shareholder returns.

Changes impacting YEM16 remuneration

As outlined in the YEM15 remuneration report, the use of the re-tests has been removed from the YEM16 Performance Rights Plan (PRP) and performance against the hurdles in the plan is now assessed over a single three year period. There were no changes to the PRP grant value or any other form of remuneration.

In addition, from YEM16, the performance period for both EPS and TSR will be aligned to an end date of 31 March. For PRPs issued prior to YEM16, the existing performance periods will remain with TSR measured in late July and EPS measured at 31 March.

6 Remuneration framework changes (continued)

Changes impacting YEM17 remuneration

The board has resolved to make further changes to the LTI plan from YEM17 with the following objectives:

- To protect against any windfall gain or unfair loss to management due to the cyclicality of earnings caused by CSR's exposure to the Australian residential market;
- To recognise performance of management in investing and building new income streams that will enhance CSR's competitive advantages in its key market segments; and
- To recognise performance of management in further streamlining our portfolio of businesses to increase exposure to core building material products and services and away from non-core activities.

As a result, from YEM17, the EPS performance hurdle will be modified to reduce the impact of earnings cyclicality and a new hurdle will be introduced dealing with the above strategic objectives. The proportion allocated to TSR will be reduced to allow for the new hurdle and these metrics, in combination, are considered by the board to more closely meet the plan objectives. The hurdles and weightings (expressed as a percentage of the maximum grant) are as follows:

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

<table>
<tr><th>Performance hurdle</th><th>YEM16</th><th>YEM17</th><th>Detailed explanation</th></tr>
<tr><td>Relative TSR</td><td>50%</td><td>30%</td><td>This measure is consistent with market practice and aligns with shareholder interests. We use the ASX200 as the comparator group given that CSR sits within this index.</td></tr>
<tr><td>EPS</td><td>50%</td><td>40%</td><td>This measure is strongly aligned with shareholder interests and now becomes the most heavily weighted performance hurdle. From YEM17, EPS will be measured on an averaged basis over the three year performance period rather than point to point. The board believes this better addresses the cyclicality of the business and incentivises participants to improve performance year on year by removing the current exposure solely to the final year of the performance period.
Under this approach, the board will assess average EPS over the three year performance period and this result will then be compared against the hurdles set by the board.
Based on CSR's analysis of the broader global growth outlook, comparable hurdles set by CSR's competitors and CSR's cost of capital, the EPS performance hurdles will be set at 5% to 10% compound growth for target and stretch performance respectively. This is a reduction from the previous hurdles of 7% to 12% which were set in a higher growth environment and are no longer considered appropriate.
Therefore, under the YEM17 PRP the average EPS over the three year performance period (YEM17 to YEM19) will need to exceed 36.3 cents per share (cps) for target performance and 39.9cps for stretch performance.
Target performance is calculated by taking the total EPS from the performance period using actual YEM16 EPS of 32.9cps compounding 5% per annum for three years (which equates to a total of 108.9 cents), and dividing the result by three. Stretch performance is calculated by taking the total EPS from the performance period using actual YEM16 EPS of 32.9cps compounding 10% per annum for three years (which equates to a total of 119.8 cents), and dividing the result by three. This is illustrated below.
<table>
<tr><th>EPS performance hurdle</th><th>Average EPS growth (% CAGR)</th><th>YEM16 EPS (cps)</th><th>Cumulative EPS required over next three years (cps)</th><th>Average EPS required over next three years (cps)</th></tr>
<tr><td>Target</td><td>5.0%</td><td>32.9</td><td>108.9</td><td>36.3</td></tr>
<tr><td>Stretch</td><td>10.0%</td><td>32.9</td><td>119.8</td><td>39.9</td></tr>
</table>
Average EPS growth (%CAGR) between 5% and 10% will result in vesting between 50% and 100% increasing on a straight-line basis.</td></tr>
<tr><td>Strategic objectives</td><td>0%</td><td>30%</td><td>These objectives will be set by the board at the commencement of the three year performance period and will be specific and outcome based. They will be aligned with CSR's strategy and, if achieved, will create value for shareholders.
The board will review performance against each objective at the end of the performance period and determine any associated vesting. Any vesting will be disclosed in the remuneration report in the year it occurs, with specific details regarding the outcomes achieved.
There are three objectives for the YEM17 plan. Each objective is equally weighted with 5% to 10% of the overall grant being allocated for target and stretch performance respectively. The objectives as set by the board for the YEM17 plan are:

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

Remuneration Policy

7 Remuneration governance

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

Figure 1: CSR's remuneration governance framework

CSR Board

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

Remuneration & Human Resources Committee

Management and Board remuneration policy

Monitors, recommends and reports to the board on:

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

Human Resources, Talent Management and Diversity

Monitors, recommends and reports to the board on:

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

Managing Director and Executive General Manager – Human Resources

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

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

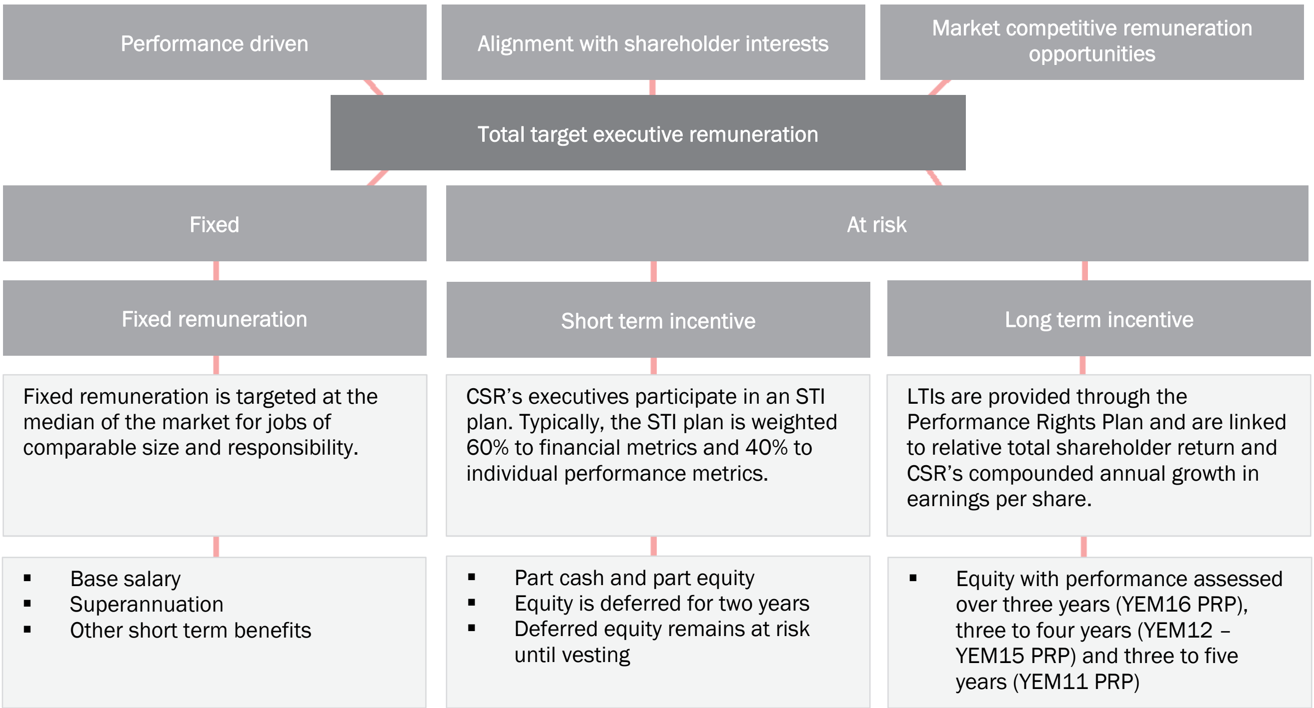
External advisors

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

8 Remuneration strategy

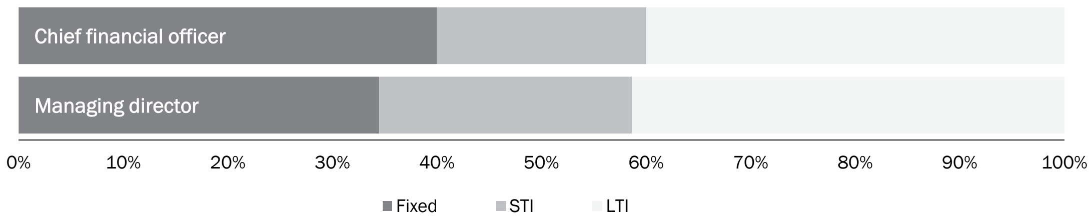
The core elements of CSR's remuneration strategy for the executive KMP and executives are outlined below.

Figure 2: CSR's remuneration strategy



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

Table 10: Key principles of CSR's executive remuneration policy

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


This chart differs to 2015 where the LTI component was expressed at target value.</td></tr>
<tr><td>Market competitive remuneration opportunities</td><td>Remuneration opportunities, including those elements which can be earned subject to performance, are set at competitive levels that will attract, motivate and retain high quality executives.
Executive remuneration is reviewed annually. CSR aims to provide market-competitive remuneration against jobs of comparable size and responsibility (as measured by the Hay Group job evaluation system and by position matching against equivalent roles from organisations with similar market capitalisation) as follows:
▪ fixed remuneration for executives is targeted at market median; and
▪ variable remuneration (through STI and LTI) provides the opportunity to earn total remuneration (fixed remuneration plus variable remuneration) that reaches the top quartile of the market for superior performance.</td></tr>
</table>

8 Remuneration strategy (continued)

Table 10: Key principles of CSR's executive remuneration policy (continued)

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

9 Composition of remuneration

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

(i) Fixed remuneration

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

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

(ii) At risk remuneration – short term incentive plan

Table 11: Details of the short term incentive plan

Purpose	To drive individual and team performance to deliver annual business plans and increase shareholder value.
Frequency and timing	Awards are determined on an annual basis with performance measured over the year to 31 March. Payment is normally made in June following the end of the performance year.
Financial measures	The quantum of the STI pool is determined by EBIT before significant items, which assesses the amount of pre-tax profit generated by the business. Typically, the STI plan is weighted 60% to financial metrics and 40% to individual performance metrics. Financial performance for YEM16 STI awards was measured against EBIT that was assigned at the organisational level that best reflects the role's influence. All executives and eligible employees had 50% of their financial component aligned to the CSR financial result (EBIT) with the remaining 50% of the financial component aligned with the financial performance (EBIT) of the business unit which best reflects the role's influence. Hence, the measures used in the YEM16 STI plan are: ▪ corporate roles: CSR EBIT before significant items (100%*); and ▪ business unit executive roles: business unit EBIT before significant items (50%*) and CSR EBIT before significant items (50%*). * Expressed as a percentage of the STI financial component. STI financial component typically comprises 60% of target STI. Return on Funds Employed (ROFE) is also assessed by the board to ensure that the effectiveness with which capital is deployed within the business is measured and rewarded. The financial targets are set each year by the managing director, in consultation with the business unit executives and are approved by the board. The managing director's targets are set each year by the board. Threshold financial performance is set at 90% of the budget approved by the board, below which no financial component can be paid. Target financial performance equates to the approved budget while stretch performance is set at 120% of the approved budget. These parameters apply at both the CSR and business unit level.
Individual objectives used (and rationale)	Individual objectives are set for each participant and are aligned to the business plan. These objectives include safety, health and environment, meeting customer needs and becoming supplier of choice, leadership and development of people, sales targets, operational improvement, restructuring and rationalisation plans, production targets, growth and other personally-attributable goals.

