

# BUILDING A STRATEGY FOR THE FUTURE



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## CSR'S TRUSTED BRANDS



## PROTECT AND INVEST

### PROTECTING AND INVESTING IN OUR BUSINESSES AND OUR PEOPLE

CSR is committed to strengthening and investing in its businesses and people. We will invest in our brands by expanding our distribution networks and improve efficiency. We will protect and train our people and minimise our impact on the environment.



## SMARTER, FASTER, EASIER

### DELIVERING BUILDING SOLUTIONS THAT ARE SMARTER, FASTER AND EASIER TO USE

CSR will continue to invest in building systems that reduce construction complexity. Our opportunity is to develop systems and processes to make it easier and faster to use our products.



## COMFORT

### IMPROVING COMFORT, QUALITY AND EFFICIENCY OF BUILDINGS

CSR will lift building quality by assisting designers to "build in" good design outcomes from the outset. We will make higher performing materials and systems more accessible to designers, trades and consumers.





# CSR'S STRATEGY PROVIDES PLATFORMS FOR GROWTH AND INNOVATION – BUILDING STRONG FOUNDATIONS FOR THE FUTURE



## INFLUENCING DESIGN



### INFLUENCING DESIGN AND ADAPTING TO THE CHANGING WAY WE LIVE AND WORK

The way we live and work is changing. CSR will actively seek to understand the needs of designers, builders and the consumers that are occupying different types of buildings.



## CUSTOMERS



### ENSURING THAT OUR CUSTOMERS CHOOSE TO DO BUSINESS WITH CSR

CSR will continue to invest and develop our relationships with our customers to deeply understand their market and individual needs. We will also invest in our people and systems to enhance our customers' experience.

## FINANCIAL OVERVIEW AND KEY FACTS

# THE INCREASE IN CSR'S EARNINGS IS DRIVEN BY IMPROVING MARKETS AND THE DELIVERY OF OPERATING EFFICIENCIES

## OVERVIEW

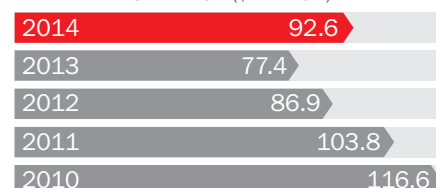
### KEY HIGHLIGHTS

- Trading revenue of \$1,746.6 million, up 4% for the year ended 31 March 2014
- EBIT<sup>1</sup> of \$125.7 million, up 85%
  - **Building Products** EBIT of \$92.6 million, up 20% with higher volumes from increasing construction activity and operational efficiencies
  - **Viridian** recorded an EBIT loss of \$14.9 million, a \$23.9 million improvement on the prior year
  - **Aluminium** EBIT of \$51.9 million, up 3% due to higher realised aluminium prices
  - **Property** EBIT of \$17.3 million compared to a break-even result (before interest and tax) in the prior year
- Net profit<sup>1</sup> of \$72.0 million, up 143%
- Statutory net profit attributable to shareholders of \$88.1 million compared to a statutory net loss of \$150.0 million in the prior year
- Earnings per share<sup>1</sup> of 14.2 cents, up from 5.8 cents
- Final, unfranked dividend of 5.0 cents to be paid on 8 July 2014 which brings the full year dividend to 10.0 cents per share and represents a dividend payout ratio of 70% of net profit<sup>1</sup>
- Strong financial position maintained with net debt at year end of \$28.5 million

1 EBITDA, EBIT, net profit and earnings per share are all pre significant items. They are non-IFRS measures used 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 2014.

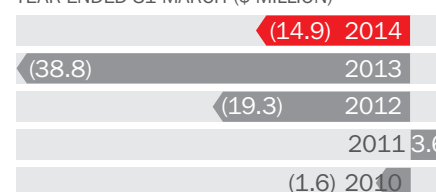
### BUILDING PRODUCTS EBIT

YEAR ENDED 31 MARCH (\$ MILLION)



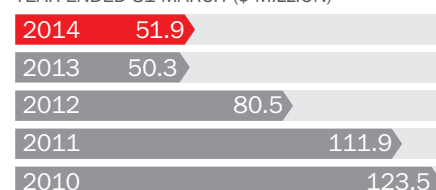
### VIRIDIAN EBIT

YEAR ENDED 31 MARCH (\$ MILLION)



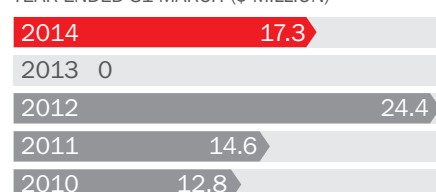
### ALUMINIUM EBIT

YEAR ENDED 31 MARCH (\$ MILLION)



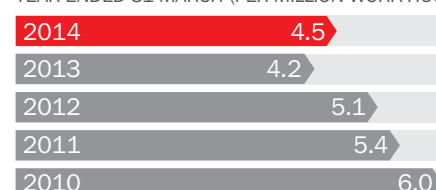
### PROPERTY EBIT

YEAR ENDED 31 MARCH (\$ MILLION)



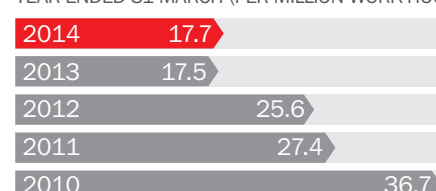
### LOST TIME INJURY FREQUENCY RATE

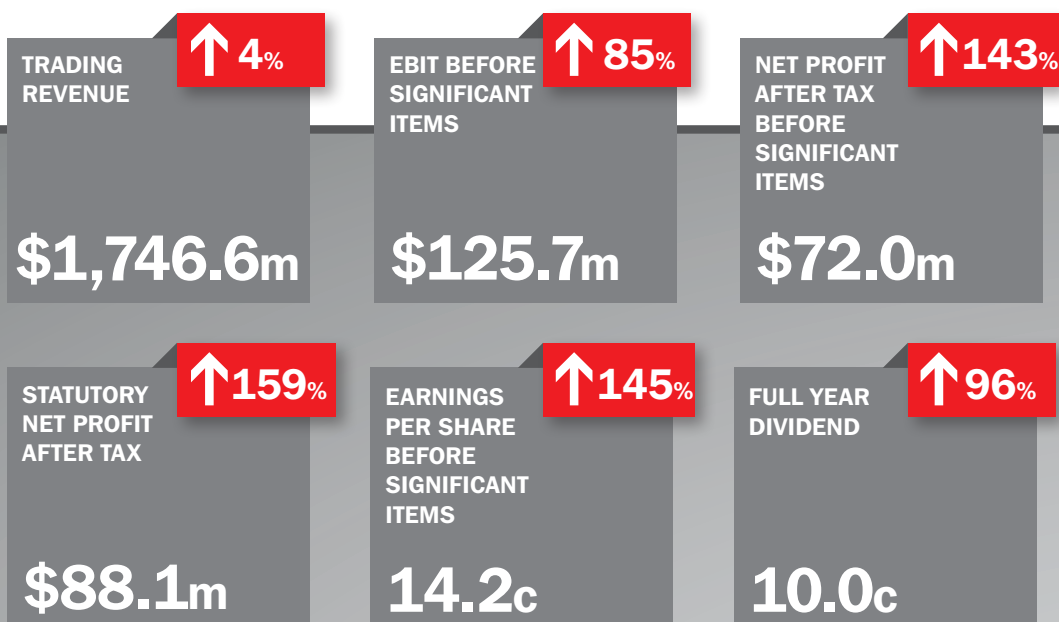
YEAR ENDED 31 MARCH (PER MILLION WORK HOURS)



### TOTAL RECORDABLE INJURY FREQUENCY RATE

YEAR ENDED 31 MARCH (PER MILLION WORK HOURS)





## FIVE YEAR PERFORMANCE

YEAR ENDED 31 MARCH (\$ MILLION) UNLESS STATED	2014	CONTINUING OPERATIONS <sup>a</sup>				
		2013 <sup>b</sup>	2012	2011		2010
<b>Operating results</b>						
Trading revenue	1,746.6	1,682.4	1,801.9	1,913.6		3,754.9
<b>Earnings before interest and tax (EBIT)</b>						
Building Products	92.6	77.4	86.9	103.8		116.6
Viridian	(14.9)	(38.8)	(19.3)	3.6		(1.6)
Aluminium	51.9	50.3	80.5	111.9		123.5
Property	17.3	–	24.4	14.6		12.8
Sucrogen	–	–	–	–		135.7
Segment total	146.9	88.9	172.5	233.9		387.0
Corporate <sup>c</sup>	(15.7)	(13.8)	(15.3)	(19.0)		(18.6)
Restructuring and provisions	(5.5)	(7.0)	(0.5)	(2.9)		(4.3)
CSR EBIT	125.7	68.1	156.7	212.0		364.1
Net profit after tax (before significant items)	72.0	29.6	90.7	90.2		173.4
Net profit (loss) after tax (after significant items)	88.1	(150.0)	76.3	(78.0)		(111.7)
<b>Financial position</b>						
Shareholders' funds	1,153.8	1,086.6	1,278.7	1,281.3		1,818.2
Total assets	2,004.9	2,032.7	2,245.5	2,258.2		3,874.6
Net debt (cash)	28.5	25.1	(55.7)	(139.1)		766.9
<b>Key data per share</b>						
Earnings before significant items (cents)	14.2	5.8	17.9	17.8		38.1
Earnings after significant items (cents)	17.4	(29.6)	15.1	(15.4)		(24.5)
Dividend (cents)	10.0	5.1	13.0	14.3 <sup>d</sup>		25.5 <sup>e</sup>
Payout ratio	70.3	87.2	72.6	80.0		66.9
<b>Key measures</b>						
Profit margin (EBIT/trading revenue) (%)	7.2	4.0	8.7	11.1		9.7
Return on shareholders' funds (%) <sup>f</sup>	6.2	2.7	7.4	10.6		10.5
Gearing at 31 March (%) <sup>f</sup> (net debt/net debt plus equity)	2.4	2.3	n/a	n/a		30.1
Employees (number of people employed)	2,985	3,218	3,582	3,925		6,738

a From continuing operations which exclude the results from Sucrogen and Asian insulation businesses which were sold on 22 December 2010.

b On 1 April 2013, the CSR group 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.

c Represents unallocated overhead and other revenues.

d Interim dividend restated for the 3:1 share consolidation completed on 3 March 2011 and excludes special dividend of 9.1 cents.

e Restated for the 3:1 share consolidation completed on 3 March 2011.

f Restated to exclude the fair value of hedges from equity.

## CHAIRMAN'S REPORT

# MAKING GOOD PROGRESS ON OUR STRATEGY



A handwritten signature in black ink, appearing to read 'J. Sutcliffe'.

**JEREMY SUTCLIFFE**  
CHAIRMAN

Three years ago, CSR undertook a number of steps to adapt our businesses to meet the changes in construction markets and align production to market demand. Importantly, we invested in innovation and product development and lowered our manufacturing costs and overheads to improve our ability to profit from the turnaround in construction demand.

As construction activity has started to pick up this year, it is clear that these efforts are paying off and it is pleasing to be able to report a 143% increase in net profit after tax (before significant items) to \$72.0 million.

All of CSR's businesses reported better results. Building Products increased EBIT by 20% and our Aluminium and Property businesses performed well. Earnings from Aluminium increased by 3% in a market where pricing continued to be under pressure, while Property recorded earnings of \$17.3 million.

The turnaround of Viridian glass is on track and the business reduced its loss for the year to \$14.9 million – a \$23.9 million improvement on the previous year as our transformation plan took effect.

CSR's statutory net profit of \$88.1 million compares to last year's net loss of \$150.0 million. The prior year included the impact of restructuring costs, plant closures and asset impairments to the carrying value of Viridian. These actions are helping to create a business with a smaller, lower cost operating base, the benefits of which are beginning to flow through the results and should deliver further performance improvements over time.

Our financial position remains strong with low net debt at year end of \$28.5 million.

### **DIVIDENDS**

Our dividend policy is based on payment of dividends between 60-80% of full-year net profit after tax (before significant items). Following the significant increase in earnings, the board has resolved to pay a final, unfranked dividend of 5.0 cents per share on 8 July 2014.

This brings the unfranked full-year dividend to 10.0 cents per share, up from 5.1 cents per share the previous year, and represents a dividend payout ratio of 70% 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](http://www.csr.com.au)).





## “CSR IS INVESTING IN ITS BUSINESSES AND PEOPLE AND ADAPTING TO THE CHANGING WAY WE LIVE AND WORK”

### PROGRESS ON OUR STRATEGY

I am also pleased to report that we have made significant progress over the last year on our strategy to improve the earnings in all our businesses and grow into new markets. We have made good progress on three main strategic opportunities for CSR:

- **Turn around the performance of Viridian:** The restructure, launched in March 2013, was in response to the structural changes in the Australian glass market and will enable the business to return to profitability from a lower cost structure. The process will take several years but we have already significantly reduced our losses in Viridian and have met all key milestones to date;
- **Restructure our brick operations:** The proposed east coast brick joint venture (JV) with Boral, announced in April 2014, is an important transaction that will help ensure the long term sustainability and competitiveness of the combined brick operations by capturing operational efficiencies that we cannot achieve on our own. This remains subject to Australian Competition and Consumer Commission (ACCC) approval; and
- **Increase exposure to the growth in multi-residential construction:** Multi-residential construction now represents over 40% of all new home construction, compared to the average over the past 10 years of about one-third of housing.

While detached housing will remain a core part of our market, we are increasing our exposure to multi-residential through products and systems in our portfolio and through the recent acquisition of AFS Products Group.

### BOARD CHANGES

In August 2013, we welcomed the appointment of Matthew Quinn as a non-executive director. His extensive experience in the property and construction sectors through his role as managing director of Stockland will be valuable to the board as we expand our portfolio across the construction sector.

Concurrent with Matthew's appointment, Ray Horsburgh retired as a non-executive director after serving CSR shareholders for seven years. Ray's expertise in the manufacturing sector helped us navigate the challenging period experienced by many Australian manufacturing companies in recent years and we thank him for that. Finally, this year's excellent result could not have been achieved without the continuing commitment and dedication of the 3,000 CSR employees across Australia and New Zealand and the capable leadership of managing director Rob Sindel and his executive team. On behalf of the board, a sincere thanks to all of them and also to our shareholders for their continued support.

**JEREMY SUTCLIFFE**  
CHAIRMAN

## MANAGING DIRECTOR'S REVIEW

# BUILDING THE FUTURE OF CSR



**ROB SINDEL**  
MANAGING DIRECTOR

The significant restructuring initiatives completed over the past few years greatly assisted CSR's performance in the year under review. These initiatives, together with ongoing work across our network to improve our service levels to customers, invest in product development and reduce manufacturing costs, have ensured we are well positioned to take advantage of the construction market's expected growth over the next few years.

### **WORKPLACE HEALTH, SAFETY AND ENVIRONMENT**

Ensuring the safety of our employees and the protection of our environment remain core values at CSR. I am therefore pleased to report that we reduced the number of total recordable injuries by 9%. This figure includes lost-time, restricted work and medical treatment injuries.

While the number of total recordable injuries is declining, the rate of total recordable injuries as measured by per million work hours remained steady at 17.7 due to a 9% decline in the number of work hours. Nonetheless, this represents a 64% reduction in the number of total recordable injuries over the past five years.

We cannot afford to be complacent and we continue to identify potential hazards and analyse near-misses to ensure we avoid future risks to our employees.

We are also introducing a number of new programs to continue our improvement in safety performance.

We are also making good progress towards our goal to minimise our environmental impact by targeting a 20% reduction per tonne of saleable product by 2020 in greenhouse gas emissions, solid waste to landfill, and the amount of energy and potable water we use in production. In the past year, our greenhouse gas emissions were down 3%, water use was down 15% and solid waste produced was down 30%, thanks to efficiency programs across all of our sites.

### **FINANCIAL RESULTS**

CSR's net profit after tax (pre significant items) was \$72.0 million compared to \$29.6 million for the previous year.

**Building Products** trading revenue was up 6% due to a combination of volume growth and improved pricing in most product categories.

EBIT was up 20% with earnings growth across most businesses, reflecting the incremental benefit from improved revenues and operational cost improvements. A number of projects were completed across the manufacturing sites to lower energy consumption, improve product quality and reduce manufacturing costs. As a consequence, EBIT margin increased to 9.0%, up from 8.0%.



## “CSR IS NOW A FOCUSED BUILDING PRODUCTS COMPANY SETTING THE STANDARDS FOR SERVICE AND INNOVATION IN THE INDUSTRY”

**Viridian's** trading revenue declined by 2% to \$262.0 million, largely as a consequence of restructuring initiatives undertaken during the period, which reduced Viridian's operational footprint and significantly improved profitability.

As a consequence of the major restructuring program launched in March 2013, Viridian recorded an EBIT loss of \$14.9 million, a \$23.9 million improvement on the prior year. This result included the benefit of a \$14.0 million reduction in depreciation due to the asset impairment recorded at 31 March 2013 and associated restructuring initiatives.

In **Aluminium**, sales volume of 195,591 tonnes was marginally higher following continued operational improvements at Tomago. Trading revenue of \$455.4 million was up 3%, reflecting the higher realised price which includes hedging and premiums. EBIT of \$51.9 million was up 3% with the EBIT margin improving slightly to 11.4%.

**Property** delivered earnings of \$17.3 million. The result includes the sale of seven hectares of surplus land at Oxley in Queensland and seven hectares of industrial land at Erskine Park in New South Wales.

### CSR PEOPLE

Over the past 18 months, we have been engaging with employees across CSR to seek greater contribution and commitment to our strategy and to improve the culture within our company. This engagement is fundamental to building a sustainable and successful company for the long term. It has also shown that our people are proud to work for CSR and of the contribution they make in building the homes and buildings that create strong communities.

### DELIVERING ON OUR STRATEGY

As the chairman has indicated, we have made good progress in implementing our strategy, outlined in last year's annual report to strengthen our Building Products business over the medium term.



#### PROTECT AND INVEST

Restructuring program in Viridian on track – refocused on key customer segments

Announced proposed east coast bricks JV with Boral in April 2014 – ACCC review underway

Expanded leadership development programs across CSR



#### SMARTER, FASTER, EASIER

Acquired the AFS Products Group, a leader in load-bearing permanent formwork walling solutions in April 2014

Launched Hebel PowerPanel XL which is a lighter weight panel which provides a faster installation time for builders



#### INFLUENCING DESIGN

Continued research on the CSR House, including marketing of CSR House Technique to designers and builders



#### COMFORT AND ENERGY EFFICIENCY

Expanding Bradford Energy Solutions to include new products and services, including acquisition of polyester manufacturer Martini



#### CUSTOMERS

Launched CSR Connect 24/7 digital access, providing CSR customers with new online functionality and mobile device access

### OUTLOOK

Building approvals for both detached and multi-residential housing continue to grow strongly. This will lead to increased demand for CSR's products over the next few years as multi-residential projects near completion.

In the year ahead, Building Products should also benefit from expansion into new markets through its recent acquisitions, including AFS.

Viridian will benefit from the full-year effect of cost reduction initiatives and remains on track to exit the financial year with a breakeven EBIT run-rate. Additional longer term opportunities exist to improve performance to return the business to profitability in future years.

In Aluminium, GAF continues to lock in returns in its hedge book when opportunities arise with 58% of net sales hedged for the first half of the year ending 31 March 2015 (YEM15). The overall position for YEM15 (as of 30 April 2014) is that 50% of net sales are currently hedged at an average price of A\$2,176 per tonne (before premiums).

Property earnings are always subject to timing with a targeted range of \$15 to \$20 million per year on average, with a solid pipeline of transactions currently under negotiation.

To conclude, I would like to add my thanks to those of the chairman and acknowledge the outstanding work of our employees, customers and suppliers who have contributed to a year of significant and pleasing progress. By continuing to adapt to the changing ways we live and work in Australia and New Zealand and by delivering on our strategic plans, we will ensure a bright, profitable future for our organisation.

**ROB SINDEL**  
MANAGING DIRECTOR

# STRONG GROWTH IN BUILDING APPROVALS WILL INCREASE DEMAND FOR CSR'S PRODUCTS OVER THE NEXT FEW YEARS



## Proposed east coast bricks JV with Boral

ON 4 APRIL 2014, CSR AND BORAL ANNOUNCED THEIR INTENTION TO FORM A JV TO COMBINE THEIR BRICK OPERATIONS ON THE EAST COAST OF AUSTRALIA. THE PROPOSED JOINT VENTURE WILL BE OWNED 60% BY CSR AND 40% BY BORAL, REFLECTING THE VALUATION OF THE TWO BUSINESSES. COMPLETION OF THE TRANSACTION IS SUBJECT TO CLEARANCE BY THE ACCC WITH THE REVIEW CURRENTLY UNDERWAY.

Detached housing starts, a key market for CSR's building products portfolio, were up 6% on a two-quarter lag basis for the year to March 2014. The New South Wales market was up 15% and Western Australia up 35%, while detached housing activity in Queensland was down 3% as the market shifts to a greater proportion of multi-residential housing. The largest detached housing market in Victoria was down 7% following strong activity over the last three years.

The other residential segment, which includes multi-residential housing, was up 21% with activity evenly split between low rise (semi-detached and units up to three-storeys) and high rise (units four-storeys and higher) segments. The multi-residential market is continuing to increase its share of total residential construction, accounting for 42%, up from 39% in the previous year.

Building Products trading revenue was up 6% due to a combination of volume growth and improved pricing in most product categories.

EBIT was up 20% with earnings growth across most businesses, reflecting the incremental benefit from improved revenues and operational cost improvements. A number of projects were completed across the manufacturing sites to lower energy consumption, improve product quality and reduce manufacturing costs. As a consequence, EBIT margin increased to 9.0%, up from 8.0%.

## BRICKS AND ROOFING

The Bricks and Roofing division includes PGH™ bricks and Monier™ roofing businesses.

Bricks and Roofing trading revenue increased by 5% to \$284.1 million with higher pricing and volumes reflecting the pick-up in detached housing demand in Australia and New Zealand.

In **Bricks**, revenue and earnings increased with modest volume improvements. Margins were higher following improved product mix and production efficiencies. The result also included an increased contribution from the NZ Brick Distributors JV following strong growth in residential activity and realisation of overhead and distribution efficiencies underpinning the formation of the JV.

Earnings in **Roofing** were lower as an improved result in New South Wales and Queensland was more than offset by lower demand in Monier's key market of Victoria, where detached housing starts fell 7%.

## BRICKS AND ROOFING REVENUE

YEAR ENDED 31 MARCH (\$ MILLION)

2014	284.1
2013	271.7
2012	255.7
2011	286.6
2010	281.3

## AUSTRALIAN HOUSING STARTS

YEAR ENDED 31 MARCH ('000 PER ANNUM)

2014	95	69	164
2013	90	57	147
2012	97	62	159
2011	117	61	178
2010	95	37	132

■ Detached housing

■ Multi-residential

Source: ABS



### LIGHTWEIGHT SYSTEMS

The Lightweight Systems division includes Gyprock™ plasterboard, Cemintel™ fibre cement, Ceilector™ and Potter™ interior systems, and Hebel® lightweight concrete products. The division also includes the Bradford™ businesses (Insulation and Energy Solutions) and the Edmonds™ ventilation business, as well as the recently acquired Martini polyester business.

**Lightweight Systems** trading revenue was up 7% to \$745.1 million from \$699.2 million.

**Gyprock** increased earnings through a combination of improved pricing and factory efficiencies at all major sites. The business maintained its market-leading brand position through investing in innovative products designed for the demands of the Australian market and focusing on product quality, operational improvement and customer service.

Steady volumes saw **Cemintel** record earnings in line with the previous year. Growth continues for new products such as the Designer Series™ pre-finished external cladding range and fibre cement flooring systems.

CSR's commercial ceilings businesses of **Ceilector** in Australia and **Potter Interior Systems** in New Zealand continue to increase earnings with growth in the office refurbishment segment and expansion into the aluminium partition market through the acquisition of Alsupply located in New South Wales.

Earnings in **Hebel**, CSR's autoclaved aerated concrete panels business, were higher as a result of increased earnings from the multi-residential market and the "supply and fix" offer for detached housing, both of which offset lower project revenue in the civil infrastructure segment.

Earnings increased in **Bradford** following improved pricing and higher volumes in line with market activity. The result also includes five months' contribution from the acquisition of Martini, a leading manufacturer of polyester and distributor of reflective foil which has extended Bradford's product line into adjacent markets.

**"GYPROCK IS DEVELOPING NEW PRODUCTS DESIGNED FOR THE DEMANDS OF THE AUSTRALIAN MARKET"**



### CSR acquires AFS Products Group

IN APRIL 2014, CSR ACQUIRED AFS PRODUCTS GROUP (AFS), A LEADER IN LOAD-BEARING PERMANENT FORMWORK WALLING SOLUTIONS FOR THE CONSTRUCTION INDUSTRY. AFS PROVIDES AN EXCITING OPPORTUNITY FOR CSR TO INCREASE ITS EXPOSURE TO THE GROWTH IN THE MULTI-RESIDENTIAL CONSTRUCTION MARKET. THE COMBINATION OF AFS PRODUCTS WITH CSR'S NON LOAD-BEARING WALLING PRODUCTS INCLUDING GYPROCK™, CEMINTEL™ AND HEBEL® ENABLES CSR TO OFFER CUSTOMERS A COMPREHENSIVE SUITE OF WALLING SOLUTIONS.

### LIGHTWEIGHT SYSTEMS REVENUE YEAR ENDED 31 MARCH (\$ MILLION)

2014	745.1
2013	699.2
2012	723.2
2011	762.7
2010	764.3



# SIGNIFICANT IMPROVEMENT IN VIRIDIAN RESULTS



**VIRIDIAN** is Australia's leading architectural glass provider and the only manufacturer of float and hardcoat performance glass products in Australia.

Viridian's trading revenue declined by 2% to \$262.0 million, largely as a consequence of restructuring initiatives undertaken during the period, which reduced Viridian's operational footprint and significantly improved profitability.

As a consequence of the major restructuring program launched in March 2013, Viridian recorded an EBIT loss of \$14.9 million, a \$23.9 million improvement on the prior year. This result included a \$14.0 million reduction in depreciation due to the asset impairment recorded on 31 March 2013 and associated restructuring initiatives.

The restructure of Viridian is on track with key milestones achieved to date including:

- New management and organisational structure in place;
- \$18 million reduction in costs;
- Closure of major sites at Ingleburn and Wetherill Park in New South Wales completed on time and within budget; and
- Completion of a major import agreement to supplement bulk glass production at Dandenong in Victoria.

These initiatives have ensured that Viridian achieved its target of moving to a positive EBITDA in the final months of the year ended 31 March 2014.

For the upcoming year, Viridian will benefit from the full year effect of these restructuring initiatives and will focus on optimising its supply chain to drive further efficiencies, growing revenues and improving performance in its Commercial & Design business unit.

## VIRIDIAN REVENUE

YEAR ENDED 31 MARCH (\$ MILLION)

2014	262.0
2013	268.2
2012	306.1
2011	348.8
2010	379.7

## VIRIDIAN EBITDA

YEAR ENDED 31 MARCH (\$ MILLION)

(4.1)	2014
(14.1)	2013
5.3	2012
29.7	2011
22.0	2010

**“TURNAROUND OF VIRIDIAN IS ON TRACK WITH KEY MILESTONES ACHIEVED TO DATE”**



## Viridian launches new business structure

AS PART OF VIRIDIAN'S RESTRUCTURING PROGRAM, THE BUSINESS LAUNCHED A NEW STRUCTURE OF FOUR MARKET FACING UNITS TO REDUCE COMPLEXITY AND COSTS WHILE BETTER SERVING THE NEEDS OF EACH MARKET THROUGH A MORE TAILORED OFFERING:

- **HOME COMFORT** – SERVICING RESIDENTIAL WINDOW MAKERS TO DELIVER HIGH PRODUCT QUALITY AND SERVICE RELIABILITY BACKED BY THE LOWEST UNIT COST POSITION;
- **STOCK & TRADE** – SERVING A WIDE MARKET THROUGH ITS NATIONAL DISTRIBUTION NETWORK WITH A WIDE RANGE OF STANDARDISED PRODUCTS;
- **COMMERCIAL & DESIGN** – OFFERING SPECIALISED GLASS APPLICATIONS INCLUDING DESIGN AND INSTALL SERVICES; AND
- **LOCAL** – SERVING REGIONAL MARKETS WITH FULL ACCESS TO VIRIDIAN PRODUCT RANGE.

# IMPROVING OPERATIONAL EFFICIENCY



**ALUMINIUM** CSR holds an effective 25.2% interest in the Tomago aluminium smelter through its 70% interest in Gove Aluminium Finance (GAF) Limited which in turn owns 36.05% of Tomago.

Aluminium prices declined through the year due to continued global uncertainty and high levels of aluminium stored in London Metal Exchange (LME) and non-LME warehouses. The US\$ aluminium price traded in a relatively narrow band during the year with the average price of US\$1,815 per tonne down 10% compared to the previous year.

Offsetting the decline in US\$ aluminium prices was a lower Australian dollar falling 10% compared to the previous year. In addition, ingot premiums, the premium paid to aluminium suppliers above the LME aluminium price, remained at record levels. As a result, the realised aluminium price in Australian dollars after hedging and premiums for GAF was A\$2,328 per tonne up 2% from the previous year.

Ingot premiums have continued to rise in the first quarter of the new financial year beginning on 1 April 2014, due to ongoing shortages in the supply of physical aluminium and the continued financing and warehousing of aluminium inventories. Relatively high ingot premiums are likely to continue in the short to medium term.

GAF sales volumes of 195,591 tonnes was marginally higher following continued operational improvements at Tomago. Trading revenue of \$455.4 million was up 3%, reflecting the higher realised price which includes hedging and premiums.

EBIT of \$51.9 million was up 3% with the EBIT margin improving slightly to 11.4%.

## AVERAGE LME ALUMINIUM PRICE YEAR ENDED 31 MARCH (US\$ PER TONNE)

2014	1,815
2013	2,005
2012	2,345
2011	2,281
2010	1,898

## ALUMINIUM EBIT YEAR ENDED 31 MARCH (\$ MILLION)

2014	51.9
2013	50.3
2012	80.5
2011	111.9
2010	123.5

**“TOMAGO HAS AN ONGOING IMPROVEMENT PROGRAM TO INCREASE PRODUCTION, MINIMISE WASTE AND IMPROVE PROFITABILITY”**



## Tomago celebrates 30 years

THE TOMAGO ALUMINIUM SMELTER RECENTLY CELEBRATED A SIGNIFICANT MILESTONE FOLLOWING THE 30 YEAR ANNIVERSARY OF THE OPENING OF THE SMELTER OPERATION LOCATED NEAR NEWCASTLE IN NEW SOUTH WALES. WHEN PRODUCTION BEGAN IN 1983, TOMAGO PRODUCED 240,000 TONNES OF ALUMINIUM WHICH HAS GROWN TO 550,000 TONNES TODAY. TOMAGO MANUFACTURES AROUND 26% OF AUSTRALIA'S PRIMARY ALUMINIUM PRODUCTION AND EMPLOYS OVER 1,200 PEOPLE.

