

## Appendix 4D –Half Year Financial Report

**CSR Limited**  
**ABN 90 000 001 276**  
For the half year ended 30 September 2016

<b>Details of the reporting periods</b>	
Current:	Six months ended 30 September 2016
Previous corresponding:	Six months ended 30 September 2015

## Result for announcement to the market<sup>1</sup>

				A\$m
Revenue from ordinary activities	up	8%	To	<b>\$1,236.1</b>
Net profit after tax from ordinary activities, before significant items, attributable to members <sup>2</sup>	up	12%	to	<b>\$103.1</b>
Net profit after tax from ordinary activities, after significant items, attributable to members	up	48%	to	<b>\$114.5</b>

## **Net tangible assets**

As at	30 Sep 2016	30 Sep 2015
Net tangible assets per share attributable to CSR shareholders	\$2.15	\$2.12

## Dividends

<i>Financial year ended</i>	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>Franking</b>
Interim	<b>13.0 cents<sup>3</sup></b>	11.5 cents	0%
Final	<b>N/A</b>	12.0 cents	0%

Record date for determining entitlements to interim dividend 14 November 2016

Interim dividend payment date 13 December 2016

## **Dividend Reinvestment Plan**

The Company's dividend reinvestment plan (DRP) will operate for the interim dividend payable on 13 December 2016. The last date for receipt of the election notice for participation in the DRP is 15 November 2016, being the business day after the dividend record date of 14 November 2016. For the final dividend, shares will be acquired on-market and transferred to participants to satisfy any shares to be issued under the DRP.

DRP shares will be allocated at the arithmetic average of the daily volume weighted average market prices of shares in CSR sold on ASX's trading platform (including the closing single price auction but excluding all off-market trades) ("VWAP") on each day over a period of 10 trading days commencing on 21 November 2016. No discount will apply to shares issued under the DRP. For further details of the DRP please refer to the DRP Terms and Conditions available on CSR's website ([www.csr.com.au](http://www.csr.com.au)).

1 This document represents information provided pursuant to Listing Rule 4.3A of the Australian Securities Exchange.

2 Net profit after tax before significant items is a non-IFRS measure used internally by management to assess the performance of the business and has been extracted or derived from CSR's financial statements for the half year ended 30 September 2016.

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

# DIRECTORS' REPORT

The directors of CSR Limited present their report on CSR Limited and its controlled entities (CSR group) for the half year ended 30 September 2016.

## Directors

The directors of CSR Limited at any time during the half year ended 30 September 2016, or since that date, are as follows:

Jeremy Sutcliffe (Chairman)  
Rob Sindel (Managing Director)  
Christine Holman (appointed 25 October 2016)  
Michael Ihlein  
Rebecca McGrath (retired 25 October 2016)  
Matthew Quinn  
Penny Winn

## Review of Operations

A review of operations of the CSR group during the half year ended 30 September 2016 is set out in the attached results announcement to the market and forms part of this directors' report.

## Auditor's Independence Declaration

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

## Rounding

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

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



Jeremy Sutcliffe  
Chairman  
Sydney, 2 November 2016



Rob Sindel  
Managing Director  
Sydney, 2 November 2016

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

2 November 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 review of the financial statements of CSR Limited for the financial half year ended 30 September 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

**DELOITTE TOUCHE TOHMATSU**

**JA Leotta**  
Partner  
Chartered Accountants

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

# HALF YEAR FINANCIAL REPORT

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## Statement of financial performance

For the half year ended 30 September

\$million	Note	2016	2015
<b>Trading revenue – sale of goods</b>		<b>1,236.1</b>	1,144.5
Cost of sales		(808.7)	(751.3)
<b>Gross margin</b>		<b>427.4</b>	393.2
Other income		22.6	19.2
Warehouse and distribution costs		(115.9)	(108.2)
Selling, administration and other operating costs		(172.9)	(161.2)
Share of net profit of joint venture entities	14	8.0	6.6
Other expenses		(7.0)	(18.8)
<b>Profit before finance cost and income tax</b>		<b>162.2</b>	130.8
Interest income	5	3.1	1.3
Finance cost	5	(4.1)	(9.6)
<b>Profit before income tax</b>		<b>161.2</b>	122.5
Income tax expense	6	(31.4)	(32.7)
<b>Profit after tax</b>		<b>129.8</b>	89.8
<b>Profit after tax attributable to:</b>			
Non-controlling interests		15.3	12.2
Shareholders of CSR Limited <sup>1</sup>		114.5	77.6
<b>Profit after tax</b>		<b>129.8</b>	89.8
<b>Earnings per share attributable to shareholders of CSR Limited</b>			
Basic (cents per share)	4	22.7	15.4
Diluted (cents per share)	4	22.6	15.3

<sup>1</sup> Net profit before significant items attributable to shareholders of CSR Limited is \$103.1 million (2015: \$92.4 million). Refer to note 3 of the financial statements.