9 Composition of remuneration (continued)

Table 11: Details of the short term incentive plan (continued)

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

(iii) At risk remuneration – long term incentive plan

CSR's LTI program aims to:

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

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

9 Composition of remuneration (continued)

Table 12: Features of the long term incentive plan – summary of the PRP

<table>
<tr><td>Participation</td><td>Managing director, direct reports and selected key roles are eligible subject to approval by the board.</td></tr>
<tr><td>Grant frequency</td><td>Grants are made on an annual basis.</td></tr>
<tr><td>Type of award</td><td>Grants of performance rights are subject to service requirements and performance vesting criteria. If performance conditions are met, CSR shares will be purchased on market and transferred to participants. Refer to ‘Performance period and conditions’ below for more detail.</td></tr>
<tr><td>Vesting and performance period</td><td>YEM16 PRP: Awards are subject to a three year vesting period. Immediately following completion of the vesting period, the performance conditions (detailed below) are tested to determine whether, and to what extent, awards vest. To the extent that performance rights have not vested following the testing they will lapse (i.e. participants forfeit their interests in the performance rights).
YEM12 to YEM15 PRP: Awards are subject to a three year vesting period. If some or all of the awards do not vest at the initial three year test date, they are carried forward and the performance period is extended by 12 months and re-tested over a four year performance period to determine if any additional vesting is achieved. Performance for both tranches is measured over this extensive period to try and mitigate any distortion caused by business and commodity cycles or capital investment decisions. To the extent that performance rights do not vest as part of the re-test, they will lapse.
YEM11 PRP: Awards were subject to a performance hurdle based on CSR’s TSR over a three year performance period, with subsequent performance subject to a second and final test in years four and five. This re-test was completed in July 2015 and all remaining unvested grants have now lapsed.</td></tr>
<tr><td>Performance period and conditions</td><td>For YEM12 to YEM16 PRP grants, two equally weighted (50%) performance hurdles are applied and assessed over the performance period as follows:
Relative TSR (Tranche A – 50% of PRP grant)
▪ TSR measures the percentage growth in shareholder value, taking into account share price growth, dividends and capital returns.
▪ TSR performance is assessed against the constituents of the S&P/ASX 200 index defined at the start of the performance period with the following vesting schedule applying:
<table>
<tr><th>TSR of CSR relative to the peer group</th><th>Proportion of Tranche A to vest</th></tr>
<tr><td>Below the 50th percentile</td><td>0%</td></tr>
<tr><td>At the 50th percentile</td><td>50%</td></tr>
<tr><td>Between the 50th percentile and the 75th percentile</td><td>Straight-line vesting between 50% and 100% (e.g. each percentile improvement will result in an additional 2% vesting)</td></tr>
<tr><td>75th percentile or greater</td><td>100%</td></tr>
</table>
▪ For the purposes of the TSR calculation, the start and end share prices will be calculated based on ten trading days VWAP.
EPS (Tranche B – 50% of PRP grant)
▪ The annual compound EPS growth over the period from commencement of the performance period to the test date.
▪ EPS is defined as net profit after tax per share before significant items. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one-off costs.
▪ The board sets a threshold vesting schedule of 7% compound growth in EPS per year, with the following vesting schedule applying:
<table>
<tr><th>EPS target range (compound growth per annum)</th><th>Proportion of Tranche B to vest</th></tr>
<tr><td>Below 7% compound EPS</td><td>0%</td></tr>
<tr><td>Equal to 7% compound EPS</td><td>50%</td></tr>
<tr><td>Between 7% and 12% compound EPS</td><td>Between 50% and 100% increasing on a straight-line basis</td></tr>
<tr><td>Greater than 12% compound EPS</td><td>100%</td></tr>
</table></td></tr>
</table>

9 Composition of remuneration (continued)

Table 12: Features of the long term incentive plan – summary of the PRP (continued)

Treatment of capital return	There is no entitlement to a capital return. However, the board may make an adjustment to the number of shares underlying unvested performance rights that would be awarded to the participant if and when the performance rights vested. The number of additional shares underlying the performance rights corresponds to the cash amount per share returned to shareholders, and is intended to ensure that the value of awards of PRP holders is not eroded by capital returns. Capital returns are included as part of TSR performance.
How is performance assessed and why is it assessed that way?	TSR performance compared to the constituents of the S&P/ASX 200 index is considered appropriate given CSR's size and mix of businesses. EPS performance hurdles were implemented in YEM12 and have been consistently applied for all subsequent grants. Compound growth in EPS assesses the success of the business in generating continued growth in earnings and aligns the effort of executive KMP and senior executives with shareholder interests.
Treatment on vesting	For the YEM12 to YEM16 PRP grants, all rights are eligible for one CSR share per one performance right on vesting. For grants on issue at the date of the CSR return of capital on 3 March 2011, each performance right is worth 1.337 CSR shares on vesting. Shares acquired on vesting are fully paid ordinary shares and the amount payable by executive KMP to acquire these shares is nil.
Sales restrictions post vesting	Shares transferred to participants on the vesting of performance rights are subject to the CSR share trading policy.
Treatment of dividends	There is no entitlement to dividends on performance rights under the plan during the vesting period.
Treatment on cessation of employment	Unvested awards: Generally, a participant who ceases to be employed prior to the performance conditions being met will forfeit their interests in the unvested shares. However, if the cessation of employment is the result of retirement, redundancy, total or permanent disablement, death or any other special circumstances at the board's discretion, board policy is to retain awards in the plan subject to ongoing performance hurdles following cessation of employment i.e. awards remain 'on foot'. In exercising this discretion, the board would not generally accelerate vesting and would apply pro-rata assessments for plans on foot. Vested awards: Awards that have vested are transferred to participants immediately at the time of vesting.
Treatment on change of control	Unvested awards: The board has discretion to allow awards to vest on a change of control of CSR (e.g. a takeover or merger). In exercising this discretion, the board would generally apply pro-rata assessments for plans on foot. Vested awards: Awards that have vested are transferred to participants at the time of vesting.
Prohibition of hedging arrangements	Participants will forfeit their interests in unvested shares if they enter any hedging transaction in relation to those shares in breach of CSR's Share Trading Policy. At 31 March 2016, executive KMP confirmed in writing their beneficial interest in CSR shares, including confirming that they had not entered into any hedging arrangements over vested or unvested CSR shares.

9 Composition of remuneration (continued)

Table 13: Status and key dates of outstanding PRP awards

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

1 The value of performance rights at grant date calculated in accordance with AASB2 *Share-based Payments*. Valuations are performed by a third party, Ernst & Young.
2 To ensure an independent TSR measurement, CSR engages the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate CSR's performance against the TSR hurdles.
3 Subsequent to 31 March 2016 and up to the date of this report:
Tranche B (EPS) for YEM14 was deemed by the board to have met the 12% compound growth performance condition required for maximum (100%) vesting resulting in 819,015 rights vesting. No further testing is necessary for this tranche. The value of these shares has not yet been determined and will be disclosed in the YEM17 remuneration report.

9 Composition of remuneration (continued)

(iv) Other equity incentive plans

Table 14: Other equity incentive plans

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

10 Linking remuneration to performance

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

(i) STI and LTI financial measures

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

The key financial measure in YEM16 for determining the value of STI payments was EBIT before significant items (while ROFE was maintained as a qualifying metric). Significant items (both positive and negative) are excluded when measuring performance for STIs as they are not considered part of ordinary trading results.

Building on the improved financial performance in YEM15, the YEM16 EBIT (before significant items) performance of CSR's businesses improved significantly, increasing by 18% to $276.8 million.

The improvements in financial performance and specifically EBIT results exceeded the EBIT target for STIs set by the board. All Building Products business units and Viridian made strong improvements in EBIT performance, reflecting a continued focus on customer service, cost control and business growth. Aluminium EBIT was in line with prior year with increased production and improved smelter performance offset by a lower realised aluminium price. The Property business made a strong contribution to EBIT and good progress on the long term portfolio.

LTIs have been linked to company performance as follows:

- the value of performance rights (under the PRP) ultimately depends on share price performance; and
- awards vest subject to CSR's relative TSR performance compared against the constituents of the S&P/ASX 200 index and EPS growth.

CSR's TSR improved significantly against that of the S&P/ASX 200 index, resulting in full vesting of the YEM13 PRPs. Subsequent to 31 March 2016 but prior to the date of this report, the board determined that the EPS tranche of the YEM14 PRP met the performance condition required, resulting in all rights vesting.

10 Linking remuneration to performance (continued)

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

Table 15: Summary of financial performance and STIs and LTIs awarded

	Financial performance[6,7]					STI			LTI	
	EBIT ($ million)[1]	TSR (%)[2]	EPS (cents)[1]	ROFE (%)[3]	Share price ($)	Executive KMP ($ million)	Senior executives ($ million)	All eligible employees STI as a % of EBIT	Vested value – Executive KMP ($ million)[5]	Vested value – Senior executives ($ million)[5]
YEM16	**276.8**	**(10.9)**	**32.9**	**20.7**	**3.30**	**1.2**[4]	**2.2**[4]	**6.7%**	**3.6**	**3.4**
YEM15	235.4	17.3	29.1	18.4	4.03	1.5	2.6	9.0%	1.7	1.2
YEM14	125.7	74.6	16.0	9.9	3.51	1.3	1.7	10.7%	–	–
YEM13	68.1	27.0	8.2	5.0	2.06	–	0.5	5.1%	–	–
YEM12	156.7	(41.6)	20.6	10.4	1.80	0.8	0.8	4.5%	–	–

1 EBIT and EPS are calculated before significant items.
2 TSR at 31 March sourced from Bloomberg. Relative TSR performance is disclosed in table 13 along with the LTI vesting outcomes.
3 Return on Funds Employed (ROFE) defined in note 2 to the CSR group financial statements.
4 Represents approved and expensed STI for YEM16 but at the time of writing this report, this amount has not yet been paid.
5 Represents the value of PRPs vesting in the period, calculated based on the number of shares issued, valued using the five day VWAP prior to issue.
6 Dividends paid for the last five years are disclosed on page 3.
7 During the year, 300,000 shares were bought back on-market as part of CSR's ongoing capital management strategy. There has been no impact on remuneration. Further information is disclosed in note 15 to the annual report.

(ii) STI non-financial measures

In YEM16, payments approved by the board for the non-financial component of the STI averaged across executive KMP and senior executives were on target. The following table provides some examples of key performance measures used in YEM16 to assess executive performance in the non-financial component of the STI.

Table 16: Non-financial measures and YEM16 performance

Performance area	Measure	Performance
Workplace Health, Safety and Environment	Year on Year Reduction in: Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Injury Frequency Rate (TRIFR)	**Between threshold and target** LTIFR reduced by 23.6% TRIFR target not met with specific improvement plan developed for YEM17
	Leading Safety Indicators	Achieved 94% against a target of 90% for the Injury Prevention Indicator
	Energy Reduction	Achieved a 1.5% reduction against a 2% target at major facilities
People and Culture	Leadership Development	**On target** Additional investment and expanded offering to participate in CSR leadership programs
	Succession	Bi-annual talent and succession reviews completed and actions implemented
	Diversity	These measures are important in delivering CSR's overall business strategy. The full set of measureable objectives is set out in the corporate governance report which is available on CSR's website. CSR's female participation in the business remained steady at 16.7%. Promotions across the business for women increased from 30% to 33% during the year.
Innovation and Growth[1]	Product Development	**On target** Each business has targets to develop and introduce new products
	Growth from New Business or Acquisitions	Continued progress with PGH Bricks JV, Martini and AFS acquisitions
Customer	Customer Service	**On target** Each business unit has a range of customer service metrics monitored during the year
	Digital Strategy[1]	Development of solutions to provide more flexibility and better service through the digital CSR Connect platform

1 From YEM17, Innovation and Growth and Digital Strategy will be considered as part of the strategic objectives of the LTI plan.

Remuneration in detail

11 Service agreements

Managing director – Executive service agreement

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

Table 17: Managing director's remuneration package

Fixed remuneration	Annual fixed remuneration of $1,197,533 inclusive of superannuation contributions effective from 1 July 2015. Fixed remuneration is reviewed annually, but with no guarantee of an increase.
Notice period	Under the Executive Services Agreement there is no fixed term and Mr Sindel's employment can be terminated by: ▪ the company giving him 12 months' notice of termination; or ▪ Mr Sindel giving six months' notice of resignation.
STI	There is no minimum entitlement to an STI payment and the maximum STI opportunity is 100% of annual fixed remuneration for exceptional performance. Achievement of target performance would result in 70% of the maximum STI being paid. The STI is weighted 60% on financial performance and 40% on individual performance. Under the STI deferral plan rules, 20% of the STI value will be deferred into CSR shares which vest two years from the date of allocation. Further detail on the STI deferral plan is contained in Table 11.
LTI	The value of any award of performance rights is currently set at a maximum of 120% of annual fixed remuneration. Grants of performance rights are subject to performance hurdles and vesting criteria set by the board (refer to note 9 for details).

Chief financial officer – Executive service agreement

Greg Barnes was appointed as chief financial officer of CSR effective 1 December 2010.

Subsequent to 31 March 2016 and before the date of signing of this report, Mr Barnes tendered his resignation as chief financial officer. Mr Barnes will remain as an executive KMP until he leaves the company on 30 June 2016. As a result of Mr Barnes' resignation, any unvested performance rights and unvested short term incentive deferrals held by Mr Barnes at the time of his departure will lapse.

Mr Barnes' remuneration package is summarised as follows:

Table 18: Chief financial officer's remuneration package

Fixed remuneration	Annual fixed remuneration of $650,000 inclusive of superannuation contributions effective from 1 July 2015.
Notice period	Under the Executive Services Agreement, Mr Barnes' employment can be terminated by: ▪ the company giving him six months' notice of termination; or ▪ Mr Barnes giving three months' notice of resignation.
STI	There is no minimum entitlement to an STI payment and the maximum STI opportunity is 100% of annual fixed remuneration for exceptional performance. Achievement of target performance would result in 50% of the maximum STI being paid. The STI is weighted 60% on financial performance and 40% on individual performance. Under the STI deferral plan rules, 20% of the STI value will be deferred into CSR shares which vest two years from the date of allocation. Further detail on the STI deferral plan is contained in Table 11.
LTI	The potential value of any award of performance rights is set at a maximum of 60% of annual fixed remuneration. Grants of performance rights are subject to performance hurdles and vesting criteria set by the board (refer to note 9 for details).