TOMAGO CONTINUES TO INVEST IN NEW TECHNOLOGY TO LIFT PRODUCTION AND IMPROVE OPERATIONAL EFFICIENCY AND IS CURRENTLY UPGRADING ITS POT LINING TECHNOLOGY.

# STRONG DEVELOPMENT PIPELINE



**PROPERTY** CSR's Property division is responsible for managing CSR's property portfolio, with a primary focus on maximising financial returns by developing surplus former CSR manufacturing sites and industrial land for sale.

CSR's Property division delivered earnings of \$17.3 million. The result includes the sale of seven hectares of surplus land at Oxley in Brisbane, and seven hectares of industrial land at Erskine Park in Sydney.

Stage 1 of the 533 lot residential subdivision at Chirnside Park in Melbourne was completed with the title registrations being issued on 27 March 2014.

Settlement of a number of contracts were included in the earnings result, with the remaining Stage 1 contracts completing settlement in April 2014 which will be included in the result for the year ending 31 March 2015.

Construction continues on Stages 2 and 3 at Chirnside Park, with a further 130 contracts exchanged as of the date of this report (excluding Stage 1).

Other projects include the development of the remaining 30 hectare industrial site at Brendale in Brisbane and the multi-residential site to be located above the Gyprock Trade Centre (GTC) in Pyrmont in Sydney. Marketing continues for the remaining two hectares of land at Erskine Park.

## UPDATE ON DEVELOPMENT PIPELINE

### ERSKINE PARK, SYDNEY

- Marketing of remaining two hectares, DA approved, industrial subdivision

### BRENDALE, BRISBANE

- 30 hectare industrial development
- Site remediation works completed with civil works underway
- Development over next four years

### PYRMONT, SYDNEY

- Development of multi-residential project above existing GTC site

### CHIRNSIDE PARK, MELBOURNE

- 533 lot residential development
- Stage 2 and 3 sales underway

## PROPERTY EBIT

YEAR ENDED 31 MARCH (\$ MILLION)

2014	17.3
2013	0
2012	24.4
2011	14.6
2010	12.8

**“CSR IS PROGRESSING A NUMBER OF PROPERTY DEVELOPMENT OPPORTUNITIES”**



## New home construction underway at Cloverlea

IN APRIL 2014, CONSTRUCTION OF NEW HOMES BEGAN AT CSR'S CHIRNSIDE PARK DEVELOPMENT LOCATED IN THE YARRA VALLEY SHIRE AROUND 40 MINUTES FROM THE MELBOURNE CBD. CSR'S PROPERTY TEAM HAS COORDINATED THIS MAJOR PROJECT OVER THE LAST SEVERAL YEARS TO DELIVER INFRASTRUCTURE, ROADS AND OTHER SERVICES TO THE SITE, TO ENABLE BUYERS TO BEGIN CONSTRUCTION OF THEIR NEW HOME.

CLOVERLEA OFFERS BUYERS A RANGE OF DIFFERENT LOT SIZES, SITUATED AMONG AMPLE PUBLIC SPACE AND CLOSE TO LOCAL AMENITIES INCLUDING SEVERAL SCHOOLS AND SHOPPING CENTRES, PUBLIC TRANSPORT, ENTERTAINMENT FACILITIES AND RESTAURANTS.



# PROGRESSING OUR SUSTAINABILITY AGENDA



## COMMUNITY AND SUSTAINABILITY

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

CSR is using our extensive research in sustainable building science to make living and working more comfortable and affordable, while minimising its impact on the environment and consumption of resources. We use the same approach to innovation in the way we manage our business with many of our ideas to develop sustainable buildings coming from projects we have already initiated in our own operations.

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](http://www.csr.com.au).

## SAFETY

Our primary focus on sustainability 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 9% reduction in the number of total recordable injuries which includes lost time, restricted work and medical treatment injuries. While the number of total recordable injuries is declining, the rate of total recordable injuries as measured by per million work hours remained steady due to a 9% decline in the number of work hours. This represents a 64% reduction in the number of total recordable injuries over the last five years.

While CSR's safety record continues to improve year on year, there is considerable work still required to achieve our ambition of zero harm across all of our operations.

All employees are expected to take personal responsibility and be involved with setting and complying with the company's standards and driving improvement initiatives.

## 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 reduce levels in all of these categories which ensures 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.

- Total greenhouse gas emissions down 3%
- Potable water usage down 15%
- Solid waste produced down 30%

Note: data reported for the period from 1 July 2012 to 30 June 2013 to be consistent with the National Greenhouse and Energy Reporting scheme.

To achieve these targets, CSR progressed a number of initiatives to improve operational performance and efficiency with over 200 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 10 years ago and during that time CSR and its employees have donated over \$2.6 million to charity.

In the year ended 31 March 2014, CSR and its employees donated \$83,367 to a range of charitable organisations.

CSR also works with the Australian Business and Community Network, 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 2014, 104 CSR employees mentored 268 students and volunteered 970 hours.

## PEOPLE

As at 31 March 2014, CSR had 2,985 full-time equivalent employees across its operations in Australia and New Zealand. This total is down 7% from the comparable figure last year.

CSR recognises that improving diversity requires cultural change driven by the leadership and commitment of the board and senior management. The culture change themes have been used by CSR to define measurable objectives which are expanded in detail in the Corporate Governance section of this annual report on pages 18 and 19.

## LOST TIME INJURY FREQUENCY RATE

YEAR ENDED 31 MARCH (PER MILLION WORK HOURS)

2014	4.5
2013	4.2
2012	5.1
2011	5.4
2010	6.0

## TOTAL RECORDABLE INJURY FREQUENCY RATE

YEAR ENDED 31 MARCH (PER MILLION WORK HOURS)

2014	17.7
2013	17.5
2012	25.6
2011	27.4
2010	36.7

**“OUR SUSTAINABILITY AGENDA IS A CORE PART OF OUR VALUES”**

## BOARD OF DIRECTORS

**JEREMY  
SUTCLIFFE**



LLB (HONS), MAICD, AGE 56.

Appointed Chairman July 2011 and a member of the Risk & Audit Committee and Remuneration & Human Resources Committee. Jeremy joined the board in 2008 as an independent director. He held the position of interim CEO and managing director from 1 April to 31 December 2010. 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, Orora Limited, and a member and director of The Australian Rugby League Commission Limited. He is a member of the Investment Committee of Lazard Australia Corporate Opportunity Fund No 2. Jeremy previously held advisory roles with Scholz AG and Veolia Environmental Australia.

**ROB  
SINDEL**



BENG, MBA, GAICD, AGE 49.

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. 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 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.

**KATHLEEN  
CONLON**



BA (ECON) (DIST), MBA, FAICD, AGE 50.

Chairman of the Remuneration & Human Resources Committee. Kathleen joined the board in 2004 as an independent director after seven years as a partner and director of the Boston Consulting Group (BCG) where she led BCG's Asia Pacific Operational Effectiveness Practice Area and, previously, the Sydney office. She is a member of Chief Executive Women and a non-executive director of the REA Group Limited, Lynas Corporation Limited, Aristocrat Leisure Limited, The Benevolent Society and the Australian Institute of Company Directors (AICD). She is also president of the AICD NSW Council.

**MIKE  
IHLEIN**



BBUS (ACCOUNTING), FAICD, FCPA, FFIN, AGE 58.

Chairman of the Risk & Audit Committee and a member of the Workplace Health, Safety & Environment Committee. Mike joined the board in 2011 as an independent director. He 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 and chair of the Audit & Risk Committee of Westfield Retail Trust. He is also a non-executive director and chair of the Portfolio Risk Committee of Snowy Hydro Limited and a non-executive director and chair of the Compliance Committee of Murray Goulburn Co-operative Company Limited. Mike is also a fellow of the Australian Institute of Company Directors, CPA Australia and Financial Services Institute of Australasia and a member of Financial Executives Institute of Australia. He is also chair of the Australian Theatre for Young People.

**REBECCA  
McGRATH**



BTP (HONS), MASC, FAICD, AGE 49.

Chair of the Workplace Health, Safety & Environment Committee and member of the Remuneration & Human Resources Committee. Rebecca joined the board in 2012 as an independent director. She 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 planning, for BP Plc (London). Rebecca's management career with BP spanned 23 years. Rebecca is currently a non-executive director of Goodman Group, OZ Minerals Limited and Incitec Pivot Limited and was previously a director of Big Sky Credit Union. She is a fellow of the Australian Institute of Company Directors and Chairman of Project New Dawn, a homeless and unemployment focused not-for-profit organisation.

**MATTHEW  
QUINN**



BSc (HONS), ACA, ARCS, FAPI, FRICS, AGE 51.

A member of the Risk & Audit Committee and Workplace Health, Safety & Environment Committee. Matthew joined the board in 2013 as an independent director. He 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. He is a non-executive director of Urban Growth NSW, a State owned corporation and a member of the Australian Business and Community Network Scholarship Foundation, where he previously held the role of chairman from 2007 to 2010. He is a Chartered Accountant as well as fellow of the Australian Property Institute and of the Royal Institute of Chartered Surveyors.

**DEBBIE  
SCHROEDER**

**COMPANY SECRETARY BED (HONS), LLB, MAICD**

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 of the Australian Institute of Company Directors.



# CORPORATE GOVERNANCE

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

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

CSR actively reviews Australian and international developments in corporate governance and considers the views of shareholders, regulators and other stakeholders. The CSR board adopts those arrangements which it considers are in the best interests of CSR and its shareholders.

The directors of CSR are committed to ensuring that the company maintains an effective system of corporate governance and that good corporate governance is an integral part of the culture and business practices of the CSR group.

The CSR board fully supports the Corporate Governance Principles and Recommendations (2nd Edition, with 2010 amendments) published by the ASX Corporate Governance Council (ASX CGC Principles).

Throughout the reporting period, being the year ended 31 March 2014, CSR complied with the recommendations contained in the ASX CGC's Principles unless otherwise noted in this corporate governance statement.

Charters and policies referred to in this corporate governance statement are available on CSR's website in the 'Investor Centre & News' section under 'Corporate Governance' at [www.csr.com.au/Investor-Centre-and-News/Corporate-Governance](http://www.csr.com.au/Investor-Centre-and-News/Corporate-Governance).

This corporate governance statement is organised under headings reflecting the ASX CGC's Principles.

## ROLES AND RESPONSIBILITIES

### **CSR has solid foundations for management and oversight (ASX CGC Principle 1)**

The board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded.

CSR's constitution (available on CSR's website), which sets out the provisions that govern the internal management of the company, can only be amended by special resolution of shareholders. Under the constitution, shareholders elect directors whose function is to represent shareholders by ensuring that the best interests of the company are protected.

#### **The roles of board and management**

The board has adopted a formal board charter (available on CSR's website), which establishes those matters reserved for the board and authority delegated to management. The board's functions, as summarised in the board charter, include:

- approving CSR strategies, budgets, plans and policies;
- assessing performance against business plans to monitor both the performance of management as well as the continuing suitability of business strategies;
- reviewing operating information to understand at all times the state of the company;
- considering management recommendations on proposed acquisitions, divestments and significant capital expenditure;
- considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals, guarantees of non-group liabilities, and restructures;
- ensuring that the company operates an appropriate corporate governance structure, in particular ensuring that CSR acts legally and responsibly on all matters and that the highest ethical standards are maintained;

- approving CSR's risk management strategy and frameworks and monitoring their effectiveness;
- considering the social, ethical and environmental impact of CSR's activities and monitoring compliance with CSR's sustainability policies and practices;
- maintaining a constructive and ongoing relationship with the exchanges and regulators, and approving policies regarding disclosure and communications with the market and shareholders; and
- monitoring internal governance including delegated authorities, and monitoring resources available to senior executives.

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.

#### **Letters of appointment**

The managing director's responsibilities and terms of employment, including termination entitlements, are set out in a formal executive services agreement. A summary of the main elements and terms of the agreement is set out in the remuneration report.

Letters of appointment are prepared for non-executive directors and senior executives, covering duties, time commitments, induction, company policies and corporate governance.

#### **Induction of senior executives**

New executives undertake a structured induction program when they join the company. This includes comprehensive briefings and information on the company's businesses, and its policies and procedures. Additionally, the program includes site visits and meetings with people in key internal and external roles in order to build the relationships necessary to meet the requirements of their roles.

As discussed further below, and in the remuneration report, key performance indicators are agreed with each executive to ensure goals and performance measures are fully and accurately understood and disclosed.

#### **Performance evaluation of senior executives**

CSR's high performance management framework requires that a balanced scorecard of annual key performance indicators (including financial and non-financial measures) is set for each senior executive. Every half-year, each senior executive discusses their performance with their manager. At the end of the year, as part of a formal review process, each senior executive's performance is reviewed against compliance with the performance indicators. Also, each individual's performance and behaviour are compared and measured against the performance of their peers, and measures adjusted. CSR conducted evaluations of its senior executives in accordance with this process in October 2013 and March 2014.

Further details of the process for evaluating the performance of key management personnel and the remuneration policy for key management personnel are provided in the remuneration report.

## **BOARD OF DIRECTORS**

### **CSR structures the board to add value (ASX CGC Principle 2)**

The board charter prescribes the structure of the board and its committees, the framework for independence and some obligations of directors.

Information regarding the induction program for directors is set out on page 18 in this statement.

## CORPORATE GOVERNANCE (CONTINUED)

**Size and composition of the board**

The board considers that its membership should comprise directors with an appropriate mix of skills, experience and personal attributes that allow the directors individually, and the board collectively, to:

- discharge their responsibilities and duties under the law effectively and efficiently;
- understand the suite of CSR businesses and the environment in which CSR operates these businesses so as to be able to agree with management the objectives, goals and strategic direction which will maximise shareholder value; and
- assess the performance of management in meeting those objectives and goals.

The board currently comprises five non-executive directors and one executive director.

The chairman is appointed by the board and provides leadership to ensure that a high standard of values, processes and constructive interaction is maintained. The chairman represents the views of the board to shareholders and conducts the annual general meeting to canvass properly the views of stakeholders.

In YEM14, changes to the board were as follows:

- Mr Ray Horsburgh retired on 20 August 2013; and
- Mr Matthew Quinn was appointed to the board with effect from 20 August 2013.

Information about directors, including their skills, experience and expertise, is on pages 14 and 15. The board keeps the balance of skills and experience of its members, as well as their independence under review. The board strives to achieve diversity in its composition.

**Directors' independence**

At all times throughout YEM14, a majority of the board has been independent directors. Each of the non-executive directors, including the chairman, has been determined by the board to be independent of CSR and its management, having no business or other relationships that could compromise his or her autonomy as a director.

The board's framework for determining director independence is included in the board charter and operates in accordance with the considerations set out in the ASX CGC Principles. Any past or present relationship with the company is regularly examined carefully to assess the likely impact on a director's ability to be objective and exercise independent judgement.

**Dealing with conflicts of interest**

The board has a process in place to ensure that conflicts of interest are managed appropriately. If a potential conflict of interest arises, the director concerned is excluded from all discussion and decision making on the matter. At all times, directors are required to keep the company secretary informed of all relevant interests and directors must advise the board immediately of any interests that could potentially conflict with those of CSR.

**Election of directors**

The CSR board takes on the role of the nominations and governance committee, which includes the following functions:

- determining the appropriate size and composition of the board (in accordance with the company's constitution);
- determining the appropriate criteria (necessary and desirable skills and experience) for appointment of directors;
- recommending the appointment and removal of directors;
- defining the terms and conditions of appointment to and retirement from the board;
- overseeing induction and continuing education programs for non-executive directors; and
- evaluating the board's performance.

It is considered appropriate that the board takes on this role, noting the size of the company.

The company aims to have a board which, as a whole, has the range of skills, knowledge, background and experience to govern CSR, made up of individuals of high integrity, with sound commercial judgement and inquiring minds and able to work cohesively with other directors. CSR seeks a combination of former chief executives and individuals experienced in manufacturing, finance, the law and, ideally, the industries in which CSR participates.

CSR undertakes a rigorous process when selecting new directors. Specifically, CSR develops a matrix of required skills and experience. This matrix is developed by taking into account CSR's desire to ensure a diverse range of gender, background and experience is maintained on the board at all times, and also ensuring directors are appropriately qualified.

External consultants are engaged, where appropriate, to advise on potential appointees. The reputation and ethical standards of appointees must be beyond question. Prospective directors confirm that they will have sufficient time to meet their obligations and that they will keep the company informed of their other commitments.

Non-executive directors are subject to re-election by rotation at least every three years. Newly appointed directors must seek re-election at the first general meeting of shareholders following their appointment. The board charter states that non-executive directors appointed from 2001 shall not seek re-election after serving for 10 years, unless determined by the board that it is appropriate to do so.

**Board committees**

To increase its effectiveness, the board has three committees consisting of the Risk & Audit Committee, Remuneration & Human Resources Committee and Workplace Health, Safety & Environment Committee. It is the policy of the board that a majority of the members of each committee be independent directors, that all Risk & Audit Committee members be independent directors and that the Remuneration & Human Resources Committee and the Workplace Health, Safety & Environment Committee be chaired by independent directors.

Each committee has a charter which includes a more detailed description of its duties, responsibilities and specific composition requirements. The charters are available on CSR's website. The Risk & Audit Committee, the Remuneration & Human Resources Committee and the Workplace Health, Safety & Environment Committee each comprise at least three non-executive directors and are chaired by directors other than the board chairman. All committees meet at least four times per year.

Rob Sindel, the managing director, attends meetings of board committees by invitation. He is not present at these meetings where it is considered that his presence could compromise the objectivity of proceedings.

All directors are provided access to committee papers before the meetings. Minutes of committee meetings are included in the papers for the next board meeting and the director chairing the committee reports to the board on matters addressed by the committee.

The membership of these committees, the number of meetings held and each director's attendance record last year are shown in the 'Directors' meetings' table on page 22.

**The work of directors**

In addition to attending board and committee meetings, non-executive directors allocate time for strategy and budget sessions, preparation for meetings and inspections of operations.

The chairman commits additional time and meets regularly with the managing director to review business and strategic issues and to agree board meeting agendas. The directors usually meet with no management present at the commencement of board meetings and on other occasions as required.

Except where the directors need to meet privately, the company secretary attends all board meetings.

The directors regularly visit certain of the company's operations to better understand the issues facing each of the businesses and their people.

Since September 2011, every meeting of the Workplace Health, Safety & Environment Committee has been held at a CSR site. In YEM14, the Workplace Health, Safety & Environment Committee visited the PGH bricks and pavers factories at Oxley, Queensland and Schofields, New South Wales, the Viridian glass factory at Dandenong, Victoria and the fibre cement factory at Wetherill Park, New South Wales.

#### **Directors' induction education and access to information**

The board strives to ensure that directors and key executives have the knowledge and information needed to operate effectively.

The chairman briefs new directors on their roles and responsibilities. New directors receive a comprehensive information pack as part of this induction, as well as special briefings from management and visits to key operating sites to assist them to rapidly understand CSR's businesses and issues.

Time is allocated at board and committee meetings for continuing education on significant issues facing the company and changes to the regulatory environment.

To help directors maintain their understanding of the businesses and to assess the people managing them, directors are briefed regularly by each member of the senior management team. Directors also have access to a wide range of employees at all levels during inspections of operations and in other meetings.

Directors receive a comprehensive monthly performance report from the managing director – whether or not a board meeting is scheduled – and have unrestricted access to company records and information.

At specially organised functions, directors meet customers, business partners, suppliers and other stakeholders of the company.

Directors may obtain independent professional advice, at CSR's expense on matters arising in the course of their board and committee duties, after obtaining the chairman's approval. The board charter requires that all directors be provided with a copy of such advice and be notified if the chairman's approval is withheld.

The board appoints and removes the company secretary. All directors have direct access to the company secretary who is accountable to the managing director and, through the chairman, to the board, on all governance matters.

#### **Performance evaluation**

The performance of the board is reviewed regularly. The board undertakes a self assessment of both its collective performance and that of individual directors and seeks specific feedback from the senior management team on particular aspects of its performance. The board establishes procedures and oversees this annual performance assessment program. The process may be assisted by an independent third party facilitator. The results and any action plans flowing from this annual assessment are documented, together with specific performance goals that are agreed for the coming year.

The performance of the managing director is reviewed, at least annually, through a formal performance appraisal process conducted by the board.

In YEM14, the Workplace Health, Safety & Environment Committee conducted a thorough review of its functions and responsibilities. In YEM15, the other committees will be reviewed.

#### **CODE OF CONDUCT**

##### **CSR actively promotes ethical and responsible decision making (ASX CGC Principle 3)**

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 discussed below set the standards for dealing with obligations to external stakeholders. A statement of CSR's community engagement is detailed in this annual report and the sustainability report, both of which are available on CSR's website.

##### **Code of business conduct and ethics**

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.

The board has endorsed a code of business conduct and ethics (available on the company's website) that formalises the longstanding obligation of all CSR people, including directors, to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

CSR's code of business conduct and ethics reinforces the company's commitment to giving proper regard to the interests of people and organisations dealing with the company. Each CSR person is required to respect and abide by the company's obligations to employees, shareholders, customers, suppliers and the communities in which CSR operates.

In addition, the board has adopted specific policies in key areas, including trade practices; workplace health, safety, and the environment; fairness, respect and diversity in employment; capital investment; dealing with market sensitive and other confidential information; trading in CSR shares; privacy; indemnification of employees; and requirements for authorising and entering into business transactions on behalf of CSR.

CSR employees are required to sign a certificate of compliance each year confirming that they have read and complied with the code of business conduct and ethics and are not aware of any breaches of that policy.

Further, CSR employees are encouraged to report potential breaches to a confidential telephone service. The CSR policy on the reporting of misconduct within the organisation provides that an employee will not be subject to retaliation by CSR for reporting in good faith a possible violation of the code of business conduct and ethics.

##### **Diversity**

CSR strives to ensure diversity within the organisation. CSR's policy on diversity is contained within its policy on Fairness, Respect and Diversity. A summary of this policy is available on CSR's website in the "Careers" section under "Our People".

CSR recognises that improving diversity is important to managing and sustaining a workforce capable of generating better relationships and more innovative solutions for our customers. Ultimately, this improves the results of CSR. CSR has adopted the ASX CGC Principles in respect of diversity.

CSR recognises that improving diversity requires cultural change driven by the leadership and commitment of the board and senior management. The culture change themes have been used by CSR to structure its measurable objectives. The objectives and achievements for YEM14 are described later in this statement along with a brief outline of the objectives for YEM15.



**CSR workplace profile**

At board level, two of the five or 40% of the non-executive directors are women.

12.5% of employees in senior management positions are women including the company secretary, group treasurer, group financial controller and the general manager investor relations and corporate communications.

During YEM14, the percentage of women in the CSR workforce increased from 15.6% to 16.4%.

**Measurable objectives**

The following table describes the measurable objectives that CSR will use to plan and report progress on diversity initiatives:

MEASURABLE OBJECTIVE	YEM14 ACHIEVEMENTS	OVERVIEW OF YEM15 INITIATIVES
<b>1. Leadership and culture</b>	<ul style="list-style-type: none"> <li>24% female participation in CSR's leadership programs.</li> <li>Completed a gender pay equity review as part of the annual salary review.</li> <li>Continued investment in specific diversity training as part of CSR's leadership programs.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to provide executive team quarterly updates on diversity performance metrics.</li> <li>Monitor and maintain pay equity as part of annual salary review process.</li> <li>Extend diversity training into more of the CSR leadership programs.</li> </ul>
<b>2. Career management</b>	<ul style="list-style-type: none"> <li>26% of internal promotions were women including appointments to line management roles.</li> <li>Supported senior women to attend peak industry networking forums.</li> </ul>	<ul style="list-style-type: none"> <li>Develop career sponsorships for senior women to improve attraction and retention.</li> </ul>
<b>3. Recruitment and retention</b>	<ul style="list-style-type: none"> <li>Promoted inclusion of women on shortlists for vacant roles.</li> <li>Conducted a quarterly analysis and review of attraction, appointment and retention of staff by gender, to support decision making.</li> </ul>	<ul style="list-style-type: none"> <li>Improve female appointments to middle and senior management roles by ensuring all advertised roles have a female on the shortlist.</li> <li>Enhance internal and external recruitment processes including:               <ul style="list-style-type: none"> <li>improve the employee value proposition and search capability for women;</li> <li>communicate with all recruitment providers that CSR expects a woman on the shortlist for all roles by YEM16;</li> <li>challenge some of the barriers in attracting women to CSR; and</li> <li>provide training to line managers in any bias that may occur when selecting staff.</li> </ul> </li> <li>Include key suppliers' policy on diversity as part of contract reviews.</li> <li>Assess the demand and supply side of key job segments to ensure appointments and retention of women are at least in line with the market.</li> </ul>

**Trading in CSR shares**

Directors' shareholdings at 14 May 2014 are shown in the table 'Directors' interests in CSR shares' on page 22.

Under the company's share trading policy (available on CSR's website), directors and senior managers may only buy or sell CSR shares, or give instructions to the trustee of CSR's employee share acquisition plan (ESAP), during one month periods commencing 24 hours after the date of the full-year and half-year results announcements and the annual general meeting. Also, they are prohibited from dealing in any financial products relating to CSR securities or entering into hedging arrangements in respect of CSR securities they hold, or which are held on their behalf. Under the policy, and as required by law, all directors and employees are prohibited from buying or selling CSR shares at any time if they are aware of any market sensitive information that has not been made public. All CSR share dealings by directors are notified to the ASX within the required time.

**AUDIT**

**CSR has a structure to independently verify and safeguard the integrity of the company's financial reporting (ASX CGC Principle 4)**

**Risk & Audit Committee**

The Risk & Audit Committee is chaired by Mike Ihlein. Up to 20 August 2013, the other members were Jeremy Sutcliffe and Kathleen Conlon. From 20 August 2013, the other members of the committee were Jeremy Sutcliffe and Matthew Quinn.

The external audit firm partner in charge of the CSR audit attends Risk & Audit Committee meetings by invitation, together with the internal audit manager and relevant senior managers.

The committee advises the board on all aspects of internal and external audit, the adequacy of accounting and risk management procedures, systems, controls and financial reporting.

The committee's specific responsibilities are set out in its charter and include:

- reviewing the scope of the annual audit plans of the external auditor and internal auditor and oversight of the work performed by the auditors throughout the year;
- considering and recommending to the board in relation to significant accounting policies and material estimates and judgements in financial reports;
- reviewing and monitoring internal controls and risk management across the group;
- reviewing and recommending to the board for the adoption of the company's full-year and half-year financial statements; and
- reviewing the effectiveness and performance of internal and external auditors.

The committee is a direct link for providing the views of internal and external auditors to the board, when necessary, independently of management influence. Time is allocated for detailed questioning of the material presented and separate sessions with each of the external auditor, internal auditor and chief financial officer.

The committee seeks to ensure the independence of the external auditor. The policy on auditor independence applies to services supplied by the external auditor and their related firms to CSR. Under the policy on auditor independence:

- the external auditor is not to provide non-audit services under which the auditor assumes the role of management, becomes an advocate for the group, or audits its own professional expertise;
- significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the committee or, between committee meetings by the chairman of the committee; and
- the external audit engagement partner and review partner must be rotated every five years.

Procedures for selection and appointment of the external auditor, and for the rotation of external audit engagement partners, are set out in the committee charter.

The external auditor annually confirms its independence within the meaning of applicable legislation and professional standards.

#### Financial report accountability

CSR's managing director and chief financial officer, who are present for board discussion of financial matters, are required to state to the board, in writing, that the company's financial statements are in accordance with relevant accounting standards, give a true and fair view in all material respects of the company's and the group's financial condition and operational results and comply with the Corporations Act 2001 and associated regulations.

#### DISCLOSURE

##### CSR promotes timely and balanced disclosure of all material matters concerning the company (ASX CGC Principle 5)

#### Continuous disclosure

CSR believes that shareholders, regulators, ratings agencies and the investment community generally, should be informed of all major business events and risks that influence CSR, in a factual, timely and widely available manner. 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. Under this policy, any market sensitive material for public announcement, including full-year and half-year profit announcements, release of financial reports, presentations to investors and analysts and other prepared investor briefings for CSR, will be:

- lodged with the ASX as soon as practical and before external disclosure elsewhere; and
- posted on CSR's website.

The policy limits external briefings in the periods between the end of a full-year or half-year and the release to the ASX of the relevant results. CSR's Corporate Governance & Disclosure Committee meets as required, and often on very short notice, to ensure compliance with disclosure requirements. Members of this committee are the managing director, chief financial officer, company secretary and general manager investor relations and corporate communications. The managing director approves all disclosures before they are released. The board approves all disclosures that are significant.

The share market disclosure policy is reviewed regularly to ensure compliance with the ASX listing rules and guidance on continuous disclosure.

The company secretary is responsible for communications with the ASX.

#### Commentary on financial results

CSR provides a review of operations and financial performance in this annual report, which also includes the company's financial report. Results announcements to the ASX, analyst presentations and the full text of the chairman's and managing director's addresses at the company's annual general meeting are made available on the company's website.

#### SHAREHOLDERS

##### CSR respects the rights of shareholders and facilitates the effective exercise of those rights (ASX CGC Principle 6)

CSR strives to communicate effectively with shareholders about the company's performance, presenting this annual report and other corporate information in clear language, supported by descriptive graphics and tables.

Where practicable, the company uses the latest widely available electronic technology to communicate openly and continually with shareholders – and the share market in general. Announcements to the ASX, significant briefings, notices of meetings and speeches at annual general meetings are promptly posted on the company's website and retained there for a minimum of three years.

Shareholders and other interested parties can receive emails with links to the newly posted annual report and can lodge proxies electronically for the annual general meeting. CSR keeps summary records for internal use of the issues discussed at group and one-on-one briefings with investors and analysts.

The annual general meeting and profit announcement briefings are available via a live webcast from the company's website, for access by all interested parties.

The company's shareholder communication policy is available on the company's website.

#### Auditor attendance at the annual general meeting

The external audit firm partner in charge of the CSR audit will be available to answer shareholder questions at the company's annual general meeting.