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

## Statement of comprehensive income

For the half year ended 30 September

\$million	Note	2016	2015
Profit after tax		129.8	89.8
<b>Other comprehensive income, net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Hedge (loss) profit recognised in equity		(6.5)	13.8
Hedge (profit) transferred to statement of financial performance		(7.2)	(1.0)
Share of gain on changes in fair value of cash flow hedges of joint venture entities		-	0.1
Exchange differences arising on translation of foreign operations		2.1	(1.8)
Exchange differences on acquisition of controlled entity, transferred to statement of financial performance	7	(5.6)	-
Income tax benefit (expense) relating to these items		4.2	(3.9)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on superannuation defined benefit plans		10.6	28.5
Income tax (expense) relating to these items		(3.2)	(8.5)
Other comprehensive (expense) income – net of tax		(5.6)	27.2
<b>Total comprehensive income</b>		<b>124.2</b>	117.0
<b>Total comprehensive income attributable to:</b>			
Non-controlling interests		11.8	14.5
Shareholders of CSR Limited		112.4	102.5
<b>Total comprehensive income</b>		<b>124.2</b>	117.0

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

## Statement of financial position

\$million	Note	As at 30 September 2016	As at 31 March 2016
<b>Current assets</b>			
Cash and cash equivalents		78.7	73.1
Receivables		333.8	319.6
Inventories		395.7	348.8
Other financial assets	13	12.0	32.7
Income tax receivable		0.5	0.5
Prepayments and other current assets		17.1	11.0
<b>Total current assets</b>		<b>837.8</b>	785.7
<b>Non-current assets</b>			
Receivables		24.5	51.3
Inventories		69.5	72.7
Investments accounted for using the equity method		41.9	61.0
Other financial assets	13	0.4	2.5
Property, plant and equipment		872.7	864.0
Goodwill		98.6	74.2
Other intangible assets		47.3	48.1
Deferred income tax assets		211.6	239.3
Other non-current assets		13.3	17.0
<b>Total non-current assets</b>		<b>1,379.8</b>	1,430.1
<b>Total assets</b>		<b>2,217.6</b>	2,215.8
<b>Current liabilities</b>			
Payables		290.5	260.6
Other financial liabilities	13	6.7	17.6
Tax payable		10.7	38.1
Provisions		176.6	172.5
<b>Total current liabilities</b>		<b>484.5</b>	488.8
<b>Non-current liabilities</b>			
Payables		4.1	18.9
Borrowings	9	1.1	2.2
Other financial liabilities	13	2.2	3.3
Provisions		336.6	351.2
Deferred income tax liabilities		13.1	20.9
Other non-current liabilities		6.0	13.3
<b>Total non-current liabilities</b>		<b>363.1</b>	409.8
<b>Total liabilities</b>		<b>847.6</b>	898.6
<b>Net assets</b>		<b>1,370.0</b>	1,317.2
<b>Equity</b>			
Issued capital	10	1,036.8	1,041.1
Reserves	12	4.7	15.8
Retained profits		188.2	127.0
<b>Equity attributable to shareholders of CSR Limited</b>		<b>1,229.7</b>	1,183.9
Non-controlling interests		140.3	133.3
<b>Total equity</b>		<b>1,370.0</b>	1,317.2

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

## Statement of changes in equity

For the half year ended 30 September

\$million	Note	Issued capital	Reserves	Retained profits	CSR Limited interest	Non-controlling interests	Total equity
Balance at 1 April 2016		1,041.1	15.8	127.0	1,183.9	133.3	1,317.2
Profit for the period		-	-	114.5	114.5	15.3	129.8
Total other comprehensive income – net of tax		-	(9.5)	7.4	(2.1)	(3.5)	(5.6)
Dividends paid	11	-	-	(60.7)	(60.7)	(4.8)	(65.5)
On-market share buy-back	10	(4.3)	-	-	(4.3)	-	(4.3)
Acquisition of treasury shares		-	(3.1)	-	(3.1)	-	(3.1)
Share-based payments – net of tax		-	1.5	-	1.5	-	1.5
<b>Balance at 30 September 2016</b>		<b>1,036.8</b>	<b>4.7</b>	<b>188.2</b>	<b>1,229.7</b>	<b>140.3</b>	<b>1,370.0</b>
Balance at 1 April 2015		1,042.2	17.1	86.4	1,145.7	60.3	1,206.0
Profit for the period		-	-	77.6	77.6	12.2	89.8
Total other comprehensive expense – net of tax		-	4.9	20.0	24.9	2.3	27.2
Dividends paid	11	-	-	(58.2)	(58.2)	-	(58.2)
Acquisition of treasury shares		-	(5.2)	-	(5.2)	-	(5.2)
Non-controlling interest on acquisition of subsidiary		-	0.2	-	0.2	70.2	70.4
Share-based payments – net of tax		-	0.9	-	0.9	-	0.9
<b>Balance at 30 September 2015</b>		<b>1,042.2</b>	<b>17.9</b>	<b>125.8</b>	<b>1,185.9</b>	<b>145.0</b>	<b>1,330.9</b>

