INSPIRING
BUILDING FOR LIFE

CONTENTS

ABOUT CSR

Formed in 1855, CSR is one of Australia's oldest manufacturing companies. Today it is a leading building products company in Australia and New Zealand and is the name behind some of the market's most trusted and recognised brand names.

$2.6b
Revenue in YEM18

4,200+
CSR employees

220+
Manufacturing and distribution sites

12,000+
Customers across Australia and NZ

AGM DETAILS

CSR's Annual General Meeting (AGM) will be held at the Northside Conference Centre, corner Oxley Street and Pole Lane, Crows Nest NSW on Wednesday 27 June 2018 at 11.00am.

↓33%
Lost time injuries down 33% from five years ago

$3m
Donated to CSR Community Support Program since 2003

$5m
Allocated to energy saving reduction projects in YEM18

↓17%
Reduction in waste production from five years ago

CSR Limited ABN 90 000 001 276

ABOVE: NISHI BUILDING, NEWACTON PRECINCT CANBERRA. HEBEL POWERPANEL WAS USED FOR INTERNAL WALLS. ARCHITECT: FENDER KATSALIDIS. PHOTOGRAPHER: JOHN GOLLINGS. **COVER PHOTO:** COURTESY OF CARTY HOMES. PHOTOGRAPHER: RICK GATES.

CSR'S PRODUCTS BUILD AND INSPIRE SMARTER HOMES AND BUILDINGS

CSR's products are a core part of the industry that creates homes and buildings where people live, work and play. Our scale and network brings together those in the industry that believe in creating great spaces. We are developing new systems to make it easier and faster to build and inspire smarter, more connected homes and buildings.

09

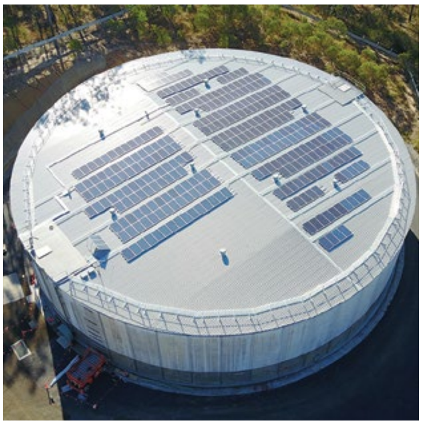
CSR brands showcased in the Channel 9 series of The Block

CSR is proud of our long association with The Block. The Block sees couples compete against each other to renovate a property and sell it at auction, the winner determined by the highest price above the reserve.

13

Gyprock supports Perth's most iconic project at Optus Stadium

Gyprock was pleased to be chosen by the wall and ceiling contractor to supply Perth's iconic Optus Stadium.



20

Bradford Solar's world's first solar and battery powered water treatment plant

Logan City Council has combined emerging solar power technology and the Tesla Powerpack to deliver a reliable and safe solution for water disinfection.

27

Providing mentor support to students

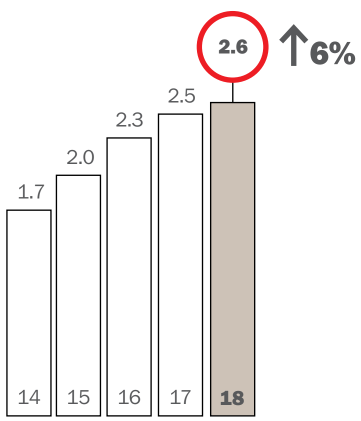
CSR volunteers provide mentoring support to over 400 students from disadvantaged schools in New South Wales, Queensland and Victoria.

FINANCIAL OVERVIEW

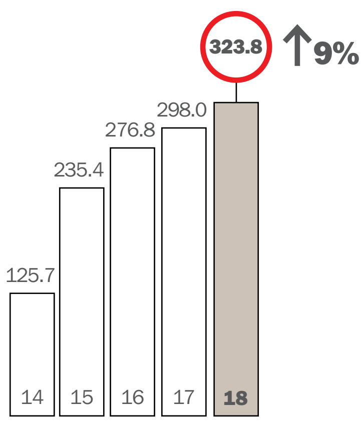
CSR has continued its track record of growth in earnings which improved for the fifth consecutive year.

FIVE YEAR PERFORMANCE OVERVIEW

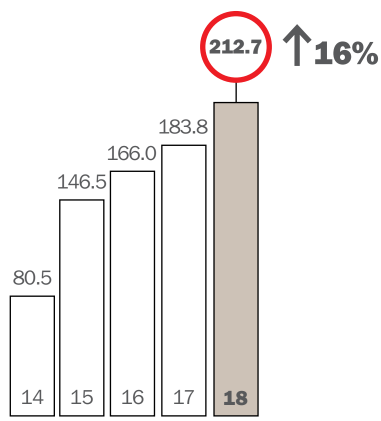
Year ended 31 March ($ million) unless stated	2018	2017	2016	2015	2014[1]
OPERATING RESULTS					
Trading revenue	**2,606.2**	2,468.3	2,298.8	2,023.4	1,746.6
EARNINGS BEFORE INTEREST AND TAX (EBIT)					
Building Products[2]	**214.1**	202.8	167.6	119.7	91.5
Viridian Glass	**3.5**	7.0	8.1	3.1	(14.9)
Aluminium	**79.5**	93.1	104.1	104.3	51.9
Property	**47.8**	15.0	23.3	30.2	17.3
Segment total	**344.9**	317.9	303.1	257.3	145.8
Corporate[2,3]	**(14.8)**	(14.0)	(17.7)	(16.8)	(14.6)
Restructuring and provisions	**(6.3)**	(5.9)	(8.6)	(5.1)	(5.5)
CSR EBIT	**323.8**	298.0	276.8	235.4	125.7
Net profit after tax (before significant items)	**212.7**	183.8	166.0	146.5	80.5
Net profit after tax (after significant items)	**188.8**	177.9	142.3	125.5	88.1
FINANCIAL POSITION					
Total equity	**1,274.1**	1,206.5	1,317.2	1,206.0	1,157.2
Total assets	**2,137.9**	2,097.1	2,215.8	2,119.3	2,008.3
Net (debt)/cash	**(14.3)**	(11.4)	70.9	68.4	(28.5)



TRADING REVENUE
Year ended 31 March ($ billion)



EBIT
Year ended 31 March ($ million)



NET PROFIT AFTER TAX BEFORE SIGNIFICANT ITEMS
Year ended 31 March ($ million)

$214.1m
EBIT IN YEM18

BUILDING PRODUCTS EBIT of $214.1 million, up 6% with higher volumes and steady margins across most products reflecting improved pricing and market activity, partly offset by higher energy costs.

$3.5m
EBIT IN YEM18

VIRIDIAN EBIT of $3.5 million was down from $7.0 million due to operational issues at the new commercial factory at Ingleburn, NSW, while energy costs increased by $4 million.

$79.5m
EBIT IN YEM18

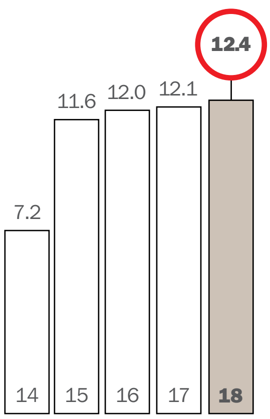
ALUMINIUM EBIT of $79.5 million was down from $93.1 million with the higher realised aluminium price and increased production at Tomago smelter offset by significant increases in energy and raw material costs.

$47.8m
EBIT IN YEM18

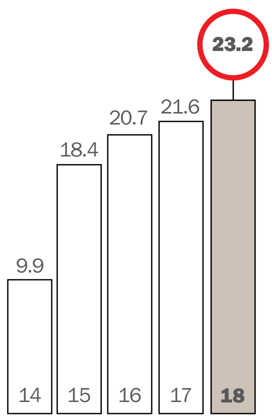
PROPERTY EBIT of $47.8 million included the Rosehill, NSW land sale and settlements from Stage 4 and 5 of Chirnside Park, Vic.

	2018	2017	2016	2015	2014[1]
KEY DATA PER SHARE					
Earnings before significant items (cents)	**42.3**	36.5	32.9	29.1	16.0
Earnings after significant items (cents)	**37.5**	35.3	28.2	24.9	17.5
Dividend (cents)	**27.0**	26.0	23.5	20.0	10.0
Payout ratio before significant items (%)	**64.0**	71.2	71.4	68.7	62.5
KEY MEASURES					
EBIT margin (EBIT/trading revenue) (%)	**12.4**	12.1	12.0	11.6	7.2
Return on funds employed (ROFE) (%)[4]	**23.2**	21.6	20.7	18.4	9.9
Gearing at 31 March (net debt/net debt plus equity) (%)	**1.1**	0.9	n/a	n/a	2.4
Employees (number of people employed)[5]	**4,282**	4,193	3,578	3,134	2,985

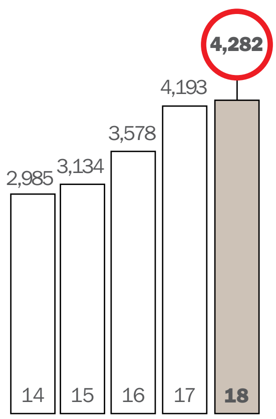
1. On 1 April 2014, CSR Limited adopted a change of accounting policy over the classification of the discount unwind for the asbestos liability, resulting in a restatement of balances for the financial year ended 31 March 2014.
2. From 1 April 2016 there was a change in internal reporting which resulted in a transfer of operating expenditure from Corporate to Building Products. As a result, the comparative years have been updated to reflect this change.
3. Represents unallocated overhead and other revenues.
4. ROFE is calculated as EBIT before significant items for the 12 months to 31 March divided by average funds employed which excludes cash, tax balances and certain other non-trading assets and liabilities as at 31 March.
5. Includes employees of PGH Bricks and Viridian NZ.



EBIT MARGIN
Year ended 31 March (%)



RETURN ON FUNDS EMPLOYED
Year ended 31 March (%)



EMPLOYEES
Year ended 31 March

CHAIRMAN'S MESSAGE

Strong performance in Building Products and Property delivered earnings up 16%.

"The growth in earnings over the last five years has delivered higher dividends for shareholders while our financial position remains strong."

JEREMY SUTCLIFFE, CHAIRMAN

CSR delivered improved earnings for the fifth consecutive year.

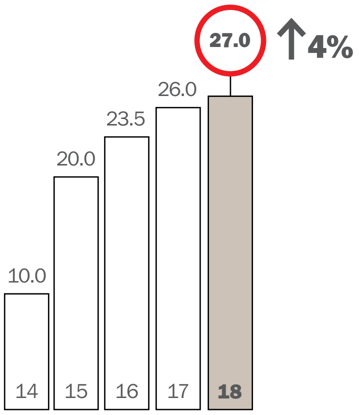
Our net profit after tax (before significant items) was up 16% in the year to $212.7 million and our statutory profit of $188.8 million was up 6%.

The lift in net profit was driven by a 6% increase in Building Products earnings before interest, tax and significant items (EBIT) of $214.1 million and increased Property earnings of $47.8 million, up from $15.0 million.

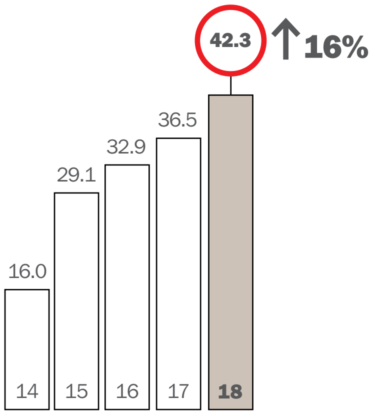
The growth in earnings over the last five years has delivered higher dividends, maintaining our policy of paying dividends between 60-80% of full year net profit after tax (before significant items). This year, we have resolved to pay a final dividend of 13.5 cents per share, franked at 75% which will bring the full year dividend to 27.0 cents, up 4%.

CSR continues to maintain a strong balance sheet with net debt of $14.3 million, slightly up on last year. We are well advanced in the construction of our new $75 million Hebel factory in Somersby, NSW. Hebel is experiencing strong growth across residential and commercial construction and this new facility will provide additional volume to expand into new markets as Australia's only manufacturer of autoclaved aerated concrete.

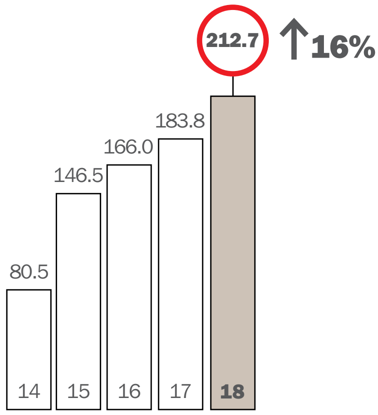
We are also accelerating our investment in key property sites as the market for industrial and residential sites remains strong. We have a significant pipeline of development projects over the next five to ten years.



CSR DIVIDENDS
Year ended 31 March (cents per share)



EARNINGS PER SHARE BEFORE SIGNIFICANT ITEMS
Year ended 31 March (cents per share)



NET PROFIT AFTER TAX BEFORE SIGNIFICANT ITEMS
Year ended 31 March ($ million)

5 years
consecutive growth in earnings

170%
growth in dividends over last five years

$20m
dedicated Energy Improvement Fund targeting energy saving reduction projects

PROGRESS ON OUR STRATEGY

Since 2014, CSR has more than doubled the earnings of its Building Products business by following a consistent strategy of improving the profitability of our existing portfolio of businesses, aligning production to demand and investing in customer service and new products. We have also invested heavily in innovation and new building systems which will help improve construction methods in Australia. These investments have also ensured that we are much more resilient to future changes in the construction cycle.

Like many manufacturing businesses, we are facing significantly higher energy costs. CSR is a major user of energy with total energy costs in our building products and glass businesses of over $100 million, up 14% from the previous year. Our teams have managed this additional cost well with efficiency gains and cost control to deliver stable EBIT margins this year. We are also investing in our operations to reduce energy use including the $20 million CSR Energy Improvement Fund to deliver energy saving projects across our manufacturing sites. This year we completed two major solar projects at our manufacturing sites at Bradford Insulation in Ingleburn, NSW and PGH Bricks in Golden Grove, SA.

CHAIRMAN SUCCESSION

As I highlighted at last year's Annual General Meeting in June 2017, this will be my final report as Chairman of CSR. I am very pleased to confirm that John Gillam will become Chairman on 31 May 2018, concurrent with my retirement from the board. John has been a valuable addition to the board since he joined the company in December 2017. As a former managing director of Bunnings, he brings extensive experience and industry knowledge to the role of Chairman of CSR.

After nearly ten years as a director, including one as interim CEO and six as Chairman, it is the right time to retire and allow John to address shareholders at the 2018 AGM about the company's plans for the future.

I would like to thank those of you who have supported me throughout my tenure at CSR including the board, CSR's managing director Rob Sindel, his management team and especially my over 4,200 CSR co-workers. Day in, day out, they have been the mainstay of our success this year and I am very grateful for their efforts. My time at CSR has been a great period of my life, made all the more enjoyable by those around me.

Thanks as well, to you the shareholders, for your support in this and past years.

JEREMY SUTCLIFFE, CHAIRMAN

MANAGING DIRECTOR'S REVIEW

Our strategy to capitalise on the strength in the residential construction market following investment in our operations has delivered another strong result for CSR.

"We are investing in future growth through our digital solutions and growing our position in lightweight building and façade systems."

ROB SINDEL, MANAGING DIRECTOR

Residential construction markets remained strong during the year.

The successful execution of our strategy has ensured that we capitalised on this strong activity. While our earnings in Building Products have grown consecutively over the last five years, we are also investing for the future.

We are focused on two key areas – on our customers, by ensuring they are at the centre of everything we do, and secondly, by transforming CSR into a digital leader in the construction industry.

We want to improve our customers' experience with a seamless process to place orders, track deliveries and interact with CSR. We are also investing in innovations to develop construction industry solutions that are smarter, faster and easier to use. Most importantly, we want to make our customers' lives easier, more productive and profitable.

We are also driving innovation in the construction industry by sourcing and developing construction systems from around the world and adapting them for the Australian and New Zealand construction markets. We are recognised as the leader and innovator in building systems by the construction industry.

SUSTAINABILITY

We have also continued to improve the sustainability of our operations this year. We have included additional reporting around our goals in three key areas: the environment, our people and the community.

Environment – To date we have exceeded our 2020 targets for waste and emissions with further work underway to reduce water consumption and energy. Planning is underway for sustainability targets post 2020 as we assess ways to mitigate the potential impacts of climate change and changes in energy supply and pricing.

DELIVERING ON OUR STRATEGY

We are building on our strategy covering five key areas to grow our building products businesses over the medium term.

CSR'S STRATEGY	KEY BRANDS	STRATEGIC RATIONALE	LONG-TERM GROWTH
Strengthen and invest	PGH Bricks & Pavers	▪ Increased exposure to stable detached market	▪ Operational flexibility ▪ Land release
Smarter, faster, easier	afs	▪ Greater share of multi-residential market ▪ Speed of construction	▪ Doubled Rediwall capacity ▪ New market segment offering (aged care, townhouse and student accommodation)
Changing the way we live and work	hebel The better way to build	▪ Growth and increased share in all market segments	▪ $75 million capacity expansion ▪ New product development ▪ Inclose façade systems
Comfort and energy efficiency	Bradford more than insulation	▪ Market expansion from glasswool to polyester, solar, battery storage and ventilation	▪ Leading energy solutions provider to new build market
Customer	GYPROCK Everything else is just plasterboard	▪ Maintain market leading position ▪ Invest in digital capability	▪ Investment in trade centres and retail capabilities ▪ Data analytics to provide customer preferences and trends

People – Safety performance across most of our sites improved this year despite higher levels of production activity. While the overall performance of the group improved, we have more work to do to ensure no one is injured at CSR. The focus for the year ahead is to ensure we continue to improve safety performance supported by programs within four key themes: Leadership, Risk Management, Systems Performance and Healthy Body and Mind.

Community – Our community engagement covers a wide range of activities from engagement with local communities located near our sites to our extensive involvement with mentoring local students where our employees donated 628 hours during the year. In addition, CSR and its employees have donated over $3 million to charities through the CSR Community Support Program since 2003.

FINANCIAL RESULTS BY BUSINESS

Trading revenue from **Building Products** was $1.7 billion, up 6%, with higher volumes and improved pricing across most products and segments.

EBIT was up 6% to $214.1 million with earnings, reflecting the benefit of improved factory performance, price increases and cost management. The result includes investment of approximately $10 million in a number of growth initiatives.

Viridian's trading revenue of $368.5 million was down 3% following the sale of glass processing sites in Cairns, Darwin and Perth.

Viridian's EBIT of $3.5 million in YEM18 was impacted by further losses in its Commercial business. Operational performance has improved in recent months following a simplification of the operating structure at Ingleburn, NSW while demand grows for higher margin insulated glass units (IGU) in the residential and commercial markets.

Aluminium sales volumes of 212,801 tonnes were up 1% due to operational improvements at the Tomago smelter. Trading revenue of $565.5 million was up 11% reflecting a 10% improvement in the realised aluminium price.

EBIT of $79.5 million was down 15% largely due to the power supply contract which took effect from November 2017. This increased total power-related costs by $34.3 million for the five months of YEM18 that the new contract was in place.

Property recorded EBIT of $47.8 million, up from $15.0 million in the prior year. The result includes the sale of the 8-hectare site at Rosehill, NSW and sales from Stage 4 and 5 of the 584-lot residential development at Chirnside Park, Vic.

OUTLOOK

Looking at the outlook for the year ending 31 March 2019 (YEM19), CSR confirmed:

- **Building Products and Viridian** – Recent building approvals remain strong with detached housing at its highest level in two years. This supports the current level of activity for the year ahead. Viridian's operational performance in Australia and New Zealand has improved in recent months with the business on track to improve earnings in the year ahead.
- Currently 74% of net **Aluminium** exposure for YEM19 is hedged at an average price of A$2,590 per tonne (excluding ingot premiums) as of 30 April 2018. Earnings will be impacted by the full year effect of higher power related costs.
- Two **Property** transactions were announced in the first week of YEM19 resulting in EBIT of approximately $37 million. This included the completion of Stage 5 at Chirnside Park, Vic and the sale of the 10-hectare surplus industrial site at Horsley Park, NSW which is expected to be recorded in the second half of the year.

ROB SINDEL, MANAGING DIRECTOR

BUILDING PRODUCTS AND VIRIDIAN

CSR's Building Products business has continued its track record of growth in earnings which improved for the fifth consecutive year.

6%

Building Products earnings up 6% with growth in pricing and volumes

46%

CSR exposure to the detached housing market which has remained relatively stable over the last few years

MARKET OVERVIEW

Total residential commencements on a two quarter lag basis for the 12 months to 31 March 2018 of 220,000 were down 6% compared to the previous 12 month period.

Detached housing on the east coast remained relatively stable, down 1%, while Western Australia was down 13%. The multi-residential market has slowed, particularly in the high-rise segment which was down 12%.

The non-residential market increased strongly with the value of work done up an estimated 9% following solid growth in approvals data over the last three years. The alterations and additions market is marginally down with some activity being transferred to the "knockdown rebuild" market. The New Zealand market remains reasonably strong across all segments.

Detached building approvals remain strong and while lead indicators are pointing to a softening in activity in the multi-residential market, the pipeline of projects underway is expected to underpin steady demand for CSR's products in the year ahead.

BUILDING PRODUCTS

Trading revenue from Building Products was $1.7 billion, up 6%, with higher volumes and improved pricing across most products and segments.