#### RISK MANAGEMENT

##### CSR has a sound system of risk oversight and management and internal control (ASX CGC Principle 7)

There are many risks in the markets in which CSR operates. A range of factors, some of which are beyond CSR's control, can influence performance across CSR's businesses. In many of these businesses, CSR constantly and deliberately assumes certain levels of risk in a calculated and controlled manner. CSR has in place limits and a range of policies and procedures to monitor the risk in its activities and these are periodically reviewed by the board. CSR's risk management policy, which sets out the framework for risk management, internal compliance and control systems, is available on CSR's website. There are several layers that assist the board in ensuring the appropriate focus is placed on the risk management framework:

- **the Risk & Audit Committee** – reviews and reports to the board in relation to the company's financial reporting, internal control structure, risk management systems and the internal and external audit functions. The Risk & Audit Committee recommends to the board the appointment or dismissal of the internal auditor, who is independent of the external auditor;
- **the Workplace Health, Safety & Environment Committee** – reviews and reports to the board on the management of the company's health, safety and environment liabilities and legal responsibilities as well as the company's involvement in the communities in which it operates; and
- **the senior management team** – manages and reports to the board on business and financial risks and overall compliance.

## CORPORATE GOVERNANCE (CONTINUED)

Risk management is sponsored by the board, and is a top priority for senior managers, starting with the managing director. The board oversees the risk appetite and profile of CSR and ensures that business developments are consistent with the risk appetite and goals of CSR.

The risk management framework covering business risk, financial risk, financial integrity and legal compliance, including the establishment of policies for the control of these risks, is in place. The board, through the Risk & Audit Committee, receives recommendations in relation to the risk profile of CSR, breaches of the policy framework and external developments which may impact on the effectiveness of the risk management framework. It also approves significant changes to the risk management framework and related policies.

The Risk & Audit Committee has responsibility for monitoring compliance with the risk management framework approved by the board for internal control and compliance matters. In this role, the Risk & Audit Committee monitors and reviews the effectiveness of the internal audit and compliance functions. CSR's Corporate Governance & Disclosure Committee has responsibility for any governance matters. Committees exist at the executive management level to ensure the necessary elements of expertise are focused on specific risk areas. Beneath this level, other committees exist where senior specialists focus on specific risks as appropriate.

The risk management framework is designed to ensure policies and procedures are in place to manage the risks arising within each business unit. Application varies in detail from one part of CSR to another; however, the same risk management framework applies across all business activities without exception.

#### Risk management accountability

As part of the process of approving the financial statements, at each reporting date the managing director and other responsible senior executives provide statements in writing to the board on the quality and effectiveness of the company's risk management and internal compliance and control systems. The statements are substantiated in part by an annual review using applicable elements of the frameworks provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control and Enterprise Risk Management.

The board has also received statements from the managing director and the chief financial officer certifying that, having made all reasonable enquiries and to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the group financial reports are founded on a sound system of effective and efficient risk management and internal compliance and control;
- the system of risk management in operation at 31 March 2014 implemented the policies adopted and delegated by the board and of the other decision making bodies operating within the CSR group and was operating effectively; and
- the systems relating to financial reporting were operating effectively in all material respects.

The board received the relevant declarations required under section 295A of the Corporations Act 2001 from the managing director and chief financial officer as well as the relevant reports and assurances required under recommendations 7.2 and 7.3 of the ASX CGC Principles.

#### REMUNERATION

**CSR ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear (ASX CGC Principle 8)**

CSR's policy is to reward executives with a combination of fixed remuneration and short and long term incentives structured to drive improvements in shareholder value. Non-executive directors receive no incentive payments and there are no retirement benefit schemes in place.

Executives and directors may forgo part of their cash remuneration or, for non-executive directors, their directors' fees, to acquire shares in CSR. Employees cannot approve their own remuneration, nor can they review that of their direct subordinates without their manager's approval.

#### Remuneration & Human Resources Committee

Kathleen Conlon chairs the Remuneration & Human Resources Committee. At all times during YEM14, other members of the committee were Jeremy Sutcliffe and Rebecca McGrath.

At all times throughout YEM14, the composition of the committee was in accordance with the ASX CGC Principles and the committee charter.

The committee advises the board on remuneration policies and practices, evaluates the performance of the managing director against pre-agreed goals and makes recommendations to the board on remuneration for the managing director and senior managers reporting to him. The committee also oversees CSR's human resources strategy, particularly succession and development planning for senior managers. The committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers.

The remuneration report includes further details on CSR's remuneration policy and its relationship to the company's performance last year, on pages 23 to 37. It also includes details of the remuneration of directors and key management personnel for YEM14 and clearly distinguishes between the structure of non-executive director remuneration and that of the executive director and key management personnel. Shareholders are invited to vote on the adoption of the report at the company's annual general meeting.

#### Equity based executive remuneration

Key features of the employee share plans used by CSR, the company's policy on share ownership and details of CSR shares beneficially owned by directors and key management personnel appear in the remuneration report on pages 23 to 37.

#### Workplace health, safety and environment responsibilities

An important part of CSR's governance commitments includes protection of its people's workplace health and safety, and for the environment (WHS&E). The board endorsed WHS&E policy (available on the CSR website) details the company's and individuals' obligations.

The board's Workplace Health, Safety & Environment Committee oversees and reports to the board on the management of the company's WHS&E responsibilities. Until 10 June 2013, Ray Horsburgh chaired the committee and the other members were Mike Ihlein and Rebecca McGrath. From 11 June to 19 August 2013, Rebecca McGrath chaired the committee and the other members were Ray Horsburgh and Mike Ihlein. From 20 August 2013, Rebecca McGrath chaired the committee and the other members were Mike Ihlein and Matthew Quinn.

Rob Sindel attends all meetings of the Workplace Health, Safety & Environment Committee by invitation.

The committee receives regular reports from management, reviews the adequacy of WHS&E management systems and performance, and ensures appropriate improvement targets and benchmarks. It monitors potential liabilities, changes in legislation, community expectations, research findings and technological changes.

The committee has every meeting at a CSR site and such meetings include a presentation from local management and a site tour.



**Corporate governance and disclosure**

CSR considers that the above corporate governance practices comply with the ASX CGC Principles (as applying to the relevant reporting period).

The company's corporate governance framework is kept under review. A report is provided to the board by the company secretary at least annually, recommending any improvements necessary to respond to changes to the company's business or applicable legislation and standards.

Statement as at 14 May 2014.

**DIRECTORS' INTERESTS IN CSR SHARES**

AS AT 14 MAY	TOTAL 2014	TOTAL 2013
Kathleen Conlon	<b>37,249</b>	34,806
Ray Horsburgh <sup>1</sup>	<b>n/a</b>	35,500
Michael Ihlein	<b>55,542</b>	53,338
Rebecca McGrath	<b>25,808</b>	13,608
Matthew Quinn <sup>2</sup>	<b>15,000</b>	—
Rob Sindel	<b>114,818</b>	110,602
Jeremy Sutcliffe	<b>127,596</b>	127,596

1 Ray Horsburgh retired on 20 August 2013.

2 Matthew Quinn was appointed as a non-executive director on 20 August 2013.

**DIRECTORS' MEETINGS**

YEAR ENDED 31 MARCH 2014	CSR BOARD		RISK & AUDIT COMMITTEE		WORKPLACE HEALTH, SAFETY & ENVIRONMENT COMMITTEE		REMUNERATION & HUMAN RESOURCES COMMITTEE	
	HELD <sup>a</sup>	ATTENDED <sup>b</sup>	HELD <sup>a</sup>	ATTENDED <sup>b</sup>	HELD <sup>a</sup>	ATTENDED <sup>b</sup>	HELD <sup>a</sup>	ATTENDED <sup>b</sup>
Jeremy Sutcliffe	10	10	4	4	n/a	n/a	5	5
Kathleen Conlon <sup>1</sup>	10	10	1	1	n/a	n/a	5	5
Ray Horsburgh <sup>2</sup>	4	2	n/a	n/a	1	0	n/a	n/a
Michael Ihlein	10	10	4	4	4	4	n/a	n/a
Rebecca McGrath <sup>3</sup>	10	10	n/a	n/a	4	4	5	5
Matthew Quinn <sup>4</sup>	6	6	3	2	3	3	n/a	n/a

a Meetings held whilst a member.

b Meetings attended.

1 Kathleen Conlon ceased to be a member of the Risk & Audit Committee on 20 August 2013.

2 Ray Horsburgh retired on 20 August 2013.

3 Rebecca McGrath appointed chairman of the Workplace Health, Safety & Environment Committee on 11 June 2013.

4 Matthew Quinn appointed on 20 August 2013.

# REMUNERATION REPORT

## THIS REPORT FORMS PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

### INTRODUCTION

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 report begins with an executive summary intended to provide a 'plain English' explanation for shareholders of the CSR remuneration framework and key outcomes and events that occurred during the financial year. The report then outlines the role of the CSR Remuneration & Human Resources Committee, details CSR's remuneration policy and practices and provides information on the remuneration and shareholdings of key management personnel (KMP), which is comprised of CSR's non-executive directors (NEDs), the managing director and the chief financial officer.

Key points to note in relation to this report are:

- the disclosures set out in this report have been prepared in accordance with the requirements of section 300A of the Corporations Act 2001 and Corporations Regulation 2M.3.03;
- the report has been audited by CSR's external auditor;
- as in YEM13 and following a review of all the senior executives against the criteria for determining KMP, only the managing director and chief financial officer qualify as KMP;
- KMP are as defined by the Accounting Standard AASB 124 Related Party Disclosures; and
- in this report, the term "senior executive" is used to describe seven direct reports of the managing director – being the business unit executive general managers for the Building Products businesses and Viridian, the general manager Property, general manager Aluminium and the executive general manager human resources. In some cases, where aspects of the remuneration framework apply to other senior roles within CSR, the term "executive" is also used.

### CONTENTS

- A Executive summary:
  - year ended 31 March 2014 (YEM14) remuneration framework update;
  - overview of executive remuneration approach and framework;
  - overview of non-executive director remuneration;
  - remuneration outcomes for YEM14;
- B The Remuneration & Human Resources Committee's role;
- C Executive remuneration policy;
- D Executive remuneration framework;
- E Link between remuneration and company performance;
- F Executive Services Agreements;
- G Remuneration and shareholdings for YEM14 (and comparatives); and
- H Non-executive director remuneration.

### A – EXECUTIVE SUMMARY

#### YEM14 remuneration framework update

There were no changes made to the remuneration framework during YEM14.

#### Overview of executive 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 framework are outlined below. Detail is provided in the body of the remuneration report.

- **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 pay/variable mix:** Total remuneration is comprised of fixed plus variable (or 'at risk') remuneration. A significant portion 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 goals (60% weighting) and individual performance goals which are focused on non-financial performance (40% weighting). Weightings of 50% financial and 50% personal goals may apply to lower job grades. As introduced in YEM12, 20% of the total STI earned by senior executives is deferred into shares.

Financial performance for YEM14 was measured by EBIT before significant items. In YEM14, all executives and eligible employees have at least 50% of the financial component of their STI aligned with the CSR financial performance (EBIT), with the remaining 50% of the financial component aligned with the financial performance (EBIT) of their respective business unit which best reflects the role's influence. Return on funds employed (ROFE) is used as a secondary metric for the STI plan to ensure effective utilisation of assets.

Non-financial performance reflects an individual's objectives that are linked to business strategy implementation. Payment for the non-financial component is dependent on CSR's and the business unit's financial performance. Should either CSR or the business unit not meet the threshold EBIT, then only 50% of the non-financial component of the STI would be eligible for funding. Should the CSR financial result and the business unit financial result not reach the threshold EBIT, then any payment of the non-financial component of the STI would be at the discretion of the board.

- **Long Term Incentive (LTI) plan:** The Performance Rights Plan (PRP) provides CSR executives with grants of performance rights that vest based on:
  - (i) CSR's three year total shareholder return (TSR) relative to the TSR of the other S&P/ASX 200 index constituents (the peer group); and
  - (ii) CSR's annual compound earnings per share (EPS) growth 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.
- **Equity sacrifice:** Executives are eligible to elect to forgo a portion of their pre-tax fixed remuneration to purchase restricted CSR shares, up to the \$5,000 annual limit as provided under the tax legislation that applies from 1 July 2009.
- **Hedging prohibition:** CSR's Share Trading Policy prohibits participants in any LTI plan from hedging their exposure to unvested shares or reducing the risk associated with the performance hurdles applicable to those shares in any way.

#### Overview of non-executive director remuneration

- **Market comparison:** NEDs are paid a base fee for service to the board and an additional fee for service to 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.
- **Voluntary fee sacrifice:** NEDs can elect to forgo up to \$5,000 of pre-tax fees annually to purchase CSR shares.

## Remuneration outcomes for YEM14

The following is a high-level summary of CSR's remuneration outcomes for YEM14. Further detail of these outcomes is provided in the body of this report.

- **Total remuneration:** Total expensed remuneration increased for disclosed KMP from YEM13 to YEM14 due to increased STI outcomes associated with improved business performance.
- **STI outcomes:** YEM14 STI plan payments increased compared with those for YEM13 as no STI plan payments were made to the KMP in YEM13. The increased STI payments were directly linked to the improved EBIT performance achieved which were slightly ahead of the target financial goals set by the board.
- **LTI outcomes:** No LTI grants vested during YEM14 as the relevant performance hurdles were not met following testing.
- The following table sets out the actual value of remuneration received by the managing director and chief financial officer who are KMP for the financial year, derived from the various components of their remuneration during YEM14. This table differs from the more detailed remuneration disclosures provided in section G on pages 35 to 36 due to the exclusion of LTI amounts not vested or reversal of accounting expense associated with any LTI grant and the exclusion of long service leave expense during the YEM.

**Table 1: Actual remuneration received by KMP**

\$ YEAR ENDED 31 MARCH 2014	FIXED REMUNERATION	SHORT TERM INCENTIVE <sup>a</sup>	LONG TERM INCENTIVE (EARNED) <sup>b</sup>	TERMINATION BENEFITS	UNIVERSAL SHARE OWNERSHIP PLAN (USOP)	OTHER BENEFITS <sup>c</sup>	TOTAL
<b>Currently employed KMP as at 31 March 2014</b>							
Rob Sindel	1,124,707	881,802	–	–	–	7,481	2,013,990
Greg Barnes	587,500	401,400	–	–	999	–	989,899
<b>Total KMP</b>	<b>1,712,207</b>	<b>1,283,202</b>	<b>–</b>	<b>–</b>	<b>999</b>	<b>7,481</b>	<b>3,003,889</b>

a Represents the STI awarded for YEM14 inclusive of the 20% STI deferred amounts.

b Represents the value of any LTI awards that vested or were paid during YEM14. Excludes the value of any unvested LTI granted, expensed or reversed during the year.

c In YEM14, other benefits included air fares for Rob Sindel and his spouse plus travel accommodation, taxi fares and airport parking. Greg Barnes had no reportable items.

**Table 2: Senior executives – year on year remuneration analysis**

Given the flat structure of the company and following a review of senior executives against the criteria for determining KMP, only the managing director and chief financial officer qualify as KMP.

In the interests of transparency, the table below summarises the year on year change in total remuneration for senior executives. This analysis excludes the KMP, Mr Sindel and Mr Barnes. There were no termination payments made to any senior executives during the year. The year on year increase in total remuneration for senior executives was driven predominantly by the STI outcomes.

\$ YEAR ENDED 31 MARCH	FIXED REMUNERATION <sup>b</sup>	% CHANGE IN FIXED REMUNERATION	SHORT TERM INCENTIVE	LONG TERM INCENTIVE (EARNED) <sup>c</sup>	TERMINATION BENEFITS	USOP	OTHER BENEFITS <sup>d</sup>	TOTAL	% CHANGE IN TOTAL
<b>Senior executives<sup>a</sup></b>									
2013	2,899,347		473,805	–	–	4,995	121,270	3,499,417	
<b>2014</b>	<b>3,025,278</b>	<b>4.3%</b>	<b>1,730,682</b>	<b>–</b>	<b>–</b>	<b>3,996</b>	<b>15,602</b>	<b>4,775,558</b>	<b>36.5%</b>

a Senior executives are seven direct reports of the managing director and hold roles as the business unit executive general managers for Building Products businesses and Viridian, the general manager Property, general manager Aluminium and executive general manager human resources. It excludes the chief financial officer and managing director who are included in the KMP tables. Other than two senior executives whose roles and remuneration were re-evaluated following market testing, the average increase in senior executives fixed remuneration was 3% for YEM14.

b To provide a meaningful year on year analysis, the fixed remuneration of any executive who was not employed for the entirety of the financial year has been annualised.

c Represents the value of any LTI awards that vested or were paid during the YEM. Excludes the value of any unvested LTI granted, expensed or reversed during the year.

d In YEM14, other benefits included air fares, travel accommodation, taxi fares and airport parking.

The CSR board will continue to monitor the remuneration framework to ensure ongoing alignment with shareholders and the CSR strategy. Any changes will be disclosed in the YEM15 remuneration report.

## B – THE REMUNERATION & HUMAN RESOURCES COMMITTEE'S ROLE

Whilst the board retains ultimate responsibility, CSR's remuneration policy is implemented by the board operating through its 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.

The role of the committee is to review and make recommendations to the board on (but not limited to):

- remuneration of NEDs;
- remuneration of the managing director and senior executives;
- remuneration incentive policies, and guidelines for executives;
- talent management – including succession planning;
- initiatives to improve and drive a stronger performance culture; and
- diversity.



Support to the committee was provided through CSR's executive general manager human resources, and external advisers. No remuneration recommendations were sought from remuneration consultants during YEM14.

## C – EXECUTIVE REMUNERATION POLICY

### C1 – Key principles

Table 3 outlines the key principles on which CSR's executive remuneration policy are based:

**Table 3: Key principles of CSR's executive remuneration policy**

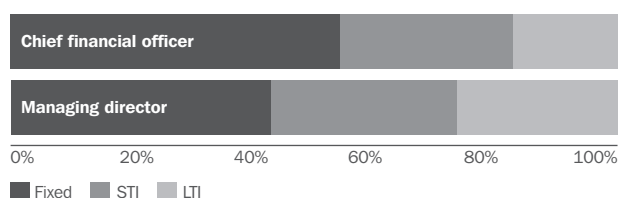
<b>Performance driven</b>	<p>Remuneration should reward executives based on annual performance against business plans and longer term shareholder returns.</p> <p>A significant proportion of executive remuneration should be 'at risk' and performance dependent.</p> <p>Performance measurement is mainly focused at the organisational level which best reflects the role's influence.</p>
<b>Alignment with shareholder interests</b>	<p>Incentive plans and performance measures are aligned with CSR's short and long term success.</p> <p>Ownership of CSR shares is encouraged through the use of equity as the vehicle for the LTI plan, the STI deferral scheme for senior executives and the ability to forgo part of fixed remuneration to acquire shares.</p>
<b>Market-competitive remuneration opportunities</b>	<p>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.</p>

### C2 – Ensuring executive remuneration is performance driven

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. Details of the performance measures used are set out in sections D2 – STI plan and D3 – LTI plans. Further detail on the link between performance and remuneration is set out in section E.

A significant proportion of executive remuneration is 'at risk'. The following target remuneration mix chart sets out the remuneration mix as fixed remuneration, on-target STI and half of the LTI expense (representing target LTI) for the chief financial officer and the managing director.

#### Target remuneration mix



### C3 – Alignment with shareholder interests

Executives' remuneration is aligned with shareholder interests via a significant emphasis on variable (incentive) remuneration. These awards are linked to short term and long term performance benchmarks that support CSR's business strategy and future success. LTI awards are in the form of CSR equity.

In order to encourage executive share ownership and further increase the alignment with shareholder interests, the STI deferral scheme was introduced in YEM12 and will apply to STI payments made in respect of YEM12 and subsequent financial years. Executives can also forgo salary to acquire shares in CSR up to a maximum of \$5,000 annually.

### C4 – Ensuring market-competitive remuneration

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.

## D – EXECUTIVE REMUNERATION FRAMEWORK

The executive remuneration framework consists of:

Fixed remuneration	<ul style="list-style-type: none"> <li>• base salary</li> <li>• superannuation</li> <li>• other short term benefits</li> </ul>
Variable remuneration	<ul style="list-style-type: none"> <li>• STI</li> <li>• LTI</li> </ul>

### D1 – Fixed remuneration

Fixed remuneration comprises 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.

Employees are able to forgo part of their fixed remuneration to acquire CSR shares under the Employee Share Acquisition Plan (ESAP), discussed in section D4 – Other equity incentive plans, up to a maximum salary sacrifice of \$5,000 annually.

### D2 – Short Term Incentive plan

CSR's executives also participate in an STI plan. Typically, the STI plan is weighted 60% to financial metrics and 40% to individual metrics.

EBIT before significant items continued as the primary financial metric for the YEM14 STI plan. Significant items are excluded to keep participants focused on outcomes they can directly influence.

ROFE continues to act as a secondary metric for the STI plan to ensure continued effective utilisation of assets. In order to earn STI payments, ROFE goals were also required to be met as a secondary objective. Minimum ROFE gateways must be met in order to earn an incentive above threshold, target and stretch levels, while EBIT results determine the quantum of the incentive.

For YEM14, the chief financial officer had an STI opportunity of 50% of fixed remuneration for target level achievement against financial and individual objectives. If no objectives were achieved, the executive may receive no STI for that financial year, while stretch performance could result in an STI of up to 100% of fixed remuneration. In YEM14, the managing director had an STI target opportunity of 70% of fixed remuneration and maximum opportunity for stretch performance of up to 100% of fixed remuneration.

**Table 4: Short Term Incentive plan – summary**

<b>Purpose</b>	To drive individual and team performance to deliver annual business plans and increase shareholder value.
<b>Frequency and timing</b>	<ul style="list-style-type: none"> <li>Awards are determined on an annual basis with performance measured over the year to 31 March.</li> <li>Payment is normally made in June following the end of the performance year.</li> </ul>
<b>Financial measures</b>	<p>The quantum of any STI is determined by EBIT before significant items, which assesses the amount of pre-tax profit generated by the business. Financial performance for YEM14 STI awards was measured against EBIT that was assigned at the organisational level that best reflects the roles' influence. All executives and eligible employees had 50% of their financial component aligned to the CSR financial result (EBIT). ROFE was employed as a secondary metric to ensure effective utilisation of assets. In order to earn STI payments, minimum ROFE thresholds must also be met in order to qualify for a STI payment at threshold, target or stretch levels.</p> <p>The measures used in the YEM14 STI plan are:</p> <ul style="list-style-type: none"> <li>corporate roles: EBIT* of CSR's operations (100%**); and</li> <li>business unit executive roles: business unit EBIT* (50%**) and CSR EBIT* (50%**).</li> </ul> <p>The financial targets are set each year by the managing director, in consultation with the business unit leaders and approved by the board. The managing director's targets are set each year by the board.</p> <p>* Before significant items. ** Expressed as a percentage of STI financial component. STI financial component typically comprises 60% of target STI.</p>
<b>Individual objectives used (and rationale)</b>	<p>Individual objectives are set for each participant, chosen because they are critical to CSR's short term and long term success, and are aligned to the business plan. These objectives include:</p> <ul style="list-style-type: none"> <li>safety, health and environment;</li> <li>meeting customer needs and becoming supplier of choice;</li> <li>leadership and development of people;</li> <li>personal sales targets;</li> <li>operational improvement;</li> <li>restructuring and rationalisation plans;</li> <li>production targets;</li> <li>growth; and</li> <li>other personally-attributable budget goals.</li> </ul>
<b>Assessment of performance against measures</b>	<p>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 and, where appropriate, 360 degree feedback (i.e. feedback provided by the executive's immediate manager, peers and employees reporting to the executive) is also undertaken to determine performance against the relevant individual objectives for each executive.</p> <p>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. The recommendations are then approved by the Remuneration &amp; Human Resources Committee to ensure group-wide consistency.</p> <p>Payment for the individual component is normally independent of 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.</p> <p>The payout, based on performance, is between the threshold of 0% and a maximum of 200% of target.</p>
<b>Discretionary override</b>	<p>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:</p> <ul style="list-style-type: none"> <li>CSR's overall financial performance;</li> <li>any significant changes in AUD price for aluminium compared with the prices assumed in the budget;</li> <li>occurrence of a fatality, regardless of fault;</li> <li>maintenance and preservation of the company's assets;</li> <li>development and attention to customer relationships;</li> <li>any short term action which causes market share loss or other damage to CSR; and</li> <li>other special circumstances (e.g. acquisitions and divestments).</li> </ul>
<b>Service condition</b>	<p>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.</p> <p>For staff who retire, die or are retrenched during the performance period, the managing director and the board have discretion in awarding a payment.</p> <p>No payment will be made to participants who cease employment voluntarily, or have their employment terminated for inadequate performance or misconduct, before the end of the performance year.</p>

## REMUNERATION REPORT (CONTINUED)

**Equity deferral**

For STI payments made in respect of YEM12 and subsequent financial years, the board has implemented an STI deferral scheme. Under this scheme, 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 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 will be entitled to all dividend and voting entitlements applying to the shares held on trust in their name. An important feature of the STI deferral plan rules are the clawback provisions which can allow the board to withhold some or all of the deferred equity in the event of fraud, financial errors, misstatement or misrepresentations.

**D3 – Long Term Incentive plans***Purpose*

During the financial year, eligible executives were invited to participate in CSR's LTI program, which aims to:

- provide executives with performance rights in order to build their interest 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.

**CSR's executive LTI plans**

The PRP has been CSR's executive LTI plan since YEM10.

Under the PRP, participants are granted performance rights subject to a three year vesting period and associated performance hurdles. The YEM10 and YEM11 PRP performance hurdles were based on CSR's TSR over the performance period of three years with subsequent performance subject to a second and final test in years four and five. On vesting of performance rights, CSR shares will be provided at no cost to the participant. If there is no, or partial, vesting of the performance rights after the initial performance hurdle test, there will be opportunities for a second and final test of performance on the fourth and fifth grant date anniversaries (YEM10 and YEM11 plans only). 50% of the performance rights will vest if the TSR of CSR equals the median TSR of the constituents of the S&P/ASX 200 index (defined at date of grant), and 100% will vest for upper quartile performance.

In YEM12, two changes were made to PRP which have been applied consistently to all grants since that time. Firstly, the removal of the second retest on the fifth year anniversary date. As a result, all grants from YEM12 are now on an initial three year performance period with a single and final retest on the fourth anniversary. Secondly, the introduction of an additional performance condition based upon the annual compound EPS growth over the performance period. EPS is defined as net profit after tax per share and is pre significant items. 50% of PRP grants are subject to CSR's TSR performance against the comparator group (Tranche A) and 50% is based upon compound EPS growth (Tranche B). The following vesting schedules apply for these tranches:

TSR OF CSR RELATIVE TO THE PEER GROUP	PROPORTION OF TRANCHE A VESTING
Below the 50th percentile	0%
At the 50th percentile	50%
Between the 50th percentile and the 75th percentile	Straight-line vesting between 50% and 100% (e.g. each percentile improvement will result in an additional 2% vesting)
75th percentile or greater	100%

EPS TARGET RANGE (COMPOUND GROWTH PER ANNUM)	PROPORTION OF TRANCHE B TO VEST
Below 7% compound EPS target	0%
Equal to 7% compound EPS	50%
Between 7% and 12% compound EPS	Between 50% and 100% increasing on a straight-line basis
Greater than 12% compound EPS	100%

During YEM14, the board completed an extensive review of the EPS targets and the use of retests for the YEM15 PRP. The board has adopted a "through the cycle" approach to setting EPS targets, recognising the business is exposed to both the construction and commodity cycle. As such, the EPS targets of 7% to 12% compound annual growth for target and maximum performance respectively have been consistently applied since its introduction in YEM12. The board also consistently reviews EPS targets against internal forecast and external consensus of EPS growth when setting targets. Given the volatility of EPS growth for CSR and more broadly for the sector, the board is satisfied with this approach to setting EPS targets. The board also believes the targets are strongly aligned with shareholders' interests.

The board reduced the use of re-tests to a single re-tests on the fourth anniversary date of each grant from YEM12. All previous LTI plans back to 2003 had previously applied re-tests on the fourth and fifth anniversary of grants. Given the business is exposed to both the construction and commodity cycle, the board is satisfied with this reduced use of re-tests but will continue to monitor this in line with the business structure and market practice.

Particular features of the PRP are as follows:

- LTI participation eligibility is restricted to the managing director and his direct reports and selected roles within CSR;
- under the PRP, participants are not entitled to dividends in respect of unvested performance rights; and
- consistent with the prohibitions under the Corporations Act 2001, the CSR Share Trading Policy prohibits participants hedging their exposure risk in relation to unvested performance rights or reducing the risk associated with the performance hurdles applicable to those performance rights in any way. Under the policy, participants forfeit their interest in unvested shares (i.e. shares that have not met the performance hurdles) if they enter into any hedging transaction in relation to those shares.

Historically, the CSR executive LTI plan was the Cash Award Share Plan (CASP). While new grants under this plan have been discontinued, the details of the CASP are disclosed in this report as historical grants under the plan have a three to five year vesting period and remain subject to ongoing performance hurdle testing. The 2008 CASP grant lapsed with no vesting after it failed to meet the final scheduled performance hurdle test on 21 July 2013. There is one CASP grant that remains on foot (refer table 6 on page 31 for key dates).



On 3 March 2011, CSR shares underwent a 3:1 consolidation. The consolidation applied to existing grants under CSR's LTI plans which equated to a reduction in the number of shares or rights by two-thirds. The impact of the share consolidation on LTI grants to KMP under the CASP and the PRP is disclosed in section G.