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

## Statement of cash flows

For the half year ended 30 September

\$million	Note	2016	2015
<b>Cash flows from operating activities</b>			
Receipts from customers		1,340.5	1,228.0
Payments to suppliers and employees		(1,222.9)	(1,130.8)
Dividends and distributions received		7.0	7.0
Interest received		0.7	1.5
Income tax paid		(34.7)	(30.0)
<b>Net cash from operating activities</b>		<b>90.6</b>	75.7
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other assets		(41.2)	(53.4)
Proceeds from sale of property, plant and equipment and other assets		39.8	23.7
Purchase of controlled entities and businesses, net of cash acquired	7	(3.5)	(10.9)
Costs associated with acquisition of businesses	7	(0.2)	(4.5)
Loans and receivables (advanced) repaid		(4.5)	0.4
<b>Net cash used in investing activities</b>		<b>(9.6)</b>	(44.7)
<b>Cash flows from financing activities</b>			
On-market share buy-back		(4.3)	-
Net repayment of borrowings		(1.1)	-
Dividends paid <sup>1</sup>	11	(65.5)	(58.2)
Acquisition of shares by CSR employee share trust		(3.1)	(5.2)
Interest and other finance costs paid		(1.5)	(2.0)
<b>Net cash used in financing activities</b>		<b>(75.5)</b>	(65.4)
<b>Net increase (decrease) in cash held</b>		5.5	(34.4)
Net cash at the beginning of the financial year		73.1	68.4
Effects of exchange rate changes		0.1	(0.1)
<b>Net cash at the end of the period</b>		<b>78.7</b>	33.9

<sup>1</sup> During the half year ended 30 September 2016, within the \$65.5 million of dividends paid, dividends to CSR Limited shareholders were \$60.7 million. Of the \$60.7 million in dividends, \$4.0 million was used to purchase CSR shares on market to satisfy obligations under the Dividend Reinvestment Plan (DRP), and the remaining \$56.7 million was paid in cash. Refer to note 11 for further details.

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

## Notes to the half year financial report

### 1 Basis of preparation

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

The half year report does not include all the notes normally included in an annual report. Accordingly, it is recommended that this report be read in conjunction with the CSR Annual Report for the year ended 31 March 2016 and any announcements to the market made during the financial half year in accordance with the CSR group's continuous disclosure obligations under the *Corporations Act 2001* and ASX Listing Rule 3.1. The accounting policies and measurement bases adopted in this report are consistent with those applied in the CSR Annual Report for the year ended 31 March 2016. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. The significant judgements made by management in applying the CSR group accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 31 March 2016.

**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 a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued 24 March 2016.

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

**New or revised accounting standards:** The CSR group has adopted all amendments to Australian Accounting Standards which became applicable from 1 April 2016. There have been no new or revised accounting standards which materially impacted the half year financial report.

**New standards not yet applicable:** Other than AASB16 *Leases*, standards not yet applicable are not expected to have a material impact on the CSR group.

**AASB 16 Leases (AASB 16):** Released on 23 February 2016, AASB 16 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.

**Changes in estimates:** In the half year ended 30 September 2015, the CSR group 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 \$24.9 million was recognised in other comprehensive income in the period ended 30 September 2015, with no impact on the statement of financial performance.

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

**Key financial performance and balance sheet items:** provides a breakdown of individual line items in the statement of financial performance and statement of financial position, and other information that is considered most relevant to users of the annual report. This section includes significant items (note 3). Significant items are those which by their size and nature or incidence are relevant in explaining the financial performance of the CSR group, and as such are disclosed separately.

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

#### Other:

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

## Key financial performance and balance sheet items

### 2 Segment information

#### Operating and reportable segments

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

<b>Building Products</b>	Lightweight Systems (Gyproc 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).
<b>Glass</b>	The Glass business includes the operations of Viridian, Australia's leading architectural glass provider and the only manufacturer of float glass and 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 includes Viridian Glass Limited Partnership, a leader in manufacture, sale and installation of glass and related products in New Zealand.
<b>Aluminium</b>	The Aluminium business unit relates to the CSR group's 70% interest in Gove Aluminium Finance Limited, which in turn holds a 36.05% interest in the Tomago aluminium smelter (i.e. an effective interest of 25.24%). Gove Aluminium Finance Limited sources alumina, has it toll manufactured by Tomago and then sells aluminium into predominantly the Asian market. Products from the aluminium business include aluminium ingot, billet and slab.
<b>Property</b>	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.