11 Service agreements (continued)

Table 19: Treatment of the managing director's and chief financial officer's incentives on termination

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

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

12 Statutory remuneration

Managing director's and chief financial officer's remuneration

The remuneration table below shows an increase in total remuneration expensed for accounting purposes for executive KMP in YEM16 compared with YEM15. The LTI expense in YEM16 accounts for the majority of the change in total expensed remuneration year on year.

Table 20: Executive KMP statutory remuneration

$ Year ended 31 March	Fixed[1]			Variable				'At risk'	
	Cash salary	Super-annuation	Leave benefits	Other benefits[2]	STI expense[3]	LTI expense[4]	Total	STI[5]	LTI[5]
Managing director – Rob Sindel									
2016	**1,171,054**	**19,177**	**63,389**	**4,662**	**908,009**	**1,021,162**	**3,187,453**	**28%**	**32%**
2015	1,141,287	18,531	67,714	3,053	949,829	903,058	3,083,472	31%	29%
Chief financial officer – Greg Barnes									
2016	**623,323**	**19,177**	**22,967**	**–**	**365,894**	**254,346**	**1,285,707**	**28%**	**20%**
2015	596,469	18,531	32,591	998	467,373	238,604	1,354,566	35%	18%

1 Fixed remuneration may be allocated at the executive's discretion to cash, superannuation (subject to legislative minimums), annual and long service leave benefits, motor vehicles and certain other benefits.
2 Other benefits included travel expenditure for Mr Sindel and his spouse, all of which directly related to company business. Mr Barnes had no other benefits in YEM16 and participated in USOP in YEM15.
3 STI expense for YEM16 plus amortisation of STI deferrals relating to prior years' grants. STI payments may be allocated at the executive's discretion to cash or additional superannuation contributions.
4 LTI expense is as defined in the accounting standards. PRP grants are expensed over the vesting period at a valuation determined on grant date. Valuations are performed by a third party.
5 STI and LTI as a percentage of total remuneration.

13 Deferred shares

Table 21: STI deferred shares for executive KMP

	Number of STI deferred shares				
	Balance 1 April 2015	Granted[1]	Vested	Lapsed	Balance 31 March 2016[2]
Managing director – Rob Sindel	52,221	54,278	(52,221)	–	**54,278**
Chief financial officer – Greg Barnes[3]	23,771	26,840	(23,771)	–	**26,840**

1 The value of deferred shares provided to Mr Sindel and Mr Barnes at grant date was $3.79 per share. These shares related to the YEM15 STI and were granted on 25 May 2015 and will vest on 31 March 2017 consistent with the STI deferral plan.
2 The closing balance of deferred shares at 31 March 2016 represents unvested shares for YEM15 STI. Shares for the deferred portion for the YEM16 STI will be granted in May 2016. The number of shares will depend on the 10 day VWAP prior to the May 2016 trading window.
3 Subsequent to 31 March 2016 and before the signing of this report, Mr Barnes tendered his resignation and as such his YEM15 STI deferred shares of 26,840 will lapse on his departure date.

14 Performance rights

Table 22: Executive KMP performance rights

	Number of performance rights				
	Balance 1 April 2015	Granted[1]	Vested[2]	Lapsed[3]	Balance 31 March 2016
Managing director – Rob Sindel	2,199,716	359,009	(798,497)	(304,423)	**1,455,805**
Chief financial officer – Greg Barnes[4]	617,743	97,432	(269,939)	(85,929)	**359,307**

1 The accounting value of Mr Sindel's and Mr Barnes' rights granted were $850,851 and $230,914 respectively.
2 The following rights vested to ordinary shares during the year ended 31 March 2016:
Mr Sindel: (a) YEM13 Tranche B (rights vested and shares awarded 399,248 on 28 May 2015). The value of each of these shares was $3.89, representing a total value to Mr Sindel of $1,553,075. (b) YEM13 Tranche A (rights vested and shares awarded 399,249 on 5 November 2015). The value of each of these shares was $2.92, representing a total value to Mr Sindel of $1,165,807.
Mr Barnes: (a) YEM13 Tranche B (rights vested and shares awarded 134,970 on 28 May 2015). The value of each of these shares was $3.89, representing a total value to Mr Barnes of $525,033. (b) YEM13 Tranche A (rights vested and shares awarded 134,969 on 5 November 2015). The value of each of these shares was $2.92, representing a total value to Mr Barnes of $394,109.
The rights vested do not include Tranche B (EPS) from the YEM14 PRP that were determined to have vested by the board subsequent to 31 March 2016 but prior to the date of this report. These approved rights represented 341,107 and 80,461 shares respectively for Mr Sindel and Mr Barnes.
3 Rights lapsed relate to the YEM11 and YEM12 PRP grants.
4 Subsequent to 31 March 2016 and before the signing of this report, Mr Barnes tendered his resignation and as such 278,847 performance rights will lapse on his departure date.

15 Shareholdings

Table 23: Executive KMP shareholdings

	Number of CSR shares[1]			
	Balance 1 April 2015	Acquired[2]	Sold or transferred	Balance 31 March 2016
Managing director – Rob Sindel	351,887	856,771	(392,088)	**816,570**
Chief financial officer – Greg Barnes	170,421	303,242	(204,969)	**268,694**

1 CSR shares in which the executive KMP has a beneficial interest, including shares held by the CSR share plan trustee for vested shares from the PRP and STI deferral plan, by the ESAP trustee or via their related parties. It also includes spouse shareholdings.
2 Represents shares allocated upon vesting of rights under the PRP, shares acquired under the STI deferral plan, shares acquired under the Dividend Reinvestment Plan (DRP) and shares acquired through ESAP or USOP as detailed earlier in this report. Mr Sindel's acquired shares include 798,497 shares issued on vesting of PRPs, 54,278 shares acquired under the STI deferral plan and 3,996 shares acquired under the DRP plan. Mr Barnes' acquired shares include 269,939 shares issued on vesting of PRPs, 26,840 shares acquired under the STI deferral plan, 5,082 shares acquired under the DRP plan and 1,381 shares acquired through ESAP.

Non-executive directors and other

16 Arrangements

Table 24: Non-executive director arrangements

Role	Annual fee for YEM16
Chairman base fees	$336,018
Other NED base fees (including one committee membership)	$134,407
Chairman of the Risk & Audit Committee	An additional $30,000
Chairman of the Remuneration & Human Resources Committee	An additional $20,000
Chairman of the Workplace Health, Safety & Environment Committee	An additional $20,000
Additional committee memberships	An additional $10,000 per additional committee (applies to NEDs other than the chairman)

All fees are exclusive of any Superannuation Guarantee Contribution (SGC). No retirement allowances are payable to NEDs. NEDs do not participate in the company's STI or LTI plans or receive any variable remuneration, but are able to forego fees for CSR shares under the ESAP. To further align NEDs' interests with those of shareholders, the company expects all NEDs to acquire a beneficial interest in CSR shares. Following benchmarking in YEM16, effective 1 April 2016 a 2.5% fee increase was applied to the chairman's base fees, other NED base fees and all committee fees.

17 Remuneration

Table 25: Non-executive directors' remuneration

Year ended 31 March		Directors' fees	Termination benefits	Superannuation	Total
Kathleen Conlon[1]	**YEM16**	**88,431**	–	**8,401**	**96,832**
	YEM15	150,810	–	14,233	165,043
Michael Ihlein	**YEM16**	**164,407**	–	**15,619**	**180,026**
	YEM15	160,810	–	15,176	175,986
Rebecca McGrath	**YEM16**	**154,407**	–	**14,669**	**169,076**
	YEM15	150,810	–	14,233	165,043
Matthew Quinn	**YEM16**	**156,324**	–	**14,851**	**171,175**
	YEM15	140,810	–	13,289	154,099
Jeremy Sutcliffe (chairman)[2]	**YEM16**	**348,763**	–	**19,177**	**367,940**
	YEM15	339,357	–	18,531	357,888
Penny Winn[3]	**YEM16**	**56,961**	–	**5,411**	**62,372**
	YEM15	–	–	–	–
Total non-executive directors	**YEM16**	**969,293**	–	**78,128**	**1,047,421**
	YEM15	942,597	–	75,462	1,018,059

1 Resigned 9 November 2015.
2 Effective 1 July 2014, Jeremy Sutcliffe's SGC was reduced from 9.5% of his base director's fees to the capped minimum SGC. His base fees increased by the difference between the employer's SGC requirement and the minimum SGC cap. The application of these arrangements continued in YEM16 consistent with any changes in SGC legislative requirements.
3 Appointed 9 November 2015.

18 Shareholdings

Table 26: Non-executive directors' shareholdings

	Number of CSR shares[1]				
	Balance 1 April 2015	Included in remuneration	Acquired	Sold or transferred	Balance 31 March 2016
Kathleen Conlon[2]	39,019	–	–	–	–
Michael Ihlein	56,976	–	1,381	–	**58,357**
Rebecca McGrath	27,483	–	7,958	–	**35,441**
Matthew Quinn	15,587	–	1,734	–	**17,321**
Jeremy Sutcliffe (chairman)	127,596	–	10,133	–	**137,729**
Penny Winn[3]	–	–	26,548	–	**26,548**

1 CSR shares in which the director has a beneficial interest, including shares held under the ESAP trust or via related parties.
2 Resigned 9 November 2015.
3 Appointed 9 November 2015.

19 Other transactions with KMP

There were no other transactions, including loans between CSR and KMP (including their related parties), during YEM15 and YEM16.

FINANCIAL REPORT

Statement of financial performance

$million	Note	2016	2015
Trading revenue – sale of goods	5	**2,298.8**	2,023.4
Cost of sales		(1,527.2)	(1,368.9)
Gross margin		**771.6**	654.5
Other income	5	31.2	39.2
Warehouse and distribution costs		(214.0)	(191.0)
Selling, administration and other operating costs		(324.8)	(278.3)
Share of net profit of joint venture entities	23	13.2	11.7
Other expenses		(25.2)	(25.5)
Profit before finance cost and income tax		**252.0**	210.6
Interest income	6	2.8	3.0
Finance cost	6	(21.1)	(20.7)
Profit before income tax		**233.7**	192.9
Income tax expense	7	(64.4)	(46.2)
Profit after tax		**169.3**	146.7
Profit after tax attributable to:			
Non-controlling interests	21	27.0	21.2
Shareholders of CSR Limited[1]		142.3	125.5
Profit after tax		**169.3**	146.7
Earnings per share attributable to shareholders of CSR Limited			
Basic (cents per share)	4	28.2	24.9
Diluted (cents per share)	4	28.0	24.6

1 Net profit before significant items attributable to shareholders of CSR Limited is $166.0 million (2015: $146.5 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	2016	2015
Profit after tax		169.3	146.7
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss			
Hedge profit recognised in equity		14.1	2.3
Hedge (profit) transferred to statement of financial performance	17	(0.9)	(10.7)
Share of (loss) gain on changes in fair value of cash flow hedges of joint venture entities	17	(0.5)	0.3
Exchange differences arising on translation of foreign operations	17	(1.9)	1.2
Income tax (expense) benefit relating to these items		(3.9)	2.6
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on superannuation defined benefit plans	25	20.9	(15.4)
Income tax (expense) benefit relating to these items	11	(6.2)	4.7
Other comprehensive income (expense) – net of tax		21.6	(15.0)
Total comprehensive income		190.9	131.7
Total comprehensive income attributable to:			
Non-controlling interests		31.6	19.2
Shareholders of CSR Limited		159.3	112.5
Total comprehensive income		190.9	131.7