#### Operation of LTI plans for YEM14

The operation of the LTI plans for YEM14 is described in more detail as follows:

**Table 5: Long Term Incentive plans – summary**

	CASP (DISCONTINUED)	PRP
<b>Participation</b>	Executives were eligible subject to approval by the board.	Managing director, direct reports and select key roles are eligible subject to approval by the board.
<b>Grant frequency</b>	<p>Prior to YEM10, grants were typically made on an annual basis.</p> <p>One individual grant only was made in YEM10 under the CASP, to the former managing director due to the timing of the award and implementation of the PRP.</p>	Grants are intended to be made on an annual basis.
<b>Type of award</b>	<p>Grants of shares held in trust subject to service requirements and performance vesting criteria.</p> <p>If a further performance condition is met, additional shares are to be purchased and held in trust in the company's ESAP trust (described below).</p> <p>Refer to 'Performance conditions' below for more detail.</p>	<p>Grants of performance rights subject to service requirements and performance vesting criteria.</p> <p>If performance conditions are met, CSR shares will be purchased and transferred to participants.</p> <p>Refer to 'Performance conditions' below for more detail.</p>
<b>Vesting/ performance period</b>	Awards are subject to a three year minimum holding period. Immediately following the completion of the minimum holding period, from the third anniversary of grant to the fifth anniversary of grant, the performance conditions (detailed below) are tested to determine whether, and to what extent, awards vest.	<p>Under the PRP, awards are typically 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.</p> <p>The initial testing period for YEM14 awards commenced on 23 July 2013, finishes on or around 22 July 2016, and can extend to 23 July 2017 or such other period as the board dictates.</p>
<b>Performance conditions</b>	<p><b>Performance period and testing approach</b></p> <p>CSR's TSR performance is measured from the date of grant up to the relevant testing date.</p> <p>TSR is the percentage growth in shareholder value, taking into account share price growth, dividends and capital returns.</p> <p>The testing dates fall within a two year period, starting from the third anniversary of grant and ending on the fifth anniversary of grant (performance testing period).</p> <p>CSR's TSR is measured over this performance testing period to ensure that the long term measurement of performance under the plan is not distorted by business and commodity cycles or capital investment decisions.</p> <p>The performance conditions for the 2005, 2006 and 2007 grants were tested in six consecutive four month windows during the performance testing period.</p> <p>The performance conditions for the 2008 and 2009 grants are based on the 20 trading day volume weighted average share price up to and including the last day of the three year performance period and, to the extent the grant has not vested, the fourth and fifth anniversaries of the date of grant.</p>	<p>For YEM14 grants under the PRP over the initial three year performance period, two performance hurdles are applied weighted equally at 50%:</p> <p>(i) <b>relative TSR:</b> TSR measures the percentage growth in shareholder value, taking into account share price growth, dividends and capital returns. To the extent any performance rights that are tested against this hurdle (Tranche A) remain unvested at the end of the initial three year period, the performance period will be extended for a further 12 months and performance will be subject to a second and final test at the end of the extended period to determine if any additional vesting is available; and</p> <p>(ii) <b>EPS:</b> the annual compound EPS growth over the period from commencement of the performance period to the test date. This performance hurdle was introduced in the YEM12 PRP and continued with all subsequent PRP. EPS is defined as net profit after tax per share pre significant items. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one off costs. To the extent any performance rights that are tested against this hurdle remain unvested (Tranche B) at the end of the initial three year period, the performance period will be extended and performance will be subject to a second and final test at the end of the four year period.</p> <p>Performance is measured over this period to ensure that the long term measurement of performance under the plan is not distorted by business and commodity cycles or capital investment decisions.</p> <p>For the purposes of the TSR calculation, the start and end share prices will be calculated based on 10 trading day volume weighted average share price.</p>

## REMUNERATION REPORT (CONTINUED)

CASP (DISCONTINUED)		PRP
<p><b>Performance conditions</b></p> <p>If CSR's TSR exceeds the percentage increase in the S&amp;P/ASX 200 accumulation index for a minimum of 20 trading days within any of the six four month windows (2005, 2006 and 2007 grants) or three windows of 20 trading days preceding the third, fourth or fifth anniversaries of the grant date (2008 and 2009 grants), the shares will vest at the end of the trading window in which the performance condition is met.</p> <p>If the performance condition is not met by the fifth anniversary of the date of grant, participants will forfeit their interests in the unvested shares (and the opportunity to be granted additional shares).</p> <p>Based on CSR's performance against a second TSR hurdle, measured over the same period as the performance testing period, an additional grant of shares may be purchased and held in the ESAP trust.</p> <p>CSR's TSR is ranked against the companies in the S&amp;P/ASX 200 index and, subject to performance, an additional grant of shares will be made as follows:</p> <ul style="list-style-type: none"> <li>• if CSR's TSR ranks equal to or above the 75th percentile of the peer group, a grant of an additional number of shares equal to the original grant will be made;</li> <li>• if CSR's TSR ranks between the median and 75th percentile of the peer group, a pro-rata number of shares between 0% and 100% of the original grant will be made; and</li> <li>• if CSR's TSR ranks below the median of the peer group, no additional shares will be granted.</li> </ul> <p>The 75th percentile and median are adjusted to take into account the market capitalisation weighting of the ranked companies.</p> <p>The constituents of the S&amp;P/ASX 200 index at the date of grant are used as the peer group. Any companies that are no longer in the S&amp;P/ASX 200 index at the date of testing are removed from the peer group.</p>		<p>PRP grants issued before YEM12 had only one performance condition, being TSR, which applied as follows:</p> <ul style="list-style-type: none"> <li>• if CSR's TSR equals the median TSR of the constituents of the S&amp;P/ASX 200 index over the performance period, 50% of the grant of performance rights will vest;</li> <li>• if CSR's TSR equals the upper quartile TSR of the constituents of the S&amp;P/ASX 200 index over the performance period, 100% of the grant of performance rights will vest;</li> <li>• for TSR performance between the median and the upper quartile TSR of the constituents of the S&amp;P/ASX 200 index over the performance period, each percentile improvement will result in an additional 2% vesting (i.e. straight-line vesting between 50% and 100%);</li> <li>• to the extent that performance rights have not vested following the three and four year testing dates, the performance period will be extended as described above; and</li> <li>• if the performance condition is not met by the fifth anniversary of the date of grant, participants will forfeit their interests in any unvested performance rights.</li> </ul> <p>Since YEM12 and for all subsequent PRP grants, Tranche A is tested against a TSR hurdle using the S&amp;P/ASX 200 index hurdles described above. Tranche B is tested against 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 pre significant items.</p> <p>The board set a threshold vesting schedule of 7% compound growth in EPS per year. In the event that this 7% compound growth in EPS was achieved, then 50% of this component would vest progressing on a straight-line basis to 100% vesting for achieving a 12% compound growth in EPS.</p> <p>To the extent any performance rights under either of Tranche A or Tranche B remain unvested at the end of the initial three year period, the performance period will be extended for a fourth year (i.e. performance will be subject to a second and final test at the end of the four year period to determine if any additional vesting is available for the relevant performance rights). The second and final test done at the end of the four year period will be done based on the entire applicable four year period (in the case of the retest of Tranche B, the EPS targets will be compounded for four years rather than three).</p>
<p><b>How is performance assessed and why is it assessed that way?</b></p>	<p>Performance against the performance conditions is assessed by CSR based on publicly available data. TSR performance compared to the S&amp;P/ASX 200 accumulation index is considered appropriate given CSR's size and mix of businesses.</p>	<p>Performance is assessed against the performance conditions by CSR based on publicly available data. TSR performance compared to the constituents of the S&amp;P/ASX 200 index is considered appropriate given CSR's size and mix of businesses. EPS performance hurdles were implemented in YEM12 and 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 senior executives with shareholder interests.</p>

	CASP (DISCONTINUED)		PRP
<b>Treatment of dividends</b>	As shares are held on trust for participants during the vesting period, participants are entitled to dividends paid on these shares.		There is no entitlement to dividends on performance rights under the plan during the vesting period.
<b>Treatment of capital return</b>	As shares are held on trust for participants during the vesting period, participants are entitled to any capital return paid on these shares.		There is no entitlement to a capital return; however, the board may seek shareholder approval to make an adjustment to the number of shares underlying existing and unvested performance rights that would be awarded to the participant if and when performance rights vest. The number of additional shares underlying the performance rights corresponds to the cash amount per share returned to shareholders, and is intended to ensure the awards of PRP holders are not eroded by capital returns.
<b>Sales restrictions post vesting</b>	For grants prior to 30 June 2009, shares which satisfy the performance conditions remain in the CASP/ESAP trusts for the balance of a period of 10 years from grant date or until the earlier cessation of a participant's employment unless a notice of withdrawal is submitted by a participant and approved by the board. For grants made after 30 June 2009, grants which satisfy the performance conditions remain in the CASP/ESAP trusts for the balance of the period of seven years from grant date or until the earlier cessation of the participant's employment.		Shares acquired by participants on the vesting of performance rights will be transferred to participants.  Previously, any shares allocated in respect of vested performance rights would be placed in trust for up to seven years from date of grant. In considering evolving market practice and the tightened disposal restrictions on shares held in trust associated with the revised tax legislation governing employee share schemes, the board elected to remove post-vesting disposal restrictions for any future vesting of existing and future grants of performance rights. As a result, any performance rights under the PRP that vest in the future will result in associated shares being transferred directly to the participants.
<b>Treatment of unvested and vested awards on cessation of employment</b>	<b>Unvested award</b>	Generally, a participant who ceases to be employed prior to the performance conditions being met will forfeit their interests in the unvested rights.  However, if the cessation of employment is the result of retirement, redundancy, permanent disablement, death or any other special circumstances at the board's discretion, then the board can apply its discretion to enable awards to vest. Board policy is to consider the time elapsed and performance up to the date of cessation in determining the proportion (if any) of awards that vest.	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'.
	<b>Vested awards</b>	Awards that have vested to participants and are held in the CASP/ESAP trusts will be released to participants upon cessation of employment.	Awards that have vested are transferred to participants immediately at the time of vesting.
<b>Treatment of unvested and vested awards on change of control</b>	<b>Unvested awards</b>	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 not generally accelerate vesting and would apply pro-rata assessments for plans on foot.	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 not generally accelerate vesting and would apply pro-rata assessments for plans on foot.
	<b>Vested awards</b>	Awards that have vested to participants and are being held in the CASP/ESAP trusts will be released to participants on a change of control of CSR.	Awards that have vested are transferred to participants at the time of vesting.
<b>Prohibition of hedging arrangements</b>	Participants will forfeit their interest in unvested shares if they enter any hedging transaction in relation to those shares in breach of the board's policy outlined above.  At 31 March 2014, relevant executives 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.		



## REMUNERATION REPORT (CONTINUED)

The following table summarises the key dates and current status of the current outstanding LTI awards:

**Table 6: Status and key dates – outstanding LTI awards**

GRANT DATE	HOLDING PERIOD	PERFORMANCE TESTING WINDOWS (PERFORMANCE TEST STARTS FROM DATE OF GRANT)	EXPIRY DATE (IF HURDLE NOT MET)	DATE AT WHICH SHARE RESTRICTIONS LIFT	PERFORMANCE STATUS
<b>CASP</b>					
21 July 2008	21 July 2008 to 20 July 2011	21 July 2011 to 20 July 2013	21 July 2013	21 July 2018	Performance hurdle was not met and shares were forfeited on 21 July 2013.
21 July 2009	21 July 2009 to 21 July 2012	21 July 2012 to 20 July 2014	21 July 2014	21 July 2016	Performance tested but not yet exceeded the S&P/ASX 200 accumulation index. No shares have vested.
<b>PRP</b>					
24 July 2009	24 July 2009 to 23 July 2012	24 July 2012 to 23 July 2014	24 July 2014	n/a	Performance tested but not yet exceeded the S&P/ASX 200 index. No rights have vested.
24 July 2010	24 July 2010 to 23 July 2013	24 July 2013 to 23 July 2015	24 July 2015	n/a	Performance tested but not yet exceeded the S&P/ASX 200 index. No rights have vested.
23 July 2011	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	n/a	Performance testing window not yet commenced.
23 July 2012	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	n/a	Performance testing window not yet commenced.
23 July 2013	23 July 2013 to 22 July 2016	23 July 2016 to 22 July 2017 (Tranche A) 1 April 2016 to 31 March 2017 (Tranche B)	23 July 2017	n/a	Performance testing window not yet commenced.

#### D4 – Other equity incentive plans

##### Employee Share Acquisition Plan (ESAP)

The ESAP currently serves to encourage equity ownership as well as providing a vehicle to hold additional shares granted under the CASP as outlined below:

- forgo salary to purchase equity. The ESAP allows directors and employees to forgo up to \$5,000 of their cash remuneration annually to acquire shares in the company. The shares are purchased on market by the ESAP trustee, who acts on instructions given in accordance with the plan rules and the company's Share Trading Policy. Participants are entitled to dividends and other distributions on shares held by the trustee on their behalf and can instruct the trustee how to vote their shares at CSR annual general meetings. As participants forgo part of their salary to acquire the shares, no performance conditions apply to shares acquired under this part of the ESAP.  
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 seven years; and
- hold any additional shares granted under the CASP. As discussed above, if the second TSR hurdle in the CASP is achieved, an additional grant of shares is made and held in the ESAP until released in accordance with the LTI plan rules. Note this provision does not apply to the PRP (refer to section D3 for more information on the PRP).

## Universal Share Ownership Plan (USOP)

The USOP provides all CSR employees with the opportunity to link their interests more closely with those of other shareholders by buying company shares and working to improve their value. The current plan is summarised in the following USOP table:

**Table 7: USOP**

<b>Purpose</b>	To encourage share ownership through enabling executives and employees to benefit from a favourable Australian tax treatment (\$1,000 tax exemption available where certain conditions met).
<b>Participation</b>	All executives and employees (except executive directors), who have the equivalent of at least one year's service.
<b>Form and quantum of award</b>	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.
<b>Vesting period</b>	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.
<b>Absence of a performance condition</b>	The USOP grants are designed to encourage share ownership among the broad employee population and therefore do not have any performance conditions attached.
<b>Dividends and voting rights</b>	Participants are entitled to dividends and have full voting rights during the three year holding period.

The CSR board has approved making an offer to staff under the USOP for YEM15. CSR shares will be purchased on market to meet the USOP participation by eligible CSR employees.

## E – LINK BETWEEN REMUNERATION AND COMPANY PERFORMANCE

A key underlying principle of the executive reward strategy is that remuneration should be linked to performance.

STI payments are based on a variety of performance conditions, both financial and non-financial. The key financial measure in YEM14, depending on role and seniority, was EBIT before significant items (while ROFE was maintained as an underpinning metric). Significant items (both positive and negative) are excluded when measuring performance for STIs as they are not considered part of the ordinary trading results for CSR. CSR's earnings and other performance measures are affected by external economic factors, including aluminium prices and foreign exchange rates. CSR's dividend policy is to pay dividends to shareholders based on net profit after tax before significant items.

In YEM14, the performance of CSR's businesses improved on the prior year with EBIT (pre significant items) increasing by 85% to \$125.7 million and net profit after tax (from continuing operations and pre significant items) increasing by 143% to \$72.0 million. ROFE for CSR also increased significantly.

The following table provides reported financial information on which STIs have been based for the last five years. Note that CSR disposed of a significant proportion of its business and undertook a share consolidation during YEM11, therefore making the pre-2011 information not directly comparable.

Refer to detailed footnotes for explanation.

**Table 8: Key financials**

YEAR ENDED 31 MARCH <sup>1</sup>	2014	2013 Restated <sup>7</sup>	2012	2011	2010
EBIT (\$ million) <sup>2</sup>	125.7	68.1	156.7	212.0	364.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)(\$ million) <sup>2</sup>	202.5	157.4	246.3	308.0	522.1
Shareholders' funds (\$ million)	1,153.8	1,086.6	1,278.7	1,281.3	1,818.2
ROFE based on year end funds employed <sup>3</sup>	10.9%	6.2%	12.5%	18.2%	14.1%
Net profit before significant items (\$ million)	72.0	29.6	90.7	90.2	173.4
Net profit (loss) after significant items (\$ million)	88.1	(150.0)	76.3	(78.0)	(111.7)
Basic earnings per share before significant items (cents) <sup>4</sup>	14.2	5.8	17.9	17.8	12.7
Dividend per share (cents) <sup>5</sup>	10.0	5.1	13.0	17.4	8.5
Share price as at 31 March (\$) <sup>6</sup>	3.51	2.06	1.80	3.28	1.66

1 All years represent results for the full CSR group operations for the year, with the exception of 2011 which represents results from continuing operations only (i.e. excludes Sucrogen and Asian insulation businesses sold during the financial year).

2 EBIT and EBITDA excludes significant items. EBIT represents the primary financial metric used in the YEM14 STI plan.

3 ROFE is calculated as EBIT/funds employed (excluding the fair value of derivatives and superannuation defined benefit fund liabilities) as at 31 March of the respective year. STI payments for YEM14 were awarded taking into consideration both the average funds employed balance throughout the financial year and the impact of significant items on funds employed.

4 EPS excludes significant items and is based on net profit after tax. EPS results for 2011 reflect the impact of the 3:1 share consolidation on 3 March 2011, while prior EPS results reflect pre-consolidation share numbers.

5 The YEM11 interim and special dividend has not been adjusted for the impact of the 3:1 share consolidation.

6 2011 share price represents the CSR share price after the 3:1 share consolidation on 3 March 2011. Share price for 2010 represents the pre-consolidation share price.

7 On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

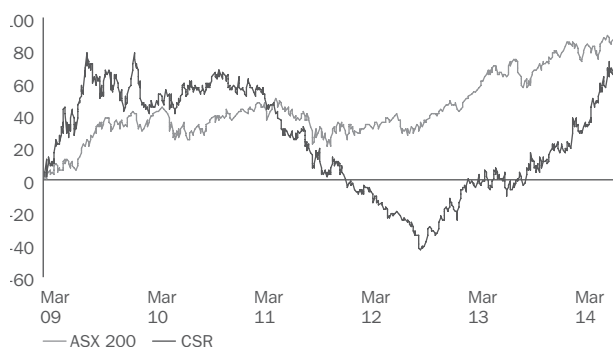
In YEM14, CSR slightly exceeded the EBIT target set by the board. All business units made strong improvements in EBIT performance, reflecting prior years restructuring, continued focus on customer service and cost control. EBIT in Building Products also benefited from early signs of improvements in the residential construction market. Aluminium also improved year on year despite ongoing challenges with the AUD exchange rate and aluminium prices. There is a clear link between this performance and the level of STI awarded at CSR. Since YEM10 where EBIT has declined year on year, STI payments have also been significantly lower. In YEM13, no STI payments were made to KMP. With EBIT improvement of 85% in YEM14, KMP were awarded STI payments equivalent to 117% of target, reflecting performance improvement in the financial and non-financial targets set by the board.

LTIs have been linked to company performance as follows:

- awards comprise shares (under the CASP) or performance rights (under the PRP) whose value 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. The following chart shows CSR's TSR performance over the past five years against the S&P/ASX 200 accumulation index.

CSR's TSR improved significantly against that of the S&P/ASX 200 accumulation index for YEM14; however, no existing CASP or PRP grants vested in YEM14, as CSR's relative TSR performance did not reach the performance threshold necessary for vesting. During YEM14, the 2008 CASP grant did not reach its performance threshold and all 2008 CASP shares were forfeited.

## CSR total shareholder return and ASX 200 accumulation index return to 31 March 2014



## F – EXECUTIVE SERVICES AGREEMENTS

### F1 – KEY MANAGEMENT PERSONNEL

The details of the Executive Services Agreements of CSR's KMP named in the remuneration tables can be summarised as:

- both executives have ongoing agreements of no fixed term;
- the agreements may be terminated by the individual giving between three to six months' notice, or by the company giving between six and 12 months' notice or payment in lieu of that notice;
- upon termination, executives are entitled to:
  - payment of annual and long service leave (where applicable);
  - at the discretion of the board, an STI payment may be awarded on a pro-rata basis reflective of the KMP's achievement of financial and personal objectives during the year;
  - LTI awards that have vested, as discussed under section D3;
  - at the discretion of the board and under board policy, if a KMP ceases employment due to retrenchment, death, disablement or retirement:
    - unvested CASP shares may vest depending on the performance against hurdles prior to termination. If performance hurdles are not achieved during the testing window(s) specified by the board, no vesting would occur in relation to unvested CASP awards; and
    - unvested PRP grants on a pro-rata basis may be left on foot in the plan subject to ongoing performance hurdles.



## F2 – MANAGING DIRECTOR – EXECUTIVE SERVICES AGREEMENT

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

**Table 9: Managing director's remuneration package**

<b>Fixed remuneration</b>	The managing director receives an annual fixed remuneration of \$1,134,296 inclusive of superannuation contributions effective from 1 July 2013. Fixed remuneration is reviewed annually commencing 1 July 2014.
<b>STI</b>	The annual 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.
<b>LTI</b>	The managing director is able to participate in the PRP. The value of any award of performance rights he may earn 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 section D3 for details).

There was no sign-on incentive associated with Mr Sindel's appointment as managing director.

The contract is for an indefinite duration. Under the Executive Services Agreement, 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.

## F3 – CHIEF FINANCIAL OFFICER – EXECUTIVE SERVICES AGREEMENT

Greg Barnes was appointed as chief financial officer of CSR effective 1 December 2010. Mr Barnes' remuneration package is summarised as follows:

**Table 10: Chief financial officer's remuneration package**

<b>Fixed remuneration</b>	The chief financial officer receives an annual fixed remuneration of \$600,000 inclusive of superannuation contributions effective from 1 July 2012. Fixed remuneration is reviewed annually commencing 1 July 2014.
<b>STI</b>	The annual 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.
<b>LTI</b>	The chief financial officer is able to participate in the PRP. The potential value of any award of performance rights he may earn 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 section D3 for details).

There was no sign-on incentive associated with Mr Barnes' appointment as chief financial officer.

The contract is for an indefinite duration. 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.

Under their Executive Services Agreements, Mr Sindel's and Mr Barnes' incentives are treated in the event of termination, or a change of control, as follows:

**Table 11: Treatment of the managing director's and chief financial officer's incentives on termination**

CIRCUMSTANCE	SHORT TERM INCENTIVE <sup>a</sup>	LONG TERM INCENTIVE	
		UNVESTED PERFORMANCE RIGHTS	SHARES ALLOCATED IN RESPECT OF VESTED PERFORMANCE RIGHTS
<b>Notice by company</b>	STI will be paid on a pro-rata basis	Board discretion to allow awards to vest or remain subject to performance hurdles after termination	Vested performance rights are released at time of vesting
<b>Death or permanent disability</b>	STI will be paid on a pro-rata basis	Board discretion to allow awards to vest	Vested performance rights are released at time of vesting
<b>Change of control and subsequent material change to managing director's role<sup>b</sup></b>	STI will be paid on a pro-rata basis	Board discretion to allow awards to vest or remain subject to performance hurdles after termination. In exercising this discretion, the board would not generally accelerate vesting and would apply pro-rata assessments for plans on foot	Vested performance rights are released at time of vesting

a Any STI payments will be paid according to the normal annual STI payment timeframe (i.e. payment timing will not be accelerated).

b 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.

## G – REMUNERATION AND SHAREHOLDINGS FOR YEM14 (AND COMPARATIVES)

### Managing director's and chief financial officer's long term incentives

		NUMBER OF CASP SHARES					CASP SHARES INCLUDED IN REMUNERATION YEAR ENDED 31 MARCH <sup>c</sup>
UNVESTED SHARES HELD IN TRUST UNDER THE CASP <sup>a</sup>		BALANCE AT 1 APRIL	GRANTED	VESTED	LAPSED	BALANCE AT 31 MARCH <sup>b</sup>	
<b>Managing director</b>							
Rob Sindel	2013	22,632	–	–	–	22,632	–
	<b>2014</b>	<b>22,632</b>	–	–	<b>22,632</b>	–	–
<b>Chief financial officer</b>							
Greg Barnes <sup>d</sup>	2013	–	–	–	–	–	–
	<b>2014</b>	–	–	–	–	–	–

a Unvested CASP shares may vest if the TSR of CSR exceeds the ASX 200 accumulation index during the prescribed testing dates. An additional equivalent number of “top-up” shares may be awarded if the TSR of CSR exceeds the 75th percentile of the ASX 200 during the prescribed testing dates (refer to section D3 for more detail).

b Balance at 31 March includes unvested shares granted to Mr Sindel in 2008.

c The final grant for Mr Sindel was made in 2008 and this grant had been fully expensed at 31 March 2011. All CASP shares have now lapsed as the performance conditions were not met.

d Mr Barnes commenced after the cessation of the CASP.

**Note – number of performance rights granted under the PRP represents the maximum award for stretch performance, whereas under the CASP the number of shares granted represented the award for target level performance with an out-performance ‘top-up’ granted at a later date if the second performance hurdle was achieved.**

		NUMBER OF PERFORMANCE RIGHTS					
RIGHTS GRANTED UNDER THE PRP <sup>a</sup>		RIGHTS BALANCE AT 1 APRIL	RIGHTS GRANTED	RIGHTS VESTED	RIGHTS LAPSED	RIGHTS BALANCE AT 31 MARCH	CSR SHARES ELIGIBLE AT VESTING <sup>b</sup>
<b>Managing director</b>							
Rob Sindel	2013	714,815	798,497	–	–	1,513,312	1,610,436
	<b>2014</b>	<b>1,513,312</b>	<b>682,215</b>	<b>–</b>	<b>–</b>	<b>2,195,527</b>	<b>2,292,651</b>
<b>Chief financial officer</b>							
Greg Barnes	2013	203,802	269,939	–	–	473,741	504,440
	<b>2014</b>	<b>473,741</b>	<b>160,923</b>	<b>–</b>	<b>–</b>	<b>634,664</b>	<b>665,363</b>

a PRP grants are expensed over the vesting period at a valuation determined on grant date. Grant valuations are as follows: grant in year ended 31 March 2010: \$1.06; year ended 31 March 2011: \$1.23; year ended 31 March 2012: Tranche A (TSR) \$1.49 and Tranche B (EPS) \$2.27; year ended 31 March 2013: Tranche A (TSR) \$0.62 and Tranche B (EPS) \$0.93; and year ended 31 March 2014: Tranche A (TSR) \$1.23 and Tranche B (EPS) \$1.82. Valuations are performed by a third party.

b Represents the number of shares that will be granted if performance rights vest. 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. All grants made after this date are eligible for one CSR share per one performance right on vesting. Shares acquired on vesting are fully paid ordinary shares and the amount payable by KMP to acquire these shares is nil.

### Rights on Issue

This table presents all Performance Rights on issue for all participants

	NUMBER OF PERFORMANCE RIGHTS			
	RIGHTS BALANCE AT 1 APRIL	YEM14 RIGHTS GRANTED	YEM14 RIGHTS LAPSED <sup>a</sup>	RIGHTS BALANCE 31 MARCH
<b>Performance rights</b>	5,074,989	1,638,039	205,761	6,507,267

a Represents rights forfeited where a participant's employment was terminated.

## Managing director's and chief financial officer's shareholdings<sup>a</sup>

		NUMBER OF CSR SHARES				
		BALANCE AT 1 APRIL	INCLUDED IN REMUNERATION	ACQUIRED	SOLD OR TRANSFERRED	BALANCE AT 31 MARCH
<b>Managing director</b>						
Rob Sindel	2013	69,443	–	41,159	–	110,602
	<b>2014</b>	<b>110,602</b>	<b>–</b>	<b>4,216</b>	<b>–</b>	<b>114,818</b>
<b>Chief financial officer</b>						
Greg Barnes	2013	6,964	–	23,449	–	30,413
	<b>2014</b>	<b>30,413</b>	<b>–</b>	<b>3,157</b>	<b>–</b>	<b>33,570</b>

a CSR shares in which the senior executive has a beneficial interest, including shares held under the STI deferral scheme and ESAP trust or via their related parties.

It also includes spouse shareholdings. The last parcel of shares held under the CASP trust for Mr Sindel failed to reach the relevant performance hurdle and were forfeited on 21 July 2013 as disclosed in the table "Managing director's and chief financial officer's long term incentives" in this section G.

## Managing director's and chief financial officer's remuneration

The remuneration table below shows an increase in total actual remuneration for the KMP in YEM14 compared with YEM13. Neither the managing director nor the chief financial officer was awarded STI payments in YEM13. The STI payments made in YEM14 account for the significant majority of the change in total actual remuneration year on year.

\$ YEAR ENDED 31 MARCH	FIXED REMUNERATION <sup>a</sup>	STI <sup>b</sup>	USOP	LTI ACCRUAL <sup>c</sup>	OTHER BENEFITS <sup>d</sup>	TOTAL (INCL ACCRUED LTI)	AT RISK <sup>e</sup>	VESTED AT RISK <sup>f</sup>	TOTAL ACTUAL REMUNERATION <sup>g</sup>
<b>Managing director</b>									
Rob Sindel									
2013	1,084,454	18,150	–	470,507	27,364	1,600,475	30%	0%	1,129,968
<b>2014</b>	<b>1,124,707</b>	<b>781,790</b>	<b>–</b>	<b>632,099</b>	<b>54,682</b>	<b>2,593,278</b>	<b>55%</b>	<b>29%</b>	<b>1,961,179</b>
<b>Senior executive</b>									
Greg Barnes (chief financial officer)									
2013	540,000	9,425	999	150,853	15,546	716,823	21%	0%	565,970
<b>2014</b>	<b>587,500</b>	<b>357,037</b>	<b>999</b>	<b>180,536</b>	<b>17,096</b>	<b>1,143,168</b>	<b>47%</b>	<b>31%</b>	<b>962,632</b>

a Fixed remuneration may be allocated at the executive's discretion to cash, superannuation (subject to legislative minimums), motor vehicles and certain other benefits.

b The minimum entitlement to an STI payment is zero and the target entitlement as a % of fixed remuneration for the year ended 31 March 2014 is 50% for the chief financial officer and 70% for the managing director. Maximum potential STI entitlement is 100% of fixed remuneration. STI payments may be allocated at the executive's discretion to cash or additional superannuation contributions. Under the STI deferral scheme rules, 20% of the STI value will be deferred into CSR shares.

c "Long term incentive accrual" is as defined in the accounting standards. Includes the amortised expenses for YEM11, YEM12, YEM13 and YEM14 PRP grants (for participating employees – refer to tables on page 35 for LTI grant participation by KMP) net of any reversal of accounting expenses for grants associated with EPS performance hurdles that were reassessed during YEM13.

d In the years ended 31 March 2013 and 31 March 2014, other benefits include the movement in accrual of long service leave entitlement. YEM13 included air fares and accommodation for Rob Sindel and Greg Barnes and their spouses and taxi fares for Rob Sindel. YEM14 included air fares for Rob Sindel and his spouse plus travel accommodation, taxi fares and airport parking. Greg Barnes had no reportable items.

e Short term incentive plus long term incentive, as a percentage of total remuneration including accrued LTI.

f Represents the proportion of total remuneration (including accrued LTI and non-deferred STI) that has vested.

g Represents the total of all remuneration package components including deferred STI amounts but excluding any LTI amounts that were accrued but not vested. There was no vesting of LTI awards from previous years in the year ended 31 March 2014. This figure represents what was actually earned by the executive for the years ended 31 March 2013 and 2014.



## REMUNERATION REPORT (CONTINUED)

## H – NON-EXECUTIVE DIRECTOR REMUNERATION

ROLE	ANNUAL FEE
Chairman base fees	\$317,500
Other NED base fees (including one committee membership)	\$127,000
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 \$15,000
Additional committee membership	An additional \$10,000 per additional committee (applies to NEDs other than the chairman)

All fees are exclusive of any Superannuation Guarantee Contributions (SGC).