## 2 Segment information (continued)

For the half year ended 30 September \$million		Trading revenue <sup>1</sup>		EBITDA before significant items <sup>2</sup>		Depreciation and amortisation		Earnings before interest, tax and significant items	
Business segment		2016	2015	2016	2015	2016	2015	2016	2015
Building Products <sup>7</sup>		817.2	733.6	138.6	111.6	24.0	22.6	114.6	89.0
Glass		189.3	151.8	11.7	7.2	5.7	4.9	6.0	2.3
Aluminium		229.6	259.1	52.6	68.2	13.1	13.5	39.5	54.7
Property		-	-	15.3	16.2	-	-	15.3	16.2
<b>Segment total</b>		<b>1,236.1</b>	1,144.5	<b>218.2</b>	203.2	<b>42.8</b>	41.0	<b>175.4</b>	162.2
Corporate <sup>3,7</sup>		-	-	(7.6)	(8.6)	0.4	0.3	(8.0)	(8.9)
Restructuring and provisions <sup>4</sup>		-	-	(2.4)	(4.0)	-	-	(2.4)	(4.0)
<b>Total CSR group</b>		<b>1,236.1</b>	1,144.5	<b>208.2</b>	190.6	<b>43.2</b>	41.3	<b>165.0</b>	149.3

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

For the half year ended 30 September \$million		Note	2016	2015
Earnings before interest, tax and significant items			165.0	149.3
Net finance income (cost)	5		2.4	(2.5)
Income tax expense			(48.1)	(37.7)
<b>Profit after tax before significant items (before non-controlling interests)</b>			<b>119.3</b>	109.1
Less: non-controlling interests			(16.2)	(16.7)
<b>Profit after tax before significant items attributable to shareholders of CSR Limited</b>	3		<b>103.1</b>	92.4
Significant items after tax attributable to shareholders of CSR Limited	3		11.4	(14.8)
<b>Profit after tax attributable to shareholders of CSR Limited</b>			<b>114.5</b>	77.6

Business segment	Funds employed (\$million) <sup>5</sup>		Return on funds employed (%) <sup>6</sup>	
	As at 30 September 2016	As at 31 March 2016	As at 30 September 2016	As at 30 September 2015
Building Products <sup>7</sup>	917.2	903.1	21.2%	16.8%
Glass	250.8	208.4	5.3%	2.6%
Aluminium	170.0	167.2	48.5%	61.7%
Property	125.5	133.0	16.9%	19.6%
<b>Segment total</b>	<b>1,463.5</b>	<b>1,411.7</b>	-	-
Corporate <sup>7</sup>	(40.0)	(17.5)	-	-
<b>Total CSR group</b>	<b>1,423.5</b>	<b>1,394.2</b>	<b>20.6%</b>	<b>19.9%</b>

<sup>1</sup> 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.

<sup>2</sup> EBITDA before significant items is earnings before interest, tax, depreciation, amortisation and significant items.

<sup>3</sup> Represents unallocated overhead expenditure and other revenues.

<sup>4</sup> 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).

<sup>5</sup> Funds employed is net assets of the CSR group less certain non-trading assets and liabilities. Funds employed at 30 September 2016 is calculated as net assets of \$1,370.0 million (31 March 2016: \$1,317.2 million), excluding the following assets: cash of \$78.7 million (31 March 2016: \$73.1 million), net tax assets of \$188.3 million (31 March 2016: \$180.8 million), net financial assets of \$3.5 million (31 March 2016: \$14.3 million), net superannuation assets of \$1.2 million (31 March 2016: \$9.0 million net superannuation liabilities) and interest receivable of \$0.5 million (31 March 2016: \$0.5 million). In addition, the following liabilities have been excluded from funds employed: asbestos product liability provision of \$324.6 million (31 March 2016: \$334.5 million) and borrowings of \$1.1 million (31 March 2016: \$2.2 million).

<sup>6</sup> Return on funds employed (ROFE) is calculated based on EBIT before significant items for the 12 months to period end divided by average funds employed. ROFE is not a measure used for Corporate costs which are considered in the context of the CSR group result. Property ROFE varies due to timing of projects.