EBIT was up 6% to $214.1 million with earnings reflecting the benefit of improved factory performance, price increases and cost management. Approximately $10 million was invested in a number of growth initiatives including CSR's digital customer platform and development of the Inclose offsite façade system. CSR Inclose is based in a new manufacturing facility in Port Kembla, NSW and was recently awarded its first contract to supply a student accommodation project at the Australian National University in Canberra.

EBIT margin of 12.8% was down slightly from 12.9% as improved volume, pricing and product mix offset $9 million in higher energy costs.

TOP: RANDWICK RACECOURSE FIT OUT WITH MARTINI ABSORB XXHD HANGING PANELS DELIVERING MAXIMUM DESIGN FLEXIBILITY AND SUPERIOR ACOUSTIC PERFORMANCE.

ABOVE: MONIER HORIZON FLAT TILES FEATURING C-LOC COLOUR TECHNOLOGY.

"I really enjoy working with our customers to help deliver great building projects with Hebel from detached houses to high rise apartments."

JAKE BRIGHT, HEBEL

A WINNING COMBINATION

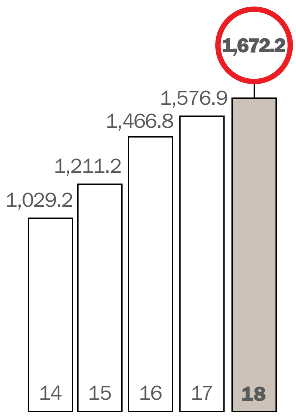
CSR brands showcased in the series of The Block

CSR has a long standing relationship with The Block featured on the Channel 9 Network. The Block sees couples compete against each other to renovate a property and sell it at auction, the winner determined by the highest price above reserve on auction day. CSR supplied over 20 products in the 2017 series including logistics and technical support from the teams at Gyprock, Bradford, Cemintel, Hebel, Monier, PGH and Viridian.

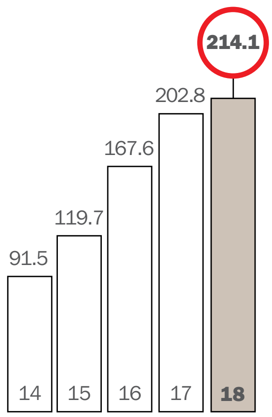
For more information on The Block, please visit www.csr.com.au/theblock

"We are extremely lucky to have a long association with CSR at The Block. Our projects are literally wrapped in CSR products which create a great thermal environment."

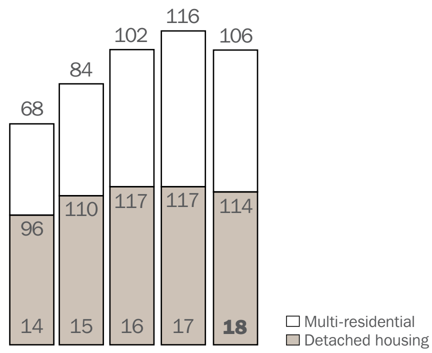
JULIAN BRENCHLEY,
THE BLOCK ARCHITECT



BUILDING TRADING REVENUE
Year ended 31 March ($ million)



BUILDING PRODUCTS EBIT
Year ended 31 March ($ million)



BUILDING PRODUCTS HOUSING STARTS
Year ended 31 March ($ million)
Source: ABS, two quarter lag

BUILDING PRODUCTS AND VIRIDIAN (CONTINUED)

VIRIDIAN

Trading revenue of $368.5 million was down 3% following the sale of glass processing sites in Cairns, Darwin and Perth.

Viridian's EBIT of $3.5 million in YEM18 was impacted by further losses in its Commercial business. Higher than anticipated volumes led to operational issues and a significant increase in costs at the recently commissioned factory in Ingleburn, NSW. Operational performance has improved over the last few months following a simplification of the operating structure at Ingleburn while demand grows for higher margin insulated glass units (IGU) in the commercial market.

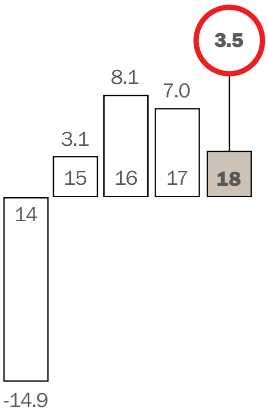
The balance of the Viridian businesses improved performance with increased pricing and product mix, offset by $4 million in higher energy costs. In Australia, demand for higher performing glass in the residential market is also increasing following new BASIX energy targets in New South Wales which became effective in July 2017 while in Victoria, IGU sales accounted for over 60% of revenue in YEM18.

The New Zealand business is delivering improved earnings following the consolidation of three plants in Auckland.

VIRIDIAN GLASS USED TO CREATE LIGHT-FILLED MEETING AND LEARNING SPACES USED IN THIS LATROBE UNIVERSITY BUILDING IN MELBOURNE.

77%

Viridian's Lightbridge double glazing insulates a home up to 77% better than ordinary glass



VIRIDIAN EBIT
Year ended 31 March ($ million)

JEWEL PROJECT SHOWCASES HEBEL'S DIVERSITY INSIDE AND OUT

Hebel on both the interior and exterior of the landmark Jewel residential project at Wentworth Point in Sydney

With the Hebel High Rise Façade system, the creative possibilities are endless.

Taking this approach, Stanisic Architects ensured a stunning finish to the landmark Jewel residential project developed by PAYCE and Sekisui House Australia, recently completed at Wentworth Point in Sydney.

Hebel was used on both the exterior and interior of the mixed-use development, which comprises 256 apartments across three buildings as well as retail, dining and other services.

Jewel's waterfront location at the northern tip of the Wentworth Point peninsula demanded something special in regard to its design, a demand that Stanisic Architects answered by choosing Hebel to develop a façade that could reflect the watery pattern of the harbour.

Hebel was chosen because of its lightweight nature and also because it could be constructed on site, which would both improve the constructibility of the project and reduce the cost. The Hebel PowerPanel system was also chosen for all the non-load bearing internal walls including intertenancy and corridor walls.

"What stands out about this project is its sheer size and complexity to fit thousands of different coloured glass panels into what was like working with a jigsaw puzzle."

CHRIS MURRAY,
VIRIDIAN COMMERCIAL

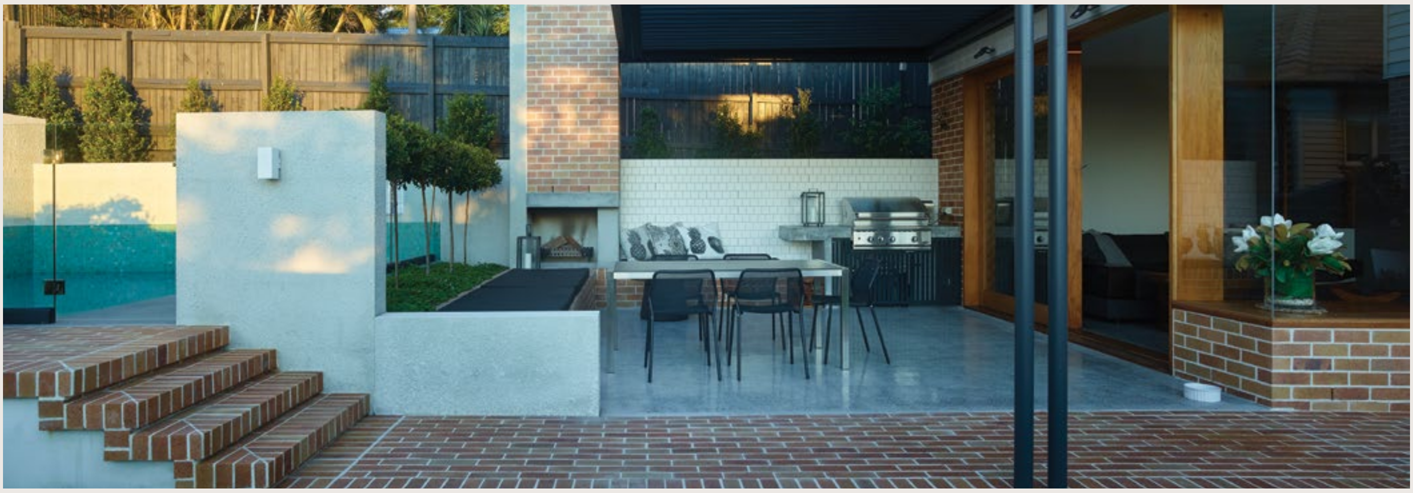
INTENSIVE CARE

Viridian's St. John of God Hospital, Berwick, Melbourne

Overlooking Melbourne's high volume Princes Freeway, Berwick's new 210-bed facility is wrapped in an array of Viridian EVantage SuperBlue double glazed units. The $120 million hospital represents the kind of smart ideas where health care technology and art come together into a single entity.

Viridian's new PixaGraphic digitised glass printing process provided the hospital's signature Pomegranate motif to be repeated throughout, while SuperClear glass helps illuminate the central stairway.

PIXAGRAPHIC GLASS
PRINTING AT THE HOSPITAL



THE FOLKHOUSE

PGH's contemporary extension to a character home

The Folkhouse, described as a contemporary extension to a character pre-war home, sits quietly atop the crest of a hillside in Balmoral, Vic. With the existing raised cottage, The Folkhouse has been filled in with a brick base, which certainly adds a bold and contemporary texture to the home. The theme of brick stems from original post-war extensions that were of similar essence, offering a contrast resonant with the lightweight first floor.

The integration of brick into exterior paving helps to link the house, swimming pool, and a unique fireplace pillar together in this project. Notably, PGH's bricks extend from the interior of the home to its outdoor living area. Through this, internal feature walls and seating are created, working seamlessly, and offer a quintessential airy atmosphere.

PGH COPPER GLOW BRICKS
USED IN THE EXTENSION

BUILDING PRODUCTS AND VIRIDIAN (CONTINUED)

BUILDING PRODUCTS PERFORMANCE	afs	Bradford more than insulation	CEMINTEL	GYPROCK Everything else is just plasterboard
BUSINESS OVERVIEW	AFS is a leader in load bearing permanent formwork walling solutions to deliver faster, lower cost construction.	Bradford supplies a full range of thermal, acoustic and fire insulation and energy saving products for homes and commercial buildings.	Cemintel provides engineered fibre cement systems and internal lining products.	Gyprock is Australia's leading manufacturer of gypsum based plasterboard products.
RESULTS	Increased earnings reflecting increased penetration and demand from the multi-residential market.	Earnings increased following higher volumes and improved pricing, despite a significant step up in energy costs.	Earnings were lower following increased competition and pricing pressure.	Increased earnings across all states with higher volumes and pricing reflecting the strong east coast activity in the residential construction market.
HIGHLIGHTS	Launch of the new Rediwall product range is underway following completion of the manufacturing facility at Minto, NSW.	Bradford Energy Solutions is also growing its alliances with a number of major builders to provide solar PV and battery storage as a standard inclusion in the new home market.	Continues to expand into new markets with growth from new fibre cement façade systems and prefinished panels.	Continues to improve its customer service experience including store upgrades across its 60 Gyprock Trade Centres including the opening of four new stores in YEM18.

READY FOR THE GAMES

Cemintel used for the Commonwealth Games Village

60,000m²

of Cemintel supplied for the Commonwealth Games Village in the Gold Coast

Cemintel designed a purpose made compressed sheet fibre cement product to supply over 60,000 square metres in the 2018 Commonwealth Games Village in the Gold Coast.

The redevelopment comprised over 1,200 permanent dwellings that provided accommodation and services for up to 7,000 athletes and officials during the games. Incorporated in the development plan was over seven hectares of green and open space. It is estimated that the construction of the village injected $550 million into the local economy and 1,500 jobs throughout design and construction.

"Cemintel worked closely with developer Grocon to deliver this landmark project for the 2018 Commonwealth Games. The solution was specially designed to meet specific size and performance standards for 60,000m² of façades across the 18 buildings."

MATT MAHONEY, ACCOUNT MANAGER; AND CHARLI BYE, COLOUR AND DESIGN CO-ORDINATOR

hebel The better way to build	martini Innovation for Better Spaces	MONIER	PGH BRICKS & PAVERS	Viridian
Hebel is Australia's only manufacturer of autoclaved, aerated concrete that is used in residential, commercial and infrastructure applications.	Martini manufactures environmentally sustainable, high-quality thermal and acoustic polyester fibre products for a variety of industries.	Monier produces an extensive range of concrete and terracotta rooftiles in Australia and New Zealand.	PGH produces a range of over 180 colours and sizes of bricks from 10 sites across the east coast of Australia.	Viridian is Australia's largest glass supplier and leads the industry for quality and innovation.
Continued its track record of increasing earnings with market share growth in all major segments.	Earnings increased with growth from the commercial market in both aesthetic decorative products and functional acoustic boards.	Earnings were down following softer market demand in Queensland and investment in innovation and product development. This was largely offset by improved performance in Vic and NSW.	Earnings were higher following strong activity on the east coast, supported by concerted efforts to mitigate increased energy costs.	The balance of the Viridian businesses improved performance with increased pricing and product mix, offset by $4 million in higher energy costs.
The $75 million expansion of capacity at Somersby, NSW is on track for completion in March 2019.	Continuing to work with Australia's leading architectural firms and engineering consultancies on many landmark projects such as the Barangaroo and Darling Harbour developments in Sydney.	Investment in the Elemental lightweight roofing range and Colour Lock technology continues.	Investment in new products and customer service continues with the launch of the Corium brick cladding solution and the opening of a new PGH selection centre in Melton, Vic.	Demand for higher performing glass is increasing following new BASIX energy targets in New South Wales which became effective in July 2017 while in Victoria, IGU sales accounted for over 60% of revenue in YEM18.

SOARING TO NEW HEIGHTS

Gyprock supports Perth's most iconic project at Optus Stadium

Gyprock was pleased to be chosen by the wall and ceiling contractor to supply the Optus Stadium project, partnering with Cubic to guide product specification and providing technical support on site. Gyprock products including EC08 Complete, Gyptone and Rigitone, were specified for the project.

200,000m²

of plasterboard was transported to the construction site. Gyprock's perforated plasterboard range delivers reduced echo and noise reverberation to create more comfortable environments.

ALUMINIUM

EBIT lower due to higher energy costs.

25%
CSR holds an effective 25% interest in the Tomago aluminium smelter located near Newcastle, NSW

10%
increase in realised aluminium price in YEM18

REALISED ALUMINIUM PRICE UP 10%

The realised aluminium price in Australian dollars (including hedging and premiums) was up 10% to A$2,657 per tonne.

Performance was also supported by increased production and operational improvements.

There was significant price momentum in US$ aluminium prices during the year with the average cash price per tonne of US$2,045 up 21% from US$1,688 following production curtailments in China. This provided an opportunity for Gove Aluminium Finance (GAF – 70% CSR) to lock in hedge book returns to reduce volatility in future earnings.

The Australian dollar averaged US77.4 cents during the year compared to US75.3 cents in the prior year, while the average ingot premium for the year was US$111 per tonne, up 18% on the prior year (Platts Metals Week – Main Japanese Port ingot premium).

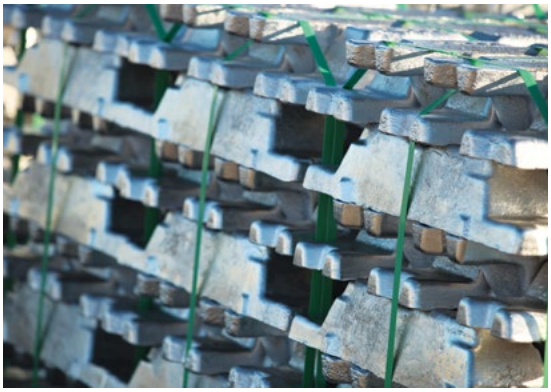
ALUMINIUM REVENUE UP 11%

GAF's sales volumes of 212,801 tonnes were up 1% due to operational improvements at Tomago. Trading revenue of $565.5 million was up 11% reflecting the 10% improvement in the realised aluminium price.

EBIT LOWER DUE TO HIGHER ENERGY COSTS

EBIT of $79.5 million was down 15% largely due to the new power supply contract which took effect from November 2017. This increased total power-related costs by $34.3 million for the five months of YEM18 that the new contract was in place. This included $6.8 million linked to the delivered coal costs to the electricity generator's power stations, part of the contractual arrangements in the power supply contracts at Tomago.

Production costs were also higher following a step-up in pot relining activity and higher raw material costs, up $11.8 million, including coke and pitch due to supply constraints. This was partially offset by operational improvements at Tomago.



ALUMINIUM BILLETS READY FOR EXPORT TO CUSTOMERS IN THE ASIA-PACIFIC REGION FOR USE IN MANUFACTURING A WIDE VARIETY OF PRODUCTS

"There are still some improvements to come but 'Robbie' is working well and the benefit is that it takes away someone doing repetitive work."

BRENDAN CORR,
TOMAGO PROCESS
ENGINEER

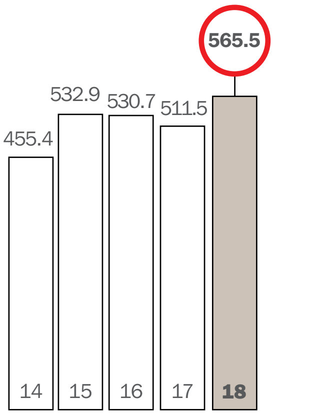
INNOVATION STATIONS

Carbon Automation at Tomago

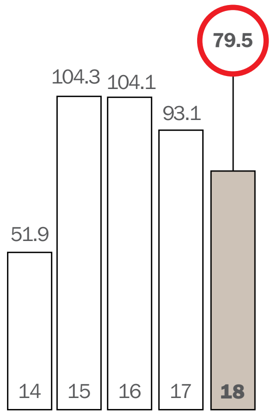
'Robbie the Robot' was first discussed as an idea a little over 18 months ago in the Carbon department at Tomago Aluminium. Robbie is an articulated robotic arm which is now doing the work of four people around the clock in hot, dusty, noisy and ergonomically poor conditions … without a single complaint!

The Carbon team has also developed a replicated panel via-tablet interface for use at loading and unloading stations. The tablet enables more effective use of labour in the area by giving forklift operators the ability to complete most of the normal functions from the driver's seat.

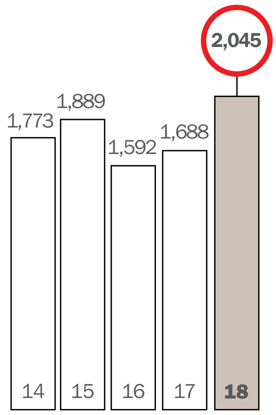
Brendan Corr developed the system with the help of his team in Automation and the tablet was launched in mid 2017.



ALUMINIUM TRADING REVENUE
Year ended 31 March ($ million)



ALUMINIUM EBIT
Year ended 31 March ($ million)



AVERAGE LME US$ ALUMINIUM CASH PRICE
Year ended 31 March (US$ per tonne)

PROPERTY

Property transactions continue to deliver significant earnings for CSR while we have a pipeline of development projects over the next five to ten years.

PROPERTY EBIT OF $47.8 MILLION

CSR's Property division recorded EBIT of $47.8 million, up from $15.0 million in the prior year.

The result includes the sale of the 8-hectare site at Rosehill, NSW and sales from Stage 4 and 5 of the 584-lot residential development at Chirnside Park, Vic.

Chirnside Park development has settled 410 lots, exchanged contracts on 105 lots with 69 lots to be released as construction of Stage 6 continues. As of 31 March 2018, this project has delivered $31.4 million in EBIT.

Full zoning approval of the 70 hectare site at Schofields, NSW is expected to be completed by the end of 2018 with site rehabilitation underway.

CURRENT PROJECTS UNDERWAY

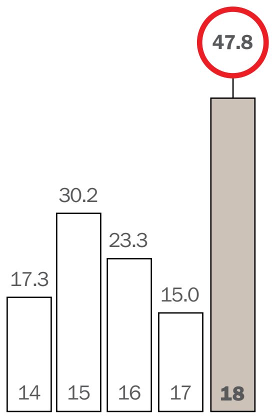
Chirnside Park, Vic	▪ Progress to date: 410 lots settled, 105 contracts exchanged with 69 lots to be released as construction of Stage 6 continues ▪ As of 31 March 2018, this project has delivered $31.4 million in EBIT
Schofields, NSW	▪ 70ha – future residential ▪ Approximately 1,250+ lots ▪ Site rehabilitation underway ▪ Rezoning approval expected in 2018
Horsley Park, NSW	▪ 30ha – surplus industrial land ▪ Stage 1 sale announced in April 2018 ▪ Stage 2 development progressing
Brendale, Qld	▪ Marketing continues of ~30ha industrial development

$47.8m

CSR Property delivered $47.8 million in EBIT in YEM18

220+

CSR Property manages over 220 manufacturing and distribution sites across Australia and New Zealand



PROPERTY EBIT
Year ended 31 March ($ million)

MAXIMISING VALUE

CSR is accelerating investment in key property sites as the market for industrial and residential sites remains strong

CSR's Property division focuses on maximising financial returns by developing former manufacturing sites and industrial land for sale. CSR has an inhouse Property team which covers a wide range of activities including:

- Maximising value of operational footprint
- Generating returns through various stages of the development cycle
- Providing an opportunistic approach to the stage development process
- Managing numerous projects through rehabilitation, zoning and planning consent

Key projects include:

- Schofields, NSW – 70ha future residential
- Horsley Park, NSW – 30ha surplus industrial land
- Chirnside Park, Vic – 43ha residential
- Brendale, Qld – 30ha industrial development
- Badgery's Creek, NSW – 200ha future development

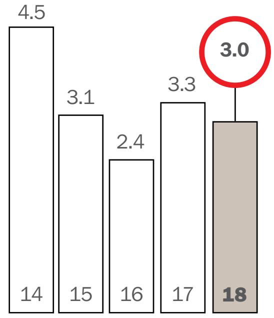
"Working in the Property division alongside the business units on their freehold sites has been a wonderful experience. Working through a myriad of issues around town planning, re-zoning, rehabilitation, infrastructure and environment translates into greater shareholder value and a sustainable earnings stream that supports the business long term."