NEDs do not participate in the company's STI or LTI plans or receive any variable remuneration, but are able to forgo fees for CSR shares under the ESAP. To further align NEDs' interests with those of shareholders, the company expects all NEDs to acquire a beneficial interest in CSR shares.

No retirement allowances are payable to NEDs.

Following extensive market benchmarking in YEM14, a 3% fee increase will apply to the chairman's base fees and other NED base fees. These are the first increases to these fees since 1 July 2008. The fee for the chairman of the Workplace Health, Safety & Environment Committee will also increase from \$15,000 to \$20,000. These increases were effective 1 April 2014.

Non-executive directors' shareholdings<sup>a</sup>

	YEAR	NUMBER OF CSR SHARES				
		BALANCE AT 1 APRIL	INCLUDED IN REMUNERATION	ACQUIRED	SOLD OR TRANSFERRED	BALANCE AT 31 MARCH
Kathleen Conlon	2013	31,159	–	3,647	–	34,806
	<b>2014</b>	<b>34,806</b>	–	<b>2,443</b>	–	<b>37,249</b>
Ray Horsburgh	2013	32,482	–	3,018	–	35,500
(retired 20 August 2013)	<b>2014</b>	<b>35,500</b>	–	–	–	<b>n/a</b>
Michael Ihlein	2013	50,195	–	3,143	–	53,338
	<b>2014</b>	<b>53,338</b>	–	<b>2,204</b>	–	<b>55,542</b>
Rebecca McGrath	2013	–	–	13,608	–	13,608
	<b>2014</b>	<b>13,608</b>	–	<b>12,200</b>	–	<b>25,808</b>
Matthew Quinn <sup>b</sup>	2013	–	–	–	–	–
(joined board 20 August 2013)	<b>2014</b>	–	–	<b>15,000</b>	–	<b>15,000</b>
Jeremy Sutcliffe (chairman)	2013	125,546	–	2,050	–	127,596
	<b>2014</b>	<b>127,596</b>	–	–	–	<b>127,596</b>

a CSR shares in which the director has a beneficial interest, including shares held under the ESAP trust or via related parties.

b Matthew Quinn was appointed as a non-executive director on 20 August 2013. Under CSR's Share Trading Policy, Matthew Quinn was not permitted to acquire shares in CSR until the trading window opened on 14 November 2013.

## Non-executive directors' remuneration

\$ YEAR ENDED 31 MARCH	YEAR	DIRECTORS' FEES	TERMINATION		TOTAL
			BENEFITS	SUPERANNUATION	
Kathleen Conlon	2013	147,000	–	13,230	160,230
	<b>2014</b>	<b>147,000</b>	–	<b>13,506</b>	<b>160,506</b>
Ray Horsburgh <sup>a</sup>	2013	142,000	–	10,650	152,650
	<b>2014</b>	<b>55,833</b>	–	<b>1,958</b>	<b>57,791</b>
Michael Ihlein	2013	151,355	–	13,622	164,977
	<b>2014</b>	<b>157,000</b>	–	<b>14,424</b>	<b>171,424</b>
Rebecca McGrath	2013	137,000	–	12,330	149,330
	<b>2014</b>	<b>141,028</b>	–	<b>12,959</b>	<b>153,987</b>
Matthew Quinn <sup>b</sup>	2013	–	–	–	–
	<b>2014</b>	<b>84,355</b>	–	<b>7,803</b>	<b>92,158</b>
Jeremy Sutcliffe (chairman) <sup>c</sup>	2013	326,579	–	19,496	346,075
	<b>2014</b>	<b>329,221</b>	–	<b>17,449</b>	<b>346,670</b>
Total non-executive directors	2013	903,934	–	69,328	973,262
	<b>2014</b>	<b>914,437</b>	–	<b>68,099</b>	<b>982,536</b>

a Ray Horsburgh retired on 20 August 2013.

b Matthew Quinn joined the board on 20 August 2013.

c Effective 1 July 2012, Jeremy Sutcliffe's SGC was reduced from 9% 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 YEM14 consistent with any changes in SGC legislative requirements.

The board of directors of CSR Limited (CSR) present its report of the consolidated entity, being CSR and its controlled entities (CSR group), for the year ended 31 March 2014 and the auditor's report thereon. Information in the annual report referred to in this report, including the remuneration report, the corporate governance statement 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 2014 is set out on the inside front cover to page 3 and pages 41 to 92 of the annual report.

## SUMMARY OF CONSOLIDATED RESULTS

Net profit after tax (pre significant items) was \$72.0 million compared to \$29.6 million for the previous year.

Statutory net profit after tax was \$88.1 million, which included income from significant items of \$16.1 million after-tax (\$16.2 million before tax), largely related to a reduction in the asbestos liability provision in relation to the United States. This compares to a statutory net loss of \$150.0 million for the previous year which included a significant item charge of \$179.6 million related primarily to restructuring costs and non-cash impairment charges to reduce the carrying value of the Viridian glass operations.

Net finance cost of \$18.6 million was down from \$22.2 million and included an ongoing charge to restate the value of CSR's asbestos provision into present value dollars (\$12.1 million) and finance cost to maintain banking facilities.

Tax expense of \$24.1 million (pre significant items) was up from \$4.9 million due to the increase in pre tax profits compared to the previous year. CSR's effective tax rate for the year was 22.5%, reflecting lower research and development tax credits in the second half of the financial year.

The company ended the year with net debt of \$28.5 million compared to net debt of \$25.1 million at 31 March 2013.

Capital expenditure (excluding Property) was \$52.7 million, representing 69% of depreciation, up from \$50.9 million in the previous year, excluding acquisitions. Of this, \$30.9 million was for stay-in-business capital projects and \$21.8 million was development-related capital expenditure.

As at 31 March 2014, the product liability provision was \$369.1 million, a reduction of \$54.7 million compared to \$423.8 million at 31 March 2013. This reflects reductions in actuarial estimates in relation to the United States liability to bring settlement values more in line with Australian levels. This provision includes a prudential margin of \$73.8 million which is 25% above the central estimate of future liabilities.

Note 1 (segment information) to the financial statements on page 52 provides a breakdown of operating results by business segment and supporting comments are provided below:

## BUILDING PRODUCTS

Building Products trading revenue of \$1,029.2 million was up 6% due to a combination of volume growth and improved pricing in most product categories.

EBIT of \$92.6 million was up 20% with earnings growth across most businesses, reflecting the incremental benefit from improved revenues and operational cost improvements. A number of projects were completed across manufacturing sites to lower energy consumption, improve product quality and reduce manufacturing costs. As a consequence, EBIT margin increased to 9.0%, up from 8.0%.

## GLASS (VIRIDIAN)

Viridian's trading revenue declined by 2% to \$262.0 million, largely as a consequence of restructuring initiatives undertaken during the period, which reduced Viridian's operational footprint and significantly improved profitability.

As a consequence of the major restructuring program launched in March 2013, Viridian's EBIT improved by \$23.9 million, to report an EBIT loss of \$14.9 million. This result included the benefit of a \$14.0 million reduction in depreciation due to the asset impairment recorded at 31 March 2013 and associated restructuring initiatives.

## ALUMINIUM (GAF)

GAF sales volume of 195,591 tonnes was marginally higher following continued operational improvements at Tomago. Trading revenue of \$455.4 million was up 3%, reflecting the higher realised price which includes hedging and premiums.

EBIT of \$51.9 million was up 3% with the EBIT margin improving slightly to 11.4%.

## PROPERTY

Property delivered earnings of \$17.3 million. The result includes the sale of seven hectares of surplus land at Oxley (Qld) and seven hectares of industrial land at Erskine Park (NSW).

## SIGNIFICANT CHANGES

There have been no significant changes to the CSR group in the financial year ended 31 March 2014.

## EVENTS AFTER BALANCE DATE

On 2 April 2014, CSR announced that it had acquired the businesses of the AFS Products Group (AFS), a leader in load-bearing permanent formwork walling solutions. The CSR group acquired AFS for an initial consideration of \$40 million and further payments may be required over the next three years, subject to achieving growth targets.

On 4 April 2014, CSR announced that together with Boral Limited (Boral), it proposed to form a joint venture to combine their brick operations located on the east coast of Australia. The proposed joint venture will be owned 60% by the CSR group and 40% by Boral. Completion of this transaction remains subject to clearance by the Australian Competition and Consumer Commission.

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.

## DIRECTORS' REPORT (CONTINUED)

**STRATEGY, FUTURE PROSPECTS, LIKELY DEVELOPMENTS AND RISKS**

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

KEY THEME	PROGRESS
<b>Protecting and investing in our businesses and people</b>	Announced proposed east coast bricks joint venture with Boral in April 2014 – ACCC review underway  Restructuring program in Viridian on track – refocused on key customer segments  Expanded leadership development programs across CSR
<b>Delivering building solutions that are smarter, faster and easier to use</b>	Acquired the AFS Products Group, a leader in load-bearing permanent formwork walling solutions, in April 2014  Launched Hebel PowerPanel XL which is a lighter weight panel which provides a faster installation time for builders
<b>Influencing design and adapting to the changing way we live and work</b>	Continued research on the CSR House, including marketing of CSR House Technique to designers and builders
<b>Improving comfort, quality and efficiency of buildings</b>	Expanding Bradford Energy Solutions to include new products and services, including the acquisition of polyester manufacturer Martini
<b>Ensuring that our customers choose to do business with CSR</b>	Launched CSR Connect 24/7 digital access, providing CSR customers with new online functionality and mobile device access

**Future prospects and likely developments:** In the year ahead, Building Products is expected to benefit from increased construction activity and from expansion into new markets through its recent acquisitions, including AFS.

Viridian will benefit from the full-year effect of cost reduction initiatives with longer term opportunities to improve performance to return the business to profitability in future years.

In Aluminium, GAF continues to lock-in returns in its hedge book when opportunities arise.

Property earnings are always subject to the timing and current transactions under negotiation should flow through to earnings for the next few years.

**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.

**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 contributed \$22,750 excluding GST in indirect donations to political parties in the year ended 31 March 2014 (2013: \$34,348). These indirect donations are all directed towards attendance at organised events such as conferences. 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.

All donations are disclosed in accordance with CSR's obligations to the Australian Electoral Commission.

**DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS**

Dividends through the year have been as follows:

- an interim, unfranked dividend of 5.0 cents per ordinary share paid on 17 December 2013 (as set out in Note 26 to the financial statements on page 68); and
- a final, unfranked dividend of 2.1 cents per ordinary share, with respect to the financial year ended 31 March 2013, paid on 9 July 2013.

On 14 May 2014, the board resolved to pay a final, unfranked dividend for the year ended 31 March 2014 of 5.0 cents per ordinary share, on 8 July 2014.

No other distributions were paid during the year.

**DIRECTORS, SECRETARIES, DIRECTORS' MEETINGS AND DIRECTORS' SHAREHOLDINGS**

There were two changes to the board in YEM14. Matthew Quinn was appointed to the board as a non-executive director with effect from 20 August 2013. Concurrent with Matthew Quinn's appointment, Ray Horsburgh, non-executive director, retired from the board on 20 August 2013, having been appointed to the board in 2006.

The names of directors who held office at 14 May 2014, as well as details about current directors' period of appointment, qualifications, age, experience, special responsibilities, current directorships and directorships for the past three years of other listed companies, are on pages 14 and 15. The qualifications and experience of the company secretary at 14 May 2014 are also on page 15.

Details about meetings of the board and of board committees, including attendance, are on page 22 and the directors' relevant interests in shares in CSR or a related body corporate as at the date of this report are on page 22. 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.

**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 clause 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 clause 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 clause 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 2014 and, since the end of the year, CSR has paid, or agreed to pay, premiums in respect of such contracts for the year ending 31 March 2015. 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 2014, an officer of the CSR group. No auditor played a significant role in the CSR group audit for the year ended 31 March 2014 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 91 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 29 to the financial statements on page 70. 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 37, 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 key management personnel (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 key management personnel.



**Jeremy Sutcliffe**  
Chairman



**Rob Sindel**  
Managing Director

14 May 2014



# FINANCIAL REPORT

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

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# STATEMENT OF FINANCIAL PERFORMANCE

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH

(\$ MILLION)	NOTE	2014	2013 (Restated) <sup>a</sup>
Trading revenue – sale of goods		<b>1,746.6</b>	1,682.4
Cost of sales		<b>(1,235.2)</b>	(1,229.6)
Gross margin		<b>511.4</b>	452.8
Other income	2	<b>55.9</b>	9.6
Warehouse and distribution costs		<b>(176.5)</b>	(177.0)
Selling, administration and other operating costs		<b>(240.8)</b>	(225.6)
Share of net profit of joint venture entities		<b>9.4</b>	8.4
Other expenses	2	<b>(17.5)</b>	(255.7)
Profit (loss) before finance and income tax		<b>141.9</b>	(187.5)
Interest income	4	<b>2.5</b>	2.7
Finance cost	4	<b>(21.1)</b>	(24.9)
Profit (loss) before income tax		<b>123.3</b>	(209.7)
Income tax (expense) benefit	6	<b>(24.2)</b>	70.2
<b>Net profit (loss)</b>		<b>99.1</b>	(139.5)
Net profit attributable to non-controlling interests		<b>11.0</b>	10.5
<b>Net profit (loss) attributable to shareholders of CSR Limited<sup>b</sup></b>		<b>88.1</b>	(150.0)
<b>EARNINGS PER SHARE (CENTS)</b>			
Basic earnings per share – based on net profit (loss) attributable to shareholders of CSR Limited <sup>c</sup>		<b>17.4</b>	(29.6)
Diluted earnings per share – based on net profit (loss) attributable to shareholders of CSR Limited <sup>c</sup>		<b>17.4</b>	(29.6)

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

b Net profit before significant items attributable to shareholders of CSR Limited is \$72.0 million (2013: \$29.6 million). Refer to Note 3 to the financial statements.

c Weighted number of ordinary shares on issue used in the calculation of earnings per share is 506.0 million (2013: 506.0 million).

Notes to the financial statements are annexed.

# STATEMENT OF COMPREHENSIVE INCOME

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH

(\$ MILLION)	2014	2013 (Restated) <sup>a</sup>
<b>Net profit (loss)</b>	<b>99.1</b>	(139.5)
<b>Other comprehensive income (expense)</b>		
<i>Items that may be reclassified to profit or loss</i>		
Hedge profit recognised in equity	9.6	10.9
Hedge (profit) transferred to the statement of financial performance	(13.3)	(15.3)
Exchange differences arising on translation of foreign operations	2.4	1.0
Income tax relating to these items	1.1	1.3
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gain on superannuation defined benefit plans	17.1	7.4
Income tax relating to these items	(5.1)	(2.2)
Other comprehensive income (net of tax)	11.8	3.1
<b>Total comprehensive income (expense)</b>	<b>110.9</b>	(136.4)
Total comprehensive income (expense) attributable to:		
Shareholders of CSR Limited	100.8	(146.0)
Non-controlling interests	10.1	9.6
<b>Total comprehensive income (expense)</b>	<b>110.9</b>	(136.4)

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

Notes to the financial statements are annexed.

# STATEMENT OF FINANCIAL POSITION

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
AS AT 31 MARCH

(\$ MILLION)	NOTE	2014	2013
<b>Current assets</b>			
Cash and cash equivalents	9	5.9	11.9
Receivables	11	251.1	244.8
Inventories	10	326.4	315.0
Other financial assets	12	12.2	14.4
Income tax assets	6	30.2	43.8
Other current assets	13	6.3	8.1
<b>Total current assets</b>		<b>632.1</b>	638.0
<b>Non-current assets</b>			
Receivables	11	69.4	60.6
Inventories	10	66.1	61.4
Investments accounted for using the equity method	33	44.4	37.3
Other financial assets	12	0.4	1.0
Property, plant and equipment	14	842.3	881.3
Goodwill	16	29.2	22.6
Other intangible assets	17	31.4	27.4
Deferred income tax assets	6	272.8	288.5
Other non-current assets	13	16.8	14.6
<b>Total non-current assets</b>		<b>1,372.8</b>	1,394.7
<b>Total assets</b>		<b>2,004.9</b>	2,032.7
<b>Current liabilities</b>			
Payables	18	195.0	201.7
Borrowings	19	34.4	2.5
Other financial liabilities	20	1.4	0.9
Tax payable	6	6.8	3.4
Provisions	22	187.6	201.0
<b>Total current liabilities</b>		<b>425.2</b>	409.5
<b>Non-current liabilities</b>			
Payables	18	5.4	1.7
Borrowings	19	–	34.5
Provisions	22	378.6	432.3
Deferred income tax liabilities	6	25.2	31.5
Other non-current liabilities	18	16.7	36.6
<b>Total non-current liabilities</b>		<b>425.9</b>	536.6
<b>Total liabilities</b>		<b>851.1</b>	946.1
<b>Net assets</b>		<b>1,153.8</b>	1,086.6
<b>Equity</b>			
Issued capital	23	1,042.2	1,042.2
Reserves	24	17.0	17.4
Retained profits		39.4	(24.8)
<b>Equity attributable to shareholders of CSR Limited</b>		<b>1,098.6</b>	1,034.8
Non-controlling interests	25	55.2	51.8
<b>Total equity</b>		<b>1,153.8</b>	1,086.6

Notes to the financial statements are annexed.



# STATEMENT OF CHANGES IN EQUITY

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH

(\$ MILLION)	ISSUED CAPITAL	HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	EMPLOYEE SHARE RESERVE	OTHER RESERVES	RETAINED PROFITS	EQUITY ATTRIBUTABLE TO CSR LIMITED SHARE- HOLDERS	NON- CONTROLLING INTERESTS	TOTAL
<b>Balance at 1 April 2013</b>	<b>1,042.2</b>	<b>7.7</b>	<b>(9.7)</b>	<b>19.4</b>	<b>–</b>	<b>(24.8)</b>	<b>1,034.8</b>	<b>51.8</b>	<b>1,086.6</b>
<b>Net profit</b>	–	–	–	–	–	<b>88.1</b>	<b>88.1</b>	<b>11.0</b>	<b>99.1</b>
<b>Exchange differences arising on translation of foreign operations</b>	–	–	<b>2.4</b>	–	–	–	<b>2.4</b>	–	<b>2.4</b>
<b>Hedge profit recognised in equity</b>	–	<b>6.6</b>	–	–	–	–	<b>6.6</b>	<b>3.0</b>	<b>9.6</b>
<b>Hedge (profit) transferred to the statement of financial performance</b>	–	<b>(9.0)</b>	–	–	–	–	<b>(9.0)</b>	<b>(4.3)</b>	<b>(13.3)</b>
<b>Actuarial gain on superannuation defined benefit plans</b>	–	–	–	–	–	<b>17.1</b>	<b>17.1</b>	–	<b>17.1</b>
<b>Income tax relating to components of other comprehensive income</b>	–	<b>0.7</b>	–	–	–	<b>(5.1)</b>	<b>(4.4)</b>	<b>0.4</b>	<b>(4.0)</b>
<b>Total comprehensive (expense) income</b>	–	<b>(1.7)</b>	<b>2.4</b>	–	–	<b>100.1</b>	<b>100.8</b>	<b>10.1</b>	<b>110.9</b>
<b>Payment of ordinary dividends</b>	–	–	–	–	–	<b>(35.9)</b>	<b>(35.9)</b>	<b>(9.1)</b>	<b>(45.0)</b>
<b>Other items recognised directly in equity</b>	–	–	–	–	<b>(3.3)</b>	–	<b>(3.3)</b>	–	<b>(3.3)</b>
<b>Non-controlling interests on acquisition of subsidiary</b>	–	–	–	–	–	–	–	<b>2.4</b>	<b>2.4</b>
<b>Recognition of share based payments</b>	–	–	–	<b>1.8</b>	–	–	<b>1.8</b>	–	<b>1.8</b>
<b>Income tax relating to share based payments</b>	–	–	–	<b>0.4</b>	–	–	<b>0.4</b>	–	<b>0.4</b>
<b>Balance at 31 March 2014</b>	<b>1,042.2</b>	<b>6.0</b>	<b>(7.3)</b>	<b>21.6</b>	<b>(3.3)</b>	<b>39.4</b>	<b>1,098.6</b>	<b>55.2</b>	<b>1,153.8</b>
Balance at 1 April 2012	1,042.2	9.9	(10.7)	18.4	–	170.6	1,230.4	48.3	1,278.7
Net profit (loss) <sup>a</sup>	–	–	–	–	–	(150.0)	(150.0)	10.5	(139.5)
Exchange differences arising on translation of foreign operations	–	–	1.0	–	–	–	1.0	–	1.0
Hedge profit recognised in equity	–	7.5	–	–	–	–	7.5	3.4	10.9
Hedge (profit) transferred to the statement of financial performance	–	(10.7)	–	–	–	–	(10.7)	(4.6)	(15.3)
Actuarial gain on superannuation defined benefit plans <sup>a</sup>	–	–	–	–	–	7.4	7.4	–	7.4
Income tax relating to components of other comprehensive income <sup>a</sup>	–	1.0	–	–	–	(2.2)	(1.2)	0.3	(0.9)
Total comprehensive (expense) income	–	(2.2)	1.0	–	–	(144.8)	(146.0)	9.6	(136.4)
Payment of ordinary dividends	–	–	–	–	–	(50.6)	(50.6)	(6.1)	(56.7)
Recognition of share based payments	–	–	–	1.0	–	–	1.0	–	1.0
Balance at 31 March 2013	1,042.2	7.7	(9.7)	19.4	–	(24.8)	1,034.8	51.8	1,086.6

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

Notes to the financial statements are annexed.

# STATEMENT OF CASH FLOWS

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH

(\$ MILLION)	NOTE	2014	2013 (Restated) <sup>a</sup>
<b>Cash flows from operating activities</b>			
Receipts from customers		<b>1,894.8</b>	1,829.9
Payments to suppliers and employees		<b>(1,796.7)</b>	(1,767.7)
Dividends and distributions received		<b>10.5</b>	10.4
Interest received		<b>3.0</b>	2.9
Income tax received (paid)		<b>0.5</b>	(11.9)
<b>Net cash from operating activities</b>		<b>112.1</b>	63.6
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other non-current assets		<b>(102.0)</b>	(92.5)
Proceeds from sale of property, plant and equipment and other non-current assets		<b>53.1</b>	18.7
Costs associated with acquisition and disposal of businesses	7, 8	<b>(1.5)</b>	(2.1)
Purchase of controlled entities and businesses, net of cash acquired	7	<b>(10.1)</b>	–
Loans and receivables advanced		<b>(3.5)</b>	(4.4)
<b>Net cash used in investing activities</b>		<b>(64.0)</b>	(80.3)
<b>Cash flows from financing activities</b>			
Net (repayment of) proceeds from borrowings		<b>(2.6)</b>	36.9
Dividends paid		<b>(45.0)</b>	(56.7)
Interest and other finance costs paid		<b>(7.2)</b>	(6.8)
<b>Net cash used in financing activities</b>		<b>(54.8)</b>	(26.6)
<b>Net decrease in cash held</b>		<b>(6.7)</b>	(43.3)
Net cash at the beginning of the financial year		<b>11.9</b>	55.8
Effects of exchange rate changes		<b>0.7</b>	(0.6)
<b>Net cash at the end of the financial year</b>	9	<b>5.9</b>	11.9
<b>Reconciliation of net profit (loss) attributable to shareholders of CSR Limited to net cash from operating activities</b>			
Net profit (loss) attributable to shareholders of CSR Limited		<b>88.1</b>	(150.0)
Net profit attributable to non-controlling interests		<b>11.0</b>	10.5
Depreciation and amortisation	5	<b>76.8</b>	89.3
Impairment charges		<b>–</b>	187.4
Movement in product liability provision		<b>(54.7)</b>	(17.9)
Net change in other provisions		<b>(12.4)</b>	(45.1)
Finance costs net of product liability unwind		<b>9.0</b>	8.1
Profit on disposal of assets		<b>(19.6)</b>	(6.7)
Net change in trade receivables		<b>(9.1)</b>	4.4
Net change in current inventories		<b>2.3</b>	6.2
Net change in trade payables		<b>(1.0)</b>	(9.6)
Movement in current and deferred tax balances		<b>24.6</b>	(5.5)
Net change in other assets and liabilities		<b>(2.9)</b>	(7.5)
<b>Net cash from operating activities</b>		<b>112.1</b>	63.6

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

Credit facilities are shown in Note 21 to the financial statements.

Notes to the financial statements are annexed.

# SIGNIFICANT ACCOUNTING POLICIES

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 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 the 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 assets which are at deemed cost or their revalued amount.

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. Details of the significant accounting policies adopted by the CSR group are provided below.

## 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.

## JOINT VENTURE AND ASSOCIATE ENTITIES

Investments in joint venture and associate entities have been accounted for under the equity method in the CSR group financial statements.

## JOINT OPERATIONS

Interests in joint operations are recorded in the financial statements by including the entity's share of assets employed, the share of liabilities incurred, and the share of any expenses incurred in relation to joint operations in their respective categories.

## CHANGE IN ACCOUNTING POLICIES: NEW OR REVISED ACCOUNTING STANDARDS

The CSR group has adopted all amendments to Australian Accounting Standards which became applicable from 1 April 2013. The CSR group applies, for the first time, certain standards and amendments that apply retrospectively and require restatement of previous financial statements.

## Employee benefits

The CSR group adopted AASB 119 Employee Benefits (revised) on 1 April 2013. The revised standard includes changes to the recognition of income and expenses associated with the superannuation defined benefit plans in which the CSR group participates. Under the revised standard, return on plan assets has been calculated based on the rate used to discount the obligations rather than the expected rate of return on these assets.

The CSR group has obtained actuarial assessments and applied amendments retrospectively resulting in a \$3.1 million decrease in profit after tax (\$4.4 million before tax) and a corresponding increase in other comprehensive income for the financial year ended 31 March 2013. Earnings per share based on the net loss attributable to shareholders of CSR Limited has been restated for the financial year ended 31 March 2013 resulting in a decrease of 0.6 cents per share to 29.6 cents per share loss.

In addition, the revised standard requires discounting of annual leave provisions for balances which are not expected to be utilised within 12 months. This change has not had a significant impact on the CSR group for the current or comparative financial year.

## Fair value measurement

AASB 13 Fair Value Measurement requires inclusion of a measure for credit risk in the calculations of assets and liabilities recorded at fair value. This change in accounting policy is applied prospectively and has not had a significant impact on the fair value of the CSR group's assets and liabilities for the financial year ended 31 March 2014.

## Control and joint arrangements

The following standards have been adopted by the CSR group for the first time for the financial year ended 31 March 2014:

- AASB 10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements; and
- AASB 12 Disclosure of Interests in Other Entities.

AASB 10 Consolidated Financial Statements provides a single consolidation model for all entities based on control and irrespective of the nature of the investee. The definition of control is focused on power over the investee and the ability to use this power to affect returns from the entity whether obtained through voting rights or some other contractual arrangement.

AASB 11 Joint Arrangements provides a new definition of joint venture and joint operation and removes optionality around accounting for joint arrangements. Joint ventures are defined by a right to net profit and net assets of the joint arrangement and are required to be equity accounted. Joint operations are defined by a right to assets and obligation for liabilities of the joint arrangements. Share of assets, liabilities, revenues and expenses of joint operations are proportionately consolidated.

There has been no change in accounting for existing arrangements for the financial year ended 31 March 2014 as a result of applying these standards. However, should any arrangements take place which change existing interests or create new interests in controlled entities, the accounting for such transactions may be different to that applied to transactions in the past.

AASB 12 Disclosure of Interests in Other Entities requires the disclosure of information that will enable users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Disclosures have been included within this financial report where applicable.

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

### IMPACT OF AUSTRALIAN ACCOUNTING STANDARDS AND INTERPRETATIONS ON ISSUE BUT NOT YET EFFECTIVE

The following Australian Accounting Standards and Interpretations have not yet been adopted by the CSR group and are expected to be applicable for the financial year ending 31 March 2018:

#### AASB 9 Financial Instruments (effective date deferred)

AASB 9 provides a simplified model for classifying and recognising financial instruments. It amends hedge accounting requirements to align more closely with an entity's risk management framework and permits entities to present changes in their own credit risk in respect of liabilities designated at fair value through profit or loss within other comprehensive income. The group has yet to assess the impact of this standard.

#### CURRENCY

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

### CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are critical judgements 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:

**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 ceased with the disposal 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. At 31 March 2014, a provision of \$369.1 million (2013: \$423.8 million) has been made for all known claims and reasonably foreseeable future claims. Refer Note 38 for further details of the key assumptions and uncertainties in estimating this liability.

**Asset impairment:** Assets are reviewed for impairment at each reporting date in accordance with the accounting policy. Where a valuation is required, the valuation is determined using discounted cash flows. Management judgement is required in these valuations to forecast future cash flows and apply a suitable discount rate in order to calculate the present value. Future cash flows take into consideration forecast changes in the building cycle, aluminium prices and exchange rate where appropriate.

Cash flows are reforecast annually, covering the next ten years and valuations are calculated using a post-tax annual discount rate of 10.2% for all segments other than Aluminium which uses 12.2%. Discounted cash flow projections over a ten year 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 be representative as the terminal value. A terminal value is used from year eleven onwards including a terminal growth rate, which was 2.5% in the year ended 31 March 2014 (2013: 2.5%).

### 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. Judgement is required in arriving at an estimate of future costs required to extinguish these obligations. Expert advice is relied upon (where available) and known facts at the date of this financial report are considered to arrive at the best estimate for future liabilities that the CSR group will incur. Given the nature of these issues, circumstances may change and estimates and provisions will be updated accordingly. Refer to Note 22.

**Provision for uninsured losses and future claims:** The 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 NSW, Queensland, Victoria, South Australia (to 10 April 2003), Western Australia and the Australian Capital Territory for workers' compensation insurance. As at 31 March 2014, a provision of \$31.3 million (2013: \$32.4 million) has been made for all known claims and reasonably foreseeable future claims. Management assesses the provision at each reporting date and obtains reports from independent experts annually. Refer to Note 22.

### Non consolidation of entities in which the CSR group holds more than 50%:

The directors have also determined that they do not control Viridian Glass Limited Partnership even though the CSR group owns a 58% interest in 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. Refer to Note 33.

**Classification of joint arrangements:** The agreements in relation to the existing joint arrangements require unanimous consent over the relevant activities between the group and at least one other participant. Where the CSR group is jointly and severally liable for the liabilities incurred by the partnership, it will classify the entity as a joint operation and recognise its direct right to the assets and liabilities. Where the CSR group and the parties to the agreements only have rights to the net assets of each of the partnerships under the arrangements, these entities will be classified as joint ventures of the group and accounted for using the equity method. Refer to Note 33.