<sup>7</sup> The prior period disclosure has been updated to reflect a change in CSR internal reporting to the CODM, resulting in a transfer of operating expenditure from Corporate to Building Products. As a result, EBIT for Building Products decreased by \$0.9m and corporate EBIT cost reduced by an equivalent amount. This change had no impact on the CSR group EBIT. Funds employed and ROFE have also been updated accordingly.

### 3 Significant items

\$million	2016	2015
Transaction and integration costs <sup>1</sup>	(3.0)	(18.5)
Gain on acquisition of controlled entity <sup>2</sup>	4.1	-
Other restructuring and remediation costs <sup>3</sup>	(3.9)	-
<b>Significant items before finance cost and income tax</b>	<b>(2.8)</b>	<b>(18.5)</b>
Discount unwind and hedge gain relating to product liability provision	(5.3)	(5.5)
Transaction costs included in finance cost	(0.2)	(0.3)
Interest income on tax refund <sup>4</sup>	2.1	-
<b>Significant items before income tax</b>	<b>(6.2)</b>	<b>(24.3)</b>
Income tax benefit on significant items	4.1	5.0
Income tax refund related to divested businesses <sup>4</sup>	12.6	-
<b>Significant items after tax</b>	<b>10.5</b>	<b>(19.3)</b>
Significant items attributable to non-controlling interests	0.9	4.5
<b>Significant items attributable to shareholders of CSR Limited</b>	<b>11.4</b>	<b>(14.8)</b>
Net profit attributable to shareholders of CSR Limited	114.5	77.6
Significant items attributable to shareholders of CSR Limited	(11.4)	14.8
<b>Net profit before significant items attributable to shareholders of CSR Limited</b>	<b>103.1</b>	<b>92.4</b>
<b>Earnings per share attributable to shareholders of CSR Limited before significant items<sup>5</sup></b>		
Basic (cents per share)	20.5	18.3
Diluted (cents per share)	20.4	18.2

- 1 During the half years ended 30 September 2016 and 30 September 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 7). In addition, in the half year ended 30 September 2015 adjustments were recorded as a result of the fair value re-measurement of contingent consideration on previous acquisitions.
- 2 On 30 June 2016, the CSR group acquired the remaining 42% interest in Viridian Limited Glass Partnership (VGLP). As a result of this transaction, a gain has been recognised including the realisation of cumulative foreign exchange gains in relation to the previously held investment. Refer note 7.
- 3 During the half year ended 30 September 2016, restructuring and relocation programs took place across the Building Products and Glass segments to align the business cost base with current market conditions and secure ongoing efficiencies. The CSR group also recorded a charge of \$1.1 million relating to remediation obligations.
- 4 During the half year ended 30 September 2016, a tax refund (including interest) was finalised following an amendment to the capital gains tax paid in relation to the divestment of the Sucrogen group in the year ended 31 March 2011.
- 5 The basis of calculation is consistent with the earnings per share disclosure in the statement of financial performance. Refer note 4.

#### 4 Earnings per share

	2016	2015
Profit after tax attributable to shareholders of CSR Limited (\$million)	114.5	77.6
Weighted average number of ordinary shares used in the calculation of basic EPS (million) <sup>1</sup>	504.1	504.7
Weighted average number of ordinary shares used in the calculation of diluted EPS (million) <sup>2</sup>	505.9	508.7
Basic EPS (cents per share)	22.7	15.4
Diluted EPS (cents per share)	22.6	15.3

1 Calculated by reducing the total weighted average number of shares on issue of 505.4 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 1,282,477 (2015: 1,267,055).

2 Calculated by increasing the weighted average number of shares used in calculating basic EPS by outstanding performance rights of 1,766,396 (2015: 3,963,034). Performance rights granted under the LTI Plan are included in the determination of diluted earnings per share to the extent to which they are dilutive.

#### 5 Net finance cost

\$million	Note	2016	2015
Interest expense and funding costs		1.7	2.2
Discount unwind and hedge gain relating to product liability provision		5.3	5.5
Discount unwind of other non-current liabilities		0.4	0.5
Foreign exchange (gain) loss		(3.3)	1.4
<b>Finance cost</b>		<b>4.1</b>	9.6
Interest income		(3.1)	(1.3)
<b>Net finance cost</b>		<b>1.0</b>	8.3
Finance cost included in significant items	3	(3.4)	(5.8)
<b>Net finance (income) cost before significant items</b>		<b>(2.4)</b>	2.5

#### 6 Income tax expense

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

\$million	2016	2015
<b>Profit before income tax</b>	<b>161.2</b>	122.5
<b>Income tax expense calculated at 30%</b>	<b>48.4</b>	36.8
(Decrease) increase in income tax expense due to:		
Share of net profit of joint venture entities and rebates on dividend income	(2.3)	(1.7)
Non-taxable profit on property disposals	(1.9)	(5.9)
Non-deductible expenditure and other	(1.2)	3.1
Income tax adjustments relating to prior years <sup>1</sup>	(11.6)	0.4
<b>Total income tax expense on profit</b>	<b>31.4</b>	32.7

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

## 7 Business combinations

### i) Current period

#### *Viridian Glass Limited Partnership*

##### Background

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

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

##### Revenue and profit contribution

If VGLP's share of revenue and profit before income tax and significant items were excluded from the CSR group results for the half year ended 30 September 2016, CSR group revenue would have been \$22.2 million lower and profit before income tax and significant items would be unchanged.