ALLISON BASFORD,
CSR PROPERTY DEVELOPMENT MANAGER

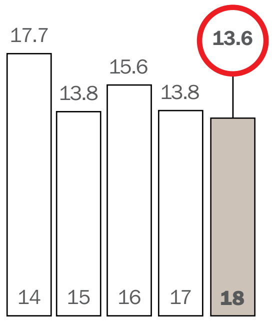
LEFT: AERIAL VIEW OF THE NEW HEBEL FACTORY IN SOMERSBY, NSW, ROOF NEAR TO COMPLETION MARCH 2018.
ABOVE: AERIAL VIEW OF THE NEW HEBEL FACTORY SITE AUGUST 2017.

WORKING TOWARDS A SUSTAINABLE FUTURE

CSR remains committed to sustainable practices throughout all of our businesses. We understand that a sustainable business must ensure that it minimises its impact on the environment and the community. Full details of CSR's sustainability agenda and data are included in CSR's Sustainability Report which is available on CSR's website at www.csr.com.au.



LOST TIME INJURY FREQUENCY RATE
Year ended 31 March
(per million work hours)

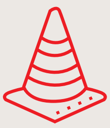


TOTAL RECORDABLE INJURY FREQUENCY RATE
Year ended 31 March
(per million work hours)

PEOPLE

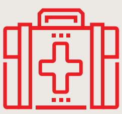
CSR recognises that a sustainable workplace is one that provides a safe, rewarding and diverse environment for our employees.

- Workplace health and safety – CSR places the same emphasis and importance on managing safety as any other business imperative.
- Diversity – CSR believes that a diverse workforce improves business decision making and increases workforce sustainability.
- Training and development – CSR is committed to investing in its employees and developing leadership skills.



9%
improvement in safety LTIFR in YEM18

29%
of CSR's directors are women



45%
severity improvement in days lost as a result of work-related injuries

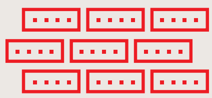
20%
women in senior management positions – in line with YEM17

INNOVATION

CSR's innovation agenda is targeting sustainable building and energy efficient solutions.

- CSR is playing a lead role in the market through its research on key issues of heat, air and moisture in buildings and the impact on the actual energy required for maintaining a comfortable home.

8 stars
ongoing building science research at CSR House



$3m
funding from the Federal Government to support CSR Inclose™ building façade system

3 years
CSR Connect launched three years ago, providing 24/7 access to accounts, pricing, payment and delivery tracking

$20m
Energy Improvement Fund established

SUSTAINABILITY SUMMARY

During the year, CSR continued to improve the sustainability of our operations, whilst also helping our customers and the built environment by making substantial progress in energy efficiency, comfort and the performance of homes and buildings.

The built environment (covering residential, commercial and all other construction) accounts for around 20% of Australia's greenhouse gas emissions and CSR will play a critical role in ensuring Australia can deliver its 26-28% reduction in greenhouse gas emissions between 2005 and 2030.

We also recognise that we must mitigate the climate impacts of our businesses through the use of the best possible energy mix and managing emissions within our manufacturing sites and supply chain.

We have made a number of investments to achieve our reduction targets including the $20 million CSR Energy Improvement Fund to deliver energy saving projects in addition to continuous improvement in energy efficiency at many of our manufacturing sites. We are also investing in construction innovation including the development of a high performance building façade system, supported by a $3 million grant from the Federal Government.

This year we have focused our sustainability goals in three key areas: the environment, our people and the community. Innovation is a key driver to improve our performance across all of these areas.

Rising energy and compliance costs have also accelerated projects that may not have been financially viable a few years ago. We have featured a few examples in this report where innovative ideas have delivered great outcomes for CSR and the environment and communities in which we operate.

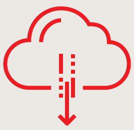
ENVIRONMENT

CSR is committed to minimising the impact on the environment with specific targets to reduce emissions and raw material use.

- We are making good progress towards our 2020 goal of a 20% reduction in energy, waste and water usage (per tonne of saleable product) using 2009/10 as the base year.
- To date, we have exceeded our 2020 targets for waste and CO_2-e with further work underway to reduce water consumption and energy use in the year ahead.

↓11%

reduction in waste sent to landfill in 2017



↑ 1%

increase in CO_2-e following increased production in 2017

2020 target

exceeded 2020 target to minimise waste production and CO_2-e emissions per tonne of saleable product

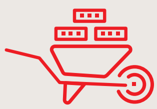
↑11%

increase in potable water usage following increased production in 2017

COMMUNITY

CSR maintains ongoing dialogue with our key stakeholders and the community to ensure we are meeting our social licence to operate.

- Our relationship with the community can have a significant impact on our ability to operate each of our sites successfully.
- We continue to partner with a number of organisations in line with our commitment to operate in a sustainable manner and to gain the confidence of the communities in which we operate.



628 hours

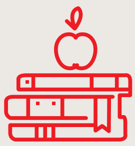
CSR volunteered with ABCN Student Mentor Program in 2017

$108,670

donated to CSR Community Support Program in YEM18

8 sites

CSR volunteers have donated their time for Business Clean Up Day at 8 sites across Australia



438 students

mentored by CSR employees in 2017

SUSTAINABLE BUILDINGS OF THE FUTURE

We are developing systems to make it easier and faster to build, helping our customers to reduce construction time and deliver better energy efficiency, comfort and design.

Innovation at CSR is building on CSR's core values through a number of initiatives that support the building and construction industry:

- Development of enhanced services and new products for our core brands
- Utilising new technologies in both material science and digital services
- Building organic growth ideas using lean startup methodology
- Expanding our business portfolio into adjacencies
- Using a variety of investment models matched to business maturity and risk

We have aligned our initiatives into **Customer, Digital and Collaboration**.

Customer and Digital

This is based on increasing our understanding of the needs of our customers and improving accessibility to key information:

- We have direct measurable digital feedback from CSR customers with optional comments on what we do spectacularly, what we do well and any issues that they have experienced.
- Our digital CSR Connect online platform enables customers to access through their phones, tablets and PCs all key customer information on products, pricing, orders, delivery and invoicing.
- CSR customer journey mapping is setting the direction for our marketing and sales approach that caters for changing customer and market needs.
- Business analytics provides improved analysis of customer preferences and trends and a range of expanded internal digital tools to increase efficiency, all supported by CSR's core IT system.

Collaboration

We are creating opportunities for collaboration across CSR which:

- Supports the formation of cross business and cross functional teams with the mandate to develop CSR wide initiatives.
- Provides a structured lean start-up program so that employees can pursue new ideas for the business through an inclusive and new team environment, supported with resources from within CSR and externally with a broad range of skills and experience.

The business will benefit from the new ideas developed and the reaction of our staff has been very positive to the autonomy of the team based approach and the individual learning and personal development experience.

WORLD FIRST

Bradford Solar's world's first solar and battery powered water treatment plant

This world first solar/battery powered chlorination plant supports the Logan City Council in Queensland to manage drinking water systems for the protection of public health and the environment for the community. This project is also the first offgrid system powered by Tesla Powerpack in Australia.

The plant is wholly powered by the solar and battery system installed with 323 solar panels and provides around the clock solar power all year round.

The project involved the Bradford team working with Tesla to demonstrate that a solar PV generation system and commercial Powerpack batteries work harmoniously in response to the site's real time energy requirements.

"Bradford Supertel prevents sound from the HVAC motors travelling though the ducts into the rooms while its thermal performance helps maintain a consistent air temperature throughout the long network of ducts."

IAN DORAN,
BRADFORD HVAC/INDUSTRIAL ACCOUNT MANAGER

HIGH PERFORMANCE INSULATION

Bradford provides a high performance solution for a major hospital air conditioning system

The Northern Beaches Hospital is a $1 billion development located in Frenchs Forest, NSW. The hospital will accommodate 488 beds across nine storeys and is due for completion in 2018.

The hospital's Heating, Ventilation and Air Conditioning (HVAC) system is driven by a large central unit that pushes conditioned air out to each room through a complex network of ducts. It is within these ducts that Bradford provides a high performance acoustic and thermal solution.

Bradford Supertel is a high performance insulation that's installed inside HVAC ducts for sound absorption and thermal insulation. The product prevents sound from the HVAC motors travelling though the ducts into the rooms, while its thermal performance helps maintain a consistent air temperature throughout the long network of ducts.

FASTER FAÇADES

CSR's new Inclose system makes it faster for façades

In March 2017, CSR was awarded a grant of $3 million from the Federal Government to support the development of the company's innovation in the high performance building façade system, CSR Inclose™. CSR is also investing $3 million of its own funds into the project. The funding will assist in developing the system in conjunction with the University of Melbourne and façade engineering consultants, the Inhabit Group.

CSR has established a factory in Port Kembla NSW, to manufacture a new generation of advanced, pre-fabricated unitised rainscreen façades for the Australian commercial construction markets targeting hotels, hospitals and educational facilities. The product will offer safer, faster, higher performing and more durable façade systems for Australian buildings. Manufacturing panels at the new factory is underway.

$3.0m

funding from the Federal Government to support CSR Inclose™ building façade system

OUR ENVIRONMENT

Our goal is to ensure our businesses remain compliant with our operating licences, minimise our impact on the environment and have a positive impact on the communities in which we operate.

OUR ENVIRONMENTAL COMMITMENT

CSR has an active program to reduce its impact on the environment which is overseen by the Board and the Workplace Health, Safety & Environment Committee. Each business in CSR has a plan which commits site management to:

- Comply with government environmental regulations
- Identify and address key environmental risks
- Improve environmental awareness of employees and contractors
- Reduce greenhouse gas emissions and use of resources
- Continued focus on improving the energy efficiency of our operations

exceeded 2020 target for waste production and CO_2-e emissions per tonne of saleable product

REDUCING WASTE AT CSR

CSR has a number of programs to minimise waste through the transfer of waste materials into the production of other products.

- Glasswool production uses 80% recycled glass and we source around 15% (80 tonnes per week) of our recycled glass requirements from our Viridian factories and Viridian customers.
- Gyprock transfers waste plasterboard to manufacturers of gypsum based gardening supplies and soil conditioners.
- Gyprock also has a recycling facility which takes waste plasterboard from building sites back to the factory for recycling and reuse in the plasterboard production process.
- Cemintel fibre cement waste is used in the production of road base.
- Other projects are under review including using the dust collected from air pollution control equipment as an input into the brick manufacturing process.

"Our ability to provide waste glass from Viridian to Bradford's glasswool production process is a great example of how CSR can utilise resources from across its network of operations to minimise waste."

MAGDA KING, VIRIDIAN PROCESS IMPROVEMENT ENGINEER

PROGRESS TOWARDS 2020 GOAL

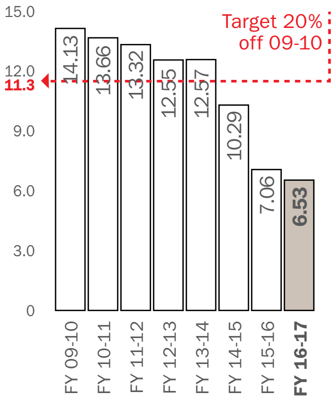
We have articulated our commitment to minimise the impact on our environment with specific targets to reduce greenhouse gas emissions and waste production and the consumption of energy and water used in production.

Each CSR business unit sets goals to improve performance and reduce their environmental impact and these are regularly reviewed by senior management and the Workplace Health, Safety & Environment Committee (WHSE).

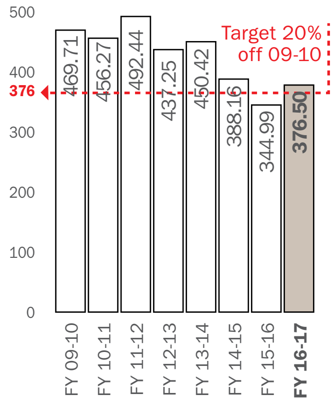
CSR'S operations are making good progress towards our 2020 goal of a 20% reduction per tonne of saleable product in energy consumption, in CO_2-e emissions, solid waste to landfill and potable water usage using 2009/10 as the base year.

To date we have exceeded our targets for waste and CO_2-e emissions with further work underway to reduce water consumption and energy use in the year ahead.

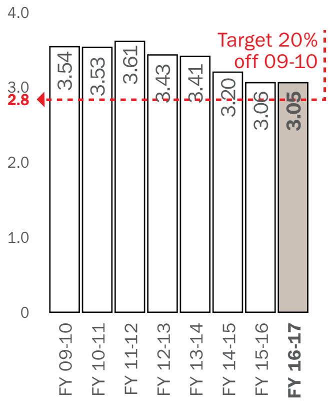
WASTE PRODUCTION TO LANDFILL
Kg/Tonne of Product



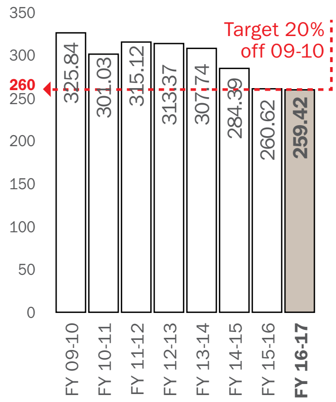
POTABLE WATER CONSUMPTION
Ltr/Tonne of Product



ENERGY CONSUMPTION
GJ/Tonne of Product



TOTAL SCOPE CO_2-e
Kg/Tonne of Product



All environmental data is for the period 1 July 2016 to 30 June 2017 to be consistent with the National Greenhouse Reporting (NGER) scheme.

BRADFORD SOLAR PROJECT AT JOSEF CHROMY VINEYARD, TASMANIA

$5m

allocated to energy saving reduction projects in YEM18

ENERGY REDUCTION

CSR Energy Improvement Fund

CSR has established a $20 million fund specifically targeting energy saving reduction projects to reduce reliance on external providers. The key aim of the fund which is overseen by CSR's Energy and Carbon Management Committee, is to bring forward projects that may not normally have met the internal business benchmarks and payback periods.

Four projects currently underway:

- Solar project at Bradford Insulation, Ingleburn, NSW
- Biomass project at PGH Bricks, Cecil Park, NSW
- Solar project at PGH Bricks, Golden Grove, SA
- An off-peak electricity management project at Hebel, Somersby, NSW

OUR PEOPLE

People are key to our success at CSR and we recognise that a sustainable workplace is one that is safe, rewarding and diverse for our employees.

SAFETY INITIATIVES TO REDUCE RISK AND HARM

Our safety strategy has led to a series of significant initiatives to improve our safety performance including:

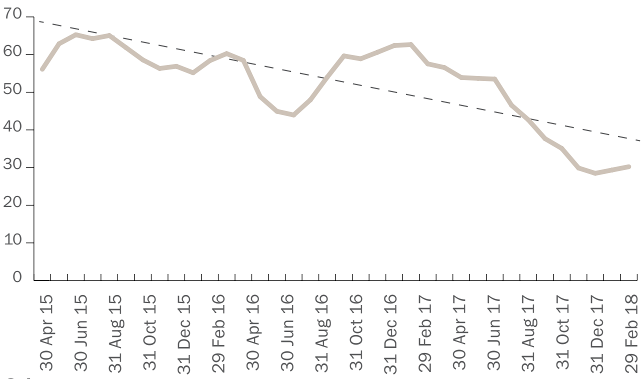
- 115 employees completed an accredited Safety Leadership Training
- Chain of Responsibility system reviewed with operational improvements implemented
- Sub-contractor safety management system improved and implemented
- Implementation of a new Workplace Health and Safety system to improve efficiency and insights on incidents and hazards

9%
improvement in safety LTIFR in YEM18

Along with other initiatives these have resulted in improvements in key measures:

- Achieved 98% against a target of 90% for the Injury Prevention Indicator
- 45% improvement in severity measured by days lost as a result of work-related injuries
- LTIFR decreased by 9% from 3.3 to 3.0

INJURY SEVERITY
Days lost per million work hours



SUPPLY CHAIN – CHAIN OF RESPONSIBILITY

Working with the Australian Logistics Council on a CSR wide Chain of Responsibility (COR) review

CSR is committed to the manufacture, distribution and delivery of building products in the safest way possible for our employees, people working within our supply chain and the general public.

In most states across Australia once the gross mass of a vehicle (GVM) exceeds 4.5 tonne then that vehicle is defined as a 'Heavy Vehicle' and is subject to Chain of Responsibility law.

Chain of Responsibility means that even though contractors deliver most of CSR's products, we are still responsible for making sure that they are transported and delivered safely.

In 2017, CSR launched a three year program with the Australian Logistics Council to review our chain of responsibility systems. This program covers procedures for load weight and restraint, loading and unloading, mix load mass, safe driving and fatigue management. We have also integrated the COR program into our new digital delivery tracking system used by customers to track their orders on-line.

CSR has six specific COR training modules with over 7,600 hours of training completed in YEM18.

DIVERSITY LEADS TO BETTER DECISION MAKING

CSR believes that a diverse workforce improves business decision making as well as increasing workforce sustainability, leading to better organisational relationships and ultimately better solutions for our customers. Each of these helps to improve the financial results of CSR.

YEM18 DIVERSITY ACHIEVEMENTS

LEADERSHIP AND CULTURE	CAREER MANAGEMENT	RECRUITMENT AND RETENTION
▪ 27% of attendees at CSR leadership programs were women. ▪ Over 2,500 on-line training modules focusing on Fairness, Respect and Diversity were completed. ▪ Achieved gender pay equity through established bi-annual processes and detailed pay reporting by job grade. ▪ Diversity reporting within the organisation was maintained to drive more informed recruitment decisions. ▪ The CEO led diversity council meetings throughout the year to implement and review diversity initiatives. ▪ Diversity initiatives were promoted, shared and leveraged throughout the organisation through targeted communication.	▪ Insights from the female talent review were leveraged to further support female talent within the business units. ▪ Career opportunities and development of women were promoted (in YEM18, 41% of internal promotions were women, compared with 34% in YEM17). ▪ Completed a review of workplace flexibility policies and parental support arrangements. Improvements include a dedicated support service for parents and increasing paid parental leave from 10 to 12 weeks for eligible employees. ▪ Promoted and sponsored the Women in Industry Awards with 10 finalists nominated from CSR.	▪ Female applications and appointments fell marginally during YEM18 driven by stronger demand for operational roles more often applied for and filled by male candidates. ▪ Promoted CSR as a more diverse and inclusive organisation. ▪ Voluntary turnover of women held steady. ▪ Completed two workshops with senior leaders in CSR covering any bias that might affect recruitment decisions.

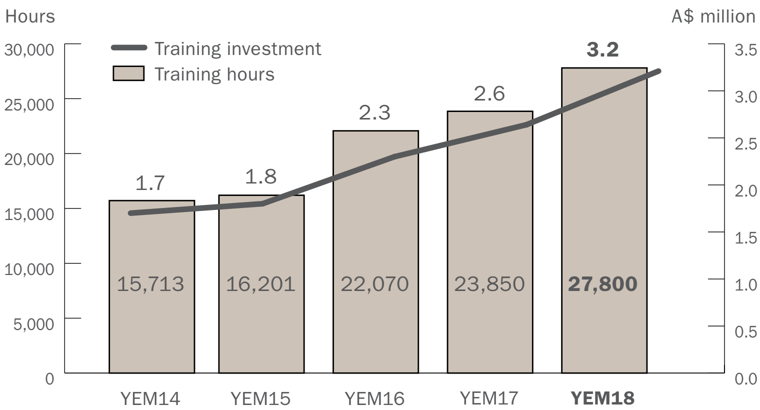
TRAINING AND DEVELOPMENT

Over the past seven years we have developed a suite of leadership training programs designed to provide our leaders with the knowledge, skills and networks to enable them to perform at their best. These programs have become a well-regarded part of our employee value proposition.

$3.2m
invested in training programs in YEM18

27,800
hours of training completed in YEM18

TRAINING HOURS AND INVESTMENT



WORKING IN THE COMMUNITY

Community engagement can have a significant impact on our ability to operate each of our sites successfully.

CSR PARTNERSHIPS

We continue to partner with a number of organisations in line with our commitment to operate in a sustainable manner and to gain the confidence of the communities in which we operate.

Businesses today need a "licence to operate" from their communities or they may be unable to achieve their business objectives. We actively manage our interaction with the communities affected by our operations.

COMMUNITY RELATIONS

- Site level engagement with local communities and neighbours affected by our operations.

COMMUNITY SUPPORT PROGRAM

- Launched in 2003, CSR matches employee contributions dollar for dollar to three charitable organisations.
- Provides volunteer support for various activities and campaigns during the year.

STUDENT MENTOR PROGRAM

- CSR commenced working with the Australian Business and Community Network (ABCN) in 2011 to provide mentoring and coaching programs in schools in high need areas.
- In 2017, CSR volunteers donated time to support over 400 students.