### SIGNIFICANT ITEMS

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

### REVENUE RECOGNITION

Trading revenue is measured at the fair value of the consideration receivable, and is recognised when each of the following conditions is met:

- persuasive evidence of an arrangement exists, which is usually in the form of a contractual arrangement;
- the significant risks and rewards of ownership of the goods have transferred from the CSR group to the buyer;
- the seller's price to the buyer is fixed or determinable; and
- collectibility is reasonably assured.



**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**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. Payments made under operating leases (net of any incentives received by the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

**NET FINANCE COST**

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 interest (finance cost).

**TAX CONSOLIDATION**

Legislation to allow 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, was substantively enacted on 21 October 2002.

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.

**INCOME TAX**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable income for the financial year. It is calculated 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 accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax assets or liabilities are recognised for all taxable temporary differences. 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. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the CSR group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Deferred tax assets and liabilities are offset when they relate to income tax levied by 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.

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.

**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.

**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 period 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.

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

### 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.

### TRADE RECEIVABLES

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

Inventories are valued at the lower of cost and net realisable value.

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.

### ACQUISITION OF ASSETS

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition. In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their value as at the date of acquisition.

### DEPRECIATION

Depreciable assets are depreciated at rates based upon their expected economic life using the straight-line method. The economic lives of property, plant and equipment assets are detailed in Note 14.

### INTANGIBLE ASSETS

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 or whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the statement of financial performance and is not subsequently reversed. Certain trade names determined as having an indefinite life are not amortised but are assessed annually for impairment. Internal costs relating to acquired intangible assets are expensed.

Other intangible assets, including software and capitalised development costs, are initially recorded at cost and subsequently amortised over the period over which the benefits are expected to arise; in most cases, this is five years.

### FINANCIAL ASSETS

Financial assets are classified as available for sale financial assets, or loans and receivables (stated at amortised cost less impairment). The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

### IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment at each reporting date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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.

An impairment loss is recognised in profit or loss immediately. Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. The reversal of an impairment loss is recognised immediately in profit or loss.

### PUT OPTION LIABILITIES FOR 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.

### PAYABLES

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.

### BORROWINGS

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.

### EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations (based on wage rates expected at the time of settling the liability) 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.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the CSR group.

## SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

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 period 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 cost, plus the present value of available refunds and reductions in future contributions to the plan.

Contributions to superannuation defined contribution plans are expensed when incurred and the CSR group's legal or constructive obligation is limited to these contributions.

**PROVISIONS**

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.

**Provision for product liability:** The CSR group's provision for product liability is determined using reports provided by independent experts in each of Australia and the United States. The CSR group has included within the provision an appropriate prudential margin. Refer to Note 38 for further information on the basis for determining the product liability provision.

**Provision for restoration and environmental rehabilitation:** The net present value of estimated costs of environmental rehabilitation of commercial sites which require remediation of existing conditions resulting from present and past operations is taken up as a provision. The liability is immediately recognised when the environmental exposure is identified and the rehabilitation costs can be reliably estimated. The estimate is revised at each reporting period and the provision is adjusted accordingly.

**Provision for uninsured losses and future claims:** The provision for uninsured losses and future claims relates to the CSR group's self insurance for workers' compensation program. The provision recognises the best estimate of the consideration required to settle the present obligation for anticipated compensation payments and is determined at each reporting date using reports provided by independent experts annually.

**SHARE BASED PAYMENTS**

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, based on the CSR group's estimate of shares that will eventually vest.

**FINANCIAL INSTRUMENTS**

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 income depends on the nature of the hedge relationship. The CSR group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges).

**Fair value hedges:** Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

**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 periods when the hedged item is recognised in profit or loss.

**Embedded derivatives:** 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 the host contracts.

**COMPARATIVE INFORMATION**

Where applicable, comparative information has been reclassified in order to comply with current period disclosure requirements.

**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.

# NOTES TO THE FINANCIAL STATEMENTS

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 1. 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 its 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 aggregated 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 (Gyprock plasterboard, Hebel aerated autoclaved concrete products, Cemintel fibre cement, Ceilector Ceiling Solutions, and Rondo rollformed steel products) and Insulation (Bradford insulation, energy solutions, solar and Edmonds ventilation systems).  Bricks and Roofing (PGH bricks and 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 hardcoated performance products in Australia. It operates two main businesses – manufacturing clear float, coated and bulk laminate glass in Victoria and downstream value-added processing of glass from a number of facilities across Australia. It also participates in a glass processing joint venture 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 ingots, billets and slabs.
<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 NSW, 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 included within these financial statements, with the exception that significant items (i.e. those items which by their size, 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 cost.

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 and associated assets and liabilities 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 1. SEGMENT INFORMATION (CONTINUED)

	PROFIT (LOSS) BEFORE INCOME TAX		INCOME TAX EXPENSE (BENEFIT)		NON-CONTROLLING INTERESTS		NET PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF CSR LIMITED	
(\$ MILLION)	2014	2013 (Restated) <sup>a</sup>	2014	2013 (Restated) <sup>a</sup>	2014	2013	2014	2013 (Restated) <sup>a</sup>
<b>Business segments</b>								
Building Products	92.6	77.4	25.8	20.8	0.1	–	66.7	56.6
Glass	(14.9)	(38.8)	(4.9)	(12.1)	–	–	(10.0)	(26.7)
Aluminium	51.9	50.3	12.4	10.3	10.9	11.4	28.6	28.6
Property	17.3	–	3.3	(1.4)	–	–	14.0	1.4
<b>Segment total</b>	<b>146.9</b>	<b>88.9</b>	<b>36.6</b>	<b>17.6</b>	<b>11.0</b>	<b>11.4</b>	<b>99.3</b>	<b>59.9</b>
Corporate <sup>b</sup>	(15.7)	(13.8)	(5.7)	(4.5)	–	–	(10.0)	(9.3)
Restructuring and provisions <sup>c</sup>	(5.5)	(7.0)	(1.1)	(1.5)	–	–	(4.4)	(5.5)
<b>Earnings before interest and significant items</b>	<b>125.7</b>	<b>68.1</b>	<b>29.8</b>	<b>11.6</b>	<b>11.0</b>	<b>11.4</b>	<b>84.9</b>	<b>45.1</b>
Net finance cost	(18.6)	(22.2)	(5.7)	(6.7)	–	–	(12.9)	(15.5)
<b>Total before significant items</b>	<b>107.1</b>	<b>45.9</b>	<b>24.1</b>	<b>4.9</b>	<b>11.0</b>	<b>11.4</b>	<b>72.0</b>	<b>29.6</b>
Significant items (Note 3)	16.2	(255.6)	0.1	(75.1)	–	(0.9)	16.1	(179.6)
<b>Total after significant items</b>	<b>123.3</b>	<b>(209.7)</b>	<b>24.2</b>	<b>(70.2)</b>	<b>11.0</b>	<b>10.5</b>	<b>88.1</b>	<b>(150.0)</b>
	TOTAL REVENUE <sup>d</sup>		SHARE OF NET PROFIT OF JOINT VENTURES		DEPRECIATION AND AMORTISATION <sup>e</sup>		ADDITIONS TO NON-CURRENT ASSETS <sup>f</sup>	
(\$ MILLION)	2014	2013	2014	2013	2014	2013	2014	2013
<b>Business segments</b>								
Building Products	1,029.2	970.7	11.3	10.2	38.0	35.6	45.5	28.9
Glass	262.1	268.2	(0.7)	(1.0)	10.8	24.7	8.8	15.0
Aluminium	458.1	451.4	–	–	26.9	28.0	5.2	6.9
Property	20.1	1.7	–	–	–	–	34.3	22.0
<b>Segment total</b>	<b>1,769.5</b>	<b>1,692.0</b>	<b>10.6</b>	<b>9.2</b>	<b>75.7</b>	<b>88.3</b>	<b>93.8</b>	<b>72.8</b>
Corporate <sup>b</sup>	–	–	–	–	1.1	1.0	1.3	0.1
Restructuring and provisions <sup>c</sup>	–	–	(1.2)	(0.8)	–	–	–	–
Interest income	2.5	2.7	–	–	–	–	–	–
<b>Total before significant items</b>	<b>1,772.0</b>	<b>1,694.7</b>	<b>9.4</b>	<b>8.4</b>	<b>76.8</b>	<b>89.3</b>	<b>95.1</b>	<b>72.9</b>
Significant items (Note 3)	33.0	–	–	–	–	–	–	–
<b>Total after significant items</b>	<b>1,805.0</b>	<b>1,694.7</b>	<b>9.4</b>	<b>8.4</b>	<b>76.8</b>	<b>89.3</b>	<b>95.1</b>	<b>72.9</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 1. SEGMENT INFORMATION (CONTINUED)

	ASSETS <sup>g</sup>		LIABILITIES		INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		IMPAIRMENT OF ASSETS <sup>h</sup>	
(\$ MILLION)	2014	2013	2014	2013	2014	2013	2014	2013
<b>Business segments</b>								
Building Products	979.2	930.3	188.7	161.2	22.5	16.4	–	(3.7)
Glass	250.2	261.4	67.3	99.6	21.9	20.9	–	(196.1)
Aluminium	276.6	304.1	66.3	66.5	–	–	–	–
Property	153.8	157.6	18.8	28.9	–	–	–	–
<b>Segment total</b>	<b>1,659.8</b>	<b>1,653.4</b>	<b>341.1</b>	<b>356.2</b>	<b>44.4</b>	<b>37.3</b>	<b>–</b>	<b>(199.8)</b>
Unallocated <sup>c</sup>	36.2	35.1	443.6	518.0	–	–	–	–
	<b>1,696.0</b>	<b>1,688.5</b>	<b>784.7</b>	<b>874.2</b>	<b>44.4</b>	<b>37.3</b>	<b>–</b>	<b>(199.8)</b>
Cash/borrowings	5.9	11.9	34.4	37.0	–	–	–	–
Tax assets/liabilities	303.0	332.3	32.0	34.9	–	–	–	–
<b>Group total</b>	<b>2,004.9</b>	<b>2,032.7</b>	<b>851.1</b>	<b>946.1</b>	<b>44.4</b>	<b>37.3</b>	<b>–</b>	<b>(199.8)</b>

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

b Represents unallocated overhead and other revenues.

c Includes product liability, certain defined benefit superannuation assets and liabilities and expenses, other payables, non-operating revenue and costs (excluding those categorised as significant items).

d Inter-segment sales are negligible. Total revenue includes trading revenue, other income, interest income and dividend income from other entities and excludes share of net profit of joint ventures.

e Depreciation and amortisation includes \$3.5 million (2013: \$3.6 million) amortisation of intangible assets. Other significant non-cash expenses such as asset write downs and impairments, movements in provisions and other rationalisation expenses which are significant items are disclosed in Note 3. Other non-cash expenses are immaterial.

f Includes additions for non-current assets other than deferred tax assets, loans and other financial instruments.

g All acquisitions of controlled entities and businesses in 2014 were in Building Products.

h For the year ended 31 March 2013 it includes \$196.1 million of asset write downs and impairments of the Viridian business (Glass segment) as a result of restructuring and a reassessment of carrying value for this business. Viridian asset write downs and impairments are comprised of \$187.4 million property, plant and equipment and other non-current assets and \$8.7 million inventories. In addition, write downs of \$3.7 million of plant and equipment had also been recorded in the Building Products business during 2013.

## Geographical information

The CSR group operates principally in Australia. For the year ended 31 March 2014, the CSR group's trading revenue from external customers in Australia amounted to \$1,692.4 million (2013: \$1,631.3 million), with \$54.2 million (2013: \$51.1 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 \$1,007.2 million at 31 March 2014 (2013: \$1,049.6 million), with \$48.0 million (2013: \$18.3 million) related to other geographical areas.

## 2. OTHER INCOME AND EXPENSES

(\$ MILLION)	NOTE	2014	2013
<b>Income</b>			
Significant items	3	33.0	–
Profit on disposal of assets		19.6	6.7
Other		3.3	2.9
<b>Total other income</b>		<b>55.9</b>	<b>9.6</b>
<b>Expenses</b>			
Significant items	3	(16.8)	(255.6)
Other		(0.7)	(0.1)
<b>Total other expenses</b>		<b>(17.5)</b>	<b>(255.7)</b>

During the financial year ended 31 March 2014, expenses incurred in relation to employee benefits amounted to \$433.5 million (2013: \$403.5 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 3. SIGNIFICANT ITEMS

(\$ MILLION)	2014	2013 (Restated) <sup>a</sup>
Reduction in product liability provision <sup>b</sup>	33.0	–
Charge to provision for legal disputes, warranties and land remediation <sup>c</sup>	(13.3)	–
Costs related to proposed and completed acquisitions <sup>d</sup>	(3.5)	(1.4)
Total Viridian asset write downs, impairments and restructuring <sup>e</sup>	–	(241.0)
Other restructuring costs <sup>f</sup>	–	(13.2)
<b>Total significant items</b>		
Significant items before income tax	16.2	(255.6)
Income tax (expense) benefit on significant items	(0.1)	75.1
<b>Significant items after tax</b>	<b>16.1</b>	<b>(180.5)</b>
Significant items attributable to non-controlling interests	–	0.9
<b>Significant items attributable to shareholders of CSR Limited</b>	<b>16.1</b>	<b>(179.6)</b>
Net profit (loss) attributable to shareholders of CSR Limited	88.1	(150.0)
Significant items attributable to shareholders of CSR Limited after tax	16.1	(179.6)
<b>Net profit before significant items attributable to shareholders of CSR Limited</b>	<b>72.0</b>	<b>29.6</b>
<b>EARNINGS PER SHARE (CENTS)</b>		
<b>Before significant items</b>		
Basic earnings per share – based on net profit attributable to shareholders of CSR Limited <sup>g</sup>	14.2	5.8
Diluted earnings per share – based on net profit attributable to shareholders of CSR Limited <sup>g</sup>	14.2	5.8

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

b For the year ended 31 March 2014, the CSR group recorded income in relation to its product liability provision of \$33.0 million, reflecting a decrease in the routine estimate of future asbestos related claims in the United States (after cash payments and adjustments for the present value of future claims).

c For the year ended 31 March 2014, the CSR group recorded a charge of \$13.3 million in relation to product warranty claims and ongoing legal disputes as these matters have advanced towards settlement.

d During the year ended 31 March 2014, the CSR group incurred costs associated with potential and completed acquisitions of \$3.5 million (2013: \$1.4 million).

e On 11 March 2013, the CSR group announced that it had completed a review of the Viridian (glass) business, and concluded that a structural shift experienced in the market for architectural glass products over recent years was likely to be sustained. A valuation of the business was prepared as at 31 March 2013, and as a result, asset write downs and impairment charges of \$196.1 million were recognised, of which \$187.4 million was allocated to property, plant and equipment and other non-current assets and \$8.7 million to inventories.

In addition, during the year ended 31 March 2013, the decision to close the Viridian float and laminating glass manufacturing facility at Ingleburn (NSW), and the consolidation of the Viridian glass processing facility at Wetherill Park (NSW) into Erskine Park (NSW), resulted in restructuring costs of \$34.1 million, largely related to redundancies, asset decommissioning and relocation costs. Further, a provision of \$10.8 million was recognised for onerous contractual obligations and other costs, mainly related to property leases. For further details on the valuation of the Viridian business and related impairment and restructure refer to the CSR annual report for the year ended 31 March 2013.

f During the year ended 31 March 2013, restructuring took place across Building Products, Aluminium and head office and support functions to align CSR group's cost base with current market conditions and secure ongoing efficiencies. Costs are related to redundancies and sundry asset write offs.

g Weighted number of ordinary shares on issue used in the calculation of earnings per share is 506.0 million (2013: 506.0 million).

## 4. NET FINANCE COST

(\$ MILLION)	2014	2013
Interest expense	2.7	2.7
Unwind of discounting on product liability provision	12.1	16.8
Unwind of discounting on other non-current provisions	1.3	2.3
Other unwind of discounting	0.6	–
Funding costs	4.7	5.0
Foreign exchange gain	(0.3)	(1.9)
<b>Finance cost</b>	<b>21.1</b>	<b>24.9</b>
Interest income	(2.5)	(2.7)
<b>Net finance cost</b>	<b>18.6</b>	<b>22.2</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 5. DEPRECIATION AND AMORTISATION

(\$ MILLION)	2014	2013
<b>Amounts incurred for depreciation and amortisation of</b>		
Property, plant and equipment	73.3	85.7
Other intangible assets	3.5	3.6
<b>Total depreciation and amortisation</b>	<b>76.8</b>	<b>89.3</b>

## 6. INCOME TAXES

(\$ MILLION)	2014	2013 (Restated) <sup>a</sup>
Reconciliation of income tax expense (benefit) charged (credited) to the statement of financial performance with income tax calculated on profit (loss) before income tax:		
<b>Profit (loss) before income tax</b>	<b>123.3</b>	<b>(209.7)</b>
<b>Income tax expense (benefit) calculated at 30%</b>	<b>37.0</b>	<b>(62.9)</b>
<b>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</b>		
Tax free component on profit on property sales	(1.9)	(1.1)
Research and development relating to current year	(1.8)	(1.5)
Share of net profit of joint ventures and rebates on dividend income	(2.8)	(2.5)
Income tax over provided in prior years <sup>b</sup>	(1.9)	(6.0)
Other items <sup>c</sup>	(4.4)	3.8
<b>Total income tax expense (benefit) on profit (loss)</b>	<b>24.2</b>	<b>(70.2)</b>
<b>Total income tax expense (benefit) comprises</b>		
Current tax income	(13.2)	(26.1)
Deferred tax expense (income) relating to the origination and reversal of temporary differences	37.4	(44.1)
<b>Total income tax expense (benefit) on profit (loss)</b>	<b>24.2</b>	<b>(70.2)</b>
<b>Current tax payable attributable to</b>		
Entities in the tax consolidated group	–	–
Other entities	6.8	3.4
<b>Total current tax payable</b>	<b>6.8</b>	<b>3.4</b>
<b>Deferred income tax assets and liabilities comprise</b>		
Temporary differences recorded as asset	165.4	206.5
Temporary differences recorded as liability	(25.2)	(31.5)
Net temporary differences – asset	140.2	175.0
Tax losses – revenue recorded as asset	107.4	82.0
<b>Net deferred income tax assets</b>	<b>247.6</b>	<b>257.0</b>
<b>Current income tax assets</b>	<b>30.2</b>	<b>43.8</b>

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

b Mainly related to the finalisation of research and development credits from prior years.

c Includes the impact of permanent differences related to significant items.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 6. INCOME TAXES (CONTINUED)

(\$ MILLION)	OPENING BALANCE	CREDITED (CHARGED) TO PROFIT OR LOSS	(CHARGED) CREDITED TO EQUITY	OTHER <sup>a</sup>	CLOSING BALANCE
<b>2014</b>					
<b>Movement in net deferred income tax assets (liabilities) attributable to temporary differences</b>					
Fair value of hedges	(4.4)	–	1.1	–	(3.3)
Property, plant and equipment	15.1	(19.4)	–	3.1	(1.2)
Superannuation defined benefit plans	10.8	(1.7)	(5.1)	–	4.0
Product liability provision	128.3	(15.7)	–	1.9	114.5
Employee benefits provisions	24.5	3.5	–	–	28.0
Other provisions	29.6	(8.3)	–	0.2	21.5
Spares and stores	(12.7)	0.7	–	–	(12.0)
Transaction costs	4.9	(3.0)	–	–	1.9
Prepayments	(3.2)	–	–	–	(3.2)
Deferred tax on sale of property	(5.6)	–	–	4.2	(1.4)
Other	(12.3)	6.5	0.4	(3.2)	(8.6)
	<b>175.0</b>	<b>(37.4)</b>	<b>(3.6)</b>	<b>6.2</b>	<b>140.2</b>
<b>2013</b>					
<b>Movement in net deferred income tax assets (liabilities) attributable to temporary differences</b>					
Fair value of hedges	(5.7)	–	1.3	–	(4.4)
Property, plant and equipment	(27.4)	43.3	–	(0.8)	15.1
Superannuation defined benefit plans <sup>b</sup>	14.8	(1.8)	(2.2)	–	10.8
Product liability provision	132.5	(5.2)	–	1.0	128.3
Employee benefits provisions	25.1	(1.0)	–	0.4	24.5
Other provisions	26.8	1.6	–	1.2	29.6
Spares and stores	(13.5)	0.8	–	–	(12.7)
Transaction costs	8.5	(3.6)	–	–	4.9
Prepayments	(3.2)	–	–	–	(3.2)
Deferred tax on sale of property	(5.6)	–	–	–	(5.6)
Other	(20.5)	10.0	–	(1.8)	(12.3)
	<b>131.8</b>	<b>44.1</b>	<b>(0.9)</b>	<b>–</b>	<b>175.0</b>

a The movements of \$1.9 million in product liability provision deferred tax asset and \$4.2 million in deferred tax on sale of property liability were reclassified to current income tax assets.

b On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**7. ACQUISITIONS OF CONTROLLED ENTITIES AND BUSINESSES****Businesses acquired**

The CSR group acquired the net assets of the following businesses during the year ended 31 March 2014:

- 70% of the equity of Martini Investments (Australia) Pty Limited (Martini Business), a polyester manufacturer and importer of high performance reflective insulation, effective 1 November 2013 (Building Products segment);
- Alsupply Aluminium Partitions on 1 May 2013 (Building Products segment); and
- Accent Powdercoaters on 1 May 2013 (Building Products segment).

The primary reason for these acquisitions was to continue CSR's growth in the Building Products segment, in line with strategy outlined in the directors' report.

The initial accounting for these acquisitions has only been provisionally determined at 31 March 2014. At the date of finalisation of this report, the necessary market valuation and other calculations have not been finalised and the fair value of goodwill noted below has therefore only been provisionally determined based on the directors' best estimates. Acquisition related costs expensed were \$1.0 million.

Details of the purchase consideration and the fair value of assets and liabilities acquired are given below.

The CSR group did not acquire any controlled entities or businesses during the year ended 31 March 2013.

(\$ MILLION)	2014
Purchase consideration	11.3
Add: Non-controlling interests	2.4
Less: Fair value of net identifiable assets acquired (refer to below)	(8.5)
Goodwill acquired (refer to below)	5.2

**Value of net assets of controlled entities and businesses acquired**

(\$ MILLION)	FAIR VALUE 2014
Cash	0.8
Receivables	3.0
Inventories	3.2
Property, plant and equipment	2.7
Other assets	0.6
Intangible assets	0.2
Deferred income tax assets	0.1
Payables	(0.8)
Provisions	(0.5)
Other creditors	(0.8)
Net identifiable assets acquired	8.5
Less: Non-controlling interests	(2.4)
Add: Goodwill acquired	5.2
<b>Total consideration</b>	<b>11.3</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**7. ACQUISITIONS OF CONTROLLED ENTITIES AND BUSINESSES (CONTINUED)****(i) Consideration**

Total consideration included payments during the financial year ended 31 March 2014 of \$10.9 million. An additional \$0.4 million is expected to be payable in future periods and is contingent on achievement of performance targets.

**(ii) Contingent earn-out – Martini business**

In the event that certain pre-determined earnings targets are achieved by the subsidiary from acquisition date until 31 March 2015, additional payment may be payable in cash at the time of finalisation of the financial statements for that financial year. The earn-out is linked to continued employment and has therefore been classified as compensation. The potential amount payable under the agreement is dependent on the performance of the business.

**(iii) Non-controlling interests**

The CSR group elected to recognise the non-controlling interests in the Martini business at its proportionate share of the acquired net identifiable assets.

**(iv) Put and call options over minority interests – Martini business**

The CSR group has a call option over the 30% non-controlling interests. The option has three exercise periods, the first one commencing on 31 March 2016 (for three months). The holders of the non-controlling interests have a put option to sell all of their remaining interest to the group at a discount to the call option price with two exercise windows that match the first and last call option periods.

The exercise price of the options is based on the financial results of the business.

**(v) Purchase consideration – cash outflow**

(\$ MILLION)	2014
<b>Outflow of cash to acquire subsidiaries, net of cash acquired</b>	
Cash consideration	10.9
Less: Cash acquired	(0.8)
<b>Outflow of cash – investing activities</b>	<b>10.1</b>

**8. CONTROLLED ENTITIES AND BUSINESSES DISPOSED****(i) Establishment of joint venture – Bricks New Zealand (disposal of a business)**

On 15 April 2013, a joint venture between CSR Limited's subsidiary, CSR Building Products (NZ) Limited, and Brickworks Building Products (NZ) Pty Limited was established. This transaction involved the disposal of certain operating assets of the Bricks New Zealand business from CSR Building Products (NZ) Limited into the joint venture vehicle "NZ Brick Distributors Limited Partnership." A gain of \$1.0 million was recorded on the transaction.

**(ii) Carrying value of net assets of business disposed**

(\$ MILLION)	2014
Inventories	3.5
Property, plant and equipment	0.1
<b>Net assets disposed</b>	<b>3.6</b>

**(iii) Cash flows from disposal of a business**

Consideration for the disposal was 50% of the shares in NZ Brick Distributors GP Limited, entitling the CSR group to a 50% share of profits of the NZ Brick Distributors Limited Partnership.

Costs associated with the establishment of the joint venture were \$0.1 million and were expensed in the financial year ended 31 March 2014.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 9. CASH AND CASH EQUIVALENTS

(\$ MILLION)	2014	2013
Cash at banks and on hand	5.9	11.9
<b>Total cash</b>	<b>5.9</b>	<b>11.9</b>

## 10. INVENTORIES

(\$ MILLION)	2014	2013
<b>Current</b>		
Raw and process materials and stores	84.2	84.7
Work in progress	13.0	12.6
Finished goods	175.7	176.8
Land held for sale and development costs	53.5	40.9
<b>Total current inventories</b>	<b>326.4</b>	<b>315.0</b>
<b>Non-current</b>		
Raw and process materials and stores	1.2	1.2
Land held for sale and development costs	64.9	60.2
<b>Total non-current inventories</b>	<b>66.1</b>	<b>61.4</b>

## 11. RECEIVABLES

(\$ MILLION)	2014	2013
<b>Current</b>		
Trade receivables	209.5	198.5
Allowance for doubtful debts	(5.5)	(5.5)
	<b>204.0</b>	<b>193.0</b>
Loans to and receivables from joint ventures <sup>a</sup>	0.7	1.6
Divestment debtors <sup>a</sup>	33.3	38.4
Other loans and receivables	13.1	11.8
	<b>47.1</b>	<b>51.8</b>
<b>Total current receivables</b>	<b>251.1</b>	<b>244.8</b>
Trade receivables – past due 0-60 days – not impaired	12.2	11.1
Trade receivables – past due >60 days – not impaired	2.3	4.1
Trade receivables – past due >60 days – impaired	5.5	5.5
Trade receivables – past due >60 days	7.8	9.6
<b>Movement in allowance for doubtful debts – trade receivables</b>		
Opening balance	(5.5)	(5.4)
Trade debts written off	3.6	5.0
Trade debts provided for	(3.6)	(5.1)
Closing balance	(5.5)	(5.5)
<b>Non-current</b>		
Loans to joint ventures <sup>b</sup>	55.4	45.3
Other loans and receivables <sup>c</sup>	14.0	15.3
<b>Total non-current receivables</b>	<b>69.4</b>	<b>60.6</b>

a Includes no amounts past due.

b The CSR group has provided facilities to joint ventures on arm's length terms. At reporting date the amount drawn on these facilities was \$39.6 million (2013: \$31.5 million). Remaining loans to joint ventures do not have fixed repayment terms.

c No fixed repayment term.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 12. OTHER FINANCIAL ASSETS

(\$ MILLION)	2014	2013
<b>Current</b>		
Fair value of derivatives	12.2	14.4
<b>Total current financial assets</b>	12.2	14.4
<b>Non-current</b>		
Fair value of derivatives	0.4	1.0
<b>Total non-current other financial assets</b>	0.4	1.0

## 13. OTHER ASSETS

(\$ MILLION)	2014	2013
<b>Current</b>		
Prepayments and other assets	6.3	8.1
<b>Total other current assets</b>	6.3	8.1
<b>Non-current</b>		
Prepayments	12.7	12.7
Other assets	0.8	1.4
Superannuation defined benefit plans – fair value of surplus <sup>a</sup>	3.3	0.5
<b>Total other non-current assets</b>	16.8	14.6

a Refer to Note 31 for details of the basis for the asset for superannuation defined benefits plans – fair value of surplus.

14. PROPERTY, PLANT AND EQUIPMENT<sup>a</sup>

(\$ MILLION)	2014	2013
<b>Land and buildings</b>		
At cost or written down value	351.8	359.7
Accumulated depreciation	(67.1)	(58.1)
<b>Total land and buildings</b>	284.7	301.6
<b>Plant and equipment</b>		
At cost or written down value	1,314.3	1,281.7
Accumulated depreciation	(756.7)	(702.0)
<b>Total plant and equipment</b>	557.6	579.7
<b>Total property, plant and equipment</b>	842.3	881.3

a The economic life over which assets are depreciated is buildings – 10 to 40 years; and plant and equipment – 2 to 40 years. The average life of buildings is 18 years, and plant and equipment is 14 years.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 15. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

(\$ MILLION)	LAND AND BUILDINGS	PLANT AND EQUIPMENT
Balance at 1 April 2013	301.6	579.7
Capital expenditure	4.3	46.4
Disposed	(1.7)	(1.4)
Depreciation and amortisation	(10.7)	(62.6)
Foreign currency translation	0.6	0.9
Reclassifications	2.4	(2.4)
Acquisitions through business combinations	–	2.7
Transferred to intangible assets	–	(5.7)
Transferred to inventories and other assets	(11.8)	–
<b>Balance at 31 March 2014</b>	<b>284.7</b>	<b>557.6</b>
Balance at 1 April 2012	370.2	750.1
Capital expenditure	0.4	50.1
Disposed	(3.4)	(1.9)
Depreciation and amortisation	(13.1)	(72.6)
Write downs and impairments <sup>a</sup>	(45.5)	(142.9)
Foreign currency translation	–	0.1
Reclassifications	2.4	(2.4)
Transferred to intangible assets	–	(1.5)
Transferred (to) from inventories and other assets	(9.4)	0.7
Balance at 31 March 2013	301.6	579.7

a Valuation of the Viridian business (Glass segment) as at 31 March 2013 resulted in an impairment of property, plant and equipment of \$184.7 million. Refer to Note 3 for further details. In addition, \$3.7 million of plant and equipment in the Building Products business was impaired during the year ended 31 March 2013.