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

Statement of financial position

$million	Note	2016	2015
Current assets			
Cash and cash equivalents		73.1	68.4
Receivables	9	319.6	268.7
Inventories	9	348.8	320.0
Other financial assets	18	32.7	30.4
Income tax receivable		0.5	12.3
Prepayments and other current assets		11.0	5.1
Total current assets		**785.7**	704.9
Non-current assets			
Receivables	29	51.3	51.4
Inventories	9	72.7	76.2
Investments accounted for using the equity method	23	61.0	63.3
Other financial assets	18	2.5	11.9
Property, plant and equipment	10	864.0	821.3
Goodwill	10	74.2	66.1
Other intangible assets	10	48.1	42.1
Deferred income tax assets	11	239.3	261.9
Other non-current assets	29	17.0	20.2
Total non-current assets		**1,430.1**	1,414.4
Total assets		**2,215.8**	2,119.3
Current liabilities			
Payables	9	260.6	236.8
Other financial liabilities	18	17.6	28.6
Tax payable		38.1	20.8
Provisions	12	172.5	180.1
Total current liabilities		**488.8**	466.3
Non-current liabilities			
Payables		18.9	16.3
Borrowings	14	2.2	–
Other financial liabilities	18	3.3	10.4
Provisions	12	351.2	366.4
Deferred income tax liabilities	11	20.9	18.7
Other non-current liabilities	25	13.3	35.2
Total non-current liabilities		**409.8**	447.0
Total liabilities		**898.6**	913.3
Net assets		**1,317.2**	1,206.0
Equity			
Issued capital	15	1,041.1	1,042.2
Reserves	17	15.8	17.1
Retained profits		127.0	86.4
Equity attributable to shareholders of CSR Limited		**1,183.9**	1,145.7
Non-controlling interests	21	133.3	60.3
Total equity		**1,317.2**	1,206.0

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 2015		1,042.2	17.1	86.4	1,145.7	60.3	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	15	(1.1)	–	–	(1.1)	–	(1.1)
Acquisition of treasury shares	17	–	(7.1)	–	(7.1)	–	(7.1)
Non-controlling interest on acquisition of subsidiary		–	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	15.8	127.0	**1,183.9**	133.3	**1,317.2**
Balance at 1 April 2014		1,042.2	19.9	39.9	1,102.0	55.2	1,157.2
Profit for the year		–	–	125.5	125.5	21.2	146.7
Total other comprehensive expense – net of tax		–	(2.3)	(10.7)	(13.0)	(2.0)	(15.0)
Dividends paid	16	–	–	(68.3)	(68.3)	(14.1)	(82.4)
Acquisition of treasury shares	17	–	(3.4)	–	(3.4)	–	(3.4)
Share-based payments – net of tax		–	2.9	–	2.9	–	2.9
Balance at 31 March 2015		1,042.2	17.1	86.4	1,145.7	60.3	1,206.0

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

Statement of cash flows

$million	Note	2016	2015
Cash flows from operating activities			
Receipts from customers		2,499.5	2,176.2
Payments to suppliers and employees		(2,246.4)	(1,952.1)
Dividends and distributions received	23	11.2	9.7
Interest received		2.5	3.0
Income tax paid		(14.6)	(2.5)
Net cash from operating activities		**252.2**	234.3
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets		(120.0)	(93.6)
Proceeds from sale of property, plant and equipment and other assets		71.2	93.5
Purchase of controlled entities and businesses, net of cash acquired	8	(19.3)	(38.1)
Costs associated with acquisition of businesses		(12.8)	(6.7)
Loans and receivables repaid (advanced)		0.1	(0.5)
Net cash used in investing activities		**(80.8)**	(45.4)
Cash flows from financing activities			
On-market share buy-back	15	(1.1)	–
Net repayment of borrowings		(10.4)	(34.4)
Dividends paid[1]		(144.9)	(82.4)
Acquisition of shares by CSR employee share trust		(7.1)	(3.4)
Interest and other finance costs paid		(3.2)	(6.6)
Net cash used in financing activities		**(166.7)**	(126.8)
Net increase in cash held		4.7	62.1
Net cash at the beginning of the financial year		68.4	5.9
Effects of exchange rate changes		–	0.4
Net cash at the end of the financial year		**73.1**	68.4
Reconciliation of net profit attributable to shareholders of CSR Limited to net cash from operating activities			
Net profit attributable to shareholders of CSR Limited		142.3	125.5
Net profit attributable to non-controlling interests		27.0	21.2
Depreciation and amortisation	5	83.2	77.8
Costs associated with acquisition of business		10.8	–
Finance cost net of discount unwind		8.8	7.6
Profit on disposal of assets	5	(26.1)	(35.4)
Net change in trade receivables		(26.2)	(27.2)
Net change in current inventories		1.0	(3.8)
Net change in trade payables		12.6	29.2
Movement in product liability provision		(16.3)	(18.4)
Net change in other provisions		(13.5)	5.4
Movement in current and deferred tax balances		48.1	43.7
Net change in other assets and liabilities		0.5	8.7
Net cash from operating activities		**252.2**	234.3

1 During the year ended 31 March 2016, within the $144.9 million of dividends paid, dividends to CSR Limited shareholders were $116.4 million. Of the $116.4 million in dividends, $9.8 million was used to purchase CSR shares on market to satisfy obligations under the Dividend Reinvestment Plan (DRP), and the remaining $106.6 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.

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) Class Order 98/100 issued 10 July 1998.

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 2015. 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.

Changes in estimates: CSR Limited changed its estimate of the discount rates used to calculate the present value of employee benefits in accordance with AASB 119 *Employee Benefits*. Government bond rates were previously used as the discount rate. From 1 April 2015, corporate bond rates, as assessed and published by independent actuarial firm Milliman, are publicly available for use by corporate companies, and are deemed to better represent market yields. The favourable impact of discounting employee benefits using corporate bond rates of $21.1 million was recognised in other comprehensive income in the year ended 31 March 2016, with no impact on the statement of financial performance.

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 joint venture and New Zealand Brick Distributors joint venture) and Roofing (Monier roofing).
Glass	The Glass business includes the operations of Viridian, 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. It also participates in a glass processing joint venture in New Zealand.
Aluminium	The Aluminium business unit relates to the CSR groups 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 2016, the CSR group's trading revenue from external customers in Australia amounted to $2,245.4 million (2015: $1,969.9 million), with $53.4 million (2015: $53.5 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 $1,085.6 million at 31 March 2016 (2015: $1,028.0 million), with $41.7 million (2015: $49.3 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	2016	2015	2016	2015	2016	2015	2016	2015
Building Products	1,466.8	1,211.2	214.9	161.0	45.8	40.1	169.1	120.9
Glass	301.3	279.3	17.9	12.8	9.8	9.7	8.1	3.1
Aluminium	530.7	532.9	131.0	131.5	26.9	27.2	104.1	104.3
Property	–	–	23.3	30.2	–	–	23.3	30.2
Segment total	**2,298.8**	2,023.4	**387.1**	335.5	**82.5**	77.0	**304.6**	258.5
Corporate[3]	–	–	(18.5)	(17.2)	0.7	0.8	(19.2)	(18.0)
Restructuring and provisions[4]	–	–	(8.6)	(5.1)	–	–	(8.6)	(5.1)
Total CSR group	**2,298.8**	2,023.4	**360.0**	313.2	**83.2**	77.8	**276.8**	235.4

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

$million	Note	2016	2015
Earnings before interest, tax and significant items		276.8	235.4
Net finance costs	6	(5.3)	(4.6)
Income tax expense		(73.4)	(63.1)
Profit after tax before significant items (before non-controlling interests)		**198.1**	167.7
Less: non-controlling interests		(32.1)	(21.2)
Profit after tax before significant items attributable to shareholders of CSR Limited		**166.0**	146.5
Significant items after tax attributable to shareholders of CSR Limited	3	(23.7)	(21.0)
Profit after tax attributable to shareholders of CSR Limited		**142.3**	125.5

	Funds employed ($million)[5]		Return on funds employed (%)[6]	
Business segment	As at 31 March 2016	As at 31 March 2015	As at 31 March 2016	As at 31 March 2015
Building Products	903.7	823.6	19.6%	15.0%
Glass	208.4	181.0	4.1%	1.7%
Aluminium	167.2	177.1	60.5%	55.4%
Property	133.0	125.5	18.1%	23.2%
Segment total	**1,412.3**	1,307.2	–	–
Corporate	(18.1)	(29.1)	–	–
Total CSR group	**1,394.2**	1,278.1	**20.7%**	18.4%

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 2016 is calculated as net assets of $1,317.2 million (2015: $1,206.0 million), excluding the following assets: cash of $73.1 million (2015: $68.4 million), net tax assets of $180.8 million (2015: $234.7 million), net financial assets of $14.3 million (2015: $3.3 million) and interest receivable of $0.5 million (2015: $0.7 million). In addition, the following liabilities have been excluded from funds employed: asbestos product liability provision of $334.5 million (2015: $350.7 million), net superannuation liabilities of $9.0 million (2015: $28.5 million) and borrowings of $2.2 million (2015: $nil).
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.

3 Significant items

$million	2016	2015
Legal disputes, warranties and remediation[1]	–	(14.2)
Transaction and integration costs[2]	(21.5)	(4.1)
Other restructuring costs[3]	(3.3)	(6.5)
Significant items before finance cost and income tax	**(24.8)**	(24.8)
Discount unwind and hedge loss relating to product liability provision	(12.6)	(12.7)
Transaction costs included in finance cost	(0.4)	(0.4)
Significant items before income tax	**(37.8)**	(37.9)
Income tax benefit on significant items	9.0	16.9
Significant items after tax	**(28.8)**	(21.0)
Significant items attributable to non-controlling interests	5.1	–
Significant items attributable to shareholders of CSR Limited	**(23.7)**	(21.0)
Net profit attributable to shareholders of CSR Limited	142.3	125.5
Significant items attributable to shareholders of CSR Limited	23.7	21.0
Net profit before significant items attributable to shareholders of CSR Limited	**166.0**	146.5
Earnings per share attributable to shareholders of CSR Limited before significant items[4]		
Basic (cents per share)	32.9	29.1
Diluted (cents per share)	32.7	28.7

1 During the financial year ended 31 March 2015, the CSR group recorded a charge of $14.2 million as a result of the remeasurement of provisions in relation to legal disputes and land remediation obligations as well as sundry asset write offs for some legacy factory sites.
2 During the financial years ended 31 March 2016 and 31 March 2015, the CSR group incurred costs associated with potential and completed acquisitions, including integration costs relating to Boral CSR Bricks Pty Limited which was formed on 1 May 2015 (refer note 8). In addition, adjustments were recorded as a result of the fair value re-measurement of contingent consideration on previous acquisitions.
3 During the financial years ended 31 March 2016 and 31 March 2015, restructuring and relocation programs took place across Building Products to align the business cost base with current market conditions and secure ongoing efficiencies.
4 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

	2016	2015
Profit after tax attributable to shareholders of CSR Limited ($million)	142.3	125.5
Weighted average number of ordinary shares used in the calculation of basic EPS (million)[1]	504.6	504.2
Weighted average number of ordinary shares used in the calculation of diluted EPS (million)[2]	508.0	509.7
Basic EPS (cents per share)	28.2	24.9
Diluted EPS (cents per share)	28.0	24.6

1 Calculated by reducing the total weighted average number of shares on issue of 506.0 million (2015: 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 1,371,255 (2015: 1,810,451).
2 Calculated by increasing the weighted average number of shares used in calculating basic EPS by outstanding performance rights of 3,372,155 (2015: 5,461,743). 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	2016	2015
Trading revenue		2,298.8	2,023.4
Other income			
Net gain on disposal of assets		26.1	35.4
Other		5.1	3.8
Expenses			
Significant items	3	24.8	24.8
Employee benefits expense		523.6	454.6
Operating lease expense		58.5	54.0
Depreciation	10	78.2	73.7
Amortisation	10	5.0	4.1

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
  - collectibility 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 cost

$million	Note	2016	2015
Interest expense and funding costs		4.1	6.4
Discount unwind and hedge loss relating to product liability provision		12.6	12.7
Discount unwind of other non-current liabilities		1.4	1.5
Foreign exchange loss		3.0	0.1
Finance cost		**21.1**	20.7
Interest income		(2.8)	(3.0)
Net finance cost		**18.3**	17.7
Finance cost included in significant items	3	(13.0)	(13.1)
Net finance cost before significant items		5.3	4.6

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	2016	2015
Profit before income tax		**233.7**	192.9
Income tax expense calculated at 30%		**70.1**	57.9
(Decrease) increase in income tax expense due to:			
Share of net profit of joint venture entities and rebates on dividend income		(3.7)	(3.1)
Non-taxable profit on property disposals		(5.9)	(5.0)
Non-deductible expenditure and other[1]		3.0	(4.2)
Income tax under provided in prior years		0.9	0.6
Total income tax expense on profit		**64.4**	46.2
Comprising of:			
Current tax expense		45.7	36.3
Deferred tax expense relating to movements in deferred tax balances	11	18.7	9.9
Total income tax expense on profit		**64.4**	46.2

1 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 2016 the following data for the CSR Limited tax consolidated group and Gove Aluminium Finance Pty Limited in relation to the 2015 tax year:

Entity	Total revenue ($million)	Taxable income ($million)	Tax payable ($million)
CSR Limited (ABN: 90 000 001 276)	1,850.6	Nil	Nil
Gove Aluminium Finance Limited (ABN: 45 001 860 073)	546.2	122.1	33.2

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

Boral CSR Bricks 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 has been finalised at 31 March 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	20.4
Inventories	30.6
Property, plant and equipment	50.2
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 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.