BUILDING PRODUCT DONATIONS

- CSR supports a number of charities to build new facilities with product donations as well as technical support and installation expertise.

community relations site planning underway at key sites

$3m

donated to charities over the last 15 years

COMMUNITY SUPPORT PROGRAM

CSR staff have donated $3m to charity

CSR launched the CSR Community Support Program in 2003 and during that time CSR and its employees have donated over $3 million to charity. A core component of our community involvement is the CSR Community Support Program, under which CSR matches employee contributions dollar for dollar to three charitable organisations.

In the year to 31 March 2018, CSR and its employees donated $108,670 to three charitable organisations, The Salvation Army, Youth Off The Streets and Assistance Dogs Australia. CSR extends its relationship with its partnership charities by providing volunteer support for various campaigns and activities during the year.

THE SALVATION ARMY is a national charity, offering caring support for every problem "from the cradle to the grave." Their services are as wide-ranging and diverse as the areas of need in the community. They offer services to aged care, crisis accommodation, suicide prevention, youth and families at risk, telephone counselling, to name just a few.

YOUTH OFF THE STREETS is a youth-specific charity, assisting young people dealing with issues of substance and other abuse, alienation from family and community and homelessness. Youth Off The Streets offers a continuum of care from assistance on the streets; crisis and short term accommodation to long term residential care, treatment and secondary schooling.

ASSISTANCE DOGS AUSTRALIA is a national charity which trains Labradors and Golden Retrievers to help people with physical disabilities. They currently have over 90 dogs around Australia, with over 50 dogs currently in training. The charity requires significant funding to achieve its goal of placing at least 30 dogs per year with recipients.

"Our annual community day is a great opportunity to spend time as a team and give back to the community. It was great to work closely with our key reseller who has been loyal to CSR for 50 plus years – and to support the Read family – a very worthy cause."

CRAIG SWEENY, REGIONAL SEGMENT MANAGER NSW

HELPING BUILD OUR COMMUNITIES

Helping build a home for the Read family

CSR Gyprock, together with Cowra Plasterworks, donated volunteer time and products to install the plasterboard and insulation for a new home for the Read family.

Gyprock joined many other volunteers to help build an accessible house for the three Read children who have a rare genetic condition which requires the use of wheelchairs in their home in Canowindra, NSW.

Product donations
to various charity projects

GYPROCK TEAM WITH MEMBERS OF THE READ FAMILY

MENTORING IN PROGRESS AT CURRAN PUBLIC SCHOOL, MACQUARIE FIELDS NSW

AUSTRALIAN BUSINESS AND COMMUNITY NETWORK

Providing mentor support to students

CSR commenced working with the Australian Business and Community Network (ABCN) in 2011. It is a partnership of highly committed national business leaders and companies working on mentoring and coaching programs in schools in high need areas. In 2017, CSR volunteers donated 628 hours, providing mentoring support to over 400 students from disadvantaged schools in New South Wales, Queensland and Victoria.

CSR is part of ABCN's InterACT program which is designed to assist students from a migrant or refugee background to gain cultural and vocational literacy in order to participate in Australian life. The program focuses on 'soft skills' such as communication and building relationships. There is also a critical socialisation aspect through which students learn to sustain a conversation with a positive role model outside their immediate community. CSR has a team of mentors who meet with the students over six weeks as part of the program.

628 hours
volunteered with ABCN Student Mentor Program in 2017

RISK MANAGEMENT

There are a number of 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.

Risk Management at CSR is an iterative process, each cycle enhances our understanding of our risks and deepens our engagement with stakeholders including employees, contractors, regulatory bodies, government, shareholders and the community.

A range of factors, some of which are beyond CSR's control, can influence the performance of CSR. CSR's risk management policy is available on our website at www.csr.com.au/investor-relations-and-news/corporate-governance.

KEY AREAS OF MATERIALITY	RISKS	MONITOR AND MANAGE RISK
Aluminium, currency and debt markets	▪ CSR's results are impacted by movements in the global US dollar price for aluminium and currency fluctuations. ▪ Some risks related to the aluminium operation cannot be hedged including regional price premiums, global relativity of price of electricity and inputs such as petroleum coke as well as changes to the joint venture structure.	▪ CSR has a policy to hedge both US dollar sales and foreign currency exposure when specific targets are met, with the primary objective of reducing short-to-medium term earnings volatility. This policy is monitored regularly by CSR's Finance Committee which includes CSR's CEO, CFO, Group Treasurer and the General Manager of Gove Aluminium Finance. ▪ CSR regularly monitors cash flow and the group financial position as part of the Finance committee's function.
Australian construction markets and competitor activity	▪ Approximately 50% of CSR's total revenue is generated from product and service supplied into the new residential construction sector of Australia and New Zealand which is impacted by several macro-economic factors. ▪ As a supplier to the construction market, CSR is subject to a number of competitive forces including other domestic and international suppliers and new technologies which could replace existing building methods.	▪ Reviews of market activity are factored into CSR's monthly reporting, quarterly forecasting and annual budget and planning cycles, which in turn drive capacity and capital planning. Furthermore, the nature of CSR's building products is that they are typically sold late in the construction process, giving CSR some visibility of changes in market conditions before specifically impacting demand. ▪ CSR is actively developing and acquiring new products that increase CSR's exposure to the multi-residential segments. ▪ The release of future land supply for residential development relies on the coordination of government and regulatory bodies with builders and developers to deliver infrastructure and services for new projects.
Digital and cyber security	▪ Digital services are increasingly used by the construction sector. CSR's digital development program is critical to achieving growth in its key markets. ▪ CSR faces network and data risks due to cyber security breaches.	▪ CSR has developed its CSR Connect digital platform which provides 24/7 access to all customer account pricing, ordering, delivery and invoicing data. ▪ A cyber security improvement plan and alignment to ISO standard is underway.

KEY AREAS OF MATERIALITY	RISKS	MONITOR AND MANAGE RISK
Employee and community engagement	▪ An engaged and diverse workforce is critical to CSR's long term success – to help develop new ideas and build a workforce more representative of our society. ▪ This includes managing its ageing workforce, transferring technical skills and sales relationships as well as promoting trade apprenticeships across the building sector. ▪ CSR recognises that it plays an important role in the success and prosperity of local communities as an employer, operator of major manufacturing sites and developer of its legacy property assets.	▪ CSR has developed a suite of leadership and training programs to provide our people with the knowledge, skills and support to enable them to perform at their best. ▪ Community relations site planning underway at key sites.
Energy and climate change	▪ CSR's manufacturing operations use significant amounts of energy including electricity and gas. ▪ These energy costs are increasing, particularly for Tomago aluminium which impacts its cost competitiveness compared to global smelters. ▪ The transition to a low carbon economy and mitigating the potential impacts of climate change as well as government regulations and planning may impact the availability and nature of supply, as well as how we manage our land assets and business processes.	▪ CSR has committed to a 20% per tonne reduction of greenhouse gas emissions, potable water consumption and solid waste production to landfill per tonne of saleable product by 2020 using 2009/10 as the base year. ▪ Where possible, CSR enters into long-term contracts to provide greater security of energy supply for its factories. ▪ CSR's Energy and Carbon Management Committee oversees risks related to electricity pricing and management. ▪ Alternative energy sources including solar power are also under review in addition to site specific energy reduction initiatives. ▪ The potential climate change impact on key physical assets is under review. ▪ Established a $20 million CSR Energy Improvement Fund to deliver energy saving projects across its manufacturing sites.
Product liability	▪ Previous involvement in asbestos in Australia and exporting asbestos to the United States. ▪ CSR ceased asbestos mining in 1966 and divested remaining interests in 1977.	▪ CSR meets all valid claims in both Australia and the United States on an equitable basis. ▪ The asbestos provision is impacted by movements in claim numbers, settlement rates and values and movements in AUD/US$ exchange rate.
Supply chain and product compliance	▪ CSR relies on an extensive supply chain to manufacture and distribute its products and services. ▪ This supply chain can be impacted by natural, political or technological disruptions which the company reviews to develop alternative supply options and minimise the risk of potential supply issues.	▪ CSR has a quality management system to ensure that all products manufactured or supplied consistently meet the requirements and specifications of international and national quality standards and customer expectations.
Workplace health and safety	▪ CSR has a stated long term objective of achieving zero harm to CSR people across all operations.	▪ The board WHSE committee regularly reviews initiatives targeting improved safety performance across our businesses.

Note: Material Risks are listed alphabetically

BOARD OF DIRECTORS

JEREMY SUTCLIFFE LLB (HONS).

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

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

Experience and expertise: Jeremy was formerly Group CEO of Sims Metal Management Limited from 2002 until 2008 and a director until 2009.

Other directorships/offices held
- Non-executive director of Amcor Limited (2009 to current)
- Non-executive director of Orora Limited (2013 to current)
- Advisory role with Veolia Environmental Australia (2014 to current)

ROB SINDEL BENG, MBA, GAICD, FIEAust, CPEng.

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.

Other CSR responsibilities: Attends committee meetings by invitation.

Experience and expertise: 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 30 year career in the construction industry started with Pioneer in Australia.

Other directorships/offices held
- Director (2013 to current) and chair of the Remuneration Committee (2015 to current) of the Green Building Council of Australia
- Director of the Australian Business and Community Network (2013 to current)
- Member of the UNSW Australian School of Business Advisory Council
- Member of the Yalari NSW Advisory Committee, an organisation that works with students from indigenous backgrounds

JOHN GILLAM BCom, MAICD, FAIM.

Non-executive director since December 2017.

Other CSR responsibilities: Member of the Risk & Audit Committee and the Remuneration & Human Resources Committee.

Experience and expertise: John was formerly managing director of Bunnings in Australia and New Zealand from 2004 to early 2016 and of the expanded Bunnings Group, until December 2016. John joined Wesfarmers Limited in 1997 and held a number of senior leadership roles in the company over the past 20 years.

Other directorships/offices held
- Chairman of BlueFit Pty Limited (2018 to current)
- Director of Clontarf Foundation (2017 to current)
- Director of Heartwell Foundation (2009 to current)
- Director of Ruyton Girls School (2012 to current)

CHRISTINE HOLMAN PGDipBA, MBA, GAICD.

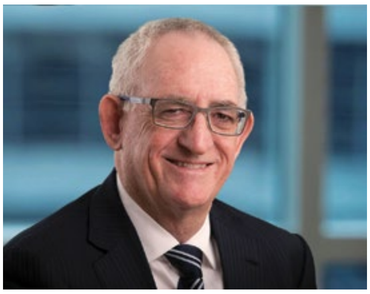
Non-executive director since October 2016.

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

Experience and expertise: Christine was formerly commercial director at Telstra Broadcast Services until March 2016 and chief financial officer and commercial director of Globecast Australia until June 2015. Christine also spent seven years at Capital Investment Group involved in strategy, business development and mergers and acquisitions. Christine has over 20 years' experience across the technology, private equity and digital sectors in a variety of functions including finance, commercial, technology and marketing.

Other directorships/offices held

- Non-executive director of HT&E Limited (2015 to current)
- Non-executive director of The Bradman Foundation (2016 to current)
- Non-executive director of the State Library of NSW Foundation (2017 to current)
- Non-executive director of the T20 World Cup 2020 Cricket Board (2018 to current)
- Previously a non-executive director of Vocus Group Limited (August 2017 to November 2017)



MIKE IHLEIN BBUS (Accounting), FAICD, FCPA, FFIN, MFEI.

Non-executive director since July 2011.

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

Experience and expertise: Mike was formerly chief executive officer and executive director of Brambles Limited until November 2009, prior to which he was Brambles' chief financial officer for four years. Mike 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.

Other directorships/offices held

- Non-executive director of Scentre Group (2014 to current)
- Non-executive director (2012 to current) and chair of the People & Culture Committee (2015 to current) of Snowy Hydro Limited
- Non-executive director of Spark Software sp. z o.o. (2015 to current)
- Non-executive director of Kilfinan Australia Limited (2016 to current)
- Previously a non-executive director of Murray Goulburn Co-operative Co Ltd (2012 to 2017)

MATTHEW QUINN BSc (HONS), ACA, ARCS, FAPI, FRICS.

Non-executive director since August 2013.

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

Experience and expertise: Matthew was formerly managing director of Stockland, a position held until January 2013. Matthew's management career with Stockland spanned 12 years, and he has an extensive background in commercial, retail, industrial and residential property investment and development.

Other directorships/offices held

- Chairman of Class Super (Director since 2015, Chair since 2017 to current)
- Chairman of Carbonxt (2013 to current)
- Non-executive director of Regis Healthcare Limited (2018 to current)
- Member of the Australian Business and Community Network Scholarship Foundation

PENNY WINN BCom, MBA, GAICD.

Non-executive director since November 2015.

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

Experience and expertise: Penny was formerly director Group Retail Services with Woolworths responsible for leading the Logistics and Information Technology divisions and the Customer Engagement teams, a position held until October 2015. Penny has over 30 years of experience in retail in senior management roles in Australia and overseas.

Other directorships/offices held

- Non-executive director of Caltex Australia Limited (2015 to current)
- Non-executive director of Goodman Limited and Goodman Funds Management Limited (2018 to current)
- Chairman of Port Waratah Coal Services Ltd (2015 to current)
- Member of the UTS Business School's Advisory Board

DIRECTORS' REPORT

The board of directors of CSR Limited (CSR) presents its report of the consolidated entity, being CSR and its controlled entities (CSR group), for the year ended 31 March 2018. The information appearing on pages 32 to 52 forms part of the directors' report and is to be read in conjunction with the following information:

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 2018 is set out on the inside front cover to page 29 and pages 53 to 94 of the annual report and forms part of the directors' report. This includes the summary of consolidated results as well as an overview of the group's strategy, material risks and future prospects.

Significant changes

There have been no significant changes to the CSR group in the financial year ended 31 March 2018.

Events after balance sheet date

On 9 May 2018, the board resolved to pay a final dividend of 13.5 cents per ordinary share for the year ended 31 March 2018 to be paid on 3 July 2018. This dividend will be 75% franked at the 30% corporate tax rate.

The final dividend for the financial year ended 31 March 2018 has not been recognised in this financial report.

On 3 April 2018, CSR announced the sale of the first tranche of surplus land at Horsley Park, NSW. Under the terms of the sale, approximately $30.0 million of profit before tax is expected to be recognised in the statement of financial performance in the year ending 31 March 2019, with settlement expected in April 2019.

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.

Dividends and distributions to shareholders

Dividends through the year have been as follows:

- a final dividend of 13 cents per ordinary share (50% franked at the 30.0% corporate tax rate), with respect to the financial year ended 31 March 2017, was paid on 4 July 2017; and
- an interim, dividend of 13.5 cents per ordinary share (50% franked at the 30.0% corporate tax rate) was paid on 12 December 2017 (as set out in note 16 to the financial statements on page 74).

No other distributions were paid during the year.

Options over share capital

Other than as disclosed in the Remuneration Report:

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

Indemnities and insurance

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

- liability incurred by that person as an officer of CSR (including liabilities incurred by the officer as a director of a subsidiary of CSR where CSR requested the officer to accept appointment as director); and
- reasonable legal costs incurred in defending an action for a liability or an alleged liability incurred by that person as such an officer of CSR (including such legal costs incurred by the officer as a director of a subsidiary of CSR where CSR requested the officer to accept appointment as director).

For the purposes of rule 101 of CSR's constitution, 'officer' means a director, secretary and executive officer of CSR (as defined in the *Corporations Act 2001*).

CSR has entered into a deed of indemnity, insurance and access with current and former directors of CSR and its subsidiaries. Under each director's deed, CSR indemnifies the director against all costs, losses or liabilities, including without limitation, legal costs and expenses, on a full indemnity basis, incurred by the director in their capacity as a director of CSR or, in some cases as a director of a CSR subsidiary. The deeds also provides directors certain rights of access to board papers and require CSR to maintain insurance cover for directors. No director or officer of CSR has received benefits under an indemnity from CSR during or since the end of financial year.

CSR's external auditor is not indemnified under rule 101 of CSR's constitution or any agreement.

During the year, CSR paid premiums in respect of insurance contracts for the year ended 31 March 2018 and, since the end of the year, CSR has paid, or agreed to pay, premiums in respect of such contracts for the year ended 31 March 2019. 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.

Performance in relation to environmental regulation

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

Political donations

CSR attended a small number of events organised by political parties such as conferences in the year ended 31 March 2018. 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. No fees were paid to attend these events (2017: $5,050) and as such disclosure to the Australian Electoral Commission was not required.

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 2018, an officer of the CSR group. No auditor played a significant role in the CSR group audit for the year ended 31 March 2018 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 34.

Non-audit services

Details of the amounts paid or payable to the CSR group auditor, Deloitte Touche Tohmatsu, for non-audit services provided by that firm during the year are shown in note 30 to the financial statements on page 93. 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 (KMP)

The remuneration report on pages 35 to 52 provides: a summary of the board's remuneration policy and practices during the past year as they apply to directors and other KMP (as defined by the Accounting Standard AASB 124 *Related Party Disclosures*); the relationship between remuneration policy and the CSR group's performance; and the remuneration details for each director and other KMP.

Directors', company secretary, directors' meetings and directors' shareholdings

On 14 December 2017, John Gillam was appointed as a non-executive director.

There were no other changes to the board in the year ended 31 March 2018.

As announced on 27 March 2018, effective from 31 May 2018 John Gillam will succeed Jeremy Sutcliffe as Chairman who will retire from the board on the same date.

The names of directors who held office at 9 May 2018, as well as details about current directors' period of appointment, qualifications, experience, special responsibilities, current directorships and directorships for the past three years of other listed companies, are on pages 30 and 31 and forms part of the directors' report.

The qualifications and experience of the company secretary at 9 May 2018 are as follows:

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

Joined CSR in 2001 and held various roles before being appointed Company Secretary. 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 an associate of the Governance Institute of Australia and the Australian Institute of Company Directors (AICD).

The number of meetings of the company's board of directors and each board committee held during the year ended 31 March 2018, and the number of meetings attended by each director are detailed in Table 1 below. The directors' relevant interests in shares in CSR or a related body corporate as at the date of this report are detailed in the remuneration report on pages 50 and 52. Other than as disclosed elsewhere in this report, no director:

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

Table 1: Meetings of directors

Year ended 31 March 2018	CSR Board		Risk & Audit Committee		Workplace Health, Safety & Environment Committee		Remuneration & Human Resources Committee	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
Jeremy Sutcliffe[3,4]	10	10	n/a	2	n/a	–	4	4
John Gillam[6]	3	3	1	1	n/a	1	1	1
Christine Holman[3]	10	10	n/a	2	4	4	4	3
Michael Ihlein[5]	10	10	4	4	4	4	n/a	2
Matthew Quinn[4]	10	10	4	3	n/a	–	4	4
Penny Winn[5]	10	10	4	4	4	4	n/a	3
Rob Sindel	10	10	4	4	4	4	4	4

1 Meetings held while a member.
2 Meetings attended.
3 Director is not a member of the Risk & Audit Committee.
4 Director is not a member of the Workplace Health, Safety & Environment Committee.
5 Director is not a member of the Remuneration & Human Resources Committee.
6 Appointed 14 December 2017 and attended the March 2018 Workplace Health, Safety & Environment Committee meeting as part of CSR induction.

Jeremy Sutcliffe
Chairman
Sydney, 9 May 2018

Rob Sindel
Managing Director
Sydney, 9 May 2018

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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

9 May 2018

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 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

JA Leotta
Partner
Chartered Accountants

REMUNERATION REPORT

1 Basis of preparation

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

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

The report contains an overview which is intended to provide a 'plain English' explanation for shareholders of the key management personnel (KMP) and senior executives' actual remuneration outcomes for the year ended 31 March 2018 (YEM18) and the remuneration framework. There are no proposed changes for the financial year ended 31 March 2019 (YEM19).

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

Overview

2 Key management personnel (KMP) and senior executives

KMP for the year ended 31 March 2018 are detailed in the table below. KMP are as defined by the Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124).

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

Table 1: Key management personnel

Name	Position	Term as KMP
Non-executive directors (NEDs)		
Jeremy Sutcliffe[1]	Chairman	Full year
John Gillam[1]	Director	Appointed 14 December 2017
Christine Holman	Director	Full year
Michael Ihlein	Director	Full year
Matthew Quinn	Director	Full year
Penny Winn	Director	Full year
Executive KMP		
Rob Sindel	Managing Director	Full year
David Fallu	Chief Financial Officer	Full year

1 As announced on 27 March 2018, effective from 31 May 2018 John Gillam will succeed Jeremy Sutcliffe as Chairman who will retire from the board on the same date.