16. GOODWILL<sup>a</sup>

(\$ MILLION)	NOTE	2014	2013
<b>Carrying amount</b>			
Balance at the beginning of the financial year		22.6	22.4
Recognised on purchase of business	7	5.2	–
Foreign currency translation		1.4	0.2
<b>Balance at the end of the financial year</b>		<b>29.2</b>	<b>22.6</b>

a The carrying amount of goodwill forms part of the Building Products segment: \$29.2 million (2013: \$22.6 million). The recoverable amounts of the cash generating units that include goodwill are determined using discounted cash flow projections. The discount rate used is a post-tax annual discount rate of 10.2% for all segments other than Aluminium which uses 12.2%. Refer to Significant Accounting Policies for key assumptions in assessing impairment of these balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 17 OTHER INTANGIBLE ASSETS

(\$ MILLION)	2014	2013
<b>Systems software</b>		
Software and systems development	73.6	66.7
Accumulated amortisation	(62.8)	(60.1)
<b>Total systems software</b>	<b>10.8</b>	<b>6.6</b>
<b>Movements in systems software</b>		
Net book value at the beginning of the financial year	6.6	8.2
Capital expenditure	1.3	0.4
Transfers	5.7	0.2
Amortisation	(2.8)	(2.2)
Net book value at the end of the financial year	10.8	6.6
<b>Trade names, non-competition agreements and other intangible assets<sup>a</sup></b>		
At cost	34.5	35.3
Accumulated amortisation	(13.9)	(14.5)
<b>Total trade names and non-competition agreements</b>	<b>20.6</b>	<b>20.8</b>
<b>Movements in trade names, non-competition agreements and other intangible assets</b>		
Net book value at the beginning of the financial year	20.8	23.5
Capital expenditure	–	0.1
Write downs and impairments <sup>b</sup>	–	(2.7)
Transfers	–	1.3
Acquisitions through business combinations	0.2	–
Amortisation	(0.7)	(1.4)
Foreign currency movements	0.3	–
Net book value at the end of the financial year	20.6	20.8
<b>Total other intangible assets</b>	<b>31.4</b>	<b>27.4</b>

a Includes indefinite life trade names of \$16.8 million (2013: \$16.8 million). The recoverable amounts of the cash generating units that include the trade names are determined using discounted cash flow projections. Refer to Significant Accounting Policies for key assumptions in assessing impairment of these balances. These 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.

b Valuation of the Viridian business (Glass segment) as at 31 March 2013 resulted in an impairment of other intangible assets of \$2.7 million. Refer to Note 3 for further details.

## 18 PAYABLES AND OTHER LIABILITIES

(\$ MILLION)	2014	2013
<b>Current</b>		
Trade payables	165.6	165.0
Other payables	29.4	36.7
<b>Total current payables</b>	<b>195.0</b>	<b>201.7</b>
<b>Non-current</b>		
Superannuation defined benefit plans – fair value of deficit <sup>a</sup>	16.7	36.6
Other payables	5.4	1.7
<b>Total non-current payables and other liabilities</b>	<b>22.1</b>	<b>38.3</b>

a Refer to Note 31 for details on the basis for the liability for superannuation defined benefit plans – fair value of deficit.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 19 BORROWINGS

(\$ MILLION)	2014	2013
<b>Current</b>		
<b>Unsecured</b>		
Bank loans	34.4	2.5
<b>Total current borrowings</b>	<b>34.4</b>	<b>2.5</b>
<b>Non-current</b>		
<b>Unsecured</b>		
Bonds	–	0.1
Bank loans	–	34.4
<b>Total non-current borrowings</b>	<b>–</b>	<b>34.5</b>

Refer to Note 21 for details of credit facilities and maturity profile.

## 20. OTHER FINANCIAL LIABILITIES

(\$ MILLION)	2014	2013
<b>Current</b>		
Fair value of derivatives recognised in hedge reserve	1.4	0.9
<b>Total current other financial liabilities</b>	<b>1.4</b>	<b>0.9</b>

## 21. CREDIT FACILITIES AND MATURITY PROFILE

(\$ MILLION)	2014	2013	AVERAGE RATE % PA	FINANCIAL YEAR OF MATURITY
<b>Current</b>				
<b>New Zealand dollar debt</b>				
Bank loans	30.4	–	3.7	2015
<b>Total current borrowings</b>	<b>30.4</b>	<b>–</b>		
<b>Non-current</b>				
<b>United States dollar debt</b>				
Bonds	–	0.1	7.7	2026
<b>New Zealand dollar debt</b>				
Bank loans	–	34.4	3.4	2015
<b>Total non-current borrowings</b>	<b>–</b>	<b>34.5</b>		

**Credit standby facilities**

The CSR group has a total of \$535.0 million (2013: \$535.0 million) committed standby facilities. These facilities have fixed maturity dates as follows: \$155.0 million in the second half of financial year 2015, \$165.0 million in financial year 2016, \$150.0 million in financial year 2017, with the balance of \$65.0 million in financial year 2018. As at 31 March 2014, \$504.6 million of the standby facilities were undrawn.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 22. PROVISIONS

(\$ MILLION)	31 MARCH 2013	RECOGNISED/ REMEASURED	SETTLED/ TRANSFERRED	UNWIND OF DISCOUNTING	31 MARCH 2014
<b>Current</b>					
Employee benefits	78.0	45.3	(34.2)	–	<b>89.1</b>
Fringe benefits tax	0.9	3.3	(3.5)	–	<b>0.7</b>
Restructure and rationalisation	44.6	2.1	(31.9)	–	<b>14.8</b>
Product liability <sup>a</sup>	32.0	35.3	(33.8)	–	<b>33.5</b>
Restoration and environmental rehabilitation	13.9	0.1	(5.2)	–	<b>8.8</b>
Uninsured losses and future claims <sup>b</sup>	8.8	4.5	(7.2)	–	<b>6.1</b>
Other <sup>c</sup>	22.8	27.4	(15.6)	–	<b>34.6</b>
<b>Total current provisions</b>	<b>201.0</b>	<b>118.0</b>	<b>(131.4)</b>	<b>–</b>	<b>187.6</b>
<b>Non-current</b>					
Employee benefits	3.7	0.7	–	–	<b>4.4</b>
Product liability <sup>a</sup>	391.8	(68.3)	–	12.1	<b>335.6</b>
Restoration and environmental rehabilitation	1.0	–	–	–	<b>1.0</b>
Uninsured losses and future claims <sup>b</sup>	23.6	1.0	–	0.6	<b>25.2</b>
Other <sup>c</sup>	12.2	(0.5)	–	0.7	<b>12.4</b>
<b>Total non-current provisions</b>	<b>432.3</b>	<b>(67.1)</b>	<b>–</b>	<b>13.4</b>	<b>378.6</b>

a Refer to Note 38 and the Significant Accounting Policies for details of the basis for the product liability provision.

b Uninsured losses and future claims mainly relate to the CSR group's self insurance for workers' compensation program.

c Includes provision for anticipated disposal costs of Tomago aluminium smelter's spent pot lining.

## 23. ISSUED CAPITAL

	2014		2013	
	ORDINARY SHARES FULLY PAID	SHARE CAPITAL \$ MILLION	ORDINARY SHARES FULLY PAID	SHARE CAPITAL \$ MILLION
<b>CSR Limited</b>				
On issue at the beginning of the financial year	<b>506,000,315</b>	<b>1,042.2</b>	506,000,315	1,042.2
<b>On issue at the end of the financial year</b>	<b>506,000,315</b>	<b>1,042.2</b>	506,000,315	1,042.2

Shares are fully paid ordinary shares listed on the ASX and carry one vote per ordinary share and the right to dividends.

No shares were issued during the years ended 31 March 2014 and 31 March 2013 under the Universal Share/Option Plan as shares in respect of this plan were acquired on market.

During the years ended 31 March 2014 and 31 March 2013, 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 24. RESERVES

(\$ MILLION)	2014	2013
<b>Hedge reserve</b>		
Value at the beginning of the financial year	7.7	9.9
Hedge profit recognised in equity	6.6	7.5
Hedge profit transferred to the statement of financial performance	(9.0)	(10.7)
Income tax benefit	0.7	1.0
<b>Value at the end of the financial year</b>	<b>6.0</b>	<b>7.7</b>
<b>Foreign currency translation reserve</b>		
Value at the beginning of the financial year	(9.7)	(10.7)
Translation of foreign operations	2.4	1.0
<b>Value at the end of the financial year</b>	<b>(7.3)</b>	<b>(9.7)</b>
<b>Employee share reserve</b>		
Value at the beginning of the financial year	19.4	18.4
Share based payments expense	2.2	1.0
<b>Value at the end of the financial year</b>	<b>21.6</b>	<b>19.4</b>
<b>Other reserves</b>		
Value at the beginning of the financial year	–	–
Put option held by non-controlling interests	(3.3)	–
<b>Value at the end of the financial year</b>	<b>(3.3)</b>	<b>–</b>
<b>Total reserves</b>	<b>17.0</b>	<b>17.4</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 25. NON-CONTROLLING INTERESTS

(\$ MILLION)	2014	2013
Issued capital	39.5	37.1
Hedge reserve	2.3	3.1
Other reserves	0.3	0.3
Retained profits	13.1	11.3
<b>Total non-controlling interests</b>	<b>55.2</b>	<b>51.8</b>

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.

## Summarised statement of financial position

(\$ MILLION)	2014	2013
<b>Assets</b>		
Current assets	121.4	133.6
Non-current assets	193.8	217.1
<b>Total assets</b>	<b>315.2</b>	<b>350.7</b>
<b>Liabilities</b>		
Current liabilities	76.4	73.6
Non-current liabilities	66.8	107.9
<b>Total liabilities</b>	<b>143.2</b>	<b>181.5</b>
<b>Net assets</b>	<b>172.0</b>	<b>169.2</b>
Accumulated non-controlling interests	51.6	50.8
Other non-controlling interests	3.6	1.0
<b>Total non-controlling interests</b>	<b>55.2</b>	<b>51.8</b>

## Summarised statement of comprehensive income

(\$ MILLION)	2014	2013
Revenue	455.3	444.1
<b>Net profit for the period</b>	<b>36.2</b>	<b>35.0</b>
Other comprehensive income	(2.9)	(2.7)
<b>Total comprehensive income for the period</b>	<b>33.3</b>	<b>32.3</b>
Profit allocated to non-controlling interest	10.9	10.5
Profit allocated to other non-controlling interests	0.1	–
<b>Total profit allocated to total non-controlling interests</b>	<b>11.0</b>	<b>10.5</b>
<b>Dividends paid to non-controlling interests</b>	<b>9.1</b>	<b>6.1</b>

## Summarised statement of cash flows

(\$ MILLION)	2014	2013
Cash flows from operating activities	65.4	62.4
Cash flows used in investing activities	(4.8)	(1.9)
Cash flows used in financing activities	(69.6)	(43.9)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(9.0)</b>	<b>16.6</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 26. DIVIDENDS AND FRANKING CREDITS

	2014		2013	
	CENTS PER SHARE	TOTAL \$ MILLION	CENTS PER SHARE	TOTAL \$ MILLION
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Prior year final dividend – unfranked (2013: franked to 100%)	2.1	10.6	7.0	35.4
Interim dividend – unfranked (2013: unfranked)	5.0	25.3	3.0	15.2
	7.1	35.9	10.0	50.6

**Unrecognised amounts****Fully paid ordinary shares**

Final dividend – unfranked (2013: unfranked)	5.0	25.3	2.1	10.6
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The final dividend for the financial year ended 31 March 2014 has not been recognised in this financial report because it was resolved to be paid after 31 March 2014. The amounts disclosed as recognised in 2014 are the final dividend in respect of the prior financial year and the interim dividend in respect of the current financial year. The amounts disclosed as recognised in 2013 are the final dividend in respect of the then prior financial year and the interim dividend in respect of the then current financial year

(\$ MILLION)	2014	2013
Franking account balance (tax paid basis)	0.2	0.1
Impact on franking account balance of dividends not recognised	–	–

## 27. RELATED PARTY INFORMATION

**Key management personnel remuneration**

During the financial year, total remuneration set out below was paid or payable to directors and other key management personnel:

(\$)	2014	2013
Short term employee benefits	3,906,347	2,717,503
Share based payments expense	812,635	621,360
	4,718,982	3,338,863



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 27. RELATED PARTY INFORMATION (CONTINUED)

## Key management personnel equity holdings

	NUMBER OF CSR LIMITED SHARES					BALANCE HELD NOMINALLY
	BALANCE AT 1 APRIL	INCLUDED IN REMUNERATION	ACQUIRED	SOLD/ TRANSFERRED	BALANCE AT 31 MARCH	
<b>2014</b>						
Kathleen Conlon	34,806	–	2,443	–	37,249	–
Ray Horsburgh <sup>a</sup>	35,500	–	–	–	n/a	–
Michael Ihlein	53,338	–	2,204	–	55,542	–
Rebecca McGrath	13,608	–	12,200	–	25,808	–
Matthew Quinn	–	–	15,000	–	15,000	–
Jeremy Sutcliffe	127,596	–	–	–	127,596	–
Rob Sindel	110,602	–	4,216	–	114,818	–
Gregory Barnes	30,413	–	3,157	–	33,570	–
<b>2013</b>						
Kathleen Conlon	31,159	–	3,647	–	34,806	–
Ray Horsburgh	32,482	–	3,018	–	35,500	–
Michael Ihlein	50,195	–	3,143	–	53,338	–
Rebecca McGrath	–	–	13,608	–	13,608	–
Jeremy Sutcliffe	125,546	–	2,050	–	127,596	–
Rob Sindel	69,443	–	41,159	–	110,602	–
Gregory Barnes	6,964	–	23,449	–	30,413	–

a Ray Horsburgh retired on 20 August 2013.

Details of remuneration and the CSR Limited equity holdings of directors and other key management personnel are shown in the remuneration report.

## CSR Limited transactions with controlled entities

During the financial years ended 31 March 2014 and 31 March 2013, 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.

During the previous financial year, CSR Building Products Ltd issued 175,000,000 "A" class ordinary shares to CSR Limited at a cost of \$2 per share. The consideration received from CSR Limited was applied to the loan owing by CSR Building Products Ltd to CSR Limited. No issue of "A" class ordinary shares occurred during the year ended 31 March 2014.

## Other related parties

Other than transactions with joint venture entities disclosed in Note 33, no material amounts were receivable from, or payable to, other related parties as at 31 March 2014 or 31 March 2013, and no material transactions with other related parties occurred during those years.

Details of payments to superannuation defined benefit plans are shown in Note 31.

## Employee share plan interest free loans and other transactions with directors or other key management personnel

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 2014 or 31 March 2013.

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:

- acquisition of shares in CSR Limited under the employee share plans, the share purchase plan and the dividend reinvestment plan;
- dividends from shares in CSR Limited;
- sale and purchase of goods and services;
- contracts of employment and reimbursement of expenses; and
- contracts of employment with relatives of directors on either a full time or work experience basis.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**28. INTEREST IN JOINT OPERATION****Interest in the Tomago aluminium smelter joint venture operation**

The CSR group's interest of 36.05% (2013: 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%.

The shareholders of the joint operation are joint and severally liable for the liabilities incurred by the partnership.

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.

**29. AUDITOR'S REMUNERATION**

(\$)	2014	2013
<b>Auditing and reviewing the financial report of the CSR group</b>		
Deloitte Touche Tohmatsu in Australia	640,000	980,000
	640,000	980,000
<b>Other services</b>		
Sustainability and carbon related assurance services	156,270	86,000
Transactional services	100,000	–
Other	6,000	44,333
	262,270	130,333
<b>Total auditor's remuneration</b>	<b>902,270</b>	<b>1,110,333</b>

**30. CSR LIMITED DISCLOSURES**

	CSR LIMITED	
(\$ MILLION)	2014	2013
<b>Financial position</b>		
<b>Assets</b>		
Current assets	198.7	192.3
Non-current assets	1,832.8	1,891.5
<b>Total assets</b>	<b>2,031.5</b>	<b>2,083.8</b>
<b>Liabilities</b>		
Current liabilities	492.5	464.1
Non-current liabilities	377.1	474.3
<b>Total liabilities</b>	<b>869.6</b>	<b>938.4</b>
<b>Equity</b>		
Issued capital	1,042.2	1,042.2
Reserves	21.6	19.5
Retained profits	98.1	83.7
<b>Total equity</b>	<b>1,161.9</b>	<b>1,145.4</b>
	CSR LIMITED	
(\$ MILLION)	2014	2013
<b>Financial performance</b>		
Net profit (loss) <sup>a</sup>	41.5	(510.0)
Other comprehensive income	10.7	0.2
<b>Total comprehensive income (expense)</b>	<b>52.2</b>	<b>(509.8)</b>

a During the year ended 31 March 2013, CSR Limited recorded an impairment against intercompany assets of \$522.8 million. This impairment had no impact on the consolidated financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**30. CSR LIMITED DISCLOSURES (CONTINUED)****Contingent liabilities**

(\$ MILLION)	CSR LIMITED	
	2014	2013
<b>Contingent liabilities, capable of estimation, arise in respect of the following categories</b>		
Guarantees given by CSR Limited in respect of amounts borrowed by CSR Finance Limited	–	0.1
Performance guarantees provided to third parties	24.1	15.7
Bank guarantee to Harwood Superannuation Fund <sup>a</sup>	25.7	34.4
<b>Total contingent liabilities<sup>b</sup></b>	<b>49.8</b>	<b>50.2</b>

a There is an obligation for CSR Limited to contribute such 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 31 for details of superannuation commitments as at 31 March 2014.

b 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.

**Workers' compensation**

CSR Limited is a licensed self insurer in NSW, Queensland, Victoria, South Australia (to 10 April 2003), Western Australia and the Australian Capital Territory for workers' compensation insurance. Adequate provision has been made for all known claims and reasonably foreseeable future claims with a provision of \$31.3 million as at 31 March 2014 (2013: \$32.4 million).

**Product liability**

CSR Limited is liable for all product liability exposure in the CSR group shown in Note 38.

**Commitments for the acquisition of property, plant and equipment**

CSR Limited has committed \$nil to the acquisition of any property, plant and equipment as at 31 March 2014 (2013: \$nil).

**31. 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 2014 were: CSR group: \$41.2 million (2013: \$31.9 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. These contributions are expensed in the period they are incurred.

**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. The accounting treatment of the superannuation defined benefit plans is discussed in Significant Accounting Policies. All DBDs are closed to new members.

**Changes to defined benefit obligations**

The CSR Viridian (New Zealand) Limited Superannuation Scheme was wound up during the previous financial year. All beneficiary obligations were settled as at 31 March 2013.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 31. SUPERANNUATION COMMITMENTS (CONTINUED)

## Asset backing

The assets of the funds at 31 March 2014 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 2014. The CSR group's obligation in respect of the shortfall in asset value is \$13.4 million (2013: \$36.1 million). The CSR group is making contributions to the funds as follows:

<b>Harwood Superannuation Fund</b>	– DBD CSR	\$32,000 per month from 1 April 2014.
	– DBD Harwood Pensioner	\$52,000 per month from 1 April 2014.
	– DBD Monier PGH	16.4% of eligible salary.
		For accumulation members 10.95% of salary increasing to 11.2% from 1 July 2014 (subject to approval of the increase of statutory superannuation contributions by 0.25%).
<b>Pilkington (Australia) Superannuation Scheme</b>	– DBD	14.6% of eligible salary.

The last actuarial assessment for Harwood Superannuation Fund and Pilkington (Australia) Superannuation Scheme was completed as at 30 June 2013. The funding requirements were reviewed as at 30 June 2013. 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.

## Defined benefit funds sponsored by the CSR group

(\$ MILLION)		DEFINED BENEFIT OBLIGATION	FAIR VALUE OF FUND ASSETS	LIABILITY	CONTRIBUTIONS PAID
<b>Harwood Superannuation Fund</b>	– DBD CSR and DBD Harwood Pensioner <sup>ab</sup>	86.5	72.5	14.0	5.6
	– DBD Monier PGH <sup>c</sup>	44.8	47.8	(3.0)	2.0
<b>Pilkington (Australia) Superannuation Scheme</b>	– DBD <sup>c</sup>	50.9	48.5	2.4	3.0

a Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2014. These amounts are calculated at 31 March 2014 based on the assumptions used in the last actuarial review performed on 30 June 2013 by K Knapman FIAA.

b 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 121.7% and DBD Harwood Pensioner had a funding position of 99.1%. 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 2014, CSR Limited has provided bank guarantees of \$25.7 million to the trustee of the fund (2013: \$34.4 million). The bank guarantees have been disclosed in Note 30 and Note 37.

c These amounts are calculated at 31 March 2014 based on assumptions used in the last actuarial review performed on 30 June 2013.

(\$ MILLION)	2014	2013 (Restated) <sup>a</sup>
<b>Amounts recognised in the statement of financial performance (selling, administration and other operating costs) in respect of the defined benefit plans</b>		
Current service cost	4.0	3.7
Finance cost	6.4	6.3
Interest income	(5.4)	(4.5)
Net benefit on wind up of fund	–	(0.7)
<b>Total expense included in the statement of financial performance</b>	<b>5.0</b>	<b>4.8</b>
<b>Actuarial gain incurred during the financial year and recognised in the statement of comprehensive income</b>	<b>17.1</b>	<b>7.4</b>
<b>Cumulative actuarial losses recognised in the statement of comprehensive income</b>	<b>(79.0)</b>	<b>(96.1)</b>

a On 1 April 2013 the CSR group adopted AASB 119 Employee Benefits (revised), resulting in a change in accounting policy and a restatement of balances for the financial year ended 31 March 2013. Refer to Significant Accounting Policies.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 31. SUPERANNUATION COMMITMENTS (CONTINUED)

(\$ MILLION)	2014	2013
<b>Net liability of superannuation defined benefit plans</b>		
Present value of liabilities	182.2	193.3
Fair value of assets	(168.8)	(157.2)
<b>Net liability</b>	<b>13.4</b>	<b>36.1</b>
<b>Included in the statement of financial position</b>		
Non-current other assets (Note 13)	(3.3)	(0.5)
Non-current payables and other liabilities (Note 18)	16.7	36.6
<b>Net liability</b>	<b>13.4</b>	<b>36.1</b>
<b>Movements in the present value of the defined benefit plan liabilities were as follows</b>		
Liabilities at the beginning of the financial year	193.3	200.4
Current service cost	4.0	3.7
Finance cost	6.4	6.3
Contributions from participants	0.7	0.7
Actuarial (gain) loss	(5.5)	6.5
Benefits paid	(16.7)	(20.2)
Liabilities settled on wind up of fund <sup>a</sup>	–	(4.1)
<b>Liabilities at the end of the financial year</b>	<b>182.2</b>	<b>193.3</b>
<b>Movements in the present value of the defined benefit plan assets were as follows</b>		
Assets at the beginning of the financial year	157.2	151.0
Interest income	5.4	4.5
Return on assets (in excess of interest income)	11.6	13.9
Contributions from the employer	10.6	9.0
Contributions from participants	0.7	0.7
Benefits paid	(16.7)	(20.2)
Assets dissolved on wind up of fund <sup>a</sup>	–	(1.7)
<b>Assets at the end of the financial year</b>	<b>168.8</b>	<b>157.2</b>

a Relates to the wind up of CSR Viridian (New Zealand) Superannuation Scheme.

(%)	2014	2013
<b>Key assumptions and parameters (expressed as weighted averages)</b>		
Discount rate (after tax)	4.1	3.6
Expected salary increase	3.5	3.5
Asset class allocation		
– equity instruments	47.2	45.3
– debt instruments	37.6	38.4
– property	4.6	6.5
– other	10.6	9.8

(\$ MILLION)	2014	2013	2012	2011	2010
<b>Net liability of superannuation defined benefit plans</b>					
Present value of liabilities	182.2	193.3	200.4	299.4	307.4
Fair value of assets	(168.8)	(157.2)	(151.0)	(263.0)	(261.6)
<b>Net liability</b>	<b>13.4</b>	<b>36.1</b>	<b>49.4</b>	<b>36.4</b>	<b>45.8</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**32. FINANCIAL RISK MANAGEMENT**

The CSR group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including commodity price risk, currency risk and interest rate risk). The CSR group uses a variety of derivative instruments to manage financial and commodity price risks. The CSR group does not use derivative or financial instruments for speculative or trading purposes.

CSR Treasury provides services to the businesses, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the CSR group through internal risk reports that analyse exposures by degree and magnitude of risks and as detailed further in this Note. The use of financial derivatives is governed by the policies approved by the board of directors. The policies provide specific principles in relation to foreign exchange risk, interest rate risk, credit risk, the use of derivatives and the investment of excess liquidity. Compliance with policies 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.

**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 19, cash and cash equivalents disclosed in Note 9, issued capital and reserves disclosed in Notes 23 and 24 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.

**Fair values**

The fair values of financial assets and liabilities are determined as follows:

- the fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- 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. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The assumptions and methods used to estimate fair value for the following financial assets and financial liabilities were:

- **Foreign currency contracts, foreign exchange options, currency swaps and commodity swaps:** The fair value is estimated using market quoted spot and forward exchange rates and commodity prices and applicable yield curves following market accepted formulae and practices;
- **Cash, short term loans and deposits, receivables, payables and short term borrowings:** The carrying amounts of these financial instruments approximate fair value because of their short maturity;
- **Long term borrowings:** The present value of expected cash flows has been used to determine fair value using interest rates derived from market parameters that accurately reflect their term structure. Certain estimates and judgements were required to develop the fair value amounts; and
- **Interest rate swaps:** The present value of expected cash flows has been used to determine fair value using yield curves derived from market parameters that accurately reflect their term structure. Certain estimates and judgements were required to develop the fair value amounts.

The fair value amounts shown below 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.

**Credit 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 and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**32. FINANCIAL RISK MANAGEMENT (CONTINUED)***Trade and other receivables*

The CSR's group 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, aging 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. Refer to Note 11 for more information on credit risk on receivables.

The CSR group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see Note 11).

**Derivatives**

The CSR group has an established Counterparty Credit Risk Policy (the Policy). Derivatives may be entered into with banks that are rated at least A from rating agency Standard & Poor's and from rating agency Moody's (2013: A- from rating agency Standard & Poor's or A3 from rating agency Moody's).

**Liquidity risk**

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. Details of credit facilities and the maturity profile are given in Note 21.

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

Liquidity risk (\$ MILLION)	MATURITY GROUPING				TOTAL
	1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	
<b>2014</b>					
Current payables	195.0	–	–	–	195.0
Non-current other payables	–	5.4	–	–	5.4
Borrowings (including interest)	34.5	–	–	–	34.5
Commodity financial instruments <sup>a</sup>	–	–	–	–	–
Foreign currency financial instruments <sup>a</sup>	1.4	–	–	–	1.4
<b>Total</b>	<b>230.9</b>	<b>5.4</b>	<b>–</b>	<b>–</b>	<b>236.3</b>
<b>2013</b>					
Current payables	201.7	–	–	–	201.7
Non-current other payables	–	1.7	–	–	1.7
Borrowings (including interest)	3.7	35.1	–	0.3	39.1
Commodity financial instruments <sup>a</sup>	0.3	–	–	–	0.3
Foreign currency financial instruments <sup>a</sup>	0.6	–	–	–	0.6
<b>Total</b>	<b>206.3</b>	<b>36.8</b>	<b>–</b>	<b>0.3</b>	<b>243.4</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## Market risk

## Commodity prices and risk management

The CSR group has exposure to aluminium commodity prices. The aluminium price exposure 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. The CSR group has a policy of hedging its aluminium sales, where acceptable pricing is available, to reduce the volatility of its aluminium earnings when exchanged into Australian dollars. Hedging is undertaken at declining levels for up to four years. Other commodity exposures are relatively small. These include pulp commodity swaps and small-scale technology certificate forwards.

Commodity price risk exposure (\$ MILLION)	AVERAGE PRICE <sup>ab</sup>	PRINCIPAL/MATURITIES					FAIR VALUE	
		1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY
2014								
Aluminium								
Aluminium commodity swaps	1,923.7	94.4	5.5	–	–	99.9	6.2	–
Pulp								
Pulp commodity swaps	888.4	4.1	–	–	–	4.1	0.2	–
Small-scale technology certificates (STC)								
STC forwards	38.2	0.8	–	–	–	0.8	–	–
Total <sup>c</sup>							6.4	–
2013								
Aluminium								
Aluminium commodity swaps	2,211.7	91.3	4.6	–	–	95.9	12.6	–
Pulp								
Pulp commodity swaps	860.0	3.6	–	–	–	3.6	–	0.1
Small-scale technology certificates (STC)								
STC forwards	31.8	1.6	–	–	–	1.6	–	0.2
Total <sup>c</sup>							12.6	0.3

a Average prices for the individual periods do not materially differ from the overall average price disclosed.

b US dollars per metric tonne, except in relation to the price of STCs which is a function of AUD per certificate.

c \$6.4 million of net commodity contract gains (2013: \$12.3 million net gains) were deferred in 2014 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 2014 is one year or less: \$6.0 million gain (2013: \$11.5 million gain); one to three year(s): \$0.4 million gain (2013: \$0.8 million gain); and three to five years: \$nil (2013: \$nil). No commodity contract gains or losses relating to fair value hedges were recognised in 2014 (2013: \$nil).

The following table details the CSR group's pre-tax sensitivity of the value of the derivative contracts to an increase in the commodity prices assuming a constant exchange rate on hedging contracts in place at 31 March 2014. A decrease would have the opposite impact to the amounts shown in the table. A sensitivity analysis of the CSR group's exposure to the value of derivative contracts at the reporting date has been performed using a 10% increase in prices based on the balances as at reporting date.

Price change sensitivity (\$ MILLION)	ALUMINIUM PRICE 10% increase		PULP PRICE 10% increase		STC PRICE 10% increase	
	2014	2013	2014	2013	2014	2013
Other equity – (decrease) increase	(9.3)	(8.3)	0.4	0.3	(0.1)	(0.2)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

**Foreign exchange and 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 major foreign currency exposure relates to its US dollar aluminium sales revenue. The CSR group's policy is to hedge its US dollar aluminium revenue to reduce the volatility of aluminium earnings, when acceptable Australian dollar outcomes can be achieved. This policy is aligned with and operates in conjunction with aluminium commodity price hedging. Hedging is undertaken at declining levels for up to four years.

Other foreign exchange exposures are relatively small with CSR group policy providing for hedging for up to 18 months. 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.