8 Business combinations (continued)

ii) Prior year

Architectural Framework Systems (AFS)

The CSR group acquired 100% of Architectural Framework Systems (AFS) on 2 April 2014 (Building Products segment). AFS is a leader in permanent formwork walling solutions for the construction industry.

The primary reason for the acquisition was to continue CSR's growth in the Building Products segment.

The accounting for this acquisition was finalised during the year ended 31 March 2015. Details of the purchase consideration and the fair value of assets and liabilities acquired are given below.

	Note	$million
Consideration		
Cash paid	(a)	36.7
Contingent consideration	(b)	12.4
Total consideration		**49.1**
Assets acquired and liabilities assumed		
Trade and other receivables		5.2
Inventories		2.3
Property, plant and equipment		8.3
Intangible assets		7.0
Trade and other payables		(6.8)
Provisions		(0.7)
Deferred tax liabilities		(1.5)
Fair value of net assets acquired		**13.8**
Goodwill arising on acquisition		**35.3**
Total consideration		**49.1**

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

Outflow of cash – investing activities	$million
Outflow of cash to acquire subsidiaries, net of cash acquired	36.7

Acquisition related costs expensed were $1.8 million.

(b) Contingent earn-out

In the event that certain pre-determined earnings measures were achieved by the subsidiary for each of the years ended 31 March 2015 and 31 March 2017 ('2017 earn-out period'), additional consideration would be payable in cash 60 days after each of the reporting periods. There was no limit to the maximum amount payable.

Earnings measures were met for the year ended 31 March 2015 resulting in the payment of $1.3 million in deferred consideration.

During the year ended 31 March 2016, the contingent consideration in relation to the 2017 earn-out period was remeasured to $14.6 million by calculating the present value of the future expected cash flows.

Consequently for the year ended 31 March 2016, total consideration in relation to the acquisition is $52.6 million consisting of:

- Cash consideration at acquisition date ($36.7 million);
- 2015 deferred consideration ($1.3 million); and
- 2017 deferred consideration ($14.6 million).

Other acquisitions during the prior year

During the year ended 31 March 2015, two trade centres were acquired by the Building Products segment, with total cash consideration paid of $1.4 million and goodwill of $0.6 million arising in relation to the acquisitions.

Balance sheet items

9 Working capital

i) Current receivables

$million	2016	2015
Trade receivables	289.0	240.7
Allowance for doubtful debts	(8.9)	(6.0)
Net trade receivables	**280.1**	234.7
Loans to joint ventures	–	0.2
Property debtors[1]	19.1	16.9
Other loans and receivables	20.4	16.9
Total current receivables	**319.6**	268.7
Ageing		
Past due 0-60 days – not impaired	7.7	7.9
Past due >60 days – not impaired	–	–
Past due >60 days – impaired	8.9	6.0
Movement in allowance for doubtful debts		
Opening balance	(6.0)	(5.5)
Trade debts written off	2.6	3.5
Trade debts provided	(5.5)	(4.0)
Closing balance	**(8.9)**	(6.0)

1 Includes no amounts past due.

ii) Inventories

$million	2016	2015
Current		
Raw materials and stores	92.1	83.0
Work in progress	18.8	13.6
Finished goods	199.2	183.9
Land development projects	38.7	39.5
Total current inventories[2]	**348.8**	320.0
Non-current		
Land development projects	72.7	76.2
Total non-current inventories	**72.7**	76.2

2 Write-down of inventories recognised as an expense for the year ended 31 March 2016 totalled $6.6 million (2015: $2.3 million).

iii) Current payables

$million	2016	2015
Trade payables	227.1	202.1
Other payables	33.5	34.7
Total current payables	**260.6**	236.8

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	2016	2015	2016	2015	2016	2015
Cost or written down value		393.4	358.0	1,392.7	1,323.3	1,786.1	1,681.3
Accumulated depreciation		(87.0)	(76.5)	(835.1)	(783.5)	(922.1)	(860.0)
Net carrying amount		**306.4**	281.5	**557.6**	539.8	**864.0**	821.3
Net carrying amount at 1 April		281.5	284.7	539.8	557.6	821.3	842.3
Capital expenditure		1.3	6.2	64.9	43.3	66.2	49.5
Disposed		(0.1)	(5.0)	(1.2)	(1.5)	(1.3)	(6.5)
Depreciation	5	(11.3)	(11.2)	(66.9)	(62.5)	(78.2)	(73.7)
Exchange differences		(0.2)	0.1	(0.2)	0.2	(0.4)	0.3
Reclassifications		2.9	0.8	(2.9)	(0.8)	–	–
Acquisitions through business combinations		27.2	4.2	27.0	4.1	54.2	8.3
Transferred to intangible assets	10ii)	–	–	(2.1)	(0.6)	(2.1)	(0.6)
Transferred from (to) inventories and other assets		5.1	1.7	(0.8)	–	4.3	1.7
Balance at 31 March		**306.4**	281.5	**557.6**	539.8	**864.0**	821.3

ii) Goodwill and other intangible assets

		Goodwill		Software		Other		Total other intangible assets	
$million	Note	2016	2015	2016	2015	2016	2015	2016	2015
Cost		74.2	66.1	82.2	77.6	49.4	43.6	131.6	121.2
Accumulated amortisation		–	–	(66.5)	(63.9)	(17.0)	(15.2)	(83.5)	(79.1)
Net carrying amount		**74.2**	66.1	**15.7**	13.7	**32.4**	28.4	**48.1**	42.1
Net carrying amount at 1 April		66.1	29.2	13.7	10.8	28.4	20.6	42.1	31.4
Capital expenditure		–	–	6.6	5.4	–	1.7	6.6	7.1
Amortisation	5	–	–	(3.2)	(2.7)	(1.8)	(1.4)	(5.0)	(4.1)
Exchange differences		(0.8)	0.5	–	–	(0.2)	0.1	(0.2)	0.1
Acquisitions through business combinations	8	8.9	36.4	–	–	2.5	7.0	2.5	7.0
Transferred from property, plant and equipment	10i)	–	–	1.1	0.2	1.0	0.4	2.1	0.6
Transferred from software to other intangibles		–	–	(2.5)	–	2.5	–	–	–
Balance at 31 March		**74.2**	66.1	**15.7**	13.7	**32.4**	28.4	**48.1**	42.1

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 (2015: $19.3 million) that have an indefinite life are assessed for recoverability when there is an indication of impairment. 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.
- **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.

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

Recognition and measurement (continued)

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 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 26 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: $66.8 million (2015: $66.1 million) and Glass segment: $7.4 million (2015: $nil). 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 ten years, and a valuation calculated using a post-tax annual discount rate of 10.2% for all segments other than Aluminium which uses 12.2% (2015: 10.2% for all segments other than Aluminium which was 12.2%). A terminal value is used from year eleven onwards including an annual growth rate, which was 2.5% in the year ended 31 March 2016 (2015: 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 ten applying averaging assumptions to ensure cash flows in year ten 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.

11 Net deferred income tax assets

$million	2016	2015
Total deferred income tax assets arising on temporary differences[1]	133.6	146.3
Tax losses – revenue recorded as asset	84.8	96.9
Total net deferred income tax assets	**218.4**	243.2
As disclosed in the statement of financial position:		
Deferred income tax assets	239.3	261.9
Deferred income tax liabilities	(20.9)	(18.7)
Total net deferred income tax assets	**218.4**	243.2

1 Includes temporary differences recorded as an asset of $154.5 million (31 March 2015: $165.0 million) and temporary differences recorded as a liability of $20.9 million (31 March 2015: $18.7 million).

11 Net deferred income tax assets (continued)

Movement in deferred income tax assets

$million	Opening balance	Credited (charged) to profit or loss	Credited (charged) to equity	Other (including transfers)[1]	Closing balance
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**
2015					
Property, plant and equipment	(1.2)	(5.5)	–	1.3	(5.4)
Superannuation defined benefit plans	4.0	(0.1)	4.7	–	8.6
Product liability provision	110.7	(5.5)	–	–	105.2
Employee benefits provisions	28.0	3.0	–	0.1	31.1
Other provisions	25.3	(0.8)	–	0.2	24.7
Spares and stores	(12.0)	(1.5)	–	–	(13.5)
Fair value of hedges	(3.3)	–	2.5	–	(0.8)
Other individually insignificant balances	(11.3)	8.7	(0.2)	(0.8)	(3.6)
Tax losses	107.4	(8.2)	–	(2.3)	96.9
Total net deferred income tax assets	247.6	(9.9)	7.0	(1.5)	243.2

1 For the year ended 31 March 2016, the movement of $4.5 million in 'other' relates to net deferred tax assets recognised on the formation of Boral CSR Bricks Pty Limited, and other acquisitions during the year. For the year ended 31 March 2015, the movement of $1.5 million relates to net deferred tax liabilities recognised on the acquisition of Architectural Framework Systems. 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 $84.8 million (2015: $96.9 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	2015	Acquired through business combination	Recognised/ remeasured	Settled/ transferred	Discount unwind	2016
Current						
Employee benefits	97.8	7.2	47.4	(46.5)	–	105.9
Restructure and rationalisation	11.1	–	5.2	(8.6)	–	7.7
Product liability	28.0	–	25.6	(27.6)	–	26.0
Restoration and environmental rehabilitation	17.3	0.4	–	(8.2)	–	9.5
Uninsured losses and future claims	5.7	–	8.4	(8.6)	–	5.5
Other[1]	20.2	–	7.4	(9.7)	–	17.9
Total current provisions	180.1	7.6	94.0	(109.2)	–	**172.5**
Non-current						
Employee benefits	6.3	0.9	1.4	(1.1)	–	7.5
Product liability	322.7	–	(25.6)	–	11.4	308.5
Restoration and environmental rehabilitation	1.0	–	–	–	–	1.0
Uninsured losses and future claims	23.5	–	–	(1.1)	0.7	23.1
Other[1]	12.9	–	–	(2.1)	0.3	11.1
Total non-current provisions	366.4	0.9	(24.2)	(4.3)	12.4	**351.2**

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 2016, there were 362 such claims pending.

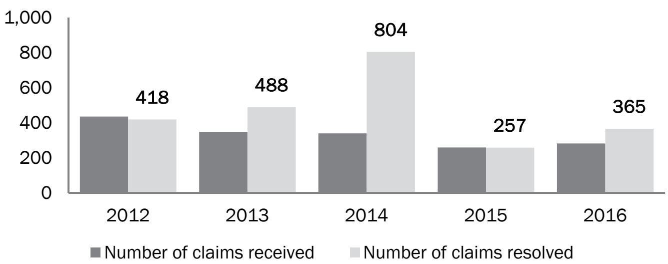
In the United States, claims are made by people who allege exposure to asbestos fibre used in the manufacture of products containing asbestos or in the installation or use of those products. As at 31 March 2016, there were 577 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2016, CSR had resolved approximately 4,100 claims in Australia and approximately 137,200 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				
	2012	2013	2014	2015	2016
Number of claims received	435	347	339	258	281
Number of claims resolved	418	488	804	257	365
Amount spent on settlements (A$ million)[1]	34.7	31.0	29.2	25.0	21.9
Average cost per resolved claim (A$)	83,067	63,553	36,411	97,276	59,980

1 Excludes external legal costs, net of insurance 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 2016 the central estimate was A$157.1 million calculated using a discount rate of 4.5%. On an undiscounted and inflated basis that central estimate would be A$232.0 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 2016, the base case estimate was US$86.0 million calculated using a discount rate of 3.5%. On an undiscounted and inflated basis that base case estimate would be US$107.3 million over the anticipated further life of the United States liability (40 years).

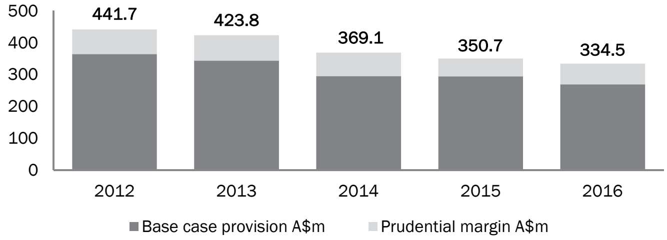
The product liability provision is determined every six months by aggregating the Australian and United States estimates noted above, translating the United States base case estimate to Australian dollars using the exchange rate prevailing at the balance date and adding a prudential margin. The prudential 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 2016, a provision of $334.5 million (31 March 2015: $350.7 million) has been made for all known claims and reasonably foreseeable future claims, and includes a prudential margin of $65.2 million (31 March 2015: $56.5 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 2016 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 over state 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 2012 to the year ended 31 March 2016 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

$million	Year ended 31 March				
	2012	2013	2014	2015	2016
United States base case estimate US$	199.2	194.0	123.5	104.9	86.0
United States base case estimate A$	191.8	185.8	133.5	137.0	112.2
Australian central estimate A$	172.7	158.3	161.8	157.2	157.1
Subtotal A$	364.5	344.1	295.3	294.2	269.3
Prudential margin A$	77.2	79.7	73.8	56.5	65.2
Prudential margin %	*21.2%*	*23.2%*	*25.0%*	*19.2%*	*24.2%*
Total product liability provision A$	**441.7**	**423.8**	**369.1**	**350.7**	**334.5**

Capital structure and risk management

14 Borrowings and credit facilities

i) Borrowings

$million	2016	2015
Non-current borrowings – unsecured[1]	2.2	–

1 Of the $2.2 million in borrowings at 31 March 2016 (2015: $nil), $1.6 million relates to loans held by Boral CSR Bricks Pty Limited (BCB) and matures on 1 May 2018. This facility is payable to Boral Limited and arose as part of the formation of BCB (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 2015: $382.0 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 2016, $325.0 million of the standby facilities were undrawn.