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

Table 2: Senior executives

Name	Position	Term as senior executive
Ian Hardiman	Executive General Manager – New Business, Innovation and Technology	Full year
Peter Moeller	Executive General Manager – Viridian	Full year
Luke Murphy	Executive General Manager – Human Resources	Full year
Andrew Mackenzie	General Manager – Property	Full year
Nick Pezet	Executive General Manager – PGH Bricks	Full year
Andrea Pidcock	Executive General Manager – Lightweight Systems	Full year
Anthony Tannous	Executive General Manager – Bradford	Full year
Mark White	General Manager – Aluminium	Full year

3 Overview of remuneration approach and framework

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

Table 3: CSR executive remuneration framework

Feature	Explanation
Market positioning	▪ Fixed remuneration is positioned at the market median against the Korn Ferry Hay Group industrial and services database for roles of comparative size, or relative to their counterparts in related industries. ▪ Variable remuneration provides executives the opportunity to earn upper quartile total remuneration for stretch performance.
Fixed and variable pay mix	▪ Total remuneration is comprised of fixed plus variable (or 'at risk') remuneration. ▪ A significant proportion of the total remuneration opportunity for senior executives is variable and 'at risk' based on performance.
Short term incentive (STI) plan	▪ The STI plan provides rewards to executives for achievement of business financial performance metrics (60% weighting), individual performance goals (20% weighting), and customer objectives (20% weighting). ▪ In addition, 20% of the total STI earned by executive KMP and senior executives is deferred into shares.
Long term incentive (LTI) plan	▪ The Performance Rights Plan (PRP) provides CSR executives with grants of performance rights that vest based on: - CSR's three year total shareholder return (TSR) relative to the TSR of other S&P/ASX 200 index constituents (the peer group); - CSR's compound annual growth in earnings per share (EPS) over three years; and - The board's assessment of achieving set strategic objectives in the areas of Growth, Portfolio and Digital objectives at the end of the three year performance period (YEM17 PRP award only). ▪ Any performance rights which vest will be converted automatically into shares. ▪ Holders of performance rights are not entitled to dividends until the rights have vested and converted into shares.

Table 4: Non-executive director fees framework

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

4 Actual remuneration

Actual remuneration disclosure has been prepared to provide shareholders with a view of the remuneration structure and how remuneration was paid to the executive KMP for the year ended 31 March 2018. The board believes presenting information in this way provides shareholders with increased clarity and transparency of the executive KMP remuneration, clearly showing the amounts awarded for each remuneration component (fixed, short and long term) within the financial year. This disclosure differs from the statutory remuneration disclosures contained in note 12, with a summary of the differences detailed in the table below.

Table 5: Comparison of actual and statutory remuneration disclosures

	Fixed remuneration	Short term incentive	Long term incentive	Leave accruals	Other benefits
Actual remuneration disclosures	Cash salary, superannuation contributions and other eligible salary sacrifice benefits	STI award for YEM18, inclusive of the 20% STI deferral, expressed as a cash value	Value of LTIs that have vested during the year, calculated based on the number of shares valued using the five day volume weighted average price (VWAP) prior to issue of the shares. Excludes the value of unvested LTIs at 31 March 2018	Not included	Includes Universal Share Ownership Plan (USOP), and other costs relating to company business or contractual obligations, where the benefit has been received
Statutory remuneration disclosures	As above	STI award for YEM18, exclusive of STI deferral, plus amortisation of STI deferrals relating to current year and prior two years	Value of LTIs recorded in accordance with accounting standards (based on fair value determined at grant date expensed over the vesting period). The amount relates to YEM15 to YEM18 LTI grants	Included	As above, except where PRPs are granted as part of contractual obligations. These are expensed over the vesting period

4 Actual remuneration (continued)

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

Table 6: Actual remuneration received by executive KMP

Year ended 31 March 2018 $	Fixed remuneration	Short term incentive[1]	Long term incentive	Other benefits[2]	Total
Rob Sindel	1,248,185	905,673	1,635,336	4,115	3,793,309
David Fallu	559,281	301,433	201,670	–	1,062,384
Total	1,807,466	1,207,106	1,837,006	4,115	4,855,693

1 The STI award represented 103% of Mr Sindel's target STI opportunity and 107% of Mr Fallu's target STI opportunity for YEM18.
2 Other benefits included travel expenditure for Mr Sindel's spouse, all of which related directly to company business.

Given the flat organisation structure of the company and following a review of senior executives against the criteria for determining executive KMP, only the managing director and chief financial officer qualify as executive KMP. The year-on-year change in total actual remuneration for senior executives is summarised in the table below and is prepared on the basis outlined in Table 5. The analysis excludes the executive KMP, Mr Sindel and Mr Fallu. The year-on-year decrease in total remuneration for senior executives was driven predominantly by a decrease in the value of LTI that vested in YEM18 compared to YEM17 due to a lower number of rights vesting. No termination benefits were paid to senior executives during the year.

Table 7: Senior executive remuneration

Year ended 31 March $	Fixed remuneration	Annualised average fixed remuneration[1]	Underlying increase in fixed remuneration[2]	Short term incentive	Long term incentive	Other benefits[3]	Total	Change in total
2018	**4,042,921**	**505,365**	**2.25%**	**2,204,738**	**1,808,054**	**34,268**	**8,089,981**	(0.4%)
2017	3,751,680	494,368		2,023,598	2,207,355	137,980	8,120,613	

1 Annualised average fixed remuneration per senior executive.
2 In YEM18 there is an additional senior executive for the whole of the year, following the appointment of an Executive General Manager - New Business, Innovation and Technology part way through YEM17. As a result, given the additional executive included the actual change in aggregate fixed remuneration is 7.8%.
3 Other benefits include USOP, travel expenditure and relocation costs, related to company business or contractual obligations. In addition, for YEM17 other benefits included amounts paid to the Executive General Manager – Lightweight Systems to ensure no undue disadvantage upon resignation from previous employment.

5 Performance outcomes

Table 8: Summary of performance outcomes for the year ended 31 March 2018

Remuneration	Performance outcome
Total remuneration	▪ Total remuneration expense decreased for executive KMP and decreased for senior executives from YEM17 to YEM18 primarily due to a decrease in the value of LTI's that vested in YEM18 compared to YEM17.
Short term incentive (STI)	▪ YEM18 STI increased compared to YEM17 due to the changes in both executive KMP and senior executives. ▪ YEM18 CSR group EBIT result was moderately above target.
Long term incentive (LTI)	▪ The value of LTI that vested in YEM18 decreased compared to YEM17 due to a lower number of rights vesting. ▪ In YEM18, EPS and TSR performance hurdles for the YEM15 PRP were met resulting in a full vesting of the EPS grant and partial vesting of the TSR grant. Further detail is contained in note 9.

6 Remuneration framework changes

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

Changes impacting YEM18 remuneration

As outlined in the YEM17 remuneration report, the following amendments have been made in relation to the LTI and STI plans for YEM18:

Table 9: Changes to hurdles and weightings of the LTI plan for YEM18

Performance hurdle	YEM18	YEM17	Detailed explanation
Relative TSR	50%	30%	▪ This measure is consistent with market practice and aligns with shareholder interests. The S&P/ASX 200 will continue to be used as the comparator group given that CSR sits within this index.
EPS	50%	40%	▪ EPS will continue to be measured on an averaged basis over the three year performance period rather than point to point. The board believes this better addresses the cyclicality of the business and incentivises participants to improve performance year on year by removing the current exposure solely to the final year of the performance period. ▪ The board will assess average EPS over the three year performance period and this result will then be compared against the hurdles set by the board. The EPS performance hurdles will be set at 5% to 10% compound growth for target and stretch performance respectively.
Strategic objectives	0%	30%	▪ Objectives were included in the YEM17 grant and in the absence of materially different strategic objectives it was determined that the grants would revert to the well-established performance hurdles of relative TSR and average EPS equally weighted at 50% of grant value.

Changes to the STI plan for YEM18

Consistent with the group strategy to drive a customer centric organisation, all executive KMP and senior executives will have a customer related objective with a weighting of 20% at target performance. This customer objective will form part of the individual component of the STI with the financial component of the STI remaining unchanged.

In recognition of the growth of the business and the hedging in place for Aluminium in YEM18, the threshold target for the YEM18 STI plan was increased from 90% to 95% and the stretch target was reduced from 120% to 110%.

Remuneration Policy

7 Remuneration governance

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

Figure 1: CSR's remuneration governance framework

CSR Board

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

Remuneration & Human Resources Committee

Management and Board remuneration policy

Monitors, recommends and reports to the board on:

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

Human Resources, Talent Management and Diversity

Monitors, recommends and reports to the board on:

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

Managing Director and Executive General Manager – Human Resources

Provides information to the Remuneration & Human Resources Committee for the Committee to recommend on:

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

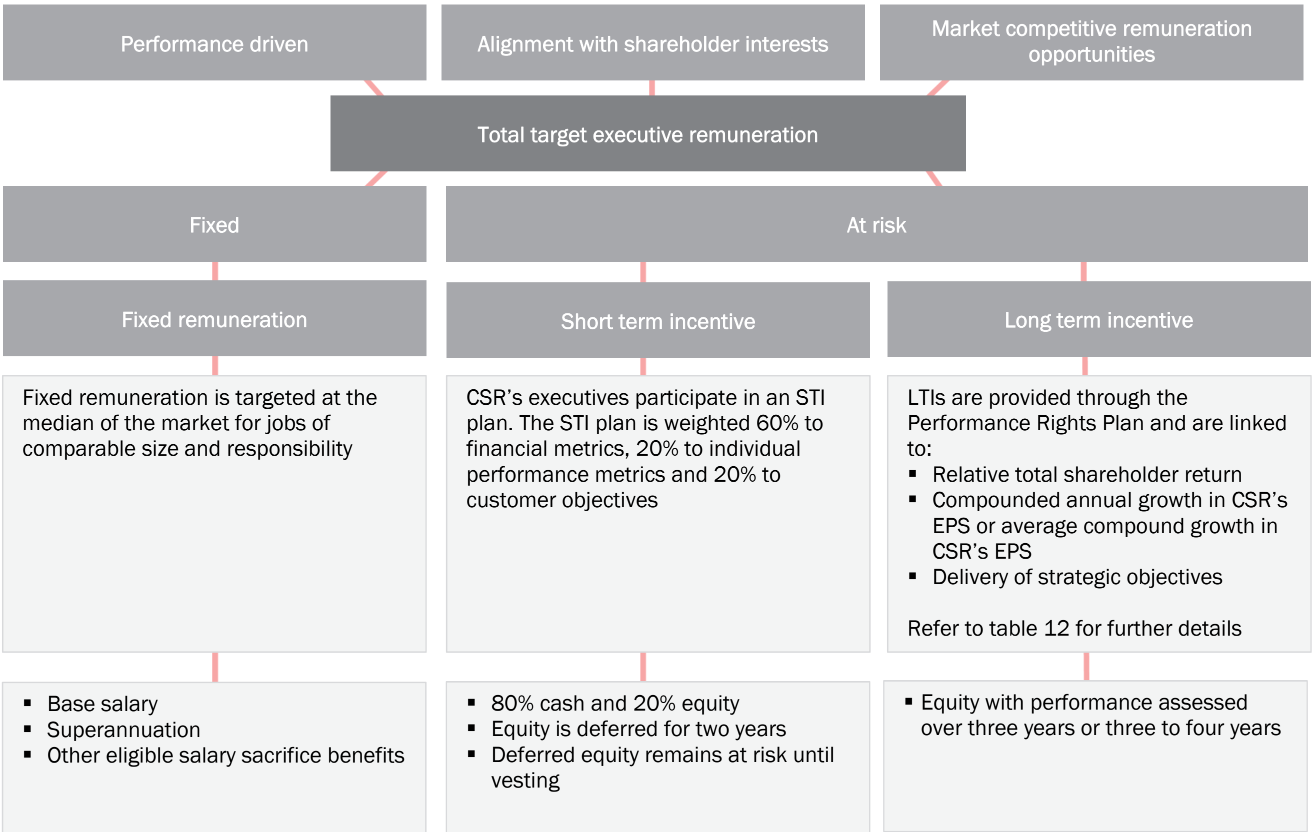
External advisors

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

8 Remuneration strategy

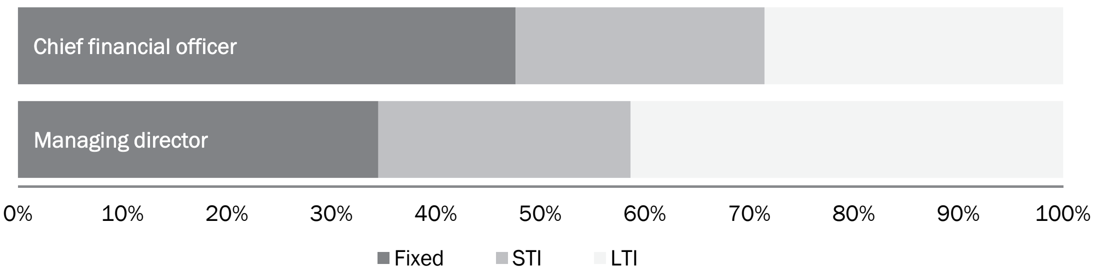
The core elements of CSR's remuneration strategy for the executive KMP and senior executives are outlined below.

Figure 2: CSR's remuneration strategy and structure



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

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

Objective	Explanation
Performance driven	Remuneration should reward executives based on annual performance against business plans and longer term shareholder returns. The variable components of remuneration (both short term and long term) are driven by challenging targets focused on both external and internal measures of financial and non-financial performance. A significant proportion of executive remuneration is 'at risk'. The following remuneration mix chart sets out the remuneration mix as fixed remuneration, target STI and the maximum value of the LTI granted during the year for the executive KMP. 
Market competitive remuneration opportunities	Remuneration opportunities, including those elements which can be earned subject to performance, are set at competitive levels that will attract, motivate and retain high quality executives. Executive remuneration is reviewed annually. CSR aims to provide market-competitive remuneration against jobs of comparable size and responsibility (as measured by the Korn Ferry 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.

8 Remuneration strategy (continued)

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

Objective	Explanation
Alignment with shareholder interests	Executives' remuneration is aligned with shareholder interests through a significant emphasis on variable remuneration. Incentive plans and performance measures are aligned with CSR's short and long-term success. Ownership of CSR shares is encouraged through the use of equity as the vehicle for the LTI plan, the STI deferral plan for executive KMP and senior executives, the Universal Share Ownership Plan (USOP) where CSR matches either $500 or $1,000 of CSR shares purchased after tax by eligible employees and the ability to forgo part of fixed remuneration to acquire shares up to a maximum value of $5,000 annually through the Employee Share Acquisition Plan (ESAP). Executive KMP and senior executives are required to hold, or make progress towards holding, a minimum CSR shareholding equivalent to 50% of their fixed annual remuneration.

9 Composition of remuneration

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

(i) Fixed remuneration

Fixed remuneration comprises base salary, superannuation and other eligible salary sacrifice benefits. 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.

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

(ii) At risk remuneration – short term incentive plan

Table 11: Details of the short term incentive plan

Purpose	To drive individual and team performance to deliver annual business plans and increase shareholder value.
Frequency and timing	Awards are determined on an annual basis with performance measured over the year to 31 March and payment being made in July.
Financial measures	The quantum of the STI pool is determined by EBIT before significant items, which assesses the amount of pre-tax profit generated by the business. The STI plan is weighted 60% to EBIT financial metrics. Financial performance for YEM18 STI awards was measured against EBIT that was assigned at the organisational level that best reflects the role's influence. All executives and eligible employees had 50% of their financial component aligned to the CSR financial result (EBIT) with the remaining 50% of the financial component aligned with the financial performance (EBIT) of the business unit which best reflects the role's influence. Hence, the measures used in the YEM18 STI plan are: ▪ corporate roles: CSR EBIT before significant items (100%*); and ▪ business unit executive roles: business unit EBIT before significant items (50%*) and CSR EBIT before significant items (50%*). * Expressed as a percentage of the STI financial component. STI financial component typically comprises 60% of target STI. Return on Funds Employed (ROFE) is also assessed by the board to ensure that the effectiveness with which capital is deployed within the business is measured and rewarded. The financial targets are set each year by the managing director, in consultation with the business unit executives and are approved by the board. The managing director's targets are set each year by the board. In recognition of the growth of the business and the hedging in place for Aluminium in YEM18, the threshold financial performance was increased from 90% to 95% of the budget approved by the board, below which no financial component can be paid. Target financial performance equates to the approved budget while stretch performance was reduced from 120% to 110% of the approved budget. These parameters apply at both the CSR and business unit level.
Individual objectives used (and rationale)	The STI plan is weighted 20% to individual objectives that are set for each participant and are aligned to the business plan. These objectives include safety, health and environment, meeting customer needs and becoming supplier of choice, leadership and development of people, sales targets, operational improvement, restructuring and rationalisation plans, production targets, growth and other personally attributable goals.
Customer objectives	The STI plan is weighted 20% to customer objectives. Customer objectives are set at a group level and business unit level. The objectives are focussed on driving improvements in the customer experience through the use of real time data on the order and delivery experience, adoption of our digital platform CSR Connect, building capability in customer facing staff and improving use of data to drive customer insights and value.

9 Composition of remuneration (continued)

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

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

9 Composition of remuneration (continued)

(iii) At risk remuneration – long term incentive plan

CSR's LTI program aims to:

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

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

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

<table>
<tr><td>Participation</td><td>Managing director, direct reports and selected key roles are eligible subject to approval by the board.</td></tr>
<tr><td>Grant frequency</td><td>Grants are made on an annual basis.</td></tr>
<tr><td>Type of award</td><td>Grants of performance rights are subject to service requirements and performance vesting criteria. If performance conditions are met, CSR shares will be purchased on market and transferred to participants. Refer to 'Performance period and conditions' below for more detail.</td></tr>
<tr><td>Vesting and performance period</td><td>YEM16 to YEM18 PRP: Awards are subject to a three year vesting period. Immediately following completion of the vesting period, the performance conditions (detailed below) are tested to determine whether, and to what extent, awards vest. To the extent that performance rights have not vested following the testing, they will lapse (i.e. participants forfeit their interests in the performance rights).
YEM14 to YEM15 PRP: Awards are subject to a three year vesting period. If some or all of the awards do not vest at the initial three year test date, they are carried forward and the performance period is extended by 12 months and retested over a four year performance period to determine if any additional vesting is achieved. Performance for both tranches is measured over this extended period to try and mitigate any distortion caused by business and commodity cycles or capital investment decisions. To the extent that performance rights do not vest as part of the retest, they will lapse.</td></tr>
<tr><td>How is performance assessed and why is it assessed that way?</td><td>TSR performance compared to the constituents of the S&P/ASX 200 index is considered appropriate given CSR's size and mix of businesses.
EPS performance hurdles were implemented in YEM12. Compound growth in EPS assesses the success of the business in generating continued growth in earnings and aligns the effort of executive KMP and senior executives with shareholder interests.</td></tr>
<tr><td>Performance period and conditions</td><td>The weighting of PRP grants allocated to each performance hurdle is illustrated below.
<table>
<tr><th></th><th colspan="3">Weighting of grant</th></tr>
<tr><th>Year of grant</th><th>Relative TSR (Tranche A)</th><th>EPS (Tranche B)</th><th>Strategic objectives (Tranche C)</th></tr>
<tr><td>YEM18</td><td>50%</td><td>50%</td><td>-</td></tr>
<tr><td>YEM17</td><td>30%</td><td>40%</td><td>30%</td></tr>
<tr><td>YEM14 - 16</td><td>50%</td><td>50%</td><td>-</td></tr>
</table>
Relative TSR (Tranche A)

TSR measures the percentage growth in shareholder value, taking into account share price growth, dividends and capital returns.
TSR performance is assessed against the constituents of the S&P/ASX 200 index defined at the start of the performance period with the following vesting schedule applying:

<table>
<tr><th>TSR of CSR relative to the peer group</th><th>Proportion of Tranche A to vest</th></tr>
<tr><td>Below the 50th percentile</td><td>0%</td></tr>
<tr><td>At the 50th percentile</td><td>50%</td></tr>
<tr><td>Between the 50th percentile and the 75th percentile</td><td>Straight-line vesting between 50% and 100% (e.g. each percentile improvement will result in an additional 2% vesting)</td></tr>
<tr><td>75th percentile or greater</td><td>100%</td></tr>
</table>

For the purposes of the TSR calculation, the start and end share prices will be calculated based on 10 trading days VWAP.
</td></tr>
</table>

9 Composition of remuneration (continued)

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

Performance period and conditions

EPS (Tranche B)

- EPS is defined as net profit after tax per share before significant items. The board may adjust EPS to exclude the effects of material business acquisitions or divestments and for certain one-off costs.

For the YEM17-18 PRP grants:

- EPS is measured on an averaged basis over the three year performance period rather than point to point.
- The EPS performance hurdles have been set at 5% to 10% compound growth for target and stretch performance respectively.
- Target performance is calculated by taking the total EPS from the performance period using actual EPS of the base year and compounding 5% per annum for three years, and dividing the result by three. Stretch performance is calculated by taking the total EPS from the performance period using actual EPS of the base year and compounding 10% per annum for three years and dividing the result by three.

The performance hurdles for the YEM18 PRP grant are illustrated below.

EPS performance hurdle	Average EPS growth (% CAGR)	YEM17 EPS (cps)	Cumulative EPS required over next three years (cps)	Average EPS required over next three years (cps)
Target	5.0%	36.5	120.8	40.3
Stretch	10.0%	36.5	132.9	44.3

The performance hurdles for the YEM17 PRP grant are illustrated below.

EPS performance hurdle	Average EPS growth (% CAGR)	YEM16 EPS (cps)	Cumulative EPS required over next three years (cps)	Average EPS required over next three years (cps)
Target	5.0%	32.9	108.9	36.3
Stretch	10.0%	32.9	119.8	39.9

Average EPS growth (% CAGR) between 5% and 10% will result in vesting between 50% and 100% increasing on a straight-line basis.