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

Foreign exchange risk exposure (\$ MILLION)	AVERAGE EXCHANGE RATE <sup>a</sup>	PRINCIPAL/MATURITIES					FAIR VALUE	
		1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY
2014								
Forward exchange rate agreements <sup>b</sup>								
US dollar								
Buy US dollar	0.91	45.8	1.7	–	–	47.5	0.3	0.7
Sell US dollar	0.88	128.5	0.9	–	–	129.4	5.9	0.5
New Zealand dollar								
Buy New Zealand dollar	1.07	15.7	0.9	–	–	16.6	–	–
Sell New Zealand dollar	1.07	42.4	0.9	–	–	43.3	–	0.1
Euro								
Buy euro	0.65	4.2	–	–	–	4.2	–	0.1
Sell euro	0.65	0.4	–	–	–	0.4	–	–
Great British pound								
Buy Great British pound	0.54	0.2	–	–	–	0.2	–	–
Sell Great British pound	0.54	–	–	–	–	–	–	–
Thai baht								
Buy Thai baht	29.17	0.3	–	–	–	0.3	–	–
Sell Thai baht	29.06	0.2	–	–	–	0.2	–	–
Japanese yen								
Buy Japanese yen	91.64	0.1	–	–	–	0.1	–	–
Sell Japanese yen	91.34	0.1	–	–	–	0.1	–	–
Total							6.2	1.4

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(\$ MILLION)	AVERAGE EXCHANGE RATE <sup>a</sup>	PRINCIPAL/MATURITIES				TOTAL	FAIR VALUE	
		1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS		ASSET	LIABILITY
2013								
<b>Forward exchange rate agreements<sup>b</sup></b>								
<b>US dollar</b>								
Buy US dollar	1.03	24.5	0.9	–	–	25.4	–	0.4
Sell US dollar	1.00	84.0	–	–	–	84.0	2.6	–
<b>New Zealand dollar</b>								
Buy New Zealand dollar	1.25	10.3	–	–	–	10.3	0.1	–
Sell New Zealand dollar	1.25	32.5	–	–	–	32.5	0.1	0.1
<b>Euro</b>								
Buy euro	0.78	3.8	–	–	–	3.8	–	0.1
<b>Total</b>							2.8	0.6

a Average rates for the individual periods do not materially differ from the overall average rates disclosed.

b \$4.8 million of net foreign exchange contract gains (2013: \$2.2 million gains) 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 2014 are one year or less: \$4.8 million gain (2013: \$2.0 million gain); one to three years: \$nil (2013: \$0.2 million gain); and three to five years: \$nil (2013: \$nil).

At 31 March 2014, 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 would have been \$9.6 million higher/\$11.8 million lower (2013: \$7.1 million higher/\$8.7 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.

At 31 March 2014, had the New Zealand dollar strengthened/weakened by 10% against the Australian dollar with all other variables held constant, the post-tax profit would have been \$2.6 million higher/\$3.2 million lower (2013: \$1.1 million higher/\$0.9 million lower).

**Interest rate and risk management**

CSR group policy allows the CSR group to enter into a variety of derivative instruments to manage its interest rate exposure, with the objective of obtaining lower funding costs and a more stable and predictable interest expense. The CSR group policy allows interest rate swaps and options to be entered into to maintain the mix of fixed and variable rate debt. There were \$nil interest rate derivatives outstanding as at 31 March 2014 (2013: \$nil).

The table below provides information about the CSR group's interest rate exposure and should be read in conjunction with Note 19.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## Interest rate risk exposure

		WEIGHTED AVERAGE		PRINCIPAL/MATURITIES				CARRYING AMOUNT			FAIR VALUE	
(\$ MILLION)	NOTE	TERM IN YEARS	RATE % PA <sup>a</sup>	1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY	ASSET	LIABILITY
2014												
Short term debt												
Floating rate												
New Zealand dollar debt <sup>b</sup>	19	0.1	3.7	30.4	—	—	—	30.4	—	30.4	—	30.4
Floating rate												
Australian dollar debt	19	—	2.8	4.0	—	—	—	4.0	—	4.0	—	4.0
Net cash <sup>c</sup>	9	—	—	(5.9)	—	—	—	(5.9)	5.9	—	5.9	—
Total				28.5	—	—	—	28.5	5.9	34.4	5.9	34.4
2013												
Long term debt												
Fixed rate US dollar debt	19	12.3	7.7	—	—	—	0.1	0.1	—	0.1	—	0.1
Floating rate												
New Zealand dollar debt <sup>b</sup>	19	1.5	3.4	—	34.4	—	—	34.4	—	34.4	—	34.4
Short term debt												
Floating rate												
Australian dollar debt	19	—	3.4	2.5	—	—	—	2.5	—	2.5	—	2.5
Net cash <sup>c</sup>	9	—	—	(11.9)	—	—	—	(11.9)	11.9	—	11.9	—
Total				(9.4)	34.4	—	0.1	25.1	11.9	37.0	11.9	37.0

a Average rates for the individual periods do not materially differ from the overall average rates disclosed. Other financial assets and liabilities are not exposed to interest rate risk.

b Maturities based on the maturity date of the debt facilities, not the repricing date.

c Net of bank overdraft. The average interest rate on cash balances for the year was 3.16% (average 2013 rate: 2.55% per annum).

At 31 March 2014, 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 \$0.2 million lower/higher (2013: \$0.2 million higher/lower), mainly as a result of higher interest expense on debt balances (2013: higher interest income on cash balances).

## Other fair values

The fair values of other financial instruments, including financial assets and liabilities, approximate their carrying amount with the exception of non-current receivables for which the fair value amounts to \$53.0 million for a carrying amount of \$69.4 million (2013: fair value of non-current receivables amounted to \$45.0 million for a carrying amount of \$60.6 million). The balances for which the fair value falls below the carrying amount relate to loans to joint ventures which are non-interest bearing and for which there is no repayment term. These are considered as part of the net investment in the joint venture and as such carried at cost and assessed for impairment in conjunction with the carrying amount of the equity accounted balances in Note 33. There were no impairment write downs for 31 March 2014 (2013: no impairment).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

## Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition of fair value, grouped into Level(s) 1 to 3 based on the degree to which the fair value is observable:

- **Level 1** – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **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); and
- **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).

2014				
(\$ MILLION)	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
<b>Aluminium</b>				
Aluminium commodity swaps	–	6.2	–	6.2
<b>Pulp</b>				
Pulp commodity swaps	–	0.2	–	0.2
<b>Other financial instruments</b>				
Forward exchange rate agreements	–	6.2	–	6.2
<b>Total</b>	–	12.6	–	12.6

2014				
(\$ MILLION)	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value</b>				
<b>Small-scale technology certificates (STC)</b>				
STC forwards	–	–	–	–
<b>Pulp</b>				
Pulp commodity swaps	–	–	–	–
<b>Other financial instruments</b>				
Forward exchange rate agreements	–	1.4	–	1.4
<b>Total</b>	–	1.4	–	1.4

2013				
(\$ MILLION)	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value</b>				
<b>Aluminium</b>				
Aluminium commodity swaps	–	12.6	–	12.6
<b>Pulp</b>				
Pulp commodity swaps	–	–	–	–
<b>Other financial instruments</b>				
Forward exchange rate agreements	–	2.8	–	2.8
<b>Total</b>	–	15.4	–	15.4

2013				
(\$ MILLION)	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value</b>				
<b>Small-scale technology certificates (STC)</b>				
STC forwards	–	0.2	–	0.2
<b>Pulp</b>				
Pulp commodity swaps	–	0.1	–	0.1
<b>Other financial instruments</b>				
Forward exchange rate agreements	–	0.6	–	0.6
<b>Total</b>	–	0.9	–	0.9

There were no transfers from Level 2 to Level 1 and Level 3 in 2014 and no transfers in either direction in 2013.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 33. EQUITY ACCOUNTING INFORMATION

			OWNERSHIP INTEREST		CARRYING AMOUNT	
			2014 %	2013 %	2014 (\$ MILLION)	2013 (\$ MILLION)
<b>NAME OF ENTITY</b>	<b>COUNTRY OF ORIGIN</b>	<b>PRINCIPAL ACTIVITY</b>				
Rondo Pty Limited	Australia	Building products	50	50	11.3	11.2
Viridian Glass <sup>a</sup>	New Zealand	Glass products	58	58	21.9	20.9
New Zealand Brick Distributors <sup>ab</sup>	New Zealand	Building products	50		7.0	
Other non-material joint ventures	Australia	Building products			4.2	5.2
<b>Total investments accounted for using the equity method</b>					<b>44.4</b>	<b>37.3</b>
(\$ MILLION)					<b>2014</b>	<b>2013</b>
Equity accounted amount of investments at the beginning of the financial year					<b>37.3</b>	38.8
Share of joint venture entities' profit before income tax <sup>c</sup>					<b>13.5</b>	12.8
Share of income tax					<b>(4.1)</b>	(4.4)
Dividends and distributions received					<b>(10.5)</b>	(10.4)
Acquisitions <sup>b</sup>					<b>4.5</b>	–
Foreign currency translation and other adjustments					<b>3.7</b>	0.5
<b>Equity accounted amount of investments at the end of the financial year</b>					<b>44.4</b>	<b>37.3</b>
<b>Share of revenue and reserves attributable to joint venture entities</b>						
Revenue					<b>103.6</b>	101.1
Retained profits					<b>11.7</b>	7.4
Reserves					<b>(0.8)</b>	(0.6)
<b>Summarised statement of financial position of joint venture entities</b>						
<b>Assets</b>						
Cash and cash equivalents					<b>14.4</b>	10.8
Other current assets					<b>88.4</b>	77.2
Property, plant and equipment					<b>37.9</b>	35.6
Other non-current assets					<b>9.1</b>	10.3
<b>Liabilities</b>						
Current payables					<b>30.4</b>	30.8
Current borrowings and other liabilities					<b>29.8</b>	18.7
Non-current liabilities					<b>6.9</b>	8.6
<b>Net assets</b>					<b>82.7</b>	<b>75.8</b>
(\$ MILLION)					<b>2014</b>	<b>2013</b>
<b>Balances and transactions with joint venture entities<sup>c</sup></b>						
Current loans and receivables					<b>0.6</b>	1.6
Non-current loans and receivables					<b>55.4</b>	45.3
New loans and receivables provided					<b>8.8</b>	4.0
Current payables					<b>1.7</b>	4.1
Purchases of goods and services					<b>37.1</b>	39.4
Sales of goods and services					<b>23.4</b>	11.9
Dividends and distributions received					<b>10.5</b>	10.4

a These entities are limited partnerships in New Zealand.

b On 15 April 2013, a joint venture between CSR Limited's subsidiary, CSR Building Products (NZ) Limited and Brickworks Building Products (NZ) Pty Limited was established. This transaction involved the disposal of operating assets of the Bricks New Zealand business from CSR Building Products (NZ) Limited into the joint venture vehicle "NZ Brick Distributors Limited Partnership." A gain of \$1.0 million was recorded on the transaction. Consideration for the disposal was 50% of the shares of NZ Brick Distributors GP Limited entitling CSR group to a 50% share of profits of the NZ Brick Distributors Limited Partnership. Refer to Note 8.

c Purchases and sales of goods and services are on normal terms and conditions.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 34. PARTICULARS RELATING TO CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION/ FORMATION	% CSR OWNERSHIP			COUNTRY OF INCORPORATION/ FORMATION	% CSR OWNERSHIP	
		2014	2013			2014	2013
BI (Contracting) Pty Ltd	Australia	100	100	CSR Viridian Limited <sup>c</sup>	Australia	100	100
Bradford Insulation Industries Pty Ltd	Australia	100	100	CSR Viridian Operations Pty Limited	Australia	100	100
Bradford Insulation (SA) Pty Ltd <sup>a</sup>	Australia	100	100	CSR Viridian Properties Pty Limited	Australia	100	100
Buchanan Borehole Collieries Pty Ltd	Australia	100	100	CSR Viridian (New Zealand) Holdings Limited	New Zealand	100	100
CSR Building Products (NZ) Ltd	New Zealand	100	100	CSR Viridian (New Zealand) Limited	New Zealand	100	100
CSR Building Products Ltd <sup>c</sup>	Australia	100	100	CSR (Guangdong) Rockwool Co., Ltd <sup>a</sup>	China	100	100
CSR Developments Pty Ltd	Australia	100	100	DMS Security Glass Pty Limited	Australia	100	100
CSR DJD Pty Limited	Australia	100	–	Don Mathieson & Staff Glass Pty Limited	Australia	100	100
CSR Erskine Park Trust	Australia	100	100	Farley & Lewers Pty Ltd	Australia	100	100
CSR Finance Ltd <sup>c</sup>	Australia	100	100	FEP Concrete Pty Ltd	Australia	100	100
CSR Guangdong Glasswool Co., Ltd	China	79	79	Gove Aluminium Finance Ltd	Australia	70	70
CSR Industrial Property Trust	Australia	100	100	Gyprock Holdings Pty Ltd	Australia	100	100
CSR Industrial Property Nominees No 1 Pty Ltd	Australia	100	100	Midalco Pty Ltd	Australia	100	100
CSR Industrial Property Nominees No 2 Pty Ltd	Australia	100	100	PASS Pty Limited	Australia	100	100
CSR Insurance Pte Limited	Singapore	100	100	PT Prima Karya Plasterboard	Indonesia	100	100
CSR International Pty Ltd	Australia	100	100	Rivarol Pty Limited <sup>c</sup>	Australia	100	100
CSR Investments Pty Ltd <sup>c</sup>	Australia	100	100	SA Independent Glass Pty Limited	Australia	100	100
CSR Investments (Asia) Pty Ltd	Australia	100	100	Seltsam Pty Ltd	Australia	100	100
CSR Investments (Indonesia) Pty Ltd	Australia	100	100	Softwood Holdings Ltd <sup>a</sup>	Australia	100	100
CSR Investments (Thailand) Pty Ltd	Australia	100	100	Softwood Plantations Pty Ltd <sup>a</sup>	Australia	100	100
CSR Martini Pty Ltd <sup>d</sup>	Australia	70	–	Softwoods Queensland Pty Ltd <sup>a</sup>	Australia	100	100
CSR Share Plan Pty Ltd	Australia	100	100	Thiess Bros Pty Ltd	Australia	100	100
CSR Viridian Finance Pty Ltd <sup>c</sup>	Australia	100	100	Thiess Holdings Pty Ltd	Australia	100	100
CSR Structural Systems Pty Limited	Australia	100	–	VEST Super Pty Limited <sup>b</sup>	Australia	100	100
CSR Viridian Holdings Limited <sup>c</sup>	Australia	100	100				
CSR Viridian International Pty Limited	Australia	100	100				
CSR Viridian Investment Company Pty Limited	Australia	100	100				

a In members' voluntary liquidation.

b Deregistered during the year.

c 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 to Note 40.

d Formerly known as Martini Investments (Australia) Pty Limited.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**35. CONTRACTED OPERATIONAL EXPENDITURE****Operating lease and hire expenditure<sup>a</sup>**

(\$ MILLION)	2014	2013
<b>Contracted lease and hire expenditure commitments not otherwise provided for in the financial statements</b>		
Land and buildings	149.3	155.0
Plant and equipment	17.4	18.6
	<b>166.7</b>	<b>173.6</b>
<b>Contracted lease and hire expenditure comprises</b>		
<b>Non-cancellable operating leases payable</b>		
Within one year	32.7	35.6
Between one and two year(s)	27.7	28.5
Between two and five years	56.8	54.5
After five years	40.3	45.4
	<b>157.5</b>	<b>164.0</b>
<b>Other payable</b>		
Within one year	3.8	4.2
Between one and two year(s)	2.5	2.7
Between two and five years	2.5	2.7
After five years	0.4	–
	<b>9.2</b>	<b>9.6</b>
<b>Total contracted operating lease and hire expenditure</b>	<b>166.7</b>	<b>173.6</b>

a The operating lease and rental payments during the year ended 31 March 2014 were \$52.8 million (2013: \$52.0 million).

The total of minimum rentals to be received in the future under non-cancellable sub-leases as at 31 March 2014 is not material. Contingent rentals for the 2014 and 2013 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.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**36. CONTRACTED CAPITAL EXPENDITURE**

(\$ MILLION)	2014	2013
<b>Estimated capital expenditure contracted for at year end but not provided for</b>		
Payable within one year – CSR group	12.1	14.3
<b>Total contracted capital expenditure</b>	<b>12.1</b>	<b>14.3</b>

**37. CONTINGENT LIABILITIES**

(\$ MILLION)	2014	2013
Contingent liabilities, capable of estimation, arise in respect of the following categories		
Performance guarantees provided to third parties and other contingent liabilities <sup>a</sup>	49.8	50.1
<b>Total contingent liabilities</b>	<b>49.8</b>	<b>50.1</b>

a 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.

Claims and possible claims (other than product liability which is discussed in Note 38) have arisen in the course of business against entities in the CSR group and have been 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.

**Workers' compensation**

CSR Limited is a licensed self insurer in NSW, Queensland, Victoria, South Australia (to 10 April 2003), Western Australia and the Australian Capital Territory for workers' compensation insurance. Adequate provision has been made for all known claims and reasonably foreseeable future claims with a provision of \$31.3 million as at 31 March 2014 (2013: \$32.4 million).

**38. 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, as well as residents of and visitors to Wittenoom. As at 31 March 2014, there were 487 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 2014, there were 533 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2014, CSR had resolved 3,666 claims in Australia and approximately 137,000 claims in the United States.

CSR's recent claims experience can be summarised as follows:

YEAR ENDED 31 MARCH	2014	2013	2012	2011	2010
Number of claims received	339	347	435	412	514
Number of claims resolved	804	488	418	634	986
Amount spent on settlements (A\$ million) <sup>a</sup>	29.2	31.0	34.7	32.5	33.4
Average cost per resolved claim (A\$)	36,411	63,553	83,067	51,300	33,916

a Excludes external legal costs, net of insurance recoveries.

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**38. PRODUCT LIABILITY (CONTINUED)****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 Finit 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.

In Australia the methodology used by Finit Consulting Pty Limited produces the central estimate of future asbestos liabilities which represents the average expectation of the range of possible future outcomes. At 31 March 2014 the central estimate was A\$161.8 million calculated using a discount rate of 5.0%. On an undiscounted and inflated basis that central estimate would be A\$251.9 million over the period to 2066, being the period 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 2014 the base case estimate was US\$123.5 million calculated using a discount rate of 3.9%. On an undiscounted and inflated basis that base case estimate would be US\$159.9 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 been variable 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**38. PRODUCT LIABILITY (CONTINUED)**

The table below shows CSR's asbestos provisions from 2010 to 2014:

YEAR ENDED 31 MARCH (\$MILLION)	2014	2013	2012	2011	2010
United States base case estimate US\$	123.5	194.0	199.2	191.8	159.5
United States base case estimate A\$	133.5	185.8	191.8	185.9	173.7
Australian central estimate A\$	161.8	158.3	172.7	180.1	184.8
<b>Sub total A\$</b>	<b>295.3</b>	<b>344.1</b>	<b>364.5</b>	<b>366.0</b>	<b>358.5</b>
Prudential margin A\$	73.8	79.7	77.2	82.9	96.8
Prudential margin %	25.0%	23.2%	21.2%	22.7%	27.0%
<b>Total product liability provision A\$</b>	<b>369.1</b>	<b>423.8</b>	<b>441.7</b>	<b>448.9</b>	<b>455.3</b>

At 31 March 2014, a provision of \$369.1 million (2013: \$423.8 million) has been made for all known claims and reasonably foreseeable future claims, and includes a prudential margin of \$73.8 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 2014 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.

**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), 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.

**39. SUBSEQUENT EVENTS****Acquisition of AFS Products Group Ltd**

On 2 April 2014, the CSR group announced that it has reached an agreement to acquire the businesses of AFS Products Group Ltd (AFS), a leader in load bearing permanent formwork walling solutions for the construction industry. The CSR group will acquire AFS for an initial consideration of \$40 million following completion of the transaction. Additional payments over the next three years are subject to achieving growth targets. The acquisition will be funded via existing cash and debt facilities.

**Proposed formation of east coast bricks joint venture**

On 4 April 2014, the CSR group and Boral announced their intention to form a joint venture to combine their brick operations on the east coast of Australia. The proposed joint venture will be owned 60% by the CSR group and 40% by Boral, reflecting the valuation of the two businesses. There is no cash consideration as part of the proposed joint venture except for typical working capital and closing adjustments. Completion of this transaction remains subject to clearance by the Australian Competition and Consumer Commission.

**Dividends**

For dividends resolved to be paid after 31 March 2014, refer to Note 26.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

**40. DEED OF CROSS GUARANTEE**

CSR Limited, CSR Building Products Limited, CSR Finance Limited, CSR Investments Pty Limited, CSR Viridian Finance Pty Limited, 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 ASIC.

**(i) Consolidated statement of financial performance, consolidated statement of comprehensive income and summary of movements in consolidated retained profits**

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 and a summary of movements in consolidated retained profits for the year ended 31 March 2014 of the closed group consisting of CSR Limited, CSR Building Products Limited, CSR Finance Limited, CSR Investments Pty Limited, CSR Viridian Finance Pty Limited, CSR Viridian Holdings Limited, CSR Viridian Limited and Rivarol Pty Limited.

**Consolidated statement of financial performance**

(\$ MILLION)	2014
Trading revenue – sale of goods	1,746.6
Cost of sales	(1,235.2)
Gross margin	511.4
Other income	55.9
Warehouse and distribution costs	(176.5)
Selling, administration and other operating costs	(240.7)
Share of net profit of joint ventures	9.4
Other expenses	(17.5)
Profit before finance and income tax	142.0
Interest income	2.4
Finance cost	(20.9)
Profit before income tax	123.5
Income tax expense	(24.2)
<b>Net profit</b>	<b>99.3</b>
Net profit attributable to non-controlling interests	11.0
<b>Net profit attributable to shareholders of the closed group</b>	<b>88.3</b>

**Consolidated statement of comprehensive income**

(\$ MILLION)	2014
<b>Net profit</b>	<b>99.3</b>
<b>Other comprehensive income (expense)</b>	
<i>Items that may be reclassified to profit or loss</i>	
Hedge profit recognised in equity	9.6
Hedge profit transferred to the statement of financial performance	(13.3)
Exchange differences arising on translation of foreign operations	2.4
Income tax relating to these items	1.1
<i>Items that will not be reclassified to profit or loss</i>	
Actuarial gain on superannuation defined benefit plans	17.1
Income tax relating to these items	(5.1)
Other comprehensive income for the period (net of tax)	11.8
<b>Total comprehensive income</b>	<b>111.1</b>

**Summary of movements in consolidated retained profits**

(\$ MILLION)	2014
<b>Retained profits at the beginning of the financial year</b>	<b>15.2</b>
Profit for the period	88.3
Actuarial gain on superannuation defined benefit plans (net of tax)	12.0
Payment of ordinary dividends	(35.9)
<b>Retained profits at the end of the financial year</b>	<b>79.6</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 40. DEED OF CROSS GUARANTEE (CONTINUED)

## (ii) Consolidated statement of financial position

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 position as at 31 March 2014 of the closed group, consisting of CSR Limited, CSR Building Products Limited, CSR Finance Limited, CSR Investments Pty Limited, CSR Viridian Finance Pty Limited, CSR Viridian Holdings Limited, CSR Viridian Limited and Rivarol Pty Limited:

(\$ MILLION)	2014
<b>Current assets</b>	
Cash and cash equivalents	5.9
Receivables	251.1
Inventories	326.4
Other financial assets	12.2
Income tax assets	30.2
Other current assets	6.3
<b>Total current assets</b>	<b>632.1</b>
<b>Non-current assets</b>	
Receivables	148.3
Inventories	66.1
Investments accounted for using the equity method	44.4
Other financial assets	0.4
Property, plant and equipment	842.3
Goodwill	29.2
Other intangible assets	31.4
Deferred income tax assets	272.6
Other non-current assets	16.8
<b>Total non-current assets</b>	<b>1,451.5</b>
<b>Total assets</b>	<b>2,083.6</b>
<b>Current liabilities</b>	
Payables	242.0
Borrowings	34.4
Other financial liabilities	1.4
Tax payable	6.8
Provisions	182.3
<b>Total current liabilities</b>	<b>466.9</b>
<b>Non-current liabilities</b>	
Payables	5.4
Provisions	378.6
Deferred income tax liabilities	25.2
Other non-current liabilities	16.7
<b>Total non-current liabilities</b>	<b>425.9</b>
<b>Total liabilities</b>	<b>892.8</b>
<b>Net assets</b>	<b>1,190.8</b>
<b>Equity</b>	
Issued capital	1,042.2
Reserves	17.0
Retained profits	79.6
<b>Equity attributable to shareholders of CSR Limited</b>	<b>1,138.8</b>
Non-controlling interests	52.0
<b>Total equity</b>	<b>1,190.8</b>



# DIRECTORS' DECLARATION

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

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 the significant accounting policies;
- 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 2014; and
- e) there are reasonable grounds to believe that CSR Limited and the group entities identified in Note 40 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

14 May 2014



**Rob Sindel**  
Managing Director

14 May 2014

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSR LIMITED

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## 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 2014, 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 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 year's end or from time to time during the financial year as set out on pages 41 to 89.

### 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 "Significant accounting policies" 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 judgement, 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:

- (a) the financial report of CSR Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in significant accounting policies.

### REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 23 to 37 of the directors' report for the year ended 31 March 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



Deloitte Touche Tohmatsu



J A Leotta  
Partner  
Chartered Accountants  
Sydney, 14 May 2014

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

# AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CSR LIMITED

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)  
YEAR ENDED 31 MARCH 2014

## Deloitte.

The Directors  
CSR Limited  
Trinity 3  
39 Delhi Road  
NORTH RYDE NSW 2113

14 May 2014

Dear Directors,

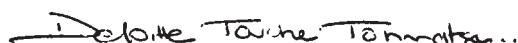
### CSR Limited

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 2014, 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**



**J A Leotta**

Partner

Chartered Accountants

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Member of Deloitte Touche Tohmatsu Limited.

Deloitte Touche Tohmatsu  
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# SHAREHOLDER INFORMATION

## 20 LARGEST HOLDERS OF ORDINARY SHARES

As at 14 May 2014

RANK	NAME	UNITS	% OF UNITS
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	84,274,151	16.65
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	80,264,139	15.86
3.	NATIONAL NOMINEES LIMITED	73,794,151	14.58
4.	CITICORP NOMINEES PTY LIMITED	44,161,494	8.73
5.	JP MORGAN NOMINEES AUSTRALIA LIMITED	20,227,913	4.00
6.	BNP PARIBAS NOMS PTY LTD	15,960,029	3.15
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,955,579	0.98
8.	CITICORP NOMINEES PTY LIMITED	4,254,125	0.84
9.	NATIONAL NOMINEES LIMITED	3,487,994	0.69
10.	PRUDENTIAL NOMINEES PTY LTD	2,600,000	0.51
11.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,492,240	0.49
12.	AMP LIFE LIMITED	2,279,112	0.45
13.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	2,152,150	0.43
14.	QIC LIMITED	2,064,263	0.41
15.	CSR SHARE PLAN PTY LIMITED	2,015,257	0.40
16.	NATIONAL EXCHANGE PTY LTD	2,000,000	0.40
17.	SHARE DIRECT NOMINEES PTY LTD	1,654,415	0.33
18.	BOND STREET CUSTODIANS LIMITED	1,571,326	0.31
19.	MR ALLAN ERNEST ORMES	1,066,667	0.21
20.	GWYNVILL TRADING PTY LIMITED	1,060,000	0.21
<b>Top 20 holders of issued capital</b>		<b>352,335,005</b>	<b>69.63</b>
<b>Total remaining holders balance</b>		<b>153,665,310</b>	<b>30.37</b>

## SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

National Australia Bank Limited advised that as of 17 February 2014, it and its associates had an interest in 40.1 million shares, which represented 7.94% of CSR's issued capital at that time.

Vinva Investment Management and its subsidiaries advised that as of 7 May 2014, it and its associates had an interest in 25.5 million shares, which represented 5.04% of CSR's issued capital at that time.

## DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDING

LOCATION	UNITS	UNITS %	HOLDERS	HOLDERS %
AUSTRALIA	501,208,938	99.05	54,774	96.32
NEW ZEALAND	2,995,442	0.59	1,422	2.50
HONG KONG	678,617	0.13	49	0.09
UNITED KINGDOM	397,722	0.08	267	0.47
UNITED STATES OF AMERICA	161,852	0.03	103	0.18
Other	557,744	0.12	243	0.44
<b>Total</b>	<b>506,000,315</b>	<b>100.00</b>	<b>56,858</b>	<b>100.00</b>

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1 – 1,000	27,864	14,263,135	2.82
1,001 – 5,000	23,570	52,617,055	10.40
5,001 – 10,000	3,378	24,078,827	4.76
10,001 – 100,000	1,951	43,432,405	8.58
100,001 and over	95	371,608,893	73.44
<b>Total</b>	<b>56,858</b>	<b>506,000,315</b>	<b>100.00</b>

## UNMARKETABLE PARCELS

	HOLDERS	UNITS
Holdings of 150 or less shares	1,552	92,978

## RECENT CSR DIVIDENDS

DATE PAID	TYPE OF DIVIDEND	DIVIDEND PER SHARE	FRANKING	FRANKED AMOUNT PER SHARE AT 30% TAX
December 2009	Interim	2.5 cents	100%	2.5 cents
July 2010	Final	6.0 cents	100%	6.0 cents
December 2010	Interim	3.0 cents	100%	3.0 cents
February 2011	Special	9.1 cents	100%	9.1 cents
July 2011	Final	5.3 cents	100%	5.3 cents
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

## ANNUAL GENERAL MEETING

Annual General Meeting  
2:00pm  
Thursday 10 July 2014  
Civic Pavilion, The Concourse,  
409 Victoria Avenue,  
Chatswood NSW 2067

## CORPORATE REPORTS

The CSR Annual Report and Sustainability Report are available to view online or download, visit [www.csr.com.au](http://www.csr.com.au)

## 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  
Telephone 1800 676 061  
International +61 3 9415 4033  
Facsimile (03) 9473 2500  
International +61 3 9473 2500  
E-mail [webqueriesaux@computershare.com.au](mailto:webqueriesaux@computershare.com.au)  
[www.computershare.com/au](http://www.computershare.com/au)

## CSR LIMITED

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Locked Bag 1345, North Ryde BC 1670  
Telephone (02) 9235 8000  
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Facsimile (02) 8362 9013  
International +61 2 8362 9013  
E-mail [investorrelations@csr.com.au](mailto:investorrelations@csr.com.au)  
[www.csr.com.au](http://www.csr.com.au)



The CSR Annual Report and Sustainability Report are available to view online or download, visit [www.csr.com.au](http://www.csr.com.au)