15 Issued capital

	Ordinary shares fully paid[1]	Issued capital $million
On issue 31 March 2015	506,000,315	1,042.2
On-market share buy-back - net of transaction costs	(300,000)	(1.1)
On issue 31 March 2016	**505,700,315**	**1,041.1**

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 2016 and 31 March 2015 under employee share plans as shares in respect of the plans were acquired on market. During the years ended 31 March 2016 and 31 March 2015, 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 2016 are $2.10 (2015: $2.05). Net tangible assets per share is calculated as net assets attributable to CSR Limited shareholders of $1,183.9 million (2015: $1,145.7 million) less intangible assets of $122.3 million (2015: $108.2 million) divided by the number of issued ordinary shares of 505.7 million (2015: 506.0 million).

Share buy-back

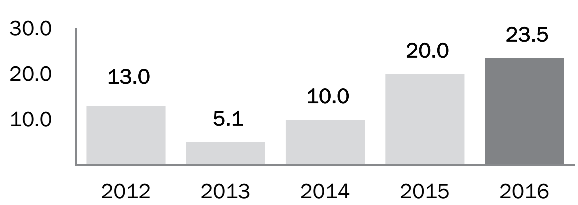
During the year ended 31 March 2016, the company announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back of up to $150 million.The share buy-back commenced on 21 March 2016 and will continue over the financial years ending 31 March 2017 and 31 March 2018.

16 Dividends and franking credits

i) Dividends

Type of dividend (unfranked)	Cents per share	Total amount $million	Date paid/payable
2014 Final	5.0	25.3	8 July 2014
2015 Interim	8.5	43.0	16 December 2014
2015 Final	11.5	58.2	7 July 2015
2016 Interim	11.5	58.2	15 December 2015
2016 Final[1]	12.0	60.7	5 July 2016

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



1 The final dividend for the financial year ended 31 March 2016 has not been recognised in this financial report because it was resolved to be paid after 31 March 2016. The amounts disclosed as recognised in 2016 are the final dividend in respect of the financial year ended 31 March 2015 and the interim dividend in respect of the financial year ended 31 March 2016.

ii) Franking credits

$million	2016	2015
Franking account balance on a tax paid basis[1]	8.3	0.4

1 The final dividend recommended after 31 March 2016 will not impact the franking account balance as the dividend is unfranked.

17 Reserves

$million	Hedge reserve	Foreign currency translation reserve	Employee share reserve	Share based payment trust reserve	Other	Total
Balance at 1 April 2015	2.5	(3.2)	24.5	(3.4)	(3.3)	17.1
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	(5.1)	27.5	(10.5)	(2.8)	**15.8**
Balance at 1 April 2014	6.0	(4.4)	21.6	–	(3.3)	19.9
Hedge profit recognised in equity	2.0	–	–	–	–	2.0
Hedge profit transferred to the statement of financial performance	(7.5)	–	–	–	–	(7.5)
Translation of foreign operations	–	1.2	–	–	–	1.2
Share of gain on changes in fair value of cash flow hedges of joint venture entities	0.3	–	–	–	–	0.3
Income tax benefit related to other comprehensive income	1.7	–	–	–	–	1.7
Share based payments expense	–	–	3.2	–	–	3.2
Income tax expense related to share based payments expense	–	–	(0.3)	–	–	(0.3)
Acquisition of treasury shares	–	–	–	(3.4)	–	(3.4)
Balance at 31 March 2015	2.5	(3.2)	24.5	(3.4)	(3.3)	17.1

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 the foreign controlled entity 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	2016	2015
Opening balance	1,457,775	2,015,257
Acquisition of shares by the Trust (average price of $3.31 (2015: $3.70) per share)	2,145,000	920,000
Issue of shares under executive incentive plans	(2,613,022)	(1,477,482)
Closing balance	**989,753**	1,457,775

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 2016 and 31 March 2015.

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 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
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
2015				
Current payables	236.8	–	–	236.8
Non-current other payables	–	16.3	–	16.3
Foreign currency financial instruments[1]	28.6	10.9	–	39.5
Total	265.4	27.2	–	292.6

1 Settlement of 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 2016, the average of the daily LME cash price was US$1,511 per tonne and the average Platts mid-point physical premium was US$168.75 per tonne. The LME price component represented 90% 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	Total	Asset	Liability
2016					
Aluminium commodity swaps[1,2]	143.6	24.4	168.0	25.5	(0.2)
2015					
Aluminium commodity swaps[1,2]	213.8	97.7	311.5	37.2	–

1 The average price in US dollars per metric tonne at 31 March 2016 was $1,814.2 (2015: $2,064.9). The average price for the individual periods does not materially differ from the overall average price disclosed.
2 $25.3 million net of commodity contract gains (2015: $37.2 million net gains) were deferred in 2016 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 2016 is one year or less: $23.5 million gain (2015: $25.6 million gain); one to three years: $1.8 million gain (2015: $11.6 million gain).

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 2016, would result in a decrease in other equity before tax of $14.1 million (2015: $27.3 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 to 3 years	3 to 5 years	Total	Liability
2016				
Oil commodity swaps[1,2]	10.5	10.3	20.8	(3.3)
2015				
Oil commodity swaps[1,2]	–	–	–	–

1 The average price in AUD dollars per barrel at 31 March 2016 was $82.8 (2015: $nil). The average price for the individual periods does not materially differ from the overall average price disclosed.
2 $3.3 million net of commodity contract losses (2015: $nil) were deferred in 2016 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 2016 is one to three years: $2.0 million loss (2015: $nil); three to five years: $1.3 million loss (2015: $nil).

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 2016, would result in an increase in other equity before tax of $1.6 million (2015: $nil). 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 cash balance (net of bank overdraft) of $73.1 million (2015: $68.4 million). The carrying amount of the asset is the same as the fair value and the maturity profile is less than 1 year. The average interest rate on cash balances for the year was 0.95% (average 2015 rate: 1.23% per annum).

At 31 March 2016, 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 $0.9 million higher/lower (2015: $0.4 million higher/lower), mainly as a result of higher interest income on cash 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 2016, 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 $9.7 million higher/$10.3 million lower (2015: $28.5 million higher/$34.8 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
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)
2015						
US dollar - buy	0.84	41.8	2.0	43.8	4.5	–
US dollar - sell	0.87	206.8	88.3	295.1	0.1	(37.6)
NZ dollar - buy	1.08	18.5	0.7	19.2	0.5	–
NZ dollar - sell	1.04	73.6	10.5	84.1	–	(1.1)
Euro - buy	0.68	6.4	–	6.4	–	(0.3)
Euro - sell	0.71	1.5	–	1.5	–	–
Total					5.1	(39.0)

1 $6.4 million of net foreign exchange contract losses (2015: $34.6 million loss) 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 2016 is one year or less: $7.3 million loss (2015: $24.7 million loss); and one to three years: $0.9 million gain (2015: $9.9 million loss).
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 (2016: $2.2 million, 2015: $nil), 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:

	2016	2015
$million	Level 2	Level 2
Financial assets at fair value		
Commodity swaps - aluminium	25.5	37.2
Forward exchange rate contracts	9.7	5.1
Total	**35.2**	42.3
Financial liabilities at fair value		
Commodity swaps - aluminium	0.2	–
Commodity swaps - oil	3.3	–
Forward exchange rate contracts	17.4	39.0
Total	**20.9**	39.0

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 2016 and no transfers in either direction in 2015.

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 2016 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	2016	2015	2016	2015	2016	2015
Notional amount	71,000 tonnes	115,500 tonnes	172.2	233.4	97.4	33.7
Carrying amount:						
Asset	25.5	37.2	7.2	–	0.9	1.9
Liability	0.2	–	9.2	35.8	5.3	0.6
Changes in value of instrument used for calculating hedge ineffectiveness – gain (loss)	25.3	37.2	(2.0)	(35.8)	(4.4)	1.3

1 The CSR group has insignificant hedging relationships in oil commodity swaps.
2 $23.7 million (2015: $25.6 million) of the carrying amount of Aluminium commodity swaps are disclosed within current other financial assets and $1.8 million (2015: $11.6 million) within non-current other financial assets. $0.2 million (2015: $nil) of Aluminium commodity swaps are disclosed within current other financial liabilities.
3 $6.3 million (2015: $nil) of the carrying amount of forward currency contracts are disclosed within current other financial assets and $0.9 million (2015: $nil) within non-current other financial assets. $9.2 million (2015: $25.7 million) of the carrying amount of forward currency contracts are disclosed within current other financial liabilities and $nil (2015: $10.1 million) within non-current other financial liabilities.
4 $0.9 million (2015: $1.7 million) of the carrying amount of forward currency contracts are disclosed within current other financial assets and $nil (2015: $0.2 million) as non-current other financial assets. $5.3 million (2015: $0.6 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 2016 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	2016	2015	2016	2015	2016	2015
Changes in value of hedged item used for calculating hedge ineffectiveness – gain (loss)	(25.6)	(37.3)	2.0	36.0	4.4	(1.3)
Cash flow hedge reserve (continuing hedges) – gain (loss)	25.3	37.2	(2.0)	(35.8)	(4.4)	1.3

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	2016	2015	2016	2015	2016	2015
Hedge gain (loss) recognised in other comprehensive income[1]	14.0	36.7	8.0	(35.9)	(4.6)	1.2
Gain (loss) reclassified from other comprehensive income to profit or loss before tax[2]	25.7	5.7	(25.9)	4.9	1.1	(0.1)
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 $17.4 million gain (2015: $2.0 million gain) together with the $3.3 million loss (2015: $nil) on oil swaps less non-controlling interests of $6.5 million gain (2015: $nil) 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 $0.9 million gain (2015: $10.5 million gain) less non-controlling interests of $nil (2015: $3.0 million gain) reconciles to the hedge gain (loss) transferred to statement of financial performance in Note 17.

Group structure

19 Subsidiaries

Entity	% CSR ownership 2016	% CSR ownership 2015	Entity	% CSR ownership 2016	% CSR ownership 2015
Incorporated in Australia			**Incorporated in Australia (continued)**		
A-Jacks Hardwall Plaster Pty Limited	100	–	CSR Viridian Properties Pty Limited	100	100
A-Jacks Unit Trust	100	–	CSR-ER Nominees Pty Limited	100	100
AFS Systems Pty Limited	100	100	DMS Security Glass Pty Limited	100	100
AFS Unit Trust	100	100	Don Mathieson & Staff Glass Pty Limited	100	100
BI (Contracting) Pty Ltd	100	100	Farley & Lewers Pty Ltd[3]	–	100
Boral CSR Bricks Pty Limited[1]	60	100	FEP Concrete Pty Ltd[3]	–	100
Bradford Energy Finance Pty Limited	100	100	Gove Aluminium Finance Ltd	70	70
Bradford Insulation Industries Pty Ltd	100	100	Gyprock Holdings Pty Ltd[3]	–	100
Bradford Insulation (SA) Pty Ltd[2]	100	100	Midalco Pty Ltd	100	100
Bricks Australia Services Pty Ltd[4]	100	100	Monier PGH Superannuation Pty Limited	100	100
Buchanan Borehole Collieries Pty Ltd	100	100	PASS Pty Limited	100	100
CSR Building Products Ltd[4]	100	100	Rediwall Unit Trust	100	100
CSR Developments Pty Ltd	100	100	Rivarol Pty Limited[4]	100	100
CSR Erskine Park Trust	100	100	SA Independent Glass Pty Limited	100	100
CSR Finance Ltd[4]	100	100	Seltsam Pty Ltd	100	100
CSR Industrial Property Trust	100	100	Softwood Holdings Ltd[2]	100	100
CSR Industrial Property Nominees No 1 Pty Ltd	100	100	Softwood Plantations Pty Ltd[2]	100	100
CSR Industrial Property Nominees No 2 Pty Ltd	100	100	Softwoods Queensland Pty Ltd[2]	100	100
CSR International Pty Ltd	100	100	Thiess Bros Pty Ltd	100	100
CSR Investments Pty Ltd[4]	100	100	Thiess Holdings Pty Ltd	100	100
CSR Investments (Asia) Pty Ltd	100	100			
CSR Investments (Indonesia) Pty Ltd	100	100	**Incorporated in New Zealand**		
CSR Investments (Thailand) Pty Ltd[3]	–	100	CSR Building Products (NZ) Ltd	100	100
CSR Martini Pty Ltd	70	70	CSR Viridian (New Zealand) Holdings Limited	100	100
CSR Share Plan Pty Ltd	100	100	CSR Viridian (New Zealand) Limited	100	100
CSR Structural Systems Pty Limited[4]	100	100			
CSR Viridian Finance Pty Ltd[4]	100	100	**Incorporated in other countries**		
CSR Viridian Holdings Limited[4]	100	100	CSR Guangdong Glasswool Co., Ltd (China)	79	79
CSR Viridian International Pty Limited	100	100	CSR (Guangdong) Rockwool Co., Ltd[2] (China)	100	100
CSR Viridian Investment Company Pty Limited	100	100	CSR Insurance Pte Limited (Singapore)	100	100
CSR Viridian Limited[4]	100	100	PT Prima Karya Plasterboard (Indonesia)	100	100
CSR Viridian Operations Pty Limited	100	100			

1 From 1 May 2015, CSR group's ownership in Boral CSR Bricks Pty Limited is 60% representing CSR's respective contribution of assets and liabilities into the new operating entity. See note 8 for further detail.
2 In members voluntary liquidation.
3 Deregistered during the year ended 31 March 2016.
4 These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by ASIC. For further information refer note 20.