For the YEM14-16 PRP grants:

- The annual compound EPS growth over the period from commencement of the performance period to the test date.
- The board sets a threshold vesting schedule of 7% compound growth in EPS per year, with the following vesting schedule applying:

EPS target range (compound growth per annum)	Proportion of Tranche B to vest
Below 7% compound EPS	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%

Strategic objectives (Tranche C) – YEM17 PRP grant only

There are three objectives and each objective is equally weighted with 5% to 10% of the overall grant being allocated for target and stretch performance respectively. The objectives as set by the board are:

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

Treatment of capital return

There is no entitlement to a capital return. However, the board may make an adjustment to the number of shares underlying unvested performance rights that would be awarded to the participant if and when the performance rights vested. The number of additional shares underlying the performance rights corresponds to the cash amount per share returned to shareholders, and is intended to ensure that the value of awards of PRP holders is not eroded by capital returns. Capital returns are included as part of TSR performance.

Treatment on vesting

For all PRP grants, rights are eligible for one CSR share per one performance right on vesting.

9 Composition of remuneration (continued)

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

Sales restrictions post vesting	Shares transferred to participants on the vesting of performance rights are subject to the CSR share trading policy.
Treatment of dividends	There is no entitlement to dividends on performance rights under the plan during the vesting period.
Treatment on cessation of employment	Unvested awards: Generally, a participant who ceases to be employed prior to the performance conditions being met will forfeit their interest in the unvested shares. However, if the cessation of employment is the result of retirement, redundancy, total or permanent disablement, death or any other special circumstances at the board's discretion, board policy is to retain awards in the plan subject to ongoing performance hurdles following cessation of employment, i.e. awards remain 'on foot'. In exercising this discretion, the board would not generally accelerate vesting and would apply pro rata assessments for plans on foot. Vested awards: Awards that have vested are transferred to participants immediately at the time of vesting.
Treatment on change of control	Unvested awards: The board has discretion to allow awards to vest on a change of control of CSR (e.g. a takeover or merger). In exercising this discretion, the board would generally apply pro rata assessments for plans on foot. Vested awards: Awards that have vested are transferred to participants at the time of vesting.
Prohibition of hedging arrangements	Participants will forfeit their interests in unvested shares if they enter into any hedging transaction in relation to those shares in breach of CSR's Share Trading Policy. At 31 March 2018, executive KMP confirmed in writing their beneficial interest in CSR shares, including confirming that they had not entered into any hedging arrangements over vested or unvested CSR shares.

Table 13: Status and key dates of PRP awards

Grant date	Valuation per right[1]	Holding period	Performance testing windows	Expiry date (if hurdle not met)	Performance status[2]
23 July 2013 (YEM14)	Tranche A (TSR) $1.23 Tranche B (EPS) $1.82	23 July 2013 to 22 July 2016	23 July 2016 to 22 July 2017 (Tranche A) 1 April 2016 to 31 March 2017 (Tranche B)	23 July 2017	Tranche A (TSR): Performance condition met at 85th percentile in July 2016, resulting in maximum (100%) vesting of the allocation grant. Tranche B (EPS): 12% compound growth performance condition met with maximum (100%) vesting of the allocation grant.
23 July 2014 (YEM15)	Tranche A (TSR) $2.24 Tranche B (EPS) $3.26	23 July 2014 to 22 July 2017	23 July 2017 to 22 July 2018 (Tranche A) 1 April 2017 to 31 March 2018 (Tranche B)	23 July 2018	Tranche A (TSR): Performance condition met at 57th percentile in July 2017, resulting in 64.8% vesting of the allocation grant. Final test due in July 2018. Tranche B (EPS): 12% compound growth performance condition met with maximum (100%) vesting of the allocation grant.
24 July 2015 (YEM16)	Tranche A (TSR) $1.69 Tranche B (EPS) $3.05	24 July 2015 to 31 March 2018	1 April 2015 to 31 March 2018 (Tranche A and B)	1 April 2018	Performance testing in progress[3].
26 July 2016 (YEM17)	Tranche A (TSR) $2.42 Tranche B (EPS) $3.40 Tranche C (Strategic objectives) $3.40	26 July 2016 to 31 March 2019	1 April 2016 to 31 March 2019 (Tranche A, B and C)	1 April 2019	Performance testing window not yet commenced.
25 July 2017 (YEM18)	Tranche A (TSR) $1.76 Tranche B (EPS) $3.37	25 July 2017 to 31 March 2020	1 April 2017 to 31 March 2020 (Tranche A and B)	1 April 2020	Performance testing window not yet commenced.

1 The value of performance rights at grant date calculated in accordance with AASB 2 *Share-based Payments*. Valuations are performed by a third party, Ernst & Young.
2 To ensure an independent TSR measurement, CSR engages the services of an external organisation, Mercer Consulting (Australia) Pty Ltd, to calculate CSR's performance against the TSR hurdles.
3 Subsequent to 31 March 2018 and up to the date of this report:
Tranche A (TSR) for YEM16 was deemed by the board to have met the performance condition at the 78th percentile resulting in 100% vesting of the allocation grant and 452,013 rights vesting. The value of these shares has not yet been determined and will be disclosed in the YEM19 remuneration report.
Tranche B (EPS) for YEM16 was deemed by the board to have met the 12% compound growth performance condition required for maximum 100% vesting resulting in 452,004 rights vesting. The value of these shares has not yet been determined and will be disclosed in the YEM19 remuneration report.

9 Composition of remuneration (continued)

(iv) Other equity incentive plans

Table 14: Other equity incentive plans

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

10 Linking remuneration to performance

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

(i) STI and LTI financial measures

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

The key financial measure in YEM18 for determining the value of STI payments was EBIT before significant items (while ROFE was maintained as a qualifying metric). Significant items (both positive and negative) are generally excluded when measuring performance for STIs as they are not considered part of ordinary trading results. Each year an assessment is undertaken by the board to determine whether any of these significant items are included for the purpose of assessing STIs.

Building on the improved financial performance in YEM17, the YEM18 EBIT (before significant items) performance of CSR's businesses improved, increasing by 8.7% to $323.8 million.

The improvements in financial performance and specifically EBIT results moderately exceeded the EBIT target for STIs set by the board. Building Products made strong improvements in EBIT performance, reflecting a continued focus on customer service, cost control and business growth.

Aluminium EBIT decreased with the higher realised aluminium price and increased production being offset by the significant increase in energy and raw material costs.

Property EBIT increased following the Rosehill, NSW land sale and settlements from Stages 4 and 5 of Chirnside Park. There was a two-week delay to some settlements of Chirnside Park and these settlements were substantially completed in April 2018. The long-term development of the property portfolio continues to perform in-line with the boards' expectations.

Viridian EBIT was down due to operational issues, lower volumes and exposure to higher energy costs.

LTIs have been linked to company performance as follows:

- the value of performance rights (under the PRP) ultimately depends on share price performance; and
- awards vest subject to CSR's relative TSR performance compared against the constituents of the S&P/ASX 200 index and EPS growth. In addition, the YEM17 PRP award also includes performance against specific strategic objectives in the areas of growth, portfolio and digital.

CSR's TSR improved significantly against that of the S&P/ASX 200 index, resulting in partial vesting of the YEM15 PRPs. Subsequent to 31 March 2018 but prior to the date of this report, the board determined that the TSR tranche and the EPS tranche of the YEM16 PRP met the performance conditions required, resulting in all of the rights vesting.

10 Linking remuneration to performance (continued)

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

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

	Financial performance[7,8]					STI			LTI	
	EBIT ($ million)[1]	TSR (%)[2]	EPS (cents)[1]	ROFE (%)[3]	Share price ($)[4]	Executive KMP ($ million)	Senior executives ($ million)	All eligible employees STI as a % of EBIT	Vested value – Executive KMP ($ million)[6]	Vested value – Senior executives ($ million)[6]
YEM18	**323.8**	**25.3**	**42.3**	**23.2**	**5.18**	**1.2[5]**	**2.2[5]**	**5.3%**	**1.8**	**1.8**
YEM17	298.0	45.7	36.5	21.6	4.51	0.9	2.0	5.5%	2.8	2.2
YEM16	276.8	(10.9)	32.9	20.7	3.30	1.2	2.2	6.7%	3.6	3.4
YEM15	235.4	17.3	29.1	18.4	4.03	1.5	2.6	9.0%	1.7	1.2
YEM14	125.7	74.6	16.0	9.9	3.51	1.3	1.7	10.7%	–	–

1 EBIT and EPS are calculated before significant items.
2 TSR at 31 March sourced from Bloomberg. Relative TSR performance is disclosed in Table 13 along with the LTI vesting outcomes.
3 Return on Funds Employed (ROFE) defined in note 2 to the CSR group financial statements.
4 Closing share price at 31 March.
5 Represents approved and expensed STI for YEM18 but at the time of writing this report, this amount has not yet been paid.
6 Represents the value of PRPs vesting in the period, calculated based on the number of shares issued, valued using the five day VWAP prior to issue.
7 Dividends paid for the last five years are disclosed on page 3.
8 During the year, 172,631 shares were bought back on-market as part of CSR's ongoing capital management strategy. There has been no impact on remuneration. Further information is disclosed in note 15 to the CSR group financial statements.

(ii) STI non-financial measures

For YEM18, payments approved by the board for the non-financial component of the STI averaged across executive KMP and senior executives were on target. The following table provides some examples of key performance measures used in YEM18 to assess executive performance in the non-financial component of the STI.

Table 16: Non-financial measures and YEM18 performance

Performance area	Measure	Performance
Workplace Health, Safety (WHS) and Environment		**On target**
	Safety initiatives to reduce risk	▪ Chain of Responsibility system review and operational improvements. ▪ Sub-contractor safety management system improved and implemented. ▪ 115 employees completed Safety Leadership Training. ▪ Implemented WHS system to improve efficiency and insights on incidents and hazards.
	Lost Time Injury Frequency Rate (LTIFR)	▪ LTIFR decreased by 9% from 3.3 to 3.0.
	Injury severity	▪ Achieved a 45% improvement as measured by days lost as a result of work-related injuries.
	Leading safety indicators	▪ Achieved 98% against a target of 90% for the Injury Prevention Indicator.
	Energy reduction	▪ Greenhouse gas emissions reduced in line with targets. ▪ Four major energy reduction projects were completed or substantially completed that were funded by CSR's $20 million Energy Improvement Fund.
People and Culture		**Above target**
	Leadership Development	▪ Additional 16.5% investment (hours) in CSR leadership programs. ▪ Redesigned Performance Management System and successfully completed pilot. This will now be rolled out across CSR in YEM19.
	Culture	▪ Significant progress made driving culture improvement plans. Formal assessment of culture scheduled biannually and will be completed in February 2019.
	Succession	▪ Biannual talent and succession reviews completed and actions implemented.
	Diversity	▪ CSR's female participation in the business remained steady at 18%. ▪ Promotions for women increased from 34% to 41% during the year. ▪ Our measurable objectives are set out in the corporate governance report which is available on CSR's website.

10 Linking remuneration to performance (continued)

Table 16: Non-financial measures and YEM18 performance (continued)

Performance area	Measure	Performance
Innovation and growth		**On target**
	Product Development	▪ Each business has targets to develop and introduce new products.
	Growth from New Business or Acquisitions	▪ Completed seven Lean start-up initiatives involving 70 employees and generating 20 innovative concepts for future growth. ▪ Launched CSR Inclose and PGH Corium facades businesses.
Customer		**On target**
	Customer Experience	▪ Advanced use of daily customer survey data to drive improvements in order and delivery experience.
	Customer focused culture and capability	▪ Further investment to build capability of customer facing staff and customer service teams. ▪ Progressed customer journey mapping by key segment to drive future improvements in customer experience. ▪ Specific customer objectives are included in the YEM19 STI plan.
	Digital and Data Strategy	▪ Further development of our end-to-end digital solution for our customers, including CSR Connect platform and delivery tracking systems. ▪ Increased use of data to drive insights and improvements for customers.

Remuneration in detail

11 Service agreements

Managing director – Executive service agreement

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

Table 17: Managing director's remuneration package

Fixed remuneration	Fixed annual remuneration of $1,255,090 inclusive of superannuation contributions effective from 1 July 2017. Fixed remuneration is reviewed annually, but with no guarantee of an increase.
Notice period	Under the Executive's Service Agreement there is no fixed term and Mr Sindel's employment can be terminated by: ▪ the company giving him 12 months' notice of termination; or ▪ Mr Sindel giving six months' notice of resignation.
STI	There is no minimum entitlement to an STI payment and the maximum STI opportunity is 100% of fixed annual 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, 20% on individual performance and 20% on customer objectives. Under the STI deferral plan rules, 20% of the STI value will be deferred into CSR shares which vest in two years. Further detail on the STI deferral plan is contained in Table 11.
LTI	The value of any award of performance rights is currently set at a maximum of 120% of fixed annual remuneration. Grants of performance rights are subject to performance hurdles and vesting criteria set by the board (refer to note 9 for details).

Chief financial officer – Executive service agreement

David Fallu was appointed as chief financial officer effective 2 February 2017. Mr Fallu's remuneration package is summarised as follows:

Table 18: Chief financial officer's remuneration package

Fixed remuneration	Fixed annual remuneration of $562,375 inclusive of superannuation contributions effective from 1 July 2017. Fixed remuneration is reviewed annually, but with no guarantee of an increase.
Notice period	Under the Executive's Service Agreement, Mr Fallu's employment can be terminated by: ▪ the company giving him six months' notice of termination; or ▪ Mr Fallu giving six months' notice of resignation.
STI	There is no minimum entitlement to an STI payment and the maximum STI opportunity is 100% of fixed annual 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 20% on individual performance and 20% on customer objectives. Under the STI deferral plan rules, 20% of the STI value will be deferred into CSR shares which vest in two years. Further detail on the STI deferral plan is contained in Table 11.
LTI	The potential value of any award of performance rights is set at a maximum of 60% of fixed annual remuneration. Grants of performance rights are subject to performance hurdles and vesting criteria set by the board (refer to note 9 for details).

11 Service agreements (continued)

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

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

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

12 Statutory remuneration

Managing director's and chief financial officer's remuneration

The remuneration table below shows an increase in total remuneration expensed for accounting purposes for executive KMP in YEM18 compared with YEM17. The inclusion of an additional executive KMP for the full year accounts for the majority of the change in total expensed remuneration year on year.

Table 20: Executive KMP statutory remuneration

$ Year ended 31 March	Fixed[1]			Variable				'At risk'	
	Cash salary	Super-annuation	Leave benefits	Other benefits[2]	STI expense[3]	LTI expense[4]	Total	STI[5]	LTI[5]
Managing director – Rob Sindel									
2018	**1,228,244**	**19,941**	**56,007**	**4,115**	**904,903**	**1,105,929**	**3,319,139**	**27%**	**33%**
2017	1,200,448	19,539	6,795	3,856	907,729	1,119,756	3,258,123	28%	34%
Chief financial officer – David Fallu[6]									
2018	**539,340**	**19,941**	**23,904**	**118,187**	**261,242**	**49,565**	**1,012,179**	**26%**	**5%**
2017	84,472	4,904	7,144	131,883	–	–	228,403	–	–
Chief financial officer – Greg Barnes[7]									
2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2017	157,673	4,827	(94,680)	–	(67,787)	(314,876)	(314,843)	–	–

1 Fixed remuneration may be allocated at the executive's discretion to cash, superannuation (subject to legislative minimums), annual and long service leave benefits, motor vehicles and certain other benefits.
2 Other benefits included travel expenditure for Mr Sindel's spouse, all of which directly related to company business. The other benefits for Mr Fallu represents amounts awarded in YEM17 to ensure no undue disadvantage upon resignation from his previous employment. This includes the PRP grant of 43,000 rights which is being expensed over the vesting period. Further information is contained in note 14.
3 STI expense for YEM18 plus amortisation of STI deferrals relating to prior years' grants. STI payments may be allocated at the executive's discretion to cash or additional superannuation contributions.
4 LTI expense is as defined in the accounting standards. PRP grants are expensed over the vesting period at a valuation determined on grant date. Valuations are performed by a third party and are detailed in table 13.
5 STI and LTI as a percentage of total remuneration.
6 Appointed 2 February 2017.
7 Following Mr Barnes' resignation on 30 June 2016, provision for long service leave, the STI deferral expense relating to the YEM15 grant and the LTI expense relating to PRP grants which lapsed were reversed in YEM17.

13 Deferred shares

Table 21: STI deferred shares for executive KMP

	Number of STI deferred shares				
	Balance 1 April 2017	Granted[1]	Vested	Lapsed	Balance 31 March 2018[2]
Managing director – Rob Sindel	51,294	36,501	(51,294)	–	**36,501**
Chief financial officer – David Fallu[3]	–	–	–	–	**–**

1 The value of deferred shares provided to Mr Sindel at grant date was $4.93 per share. These shares related to the YEM17 STI and were granted on 17 May 2017 and will vest on 31 March 2019 consistent with the STI deferral plan.
2 The closing balance of deferred shares at 31 March 2018 represents unvested shares for YEM17 STI. Shares for the deferred portion for the YEM18 STI will be granted in May 2018. The number of shares granted will be based on the on the 10 day VWAP up to 31 March 2018 of $5.24 per share.
3 Appointed 2 February 2017.

14 Performance rights

Table 22: Executive KMP performance rights

	Number of performance rights				
	Balance 1 April 2017	Granted[1]	Vested[2]	Lapsed	Balance 31 March 2018
Managing director – Rob Sindel	1,222,350	339,466	(341,614)	–	**1,220,202**
Chief financial officer – David Fallu[3]	43,000	76,053	(43,000)	–	**76,053**

1 The accounting value of Mr Sindel's and Mr Fallu's rights granted were $870,730 and $195,077 respectively.
2 The following rights vested to ordinary shares during the year ended 31 March 2018:
Mr Sindel: (a) YEM15 Tranche B (rights vested and 207,290 shares awarded on 11 May 2017). The value of each of these shares was $4.85, representing a total value to Mr Sindel of $1,005,356. (b) YEM15 Tranche A (rights vested and 134,324 shares awarded on 2 November 2017). The value of each of these shares was $4.69, representing a total value to Mr Sindel of $629,980.
3 Appointed 2 February 2017. PRP grant issued to Mr Fallu for 43,000 rights vested automatically in the November 2017 trading window as Mr Fallu remained employed by the group. The accounting value of these rights granted was $3.49. At vesting date, the value of each of these shares was $4.69, representing a total value to Mr Fallu of $201,670.

15 Shareholdings

Table 23: Executive KMP shareholdings

	Number of CSR shares[1]				
	Balance 1 April 2017	Acquired[2]	Sold or transferred	Other	Balance 31 March 2018
Managing director – Rob Sindel	930,079	378,115	(400,000)	–	**908,194**
Chief financial officer – David Fallu[3]	–	43,000	–	–	**43,000**

1 CSR shares in which the executive KMP has a beneficial interest, including shares held by the CSR share plan trustee for vested shares from the PRP and shares held in respect of the STI deferral plan, by the ESAP trustee or via their related parties. It also includes spouse shareholdings.
2 Represents shares allocated upon vesting of rights under the PRP and shares acquired under the STI deferral plan as detailed earlier in this report. Mr Sindel's acquired shares include 341,614 shares issued on vesting of PRPs and 36,501 shares acquired under the STI deferral plan. Mr Fallu's acquired shares include 43,000 shares issued on vesting of PRPs.
3 Appointed 2 February 2017.

Non-executive directors and other

16 Arrangements

Table 24: Non-executive director (NED) arrangements

Role	Annual fee for YEM18
Chairman base fees	$352,167
Other NED base fees (including one committee membership)	$140,867
Chairman of the Risk & Audit Committee	An additional $31,442
Chairman of the Remuneration & Human Resources Committee	An additional $20,961
Chairman of the Workplace Health, Safety & Environment Committee	An additional $20,961
Additional committee memberships	An additional $10,481 per additional committee (applies to NEDs other than the chairman)

All fees are exclusive of any Superannuation Guarantee Contribution (SGC). No retirement allowances are payable to NEDs. NEDs do not participate in the company's STI or LTI plans or receive any variable remuneration, but are able to 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. Following benchmarking in YEM18, effective 1 April 2018 a 2.5% fee increase was applied to the chairman's base fees, other NED base fees and all committee fees.

17 Fees

Table 25: Non-executive directors' fees

Year ended 31 March		Directors' fees	Termination benefits	Superannuation	Total
John Gillam[1]	**YEM18**	**45,160**	**–**	**4,290**	**49,450**
	YEM17	–	–	–	–
Christine Holman[2]	**YEM18**	**151,348**	**–**	**14,378**	**165,726**
	YEM17	64,459	–	6,124	70,583
Michael Ihlein	**YEM18**	**172,309**	**–**	**16,369**	**188,678**
	YEM17	168,517	–	16,009	184,526
Rebecca McGrath[3]	**YEM18**	**–**	**–**	**–**	**–**
	YEM17	88,654	–	8,422	97,076
Matthew Quinn	**YEM18**	**161,828**	**–**	**15,374**	**177,202**
	YEM17	158,267	–	15,035	173,302
Jeremy Sutcliffe (chairman)[4]	**YEM18**	**365,683**	**–**	**19,941**	**385,624**
	YEM17	357,600	–	19,539	377,139
Penny Winn	**YEM18**	**161,828**	**–**	**15,374**	**177,202**
	YEM17	153,569	–	14,589	168,158
Total non-executive directors	**YEM18**	**1,058,156**	**–**	**85,726**	**1,143,882**
	YEM17	991,066	–	79,718	1,070,784

1 Appointed 14 December 2017. As announced on 27 March 2018, effective from 31 May 2018 John Gillam will succeed Jeremy Sutcliffe as Chairman who will retire from the board on the same date.
2 Appointed 25 October 2016.
3 Resigned 25 October 2016.
4 Effective 1 July 2014, Jeremy Sutcliffe's SGC was reduced from 9.5% of his base director's fees to the capped minimum SGC. His base fees increased by the difference between the employer's SGC requirement and the minimum SGC cap. The application of these arrangements continued in YEM18 consistent with any changes in SGC legislative requirements. As announced on 27 March 2018, effective from 31 May 2018 John Gillam will succeed Jeremy Sutcliffe as Chairman who will retire from the board on the same date.