##### Acquisition related costs

Acquisition related costs expensed were \$0.2 million.

##### Preliminary acquisition accounting for the transaction

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

- remeasured its previously held equity interest in VGLP at its acquisition-date fair value, which had no resultant gain or loss as fair value was equivalent to book value;
- transferred any other comprehensive income to the income statement, which resulted in a gain of \$5.6 million; and
- recorded the VGLP business at fair value at acquisition date and recorded the impact of acquisition date adjustments in relation to the previously held interest, resulting in a loss of \$1.5 million.

The gain of \$4.1 million recognised within other income in the statement of financial performance for the half year ended 30 September 2016 has been disclosed as a significant item, refer to note 3.

At the date of finalisation of this half year report, the necessary acquisition accounting calculations have not been finalised. Therefore, the initial accounting and fair value of acquired net assets for this acquisition has been provisionally determined at 30 September 2016 based on best estimates.

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

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

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

##### a) Purchase consideration – cash outflow

\$million
<b>Consideration</b>
Cash consideration
Less cash acquired
<b>Outflow of cash – investing activities</b>

##### b) Contingent consideration

In the event that certain pre-determined conditions are met at all times by the subsidiary from 1 October 2015 up to and including 30 June 2017, additional consideration is payable. The maximum amount payable is \$1.8 million.

## 7 Business combinations (continued)

### ii) Prior period

#### Boral CSR Bricks Pty Limited

##### Background

On 4 April 2014, CSR and Boral Limited 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 venture, Boral CSR Bricks Pty Limited ('BCB') 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	<b>206.0</b>
Number of shares in BCB issued to each entity at \$1 each (million)	70.4	105.6	<b>176.0</b>
Debt issued by each entity to BCB (\$million)	12.0	18.0	<b>30.0</b>

##### Revenue and profit contribution

If the non-controlling interest's share of BCB Revenue and Profit before income tax and non-controlling interests (PBT) were excluded from the CSR group results for the half year ended 30 September 2015, CSR group Revenue and PBT would have been lower by \$49.9 million and \$1.6 million respectively, compared to the prior corresponding period.

##### 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.

##### 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 30 September 2016. Details of the effective purchase consideration and the fair value of the Boral bricks assets and liabilities acquired are set out below.

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

<sup>1</sup> 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.

##### 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 (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 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 30 September 2016, there were 330 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 30 September 2016, there were 509 such claims pending.

CSR has been settling claims since 1989. As at 30 September 2016, CSR had resolved approximately 4,200 claims in Australia and approximately 137,300 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.

### 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				Half year ended
	2013	2014	2015	2016	30 September 2016
Number of claims received	347	339	258	281	102
Number of claims resolved	488	804	257	365	214
Amount spent on settlements (A\$ million) <sup>1</sup>	31.0	29.2	25.0	21.9	12.8
Average cost per resolved claim (A\$)	63,553	36,411	97,276	59,980	59,580

<sup>1</sup> Excludes external legal costs, net of insurance recoveries.

## 8 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 30 September 2016 the central estimate was A\$156.3 million calculated using a discount rate of 3.75%. On an undiscounted and inflated basis that central estimate would be A\$216.7 million over the years to 2068, 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 30 September 2016, the base case estimate was US\$79.7 million calculated using a discount rate of 3.5%. On an undiscounted and inflated basis that base case estimate would be US\$100.7 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 30 September 2016, a provision of \$324.6 million (31 March 2016: \$334.5 million) has been made for all known claims and reasonably foreseeable future claims, and includes a prudential margin of \$63.8 million (31 March 2016: \$65.2 million) above the aggregate most likely estimate of the future asbestos liabilities in Australia and the United States as determined by Finity Consulting Pty Limited and Gnarus Advisors LLC respectively.