20 Deed of cross guarantee

CSR Limited, Bricks Australia Services Pty Ltd, CSR Building Products Ltd, CSR Finance Ltd, CSR Investments Pty Ltd, CSR Structural Systems Pty Limited, CSR Viridian Finance Pty Ltd, CSR Viridian Holdings Limited, CSR Viridian Limited and Rivarol Pty Limited are parties to a deed of cross guarantee 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 Class Order 98/1418 (as amended) issued by the ASIC.

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

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 2016 and 31 March 2015 of the closed group.

20 Deed of cross guarantee (continued)

i) Consolidated statement of financial performance

$million	2016	2015
Trading revenue – sale of goods	**2,009.3**	2,023.4
Cost of sales	(1,351.3)	(1,368.9)
Gross margin	**658.0**	654.5
Other income	31.2	37.3
Warehouse and distribution costs	(177.0)	(191.0)
Selling, administration and other operating costs	(287.4)	(278.2)
Share of net profit of joint venture entities	13.2	11.7
Other expenses	(8.4)	(25.5)
Profit before finance cost and income tax	**229.6**	208.8
Interest income	2.6	2.9
Finance cost	(19.6)	(20.4)
Profit before income tax	**212.6**	191.3
Income tax expense	(57.4)	(46.1)
Profit after tax	**155.2**	145.2
Profit after tax attributable to:		
Non-controlling interests	21.6	21.2
Shareholders of the closed group	133.6	124.0
Profit after tax	**155.2**	145.2

ii) Consolidated statement of comprehensive income

$million	2016	2015
Profit after tax	**155.2**	145.2
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss		
Hedge profit recognised in equity	14.1	2.3
Hedge profit transferred to profit or loss	(0.9)	(10.7)
Share of (loss) gain on changes in fair value of cash flow hedges of joint ventures	(0.5)	0.3
Exchange differences arising on translation of foreign operations	(1.9)	1.2
Income tax (expense) benefit relating to these items	(3.9)	2.6
Items that will not be reclassified to profit or loss		
Actuarial gain (loss) on superannuation defined benefit plans	20.9	(15.4)
Income tax (expense) benefit relating to these items	(6.2)	4.7
Other comprehensive income (expense) – net of tax	21.6	(15.0)
Total comprehensive income	**176.8**	130.2
Total comprehensive income attributable to:		
Non-controlling interests	17.4	19.0
Shareholders of the closed group	159.4	111.2
Total comprehensive income	**176.8**	130.2

iii) Summary of movements in consolidated retained profits

$million	2016	2015
Opening retained profits	124.6	79.6
Profit for the year	133.6	124.0
Actuarial gain (loss) on superannuation defined benefit plans (net of tax)	14.7	(10.7)
Dividends provided for or paid	(116.4)	(68.3)
Closing retained profits	**156.5**	124.6

20 Deed of cross guarantee (continued)

iv) Consolidated statement of financial position

$million	2016	2015
Current assets		
Cash and cash equivalents	68.0	68.3
Receivables	305.9	267.3
Inventories	269.6	320.6
Other financial assets	32.7	30.4
Income tax receivable	0.5	12.3
Prepayments and other current assets	9.6	5.1
Total current assets	**686.3**	704.0
Non-current assets		
Receivables	126.7	127.5
Inventories	72.7	76.2
Investments accounted for using the equity method	70.3	63.3
Other financial assets	108.1	11.9
Property, plant and equipment	729.2	821.3
Goodwill	70.2	66.1
Other intangible assets	45.4	42.1
Deferred income tax assets	230.8	261.7
Other non-current assets	17.0	20.2
Total non-current assets	**1,470.4**	1,490.3
Total assets	**2,156.7**	2,194.3
Current liabilities		
Payables	291.2	275.8
Other financial liabilities	17.6	28.6
Tax payable	29.1	20.7
Provisions	151.7	180.1
Total current liabilities	**489.6**	505.2
Non-current liabilities		
Payables	15.3	16.3
Other financial liabilities	3.3	10.4
Provisions	349.5	366.4
Deferred income tax liabilities	20.0	18.7
Other non-current liabilities	13.3	35.2
Total non-current liabilities	**401.4**	447.0
Total liabilities	**891.0**	952.2
Net assets	**1,265.7**	1,242.1
Equity		
Issued capital	1,041.1	1,042.2
Reserves	15.3	18.2
Retained profits	156.5	124.6
Equity attributable to shareholders of the closed group	**1,212.9**	1,185.0
Non-controlling interests	52.8	57.1
Total equity	**1,265.7**	1,242.1

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.

	Boral CSR Bricks Pty Limited		Gove Aluminium Finance Limited	
$million	2016	2015	2016	2015
Statement of financial position				
Current assets	114.6	–	137.9	155.3
Non-current assets	142.6	–	150.7	184.1
Current liabilities	64.8	–	74.6	109.1
Non-current liabilities	5.7	–	32.5	41.6
Statement of financial performance				
Revenue	263.0	–	530.7	532.7
Profit after tax for the year	12.0	–	72.3	70.3
Other comprehensive income (expense) for the year	-	–	15.5	(6.8)
Total comprehensive income for the year	12.0	–	87.8	63.5
Statement of cash flows				
Cash flows from operating activities	42.6	–	80.5	110.9
Cash flows from investing activities	(10.7)	–	(7.8)	(6.6)
Cash flows from financing activities	(27.5)	–	(95.0)	(93.2)
Net increase (decrease) in cash held	4.4	–	(22.3)	11.1
Transactions with non-controlling interests				
Profit allocated to non-controlling interests[1]	4.8	–	21.7	21.2
Dividends paid to non-controlling interests	–	–	28.5	14.1

1 Profit allocated to non-controlling interests for subsidiaries that are not material for disclosure was $0.5 million for the year ended 31 March 2016 (2015: nil).

22 Interest in joint operations

The CSR group's interest in the Tomago aluminium smelter joint operation of 36.05% (2015: 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% (2015: 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)	2016			2015		
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	–	23.0	23.0
Building products						
Rondo Pty Limited[3]	–	15.3	15.3	–	13.0	13.0
Gypsum Resources Australia[3]	12.0	–	12.0	12.0	–	12.0
New Zealand Brick Distributors[2]	–	7.1	7.1	–	8.9	8.9
Other[3]	2.4	3.0	5.4	3.1	3.3	6.4
Total investment	14.4	46.6	61.0	15.1	48.2	63.3

1 CSR group's interest in Viridian Glass New Zealand is 58% (2015: 58%). CSR group's interest in all other entities is 50% (2015: 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.

Purchase 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 directors have determined that they do not control Viridian Glass Limited Partnership even though the CSR group owns 58% of the interest of this entity. It is not a controlled entity of CSR Limited because the decisions over the relevant activities of the entity require unanimous consent between the two partners.

i) Net investment in joint ventures

$million	2016	2015
Opening net investment	63.3	59.8
Share of net profit before income tax	18.8	16.1
Share of income tax	(5.6)	(4.4)
Dividends and distributions received	(11.2)	(9.7)
Decrease in long term loans	(0.7)	(0.3)
Foreign currency translation and other	(3.6)	1.8
Closing net investment	61.0	63.3

ii) Summarised financial information of joint venture entities

$million	2016	2015
Statement of financial position		
Current assets	124.4	130.0
Non-current assets	47.8	46.0
Current liabilities	106.9	113.6
Non-current liabilities	1.9	5.4
Statement of financial performance		
Revenue	185.6	180.2
Share of net profit (loss) after tax		
Viridian Glass New Zealand	0.2	(0.3)
Rondo Pty Limited	11.4	9.7
Other	1.6	2.3

iii) Balances and transactions with joint venture entities

$million	2016	2015
Current loans payable to CSR	26.8	25.3
Non-current loans payable to CSR	13.8	13.3
Current payables	–	1.0
Purchases of goods and services	40.2	42.9
Sales of goods and services	8.1	16.8

24 Parent entity disclosures

i) Summary financial information of CSR Limited (parent)

$million	2016	2015
Statement of financial position		
Current assets	240.3	198.6
Non-current assets	1,807.5	1,804.8
Current liabilities[1]	(445.9)	(353.5)
Non-current liabilities[1]	(346.3)	(382.5)
Net assets	**1,255.6**	1,267.4
Equity		
Issued capital	1,041.1	1,042.2
Reserves	13.3	24.1
Retained profits	201.2	201.1
Total equity	**1,255.6**	1,267.4
Statement of financial performance		
Profit after tax for the year	100.1	199.9
Total comprehensive income	116.6	192.6

1 Included within current liabilities are the current portion of the product liability provision and uninsured losses and future claims provision of $26.0 million and $5.5 million respectively (2015: $28.0 million and $5.7 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 $308.5 million and $23.1 million respectively (2015: $322.7 million and $23.5 million respectively). See notes 12 and 13 for further details.

ii) CSR Limited transactions with controlled entities

During the financial years ended 31 March 2016 and 2015, 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	2016	2015
Contingent liabilities, capable of estimation, arise in respect of the following categories:		
Performance guarantees provided to third parties	65.1	61.2
Bank guarantees to Harwood Superannuation Fund[1]	6.4	1.4
Total contingent liabilities[2]	**71.5**	62.6

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 2016.
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 2016 (2015: $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 2016 for the CSR group were $34.2 million (2015: $33.3 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 2016, contributions totalled $31.5 million (2015: $29.1 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 assets of the funds at 31 March 2016 were insufficient to satisfy all benefits which would have been vested in the event of termination of the funds, or in the event of the voluntary or compulsory termination of the employment of each employee. The funds have obligations in excess of the fair value of assets as at 31 March 2016. The CSR group's obligation in respect of the shortfall in asset value is $9.0 million (2015: $28.5 million). CSR contributions to the funds are outlined in the table below.

The last actuarial assessment for the Harwood Superannuation Fund and the Pilkington (Australia) Superannuation Scheme was completed as at 30 June 2015. The funding requirements were reviewed as at 30 June 2015. 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.