18 Shareholdings

Table 26: Non-executive directors' shareholdings

	Number of CSR shares[1]				
	Balance 1 April 2017	Included in remuneration	Acquired	Sold or transferred	Balance 31 March 2018
John Gillam[2]	–	–	21,510	–	21,510
Christine Holman[3]	20,000	–	21,532	–	41,532
Michael Ihlein	59,673	–	1,035	–	60,708
Matthew Quinn	39,044	–	3,484	–	42,528
Jeremy Sutcliffe (chairman)	139,045	–	1,035	(58,694)	81,386
Penny Winn	43,403	–	–	–	43,403

1 CSR shares in which the director has a beneficial interest, including shares held under the ESAP trust or via related parties.
2 Appointed 14 December 2017.
3 Appointed 25 October 2016.

19 Other transactions with KMP

There were no other transactions, including loans between CSR and KMP (including their related parties), during YEM17 and YEM18.

FINANCIAL REPORT

Statement of financial performance

$million	Note	2018	2017
Trading revenue – sale of goods	2	**2,606.2**	2,468.3
Cost of sales		(1,742.4)	(1,634.6)
Gross margin		**863.8**	833.7
Other income	5	58.6	27.6
Warehouse and distribution costs		(252.2)	(233.4)
Selling, administration and other operating costs		(358.7)	(340.2)
Share of net profit of joint venture entities	23	12.7	14.7
Other expenses		(26.4)	(26.5)
Profit before finance costs and income tax		**297.8**	275.9
Interest income	6	2.3	3.5
Finance costs	6	(12.2)	(12.6)
Profit before income tax		**287.9**	266.8
Income tax expense	7	(81.3)	(61.7)
Profit after tax		**206.6**	205.1
Profit after tax attributable to:			
Non-controlling interests	21	17.8	27.2
Shareholders of CSR Limited[1]		188.8	177.9
Profit after tax		**206.6**	205.1
Earnings per share attributable to shareholders of CSR Limited			
Basic (cents per share)	4	37.5	35.3
Diluted (cents per share)	4	37.3	35.1

1 Net profit before significant items attributable to shareholders of CSR Limited is $212.7 million (2017: $183.8 million). Refer to note 3 of the financial statements.

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

Statement of comprehensive income

$million	Note	2018	2017
Profit after tax		**206.6**	205.1
Other comprehensive income (expense), net of tax			
Items that may be reclassified to profit or loss			
Hedge profit (loss) recognised in equity		13.4	(44.6)
Hedge loss (profit) transferred to statement of financial performance		25.4	(16.3)
Exchange differences arising on translation of foreign operations	17	2.0	(0.5)
Recycling of foreign currency translation reserve on disposal of equity accounted investment, transferred to statement of financial performance	17	–	(5.6)
Income tax (expense) benefit relating to these items	11	(11.7)	18.4
Items that will not be reclassified to profit or loss			
Actuarial (loss) gain on superannuation defined benefit plans	25	(3.3)	24.1
Income tax benefit (expense) relating to these items	11	1.0	(7.3)
Other comprehensive income (expense) – net of tax		26.8	(31.8)
Total comprehensive income		**233.4**	173.3
Total comprehensive income attributable to:			
Non-controlling interests		24.7	13.6
Shareholders of CSR Limited		208.7	159.7
Total comprehensive income		**233.4**	173.3

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

Statement of financial position

$million	Note	2018	2017
Current assets			
Cash and cash equivalents	31	13.7	19.1
Receivables	9	295.7	312.5
Inventories	9	467.0	385.7
Other financial assets	18	11.4	5.9
Income tax receivable		7.0	0.5
Prepayments and other current assets		10.5	13.1
Total current assets		**805.3**	736.8
Non-current assets			
Receivables	29	76.5	23.4
Inventories	9	57.7	81.6
Investments accounted for using the equity method	23	43.6	39.9
Other financial assets	18	13.4	2.9
Property, plant and equipment	10	834.0	848.2
Goodwill	10	98.1	97.1
Other intangible assets	10	45.8	46.7
Deferred income tax assets	11	151.8	201.2
Other non-current assets	29	11.7	19.3
Total non-current assets		**1,332.6**	1,360.3
Total assets		**2,137.9**	2,097.1
Current liabilities			
Payables	9	305.2	287.3
Other financial liabilities	18	19.0	29.9
Tax payable		5.0	10.3
Provisions	12	177.0	186.1
Total current liabilities		**506.2**	513.6
Non-current liabilities			
Payables		3.7	3.7
Borrowings	14	28.0	30.5
Other financial liabilities	18	10.1	22.9
Provisions	12	308.4	319.8
Deferred income tax liabilities	11	7.4	–
Other non-current liabilities	25	–	0.1
Total non-current liabilities		**357.6**	377.0
Total liabilities		**863.8**	890.6
Net assets		**1,274.1**	1,206.5
Equity			
Issued capital	15	1,036.2	1,036.8
Reserves	17	(53.2)	(73.4)
Retained profits		244.4	191.6
Equity attributable to shareholders of CSR Limited		**1,227.4**	1,155.0
Non-controlling interests	21	46.7	51.5
Total equity		**1,274.1**	1,206.5

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

Statement of changes in equity

$million	Note	Issued capital	Reserves	Retained profits	CSR Limited interest	Non-controlling interests	Total equity
Balance at 1 April 2017		1,036.8	(73.4)	191.6	1,155.0	51.5	1,206.5
Profit for the year		–	–	188.8	188.8	17.8	206.6
Total other comprehensive income (expense) – net of tax		–	22.2	(2.3)	19.9	6.9	26.8
Dividends paid	16	–	–	(133.7)	(133.7)	(29.5)	(163.2)
On-market share buy-back	15	(0.6)	–	–	(0.6)	–	(0.6)
Acquisition of treasury shares	17	–	(5.8)	–	(5.8)	–	(5.8)
Acquisition of non-controlling interest	8, 17	–	(2.5)	–	(2.5)	–	(2.5)
Share-based payments – inclusive of tax	17	–	6.3	–	6.3	–	6.3
Balance at 31 March 2018		1,036.2	(53.2)	244.4	**1,227.4**	46.7	**1,274.1**
Balance at 1 April 2016		1,041.1	20.4	123.2	1,184.7	132.5	1,317.2
Profit for the year		–	–	177.9	177.9	27.2	205.1
Total other comprehensive (expense) income – net of tax		–	(35.0)	16.8	(18.2)	(13.6)	(31.8)
Dividends paid	16	–	–	(126.3)	(126.3)	(20.4)	(146.7)
On-market share buy-back	15	(4.3)	–	–	(4.3)	–	(4.3)
Acquisition of treasury shares	17	–	(5.4)	–	(5.4)	–	(5.4)
Acquisition of non-controlling interest	8	–	(57.1)	–	(57.1)	(74.2)	(131.3)
Share-based payments – inclusive of tax	17	–	3.7	–	3.7	–	3.7
Balance at 31 March 2017		1,036.8	(73.4)	191.6	1,155.0	51.5	1,206.5

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

Statement of cash flows

$million	Note	2018	2017
Cash flows from operating activities			
Receipts from customers		2,930.4	2,726.0
Payments to suppliers and employees		(2,652.7)	(2,424.6)
Dividends and distributions received	23	9.5	14.2
Interest received		2.6	1.9
Income tax paid		(40.6)	(52.7)
Net cash from operating activities		**249.2**	264.8
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets		(120.6)	(93.2)
Proceeds from sale of property, plant and equipment and other assets		62.6	44.7
Purchase of controlled entities and businesses, net of cash acquired	8	(0.3)	(3.5)
Costs associated with acquisition of businesses	8	(18.5)	(3.4)
Loans and receivables advanced		(2.0)	(5.3)
Net cash used in investing activities		**(78.8)**	(60.7)
Cash flows from financing activities			
On-market share buy-back	15	(0.6)	(4.3)
Net (repayment) drawdown of borrowings		(2.5)	28.3
Dividends paid[1]		(163.2)	(146.7)
Acquisition of shares by CSR employee share trust	17	(5.8)	(5.4)
Interest and other finance costs paid		(4.1)	(3.4)
Transactions with non-controlling interests	8	–	(126.4)
Net cash used in financing activities		**(176.2)**	(257.9)
Net decrease in cash held		(5.8)	(53.8)
Net cash at the beginning of the financial year		19.1	73.1
Effects of exchange rate changes		0.4	(0.2)
Net cash at the end of the financial year		**13.7**	19.1
Reconciliation of net profit attributable to shareholders of CSR Limited to net cash from operating activities			
Net profit attributable to shareholders of CSR Limited	2	188.8	177.9
Net profit attributable to non-controlling interests	21	17.8	27.2
Depreciation and amortisation	5	84.4	88.5
Impairment of assets		1.5	11.1
Costs associated with acquisition of business		–	(1.5)
Share of profits of associates not received as dividends or distributions		(3.2)	(0.5)
Net gain on purchase of associate	8	–	(4.1)
Share-based payments	17	3.7	3.2
Finance cost net of discount unwind		4.1	3.3
Profit on disposal of assets	5	(51.0)	(16.9)
Net change in current receivables		14.3	5.7
Net change in current inventories		(57.2)	(15.7)
Net change in current payables		33.8	19.7
Movement in product liability provision		(23.4)	(22.1)
Net change in other provisions		(0.1)	(2.9)
Movement in current and deferred tax balances		34.4	1.7
Net change in other assets and liabilities		1.3	(9.8)
Net cash from operating activities		**249.2**	264.8

1 During the year ended 31 March 2018, within the $163.2 million of dividends paid, dividends to CSR Limited shareholders were $133.7 million. Of the $133.7 million in dividends, $8.6 million was used to purchase CSR shares on-market to satisfy obligations under the Dividend Reinvestment Plan (DRP), and the remaining $125.1 million was paid in cash.

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

Notes to the financial report

1 Basis of preparation

This section sets out the basis upon which the CSR group's financial statements are prepared as a whole. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements. All other accounting policies are outlined in note 31.

Statement of Compliance: CSR Limited is a limited company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

This general purpose financial report is prepared in accordance with the *Corporations Act 2001* and applicable Accounting Standards and Interpretations, and complies with other requirements of the law. CSR Limited is a 'for profit' entity. The financial report includes the consolidated financial statements of CSR Limited and its controlled entities (CSR group).

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the CSR group comply with International Financial Reporting Standards.

Basis of preparation: The financial report is based on historical cost, except for certain financial assets and liabilities which are at fair value.

In preparing this financial report, the CSR group is required to make estimates and assumptions about carrying values of assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The accounting policies adopted are consistent with those of the previous year, unless otherwise stated.

Basis of consolidation: The consolidated financial statements have been prepared by aggregating the financial statements of all the entities that comprise the CSR group, being CSR Limited and its controlled entities. In these consolidated financial statements:

- results of each controlled entity are included from the date CSR Limited obtained control and until such time as it ceased to control an entity; and
- all inter-entity balances and transactions are eliminated.

Control is achieved where CSR Limited is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity. Entities controlled by CSR Limited are under no obligation to accept responsibility for liabilities of other common controlled entities except where such an obligation has been specifically undertaken.

Business combinations: Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of financial performance, statement of comprehensive income, statement of financial position and statement of changes in equity respectively. The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control. Where there is a loss of control, any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in the income statement. Any losses are allocated to the non-controlling interest in subsidiaries even if the accumulated losses should exceed the non-controlling interest in the individual subsidiary's equity.

Comparative information: Where applicable, comparative information has been reclassified in order to comply with current period disclosure requirements, the impact of which is not material to the financial report.

Rounding: Unless otherwise shown in the financial statements, amounts have been rounded to the nearest tenth of a million dollars and are shown by $million. CSR Limited is a company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016.

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

New or revised accounting standards: The CSR group has adopted all amendments to Australian Accounting Standards which became applicable from 1 April 2017. There have been no new or revised accounting standards which materially impacted the financial report. New standards not yet applicable are discussed in note 31.

Critical accounting judgments and key sources of estimation uncertainty: Critical judgments and key assumptions that management has made in the process of applying the CSR group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are detailed in the notes below:

Note	Judgment/Estimation
10	Asset impairment
12	Measurement of provisions for restoration and environmental rehabilitation and legal claims
12	Provision for uninsured losses and future claims
12, 13	Product liability
22	Classification of joint arrangements

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

Financial performance overview: provides a breakdown of individual line items in the statement of financial performance, and other information that is considered most relevant to users of the annual report.

Balance sheet items: provides a breakdown of individual line items in the statement of financial position that are considered most relevant to users of the annual report.

Capital structure and risk management: provides information about the capital management practices of the CSR group and shareholder returns for the year. This section also discusses the CSR group's exposure to various financial risks, explains how these affect the CSR group's financial position and performance and what the CSR group does to manage these risks.

Group structure: explains aspects of the CSR group structure and the impact of this structure on the financial position and performance of the CSR group.

Other:

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

Financial performance overview

2 Segment information

Operating and reportable segments

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

Building Products	Lightweight Systems (Gyprock plasterboard, Hebel autoclaved aerated concrete products, Cemintel fibre cement, Himmel Interior Systems and Rondo rolled formed steel products joint venture), Insulation (Bradford and Martini insulation, Bradford energy solutions and Edmonds ventilation systems), AFS walling systems, Bricks (PGH Bricks and Pavers and New Zealand Brick Distributors joint venture) and Roofing (Monier roofing).
Glass	The Glass business includes the operations of Viridian in Australia and New Zealand. Viridian is Australia's leading architectural glass provider and the only manufacturer of float glass and hard coated performance products in Australia. It manufactures clear float, coated and bulk laminate glass in Victoria and value-added processing of glass from a number of facilities across Australia and New Zealand.
Aluminium	The Aluminium business unit relates to the CSR group's 70% interest in Gove Aluminium Finance Limited, which in turn holds a 36.05% interest in the Tomago aluminium smelter (i.e. an effective interest of 25.24%). Gove Aluminium Finance Limited sources alumina, has it toll manufactured by Tomago and then sells aluminium into predominantly the Asian market. Products from the aluminium business include aluminium ingot, billet and slab.
Property	The Property business unit generates returns typically from the sale of former operating sites by advancing the sites through various stages of the development cycle. In addition, this business is currently involved in a small number of large-scale developments in New South Wales, Queensland and Victoria. These projects, in most cases, are in-fill developments (currently vacant land or discontinued operating sites within otherwise built up areas) located in metropolitan regions.

Accounting policies and inter-segment transactions

The accounting policies used by the CSR group in reporting segments internally are the same as those disclosed in the significant accounting policies, with the exception that significant items (i.e. those items which by their size and nature or incidence are relevant in explaining financial performance) are excluded from trading profits. This approach is consistent with the manner in which results are reported to the CODM.

Transfers of assets between segments are recognised at book value. It is the CSR group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believes would be inconsistent. Reporting provided to the board of directors in respect of earnings is primarily measured based on earnings before interest and tax (EBIT), excluding significant items, with significant items reviewed and reported separately to the CODM.

The following items are not allocated to operating segments as they are not considered part of the core trading operations of any segment:

- corporate overheads;
- restructuring and provisions;
- net finance cost; and
- significant items.

Geographical information

The CSR group operates principally in Australia. For the year ended 31 March 2018, the CSR group's trading revenue from external customers in Australia amounted to $2,455.9 million (2017: $2,343.4 million), with $150.3 million (2017: $124.9 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 $1,062.6 million at 31 March 2018 (2017: $1,055.4 million), with $61.2 million (2017: $60.9 million) related to other geographical areas.

2 Segment information (continued)

$million	Trading revenue[1]		EBITDA before significant items[2]		Depreciation and amortisation		Earnings before interest, tax and significant items	
Business segment	2018	2017	2018	2017	2018	2017	2018	2017
Building Products	1,672.2	1,576.9	265.4	252.2	51.3	49.4	214.1	202.8
Glass	368.5	379.9	18.1	20.3	14.6	13.3	3.5	7.0
Aluminium	565.5	511.5	97.1	118.0	17.6	24.9	79.5	93.1
Property	–	–	48.1	15.3	0.3	0.3	47.8	15.0
Segment total	**2,606.2**	2,468.3	**428.7**	405.8	**83.8**	87.9	**344.9**	317.9
Corporate[3]	–	–	(14.2)	(13.4)	0.6	0.6	(14.8)	(14.0)
Restructuring and provisions[4]	–	–	(6.3)	(5.9)	–	–	(6.3)	(5.9)
Total CSR group	**2,606.2**	2,468.3	**408.2**	386.5	**84.4**	88.5	**323.8**	298.0

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

$million	Note	2018	2017
Earnings before interest, tax and significant items		323.8	298.0
Net finance costs	6	(1.6)	(0.4)
Income tax expense		(91.5)	(85.0)
Profit after tax before significant items (before non-controlling interests)		**230.7**	212.6
Less: non-controlling interests		(18.0)	(28.8)
Profit after tax before significant items attributable to shareholders of CSR Limited		**212.7**	183.8
Significant items after tax attributable to shareholders of CSR Limited	3	(23.9)	(5.9)
Profit after tax attributable to shareholders of CSR Limited		**188.8**	177.9

	Funds employed ($million)[5]		Return on funds employed (%)[6]	
Business segment	As at 31 March 2018	As at 31 March 2017	As at 31 March 2018	As at 31 March 2017
Building Products	919.1	877.4	23.8%	22.8%
Glass	239.3	247.4	1.4%	3.1%
Aluminium	120.0	137.3	61.8%	61.1%
Property	185.7	142.0	29.2%	10.9%
Segment total	**1,464.1**	1,404.1	–	–
Corporate	(38.8)	(36.3)	–	–
Total CSR group	**1,425.3**	1,367.8	**23.2%**	21.6%

1 Trading revenue excludes net gain on disposal of assets, interest income, dividend income from other entities, share of net profit of joint venture entities and other income. Inter-segment sales are negligible.
2 EBITDA before significant items is earnings before interest, tax, depreciation, amortisation and significant items.
3 Represents unallocated overhead expenditure and other revenues.
4 Represents restructuring and provisions. Includes legal and managerial costs associated with long-term product liabilities and minor product liability claims that arise from time to time, certain defined benefit superannuation liabilities and expenses, other payables, non-operating revenue and other costs (excluding those categorised as significant items).
5 Funds employed is net assets of the CSR group less certain non-trading assets and liabilities. Funds employed at 31 March 2018 is calculated as net assets of $1,274.1 million (2017: $1,206.5 million), excluding the following assets: cash of $13.7 million (2017: $19.1 million), net tax assets of $146.4 million (2017: $191.4 million), net superannuation assets of $11.4 million (2017: $14.5 million) and interest receivable of $0.1 million (2017: $0.6 million). In addition, the following liabilities have been excluded from funds employed: asbestos product liability provision of $289.0 million (2017: $312.4 million), net financial liabilities of $5.8 million (2017: $44.0 million) and borrowings of $28.0 million (2017: $30.5 million).
6 Return on funds employed (ROFE) is calculated based on EBIT before significant items for the 12 months to year end divided by average funds employed. ROFE is not a measure used for Corporate costs which are considered in the context of the CSR group result. Property ROFE varies due to timing of projects.

3 Significant items

$million	2018	2017
Restructuring costs and asset impairments[1]	(18.4)	(23.8)
Supply disruption costs[2]	(6.1)	–
Legal disputes, warranties and land remediation[3]	(1.5)	(0.7)
Transaction and integration costs[4]	–	(5.4)
Gain on acquisition of controlled entity[5]	–	4.1
Reduction in product liability provision[6]	–	3.7
Significant items before finance costs and income tax	**(26.0)**	(22.1)
Discount unwind and hedging relating to product liability provision	(8.3)	(10.4)
Transaction costs included in finance costs	–	(0.4)
Interest income on tax refund[7]	–	2.1
Significant items before income tax	**(34.3)**	(30.8)
Income tax benefit on significant items	10.2	10.7
Income tax refund related to divested business[7]	–	12.6
Significant items after tax	**(24.1)**	(7.5)
Significant items attributable to non-controlling interests	0.2	1.6
Significant items attributable to shareholders of CSR Limited	**(23.9)**	(5.9)
Net profit attributable to shareholders of CSR Limited	188.8	177.9
Significant items attributable to shareholders of CSR Limited	23.9	5.9
Net profit before significant items attributable to shareholders of CSR Limited	**212.7**	183.8
Earnings per share attributable to shareholders of CSR Limited before significant items[8]		
Basic (cents per share)	42.3	36.5
Diluted (cents per share)	42.0	36.3

1 During the year ended 31 March 2018, the Glass segment divested sites in Western Australia, Darwin and Cairns. Significant items recorded include the loss on disposal and associated restructuring expenditure of $8.7 million and a provision for onerous lease costs of $8.7 million. In addition, the Aluminium segment recorded a charge of $1.0 million for restructuring costs. During the financial year ended 31 March 2017, restructuring and relocation programs took place across the Building Products, Glass and Aluminium segments to align the business cost base with current market conditions and secure ongoing efficiencies. In addition, in the year ended 31 March 2017, following a routine review of plant and equipment, asset impairments were recorded in the Building Products segment to reduce the carrying value of assets to their recoverable amount.