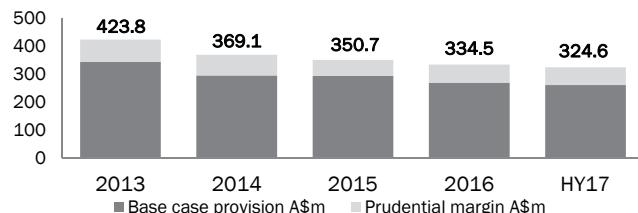
Having regard to the extremely long tailed nature of the liabilities and the long latency period of disease manifestation from exposure, the estimation of future asbestos liabilities is subject to significant complexity. As such, there can be no certainty that the product liability provision as at 30 September 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.

**Table 2 and graph 1: Five year history – asbestos provision**

\$million	Year ended 31 March					Half year ended 30 September 2016
	2013	2014	2015	2016	30 September 2016	
United States base case estimate US\$	194.0	123.5	104.9	86.0		79.7
United States base case estimate A\$	185.8	133.5	137.0	112.2		104.5
Australian central estimate A\$	158.3	161.8	157.2	157.1		156.3
Subtotal A\$	344.1	295.3	294.2	269.3		260.8
Prudential margin A\$	79.7	73.8	56.5	65.2		63.8
Prudential margin %	23.2%	25.0%	19.2%	24.2%		24.5%
<b>Total product liability provision A\$</b>	<b>423.8</b>	<b>369.1</b>	<b>350.7</b>	<b>334.5</b>		<b>324.6</b>

CSR's asbestos provision from 2013 to the half year ended 30 September 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 to note 10 for further details.

## Capital structure and risk management

### 9 Borrowings and credit facilities

#### i) Borrowings

\$million	As at 30 September 2016	As at 31 March 2016
Non-current borrowings – unsecured <sup>1</sup>	1.1	2.2

<sup>1</sup> Of the \$1.1 million in borrowings at 30 September 2016 (31 March 2016: \$2.2 million), \$1.0 million (31 March 2016: \$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 7).

#### ii) Credit facilities

The CSR group has a total of \$325.0 million (31 March 2016: \$325.0 million) committed standby facilities with external financial institutions. These facilities have fixed maturity dates as follows: \$30.0 million in financial year 2018, \$131.0 million in financial year 2019, with the balance of \$164.0 million in financial year 2020. As at 30 September 2016, \$325.0 million of the standby facilities were undrawn.

### 10 Issued capital

	Ordinary shares fully paid <sup>1</sup>	Issued capital \$million
On issue 31 March 2016	505,700,315	1,041.1
On-market share buy-back - net of transaction costs	(1,219,457)	(4.3)
<b>On issue 30 September 2016</b>	<b>504,480,858</b>	<b>1,036.8</b>

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

No shares were issued during the half year ended 30 September 2016 and the year ended 31 March 2016 under employee share plans as shares in respect of the plans were acquired on market. In accordance with CSR group's established dividend reinvestment plan (DRP), during the half year ended 30 September 2016 and the year ended 31 March 2016, eligible shareholders were able to reinvest all or part of their dividends in fully paid ordinary shares. Shares were acquired on market and did not have any impact on issued capital.

Net tangible assets per ordinary share for the half year ended 30 September 2016 are \$2.15 (2015: \$2.12). Net tangible assets per share is calculated as net assets attributable to CSR Limited shareholders of \$1,229.7 million (2015: \$1,185.9 million) less intangible assets of \$145.9 million (2015: \$114.7 million) divided by the number of issued ordinary shares of 504.5 million (2015: 506.0 million).

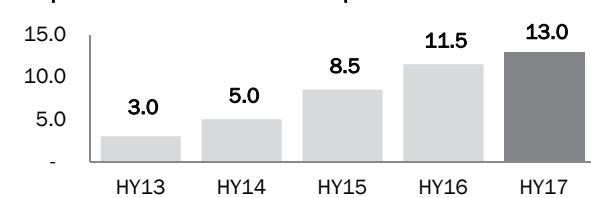
#### Share buy-back

On 4 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 ended 31 March 2017 and 31 March 2018.

### 11 Dividends

Type of dividend (unfranked)	Cents per share	Total amount \$million	Date paid/payable
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	12.0	60.7	5 July 2016
2017 Interim <sup>1</sup>	13.0	65.6	13 December 2016

Graph 1: Interim dividend – cents per share



<sup>1</sup> The interim dividend for the half year ended 30 September 2016 has not been recognised in this financial report because it was resolved to be paid after 30 September 2016. The amounts disclosed as recognised during the half year ended 30 September 2016 are the final dividend in respect of the financial year ended 31 March 2016.