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 obligation	Contributions paid
Harwood Superannuation Fund					
DBD CSR and DBD Harwood Pensioner[1,2]	$nil from 1 April 2016	72.4	(82.0)	(9.6)	0.1
DBD Monier PGH	$nil from 1 April 2016	45.5	(41.2)	4.3	0.9
Pilkington (Australia) Superannuation Scheme					
DBD[3]	14.6% of eligible salary	49.2	(52.9)	(3.7)	1.7

1 Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2016.
2 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 146% and DBD Harwood Pensioner had a funding position of 111%. 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 2016, CSR Limited has provided bank guarantees of $6.4 million to the Trustee of the fund (2015: $1.4 million). The bank guarantees have been disclosed in note 24.
3 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:

%		2016	2015
Discount rate (after tax)		3.6	2.3
Expected salary increase		3.3	3.4
Asset class allocation	– Equity instruments	44.2	47.9
	– Debt instruments	39.5	37.1
	– Property	4.4	4.5
	– Other	11.9	10.5

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

$million	2016	2015
Amounts recognised in the statement of financial performance[1]		
Current service cost	3.4	3.5
Finance cost	5.1	7.0
Interest income	(4.4)	(6.5)
Total expense included in the statement of financial performance	**4.1**	4.0
Actuarial gain (loss) incurred during the financial year and recognised in the statement of comprehensive income	**20.9**	(15.4)
Cumulative actuarial losses recognised in the statement of comprehensive income	**(73.5)**	(94.4)

1 Disclosed in selling, administration and other operating costs.

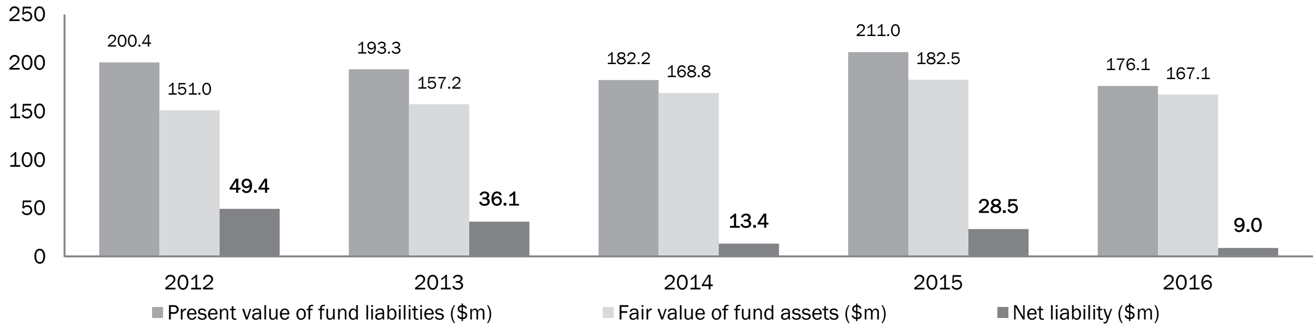
Impact of plans on the statement of financial position

$million	2016	2015
Net liability of superannuation defined benefit plans		
Present value of liabilities	176.1	211.0
Fair value of assets	(167.1)	(182.5)
Net liability	**9.0**	28.5
Included in the statement of financial position		
Non-current other assets (note 29)	(4.3)	(6.7)
Other non-current liabilities	13.3	35.2
Net liability	**9.0**	28.5
Movements in the present value of the defined benefit plan liabilities		
Liabilities at the beginning of the financial year	211.0	182.2
Current service cost	3.4	3.5
Finance cost	5.1	7.0
Contributions from participants	1.0	0.7
Actuarial (gain) loss	(28.1)	30.3
Benefits paid	(16.3)	(12.7)
Liabilities at the end of the financial year	**176.1**	211.0
Movements in the fair value of the defined benefit plan assets		
Assets at the beginning of the financial year	182.5	168.8
Interest income	4.4	6.5
Return on assets (in excess of interest income)	(7.2)	14.9
Contributions from the employer	2.7	4.3
Contributions from participants	1.0	0.7
Benefits paid	(16.3)	(12.7)
Assets at the end of the financial year	**167.1**	182.5

25 Employee benefits (continued)

i) Superannuation commitments (continued)

Net 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 2016, eligible executives were invited to receive performance rights in the company. There are two equally weighted (50%) performance hurdles, CSR group's TSR and EPS. 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	2016	2015
Opening balance	6,081,313	6,507,267
Granted during the year	1,053,185	1,036,004
Vested during the year	(2,396,680)	(1,087,676)
Lapsed during the year	(1,010,590)	(374,282)
Closing balance	**3,727,228**	6,081,313

There were no vested and exercisable shares at 31 March 2016 (2015: nil).

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

		Performance rights	
Grant date	Expiry date	2016	2015
24 July 2010	24 July 2015	–	240,841
23 July 2011	23 July 2015	–	638,973
23 July 2012	23 July 2016	–	2,527,456
23 July 2013	23 July 2017	1,638,039	1,638,039
23 July 2014	23 July 2018	1,076,383	1,036,004
24 July 2015	1 April 2018	1,012,806	-
Total		3,727,228	6,081,313

A summary of key valuation assumptions for rights granted in the year ended 31 March 2016 is set out below:

Grant date	24 July 2015	24 July 2015
Vesting condition	TSR	EPS
Valuation method	Monte-Carlo simulation	Binominal Tree
Start of performance period	1 April 2015	1 April 2015
Testing date	31 March 2018	31 March 2018
Expected life	2.7 years	2.7 years
Grant date share price	$3.56	$3.56
Volatility	30%	30%
Dividend yield	5.8%	5.8%
Risk-free rate	1.87%	1.87%
Fair value	$1.69	$3.05

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.

	2016	2015
Number of rights to deferred shares granted	216,342	188,504
Fair value of rights at grant date	$3.79	$3.37

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 by the employee share trust prior to issue with the cost of acquisition recognised in employee benefit expense.

Employee Share Acquisition Plan (ESAP): directors and employees can forego 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	2016	2015
USOP[1]	520,428	436,668
ESAP	98,745	77,470

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 $3.77 (2015: $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	2016	2015
Long term incentive plan (PRP)	2,669,725	2,372,710
Deferred shares	465,719	516,989
Other plans	984,374	822,246
Total expense	**4,119,818**	3,711,945

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 2016 (2015: nil).

ii) Key management personnel remuneration

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

$	2016	2015
Short term employee benefits	4,245,073	4,314,435
Share based payments expense	1,275,508	1,141,662
Total	**5,520,581**	5,456,097

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 2016 (2015: 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 2016 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 2016, refer to note 16.

28 Commitments and contingencies

i) Commitments

$million	2016	2015
Operating lease and hire expenditure		
Land and buildings	159.4	161.8
Plant and equipment	19.9	17.1
Total	**179.3**	178.9
Contracted lease and hire expenditure comprises:		
Within one year	44.0	41.5
Between one and five year(s)	91.2	95.3
After five years	44.1	42.1
Total	**179.3**	178.9
Contracted capital expenditure comprises:		
Payable within one year	7.7	12.1

The total of minimum rentals to be received in the future under non-cancellable sub-leases as at 31 March 2016 is not material. Contingent rentals for 2016 and 2015 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 2016 and 2015 is disclosed in note 5.

29 Other non-current assets

$million	Note	2016	2015
Loans to joint venture entities[1]		37.2	38.4
Other loans and receivables[2]		14.1	13.0
Total non-current receivables		**51.3**	51.4
Prepayments		7.4	12.7
Other assets		5.3	0.8
Superannuation defined benefit plans – fair value of surplus	25	4.3	6.7
Total other non-current assets		**17.0**	20.2

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

$	2016	2015
Deloitte Touche Tohmatsu in Australia		
Audit or review of financial statements	715,000	640,000
Sustainability and carbon related assurance services	52,500	86,142
Other	10,000	20,000
Total auditor's remuneration	777,500	746,142

31 Other accounting policies

Cash and cash equivalents: Net cash is defined as cash at banks 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 2016 included $35.6 million of cash at bank and on hand (2015: $11.0 million) and $37.5 million of short term deposits (2015: $57.4 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. Any adjustments to the liability are recorded through equity.

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:

- **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 balance sheet. 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.
- **AASB 15 *Revenue from contracts with customers (AASB 15)*:** Issued in December 2014 and is expected to be first applicable to CSR Limited no earlier than 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 be material to the CSR group.
- **AASB 9 *Financial instruments (AASB 9)*:** The CSR group has adopted AASB 9 as issued in December 2013, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The CSR group has adopted the two main phases relating to classification and measurement of financial assets and financial liabilities (Phase 1) and hedge accounting (Phase 3). The update to AASB 9 *Financial Instruments* as issued in December 2013 which includes impairment (Phase 2) has not yet been adopted by the CSR group. Phase 2 of this standard is not expected to have a material impact on the CSR group and is first applicable for the year commencing 1 April 2018.

CSR LIMITED

ABN 90 000 001 276

Directors' declaration

The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable;
b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as disclosed in note 1;
c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the CSR group;
d) the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the managing director and chief financial officer for the financial year ended 31 March 2016; and
e) there are reasonable grounds to believe that CSR Limited and the group entities identified in note 20 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between CSR Limited and those group entities pursuant to ASIC Class Order 98/1418.

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

Jeremy Sutcliffe
Chairman

Sydney, 11 May 2016

Rob Sindel
Managing Director

Sydney, 11 May 2016

Deloitte.

Deloitte Touche Tohmatsu
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Report on the Financial Report

We have audited the accompanying financial report of CSR Limited, which comprises the statement of financial position as at 31 March 2016, the statement of financial performance, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising 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 year's end or from time to time during the financial year as set out on pages 41 to 82.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1 the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of CSR Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

i) the financial report of CSR Limited is in accordance with the *Corporations Act 2001*, including:

   (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and

   (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

ii) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in note 1 to the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 40 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of CSR Limited for the year ended 31 March 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Partner
Chartered Accountants
Sydney, 11 May 2016

20 LARGEST HOLDERS OF ORDINARY SHARES

As at 29 April 2016

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	96,749,532	19.13
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	75,885,530	15.01
3.	NATIONAL NOMINEES LIMITED	62,206,744	12.30
4.	CITICORP NOMINEES PTY LIMITED	55,059,166	10.89
5.	BNP PARIBAS NOMS PTY LTD	20,896,092	4.13
6.	BNP PARIBAS NOMINEES PTY LTD	5,685,000	1.12
7.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	4,571,309	0.90
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,061,736	0.80
9.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	3,338,164	0.66
10.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,109,435	0.61
11.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,729,942	0.54
12.	PRUDENTIAL NOMINEES PTY LTD	2,500,000	0.49
13.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,149,976	0.43
14.	CITICORP NOMINEES PTY LIMITED	1,934,784	0.38
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,397,858	0.28
16.	CSR SHARE PLAN PTY LIMITED	1,289,753	0.26
17.	CS FOURTH NOMINEES PTY LIMITED	1,128,649	0.22
18.	MR ALLAN ERNEST ORMES	1,066,667	0.21
19.	GWYNVILL TRADING PTY LIMITED	905,000	0.18
20.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	879,374	0.17
Top 20 holders of issued capital		347,544,711	68.71
Remaining Holders Balance		158,155,604	31.29

SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

Sumitomo Mitsui Trust Holdings Inc. advised that as of 9 March 2016, it and its associates had an interest in 27.8 million shares, which represented 5.49% of CSR's issued capital at that time.

Vinva Investment Management and its subsidiaries advised that as of 14 April 2016, it and its associates had an interest in 25.3 million shares, which represented 5.00% of CSR's issued capital at that time.

Location	Units	Units %	Holders	Holders %
AUSTRALIA	501,283,410	99.13	51,599	96.40
NEW ZEALAND	2,725,379	0.54	1,297	2.42
HONG KONG	680,224	0.13	43	0.08
UNITED KINGDOM	361,549	0.07	260	0.49
SINGAPORE	151,610	0.03	53	0.10
Other	498,143	0.10	276	0.51
Total	**505,700,315**	**100.00**	**53,528**	**100.00**

Range	Holders	Units	% of issued capital
1 - 1,000	25,845	12,995,517	2.57
1,001 - 5,000	21,811	49,299,478	9.75
5,001 - 10,000	3,619	25,746,679	5.09
10,001 - 100,000	2,163	47,940,708	9.48
100,001 and over	110	369,717,933	73.11
Total	**53,548**	**505,700,315**	**100.00**

UNMARKETABLE PARCELS

	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $3.36 per unit	149	1,722	99,085

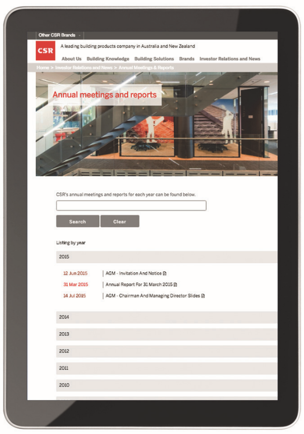
RECENT CSR DIVIDENDS

Date paid	Type of dividend	Dividend per share	Franking	Franked amount per share at 30%
December 2011	Interim	6.0 cents	100%	6.0 cents
July 2012	Final	7.0 cents	100%	7.0 cents
December 2012	Interim	3.0 cents	0%	NA
July 2013	Final	2.1 cents	0%	NA
December 2013	Interim	5.0 cents	0%	NA
July 2014	Final	5.0 cents	0%	NA
December 2014	Interim	8.5 cents	0%	NA
July 2015	Final	11.5 cents	0%	NA
December 2015	Interim	11.5 cents	0%	NA

ANNUAL GENERAL MEETING

11:00am
Friday 24 June 2016

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



REGISTRY INFORMATION

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

Computershare Investor Services Pty Limited

Level 4, 60 Carrington Street
Sydney NSW 2000 Australia
GPO Box 2975
Melbourne VIC 3001 Australia

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

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