## 12 Reserves

\$million	As at 30 September 2016	As at 31 March 2016
Hedge reserve	0.7	6.7
Foreign currency translation reserve	(8.6)	(5.1)
Employee share reserve	29.0	27.5
Share based payment trust reserve	(13.6)	(10.5)
Other	(2.8)	(2.8)
<b>Total reserves</b>	<b>4.7</b>	<b>15.8</b>

## 13 Financial risk management

### Fair value measurement of financial instruments

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

\$million	As at 30 September 2016	As at 31 March 2016
	Level 2	Level 2
<b>Financial assets at fair value</b>		
Commodity swaps - aluminium	7.7	25.5
Commodity swaps - oil	0.2	-
Forward exchange rate contracts	4.5	9.7
<b>Total</b>	<b>12.4</b>	35.2
<b>Financial liabilities at fair value</b>		
Commodity swaps - aluminium	2.3	0.2
Commodity swaps - oil	1.8	3.3
Forward exchange rate contracts	4.8	17.4
<b>Total</b>	<b>8.9</b>	20.9

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

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

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

There were no transfers from Level 2 to Level 1 and Level 3 during the financial half year ended 30 September 2016 and no transfers in either direction in the financial year ended 31 March 2016.

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

## Other

### 14 Equity accounting information

Entity	Country of incorporation	Ownership interest		Contribution to net profit (\$million)	
		2016	2015	2016	2015
<b>Glass</b>					
Viridian Glass Limited Partnership <sup>1</sup>	New Zealand	100% <sup>1</sup>	58%	(0.3)	0.4
<b>Building products</b>					
Rondo Pty Limited	Australia	50%	50%	7.8	4.9
New Zealand Brick Distributors	New Zealand	50%	50%	0.5	0.6
Other	Australia	50%	50%	-	0.7
<b>Contribution to net profit</b>				<b>8.0</b>	<b>6.6</b>

<sup>1</sup> The CSR group held a 58% interest in Viridian Glass Limited Partnership until 30 June 2016 when the remaining 42% interest was acquired. Refer to note 7 for further detail. Contribution to net profit is for the 3 month period ended 30 June 2016 (2015: 6 month period ended 30 September 2015).

\$million	2016	2015
<b>Share of net profit of joint venture entities</b>		
Profit before income tax	11.4	8.1
Income tax expense	(3.4)	(1.5)
<b>Contribution to net profit</b>	<b>8.0</b>	<b>6.6</b>

### 15 Subsequent events

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

#### Boral CSR Bricks Pty Limited

On 28 October 2016, Boral CSR Bricks Pty Limited ('BCB') resolved and paid a dividend of \$8.8 million, of which \$3.5 million was paid to the minority shareholder.

On 31 October 2016, the CSR group acquired the 40% minority interest in BCB for cash consideration of \$126.4 million. In addition, outstanding borrowings held by BCB of \$7.5 million were repaid to Boral Limited. In accordance with AASB 10 *Consolidated Financial Statements*, as the CSR group has a controlling interest in BCB, the transaction will be treated as a transaction between shareholders. As a result, any difference between the consideration paid by the CSR group to purchase the remaining 40% of BCB and the non-controlling interest will be recorded in equity. Fair value acquisition accounting is not required and the CSR group will continue to consolidate BCB. Effective 1 November 2016, the CSR group will recognise 100% of the net profit after tax of BCB. Following the acquisition, BCB has changed its legal name to PGH Bricks & Pavers Pty Limited.

#### Dividends

For dividends resolved to be paid after 30 September 2016, refer to note 11.

### 16 Contingencies

#### i) Contingent liabilities

Claims and possible claims (other than product liability which is disclosed in note 8) have arisen in the course of business against entities in the CSR group and made by entities in the CSR group. Based on legal advice obtained, the directors believe that any resultant liability or asset will not materially affect the financial position of the CSR group.

#### ii) Workers compensation

CSR Limited is a licensed self-insurer in New South Wales, Queensland, Victoria, Western Australia and the Australian Capital Territory for workers' compensation insurance. Adequate provision has been made for all known claims and reasonably foreseeable claims with a provision of \$28.3 million as at 30 September 2016 (31 March 2016: \$28.6 million).

**CSR LIMITED**  
**ABN 90 000 001 276**  
**Directors' declaration**

In the directors' opinion:

- a) the financial statements and notes, set out on pages 4 to 21 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016, and of its performance as represented by the results of its operations and its cash flows, for the financial half year ended on that date;
- b) there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable.

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



Jeremy Sutcliffe  
Chairman  
Sydney, 2 November 2016



Rob Sindel  
Managing Director  
Sydney, 2 November 2016

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## Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of CSR Limited, which comprises the statement of financial position as at 30 September 2016, and the statement of financial performance, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the half year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half year or from time to time during the half year as set out on pages 4 to 22.

## Directors' Responsibility for the Half Year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CSR Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Auditor's Independence Declaration

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

## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

J A Leotta  
Partner  
Chartered Accountants  
Sydney, 2 November 2016