2 During the year ended 31 March 2018, due to the temporary closure of the Thevenard port in South Australia, the Building Products segment incurred additional costs associated with the disruption of raw material (gypsum) supply.

3 During the financial years ended 31 March 2018 and 31 March 2017, the group recorded a charge of $1.5 million (31 March 2017: $0.7 million) as a result of the remeasurement of provisions in relation to legal disputes, warranties and land remediation.

4 During the financial year ended 31 March 2017, the CSR group incurred costs associated with potential and completed acquisitions, including integration costs relating to PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited) which was formed on 1 May 2015 (refer note 8).

5 On 30 June 2016, the CSR group acquired the remaining 42% interest in Viridian Glass Limited Partnership (VGLP). As a result of this transaction, a gain was recognised including the realisation of cumulative foreign exchange gains in relation to the previously held investment (refer note 8). This amount has been recognised in other income in the statement of financial performance in the year ended 31 March 2017.

6 During the financial year ended 31 March 2017, the group reduced the product liability provision by $3.7 million to bring the prudential margin to $60.0 million or 23.8% of the actuarially assessed product liability provision. Refer note 13.

7 During the financial year ended 31 March 2017, a tax refund (including interest) was finalised following an amendment to the capital gains tax paid in relation to the divestment of the Sucrogen group in the year ended 31 March 2011.

8 The basis of calculation is consistent with the earnings per share disclosure in the statement of financial performance (refer note 4).

Recognition and measurement

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

4 Earnings per share

	2018	2017
Profit after tax attributable to shareholders of CSR Limited ($million)	188.8	177.9
Weighted average number of ordinary shares used in the calculation of basic EPS (million)[1]	503.1	503.9
Weighted average number of ordinary shares used in the calculation of diluted EPS (million)[2]	506.5	506.3
Basic EPS (cents per share)	37.5	35.3
Diluted EPS (cents per share)	37.3	35.1

1 Calculated by reducing the total weighted average number of shares on issue of 504.3 million (2017: 505.0 million) by the weighted average number of shares purchased on market and held in trust to satisfy incentive plans as these plans vest of 1,237,649 (2017: 1,098,543).

2 Calculated by increasing the weighted average number of shares used in calculating basic EPS by outstanding performance rights of 3,424,291 (2017: 2,430,857). Performance rights granted under the LTI plan are included in the determination of diluted earnings per share to the extent to which they are dilutive.

5 Revenue and expenses

$million	Note	2018	2017
Trading revenue		2,606.2	2,468.3
Other income			
Net gain on disposal of assets		51.0	16.9
Gain on acquisition of controlled entity	3, 8	–	4.1
Other		7.6	6.6
Expenses			
Significant items[1]	3	26.0	26.2
Employee benefits expense		594.2	581.9
Operating lease expense		70.3	67.3
Depreciation	10	76.4	81.6
Amortisation	10	8.0	6.9

1 Significant items are included within other expenses in the statement of financial performance.

Recognition and measurement

- **Trading revenue**: measured at the fair value of the consideration receivable, and is recognised when each of the following conditions is met:
  - persuasive evidence that an arrangement exists, which is usually in the form of a contractual arrangement;
  - the seller's price to the buyer is fixed or determinable;
  - the significant risks and rewards of ownership of the goods have transferred from the CSR group to the buyer; and
  - collectability is reasonably assured.
- **Net gain on disposal of assets:** income is recognised when the risks and rewards have been transferred and CSR does not retain either continuing managerial involvement to the degree usually associated with ownership, or effective control over the assets sold. The revenue is measured as the amount receivable under the contract. It is discounted to present value if deferred payments have been agreed and the impact of discounting is material.
- **Employee benefits expense:** includes salaries and wages, share-based payments and other entitlements.
- **Operating lease expense:** payments made under operating leases (net of any incentives received by the lessor) are expensed on a straight-line basis over the period of the lease.

6 Net finance costs

$million	Note	2018	2017
Interest expense and funding costs		4.1	3.4
Discount unwind and hedge gain relating to product liability provision		8.3	10.4
Discount unwind of other non-current liabilities		0.9	1.3
Foreign exchange gain		(1.1)	(2.5)
Finance costs		**12.2**	12.6
Interest income		(2.3)	(3.5)
Net finance costs		**9.9**	9.1
Finance costs included in significant items	3	(8.3)	(8.7)
Net finance costs before significant items		**1.6**	0.4

Recognition and measurement

Interest income and expense are accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rates. Funding costs are capitalised and subsequently amortised over the term of the facility. Unwinding of the interest component of discounted assets and liabilities is treated as a finance cost.

7 Income tax expense

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

$million	Note	2018	2017
Profit before income tax		**287.9**	266.8
Income tax expense calculated at 30%		**86.4**	80.0
(Decrease) increase in income tax expense due to:			
Share of net profit of joint venture entities		(3.7)	(4.3)
Non-taxable profit on property disposals		(1.6)	(1.9)
Income tax under (over) provided in prior years[1]		0.5	(11.4)
Other items		(0.3)	(0.7)
Total income tax expense on profit		**81.3**	61.7
Comprising of:			
Current tax expense		35.1	29.3
Deferred tax expense relating to movements in deferred tax balances	11	46.2	32.4
Total income tax expense on profit		**81.3**	61.7

1 For the year ended 31 March 2017, includes a tax refund of $13.2 million and tax expense on interest income of $0.6 million. This relates to an amendment of the income tax return for the year ended 31 March 2011, in relation to capital gains tax paid on the sale of the Sucrogen group.

Recognition and measurement

Current and deferred tax is recognised as an expense in the statement of financial performance except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from an initial accounting for a business acquisition, in which case it is taken into account in the determination of goodwill.

Tax transparency report

The CSR group has prepared a voluntary tax transparency report which is available to view online or to download from the CSR website (www.csr.com.au). The report sets out relevant tax information for CSR Limited and its controlled entities for the year ended 31 March 2018 and 31 March 2017.

Disclosure of company tax information

Under tax legislation the Australian Tax Office will publish in 2018 the following data for the CSR Limited tax consolidated group, PGH Bricks & Pavers Pty Limited and Gove Aluminium Finance Limited in relation to the 2017 tax year:

Entity	Total revenue[1] ($million)	Taxable income ($million)	Tax payable ($million)
CSR Limited (ABN: 90 000 001 276)	1,791.2	Nil	Nil
PGH Bricks & Pavers Pty Limited (ABN: 68 168 794 821)	179.9	37.3	8.2
Gove Aluminium Finance Limited (ABN: 45 001 860 073)	517.3	115.6	31.4

1 For financial reporting and taxation purposes, items may have been classified between revenue and expenses differently. Therefore, total revenue may not reconcile to note 2 or note 21.

Income tax is payable on profits (not total revenue) after allowing for expenses and specific adjustments under the tax law. For CSR Limited, taxable income and tax payable were nil because CSR was entitled to utilise prior year tax losses and claim certain tax deductions that made taxable income lower than accounting profit (for example, tax depreciation, certain restructure costs and payments of asbestos claims settlements).

During the year ended 31 March 2018 the CSR Limited tax consolidated group utilised carried forward tax losses and moved into a tax payable position.

8 Business combinations

i) Current year

During the year ended 31 March 2018, the Glass segment acquired the business assets of two entities in New Zealand for cash consideration of $0.3 million with goodwill of $0.2 million arising as a result of these acquisitions.

Transactions occurring in the current period related to prior period acquisitions

Architectural Framework Systems

The CSR group acquired 100% of Architectural Framework Systems (AFS) on 2 April 2014 (Building Products segment). Part of the consideration was contingent on certain pre-determined earnings measures being achieved by the subsidiary for each of the years ended 31 March 2015 and 31 March 2017. Earnings measures were met for the year ended 31 March 2017 resulting in the payment of $15.0 million in deferred consideration in the year ended 31 March 2018.

Total consideration in relation to the acquisition is $53.0 million consisting of:

- Cash consideration at acquisition date ($36.7 million);
- 2015 deferred consideration ($1.3 million); and
- 2017 deferred consideration ($15.0 million).

ii) Prior year

PGH Bricks & Pavers Pty Limited

Background

On 1 November 2016, the CSR group acquired Boral Limited's (Boral) 40% minority interest in PGH Bricks & Pavers Pty Limited (PGH Bricks), formerly Boral CSR Bricks Pty Limited (BCB) for cash consideration of $126.4 million. In addition, outstanding borrowings held by PGH Bricks of $7.5 million were repaid to Boral.

Revenue and profit contribution

If the minority interest share of PGH Bricks was excluded from the CSR group results for the year ended 31 March 2017, profit after tax attributable to non-controlling interests would have been $7.6 million lower and profit after tax attributable to shareholders of CSR Limited would have been $7.6 million higher.

Acquisition accounting for the transaction

In accordance with AASB 10 *Consolidated Financial Statements*, as the CSR group has a controlling interest in PGH Bricks, the acquisition is treated as a transaction between shareholders. As a result, the difference between the consideration paid by the CSR group to purchase the remaining 40% of PGH Bricks and the non-controlling interest has been recorded in equity. In accordance with AASB 132 *Financial Instruments*, transaction costs associated with the purchase of a non-controlling interest are also recorded in equity. Fair value acquisition accounting is not required and the CSR group continues to consolidate PGH Bricks. Effective 1 November 2016, the CSR group has recognised 100% of the net profit after tax of PGH Bricks.

The accounting for this acquisition, the necessary tax consolidation calculations and the net impact of this transaction on equity have been finalised in the year ended 31 March 2018.

Details of the effect of changes in the ownership interest on the equity attributable to owners of the CSR group is summarised as follows:

	Note	$million
Carrying amount of non-controlling interests acquired at acquisition date		74.2
Consideration paid		(126.4)
Less: deferred tax impact arising from PGH Bricks joining the tax consolidation group	a)	(2.5)
Less: acquisition costs	b)	(4.9)
Amounts recognised in non-controlling interests reserve at 31 March 2018		**(59.6)**

a) Deferred tax impact arising from PGH Bricks joining the CSR tax consolidation group

PGH Bricks automatically entered the CSR tax consolidation group at acquisition date. Accordingly, the tax cost base of the net assets of PGH Bricks needed to be reset, which has resulted in an adjustment to the deferred tax balances. As the entry into the tax consolidation group was a direct consequence of CSR's acquisition of the non-controlling interest, the impact of revising the deferred tax balances has been recorded in equity in the year ended 31 March 2018.

b) Acquisition related costs

The CSR group has incurred acquisition related costs of $4.9 million related to legal fees, due diligence, stamp duty and other costs. These costs were recorded in equity in the year ended 31 March 2017. Payment of these costs occurred in the year ended 31 March 2017 ($3.2 million) and the year ended 31 March 2018 ($1.7 million).

8 Business combinations (continued)

ii) Prior year (continued)

Viridian Glass Limited Partnership

Background

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

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

Revenue and profit contribution

If VGLP's share of revenue and profit before income tax and significant items were excluded from the CSR group results for the year ended 31 March 2017, CSR group revenue would have been $64.8 million lower and profit before income tax and significant items would have been $0.9 million higher.

Acquisition related costs

Acquisition related costs expensed in the year ended 31 March 2017 were $0.2 million.

Acquisition accounting for the transaction

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

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

The gain of $4.1 million recognised within other income in the statement of financial performance for the year ended 31 March 2017 has been disclosed as a significant item, refer to note 3.

The accounting and fair value of acquired net assets for this acquisition was finalised at 31 March 2017.

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

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

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

a) Purchase consideration – cash outflow

$million	
Consideration	
Cash consideration	7.8
Less cash acquired	(4.3)
Outflow of cash – investing activities	**3.5**

b) Contingent consideration

In the event that certain pre-determined conditions were met up to and including 30 June 2017, additional consideration would be payable. The conditions were met for the specified period resulting in deferred consideration of $1.8 million being paid in the year ended 31 March 2018.

Balance sheet items

9 Working capital

i) Current receivables

$million	2018	2017
Trade receivables	285.7	291.9
Allowance for doubtful debts	(8.5)	(8.0)
Net trade receivables	**277.2**	**283.9**
Property debtors[1]	–	4.5
Other loans and receivables	18.5	24.1
Total current receivables	**295.7**	**312.5**
Ageing		
Past due 0-60 days – not impaired	9.0	8.7
Past due >60 days – not impaired	–	–
Past due 0-60 days – impaired	2.4	2.5
Past due >60 days – impaired	6.1	5.5
Movement in allowance for doubtful debts		
Opening balance	(8.0)	(8.9)
Trade debts written off	2.4	3.8
Trade debts provided	(2.9)	(2.9)
Closing balance	**(8.5)**	**(8.0)**

1 Includes no amounts past due.

ii) Inventories

$million	2018	2017
Current		
Raw materials and stores	102.3	80.3
Work in progress	20.2	18.7
Finished goods	268.1	235.4
Land development projects	76.4	51.3
Total current inventories[1]	**467.0**	**385.7**
Non-current		
Land development projects	57.7	81.6
Total non-current inventories	**57.7**	**81.6**

1 Write-down of inventories recognised as an expense for the year ended 31 March 2018 totalled $14.4 million (2017: $12.4 million).

iii) Current payables

$million	2018	2017
Trade payables	275.9	240.5
Other payables	29.3	46.8
Total current payables	**305.2**	**287.3**

Recognition and measurement

- **Trade receivables:** are recognised initially at fair value and subsequently measured at amortised cost. An allowance for doubtful debts is raised based on a review of outstanding balances at balance date. Bad debts are written off against the allowance account and any other change in the allowance account is recognised in the statement of financial performance.
- **Inventories:** are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessary to make the sale.
  - **Raw materials, stores, work in progress and finished goods:** costs included in inventories consist of materials, labour and manufacturing overheads which are related to the purchase and production of inventories. The value of inventories is derived by the method most appropriate to each particular class of inventories. The major portion is valued on either a first-in-first-out or average cost basis.
  - **Land development projects:** cost includes the cost of acquisition, development and holding costs during development. Costs incurred after completion of development are expensed as incurred. Land development projects not expected to be sold within 12 months are classified as non-current inventories.
- **Trade and other payables:** are recognised when the CSR group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at their amortised cost.

10 Property, plant and equipment and intangible assets

i) Property, plant and equipment

		Land and buildings		Plant and equipment		Total	
$million	Note	2018	2017	2018	2017	2018	2017
Cost or written down value		378.9	389.9	1,540.9	1,476.3	1,919.8	1,866.2
Accumulated depreciation		(108.3)	(98.3)	(977.5)	(919.7)	(1,085.8)	(1,018.0)
Net carrying amount		**270.6**	291.6	**563.4**	556.6	**834.0**	848.2
Net carrying amount at 1 April		291.6	306.4	556.6	557.2	848.2	863.6
Capital expenditure		0.8	2.1	78.8	54.9	79.6	57.0
Disposed		(0.3)	–	(3.4)	(1.7)	(3.7)	(1.7)
Depreciation	5	(10.5)	(11.1)	(65.9)	(70.5)	(76.4)	(81.6)
Write downs and impairments		(0.1)	–	(1.0)	(10.9)	(1.1)	(10.9)
Exchange differences		–	(0.1)	(0.1)	(0.4)	(0.1)	(0.5)
Acquisitions through business combinations	8	–	–	0.1	24.6	0.1	24.6
Transferred from (to) intangible assets	10ii)	0.5	(2.4)	(4.6)	3.7	(4.1)	1.3
Transferred (to) from inventories and other assets		(11.4)	(3.3)	2.9	(0.3)	(8.5)	(3.6)
Balance at 31 March		**270.6**	291.6	**563.4**	556.6	**834.0**	848.2

ii) Goodwill and other intangible assets

		Goodwill		Software		Other		Total other intangible assets	
$million	Note	2018	2017	2018	2017	2018	2017	2018	2017
Cost		98.1	97.1	88.0	81.5	49.9	49.5	137.9	131.0
Accumulated amortisation		–	–	(71.2)	(65.2)	(20.9)	(19.1)	(92.1)	(84.3)
Net carrying amount		**98.1**	97.1	**16.8**	16.3	**29.0**	30.4	**45.8**	46.7
Net carrying amount at 1 April		97.1	74.2	16.3	15.7	30.4	32.4	46.7	48.1
Capital expenditure		–	–	3.1	6.8	–	–	3.1	6.8
Disposed		–	–	(0.1)	(0.2)	–	–	(0.1)	(0.2)
Amortisation	5	–	–	(6.2)	(4.9)	(1.8)	(2.0)	(8.0)	(6.9)
Write downs and impairments		–	(0.2)	–	–	–	–	–	–
Exchange differences		0.8	(0.7)	–	–	–	–	–	–
Acquisitions through business combinations	8	0.2	23.8	–	0.2	–	–	–	0.2
Transferred from (to) property, plant and equipment	10i)	–	–	4.1	(1.3)	–	–	4.1	(1.3)
Transferred from software to other intangible assets		–	–	(0.4)	–	0.4	–	–	–
Balance at 31 March		**98.1**	97.1	**16.8**	16.3	**29.0**	30.4	**45.8**	46.7

Recognition and measurement

- **Property, plant and equipment:** assets acquired are recorded at historical cost of acquisition less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
- **Software**: developed internally or acquired externally, is initially measured at cost and includes development expenditure. Subsequently, these assets are carried at cost less accumulated amortisation and impairment losses.
- **Other intangible assets**: including trade names and customer lists obtained through acquired businesses, are measured at fair value at the date of acquisition. Trade names of $19.3 million (2017: $19.3 million) that have an indefinite life are assessed for recoverability annually. See below for further detail. Customer lists and all other trade names that have a defined useful life are amortised and subsequently carried net of accumulated amortisation. Intangible assets not obtained through acquired businesses are measured at cost. These assets are subsequently carried at cost less accumulated amortisation and impairment losses.

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

Recognition and measurement (continued)

- **Goodwill:** represents the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. Goodwill is not amortised, but tested annually and whenever there is an indicator of impairment.
- **Depreciation/amortisation:** assets are depreciated or amortised at rates based upon their expected economic life using the straight-line method. Land, goodwill and trade names with indefinite lives are not depreciated or amortised. Trade names currently have an indefinite life as the CSR group is continually investing in marketing activities to develop and maintain the trade names and there are no contractual or other restrictions on the use of the trade names. Useful lives are as follows: buildings 10 to 40 years; plant and equipment two to 40 years; and systems software and other intangible assets two to eight years. The average life of buildings is 27 years and plant and equipment is nine years.

Critical accounting estimate – carrying value assessment

The CSR group tests property, plant and equipment and intangible assets for impairment to ensure they are not carried at above their recoverable amounts:

- at least annually for goodwill and trade names with indefinite lives; and
- where there is an indication that the assets may be impaired (which is assessed at least each reporting date).

These tests for impairment are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the cash generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows. The recoverable amount is the higher of an asset or a CGU's fair value less costs of disposal and value-in-use. The value-in-use calculations are based on discounted cash flows expected to arise from the asset or CGU. Management judgment is required in these valuations to forecast future cash flows and a suitable discount rate in order to calculate the present value of these future cash flows. Future cash flows take into consideration forecast changes in the building cycle, aluminium prices and exchange rates where appropriate.

The carrying amount of goodwill forms part of the Building Products segment: $66.9 million (2017: $66.6 million) and Glass segment: $31.2 million (2017: $30.5 million). The recoverable amounts of the cash generating units that include goodwill are determined using discounted cash flow projections. Where a valuation is required, the valuation is determined using discounted cash flows. Cash flows are reforecast annually, covering the next five years, and a valuation calculated using a post-tax annual discount rate of 9.0% for all segments other than Aluminium which uses 10.0% (2017: 9.0% for all segments other than Aluminium which was 10.0%). A terminal value is used from year five onwards including an annual growth rate, which was 2.5% in the year ended 31 March 2018 (2017: 2.5%). Discounted cash flow projections over the period are deemed appropriate given the cyclical nature of the markets in which the CSR group operates. The five year discounted cashflows represent financial plans forecast by management, based on the CSR group's view of the respective cycle.

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

Impact of possible changes in key assumptions:

The recoverable amount of the Glass CGU is estimated to exceed the carrying amount at 31 March 2018 by $33 million. Following a detailed impairment review of future cash flow projections, the assets are considered recoverable at 31 March 2018.

During the year ended 31 March 2018, the Glass CGU experienced reduced earnings before interest and tax compared to the prior year, due to slower than expected growth in the Commercial business. This was due to operational performance issues at Commercial and Design sites following a reorganisation of the business in the year ended 31 March 2017, resulting in operational inefficiencies and some temporary loss of market share. The reorganisation involved the establishment of focused glass processing sites at Ingleburn, New South Wales and Clayton, Victoria. Management has implemented operational improvement initiatives to address the performance issues and the key performance and lead indicators show recent improved performance trends.

The value-in-use cash flow projections, prepared for impairment testing purposes at 31 March 2018, forecast a significant improvement in utilisation and associated profitability in the Commercial and Design business over the period modelled. In addition, the value-in-use cash flow projections also forecast a continued profitability improvement for Auckland, New Zealand as the site consolidation issues experienced in the year to 31 March 2017 have stabilised and the financial performance has improved over the past year.

Given the inherent uncertainty and judgement required in forecasting, there is a risk that the forecast cash flows may not be achieved over the modelled period.

The recoverable amount of the CGU would equal its carrying amount if any of the following key assumptions were to change as follows:

- Business cash contribution reduces by 10% for each year modelled.
- Post tax discount rate increases from 9.0% to 9.7%.
- Long term growth rate decreases from 2.5% to 1.6%.

Reasonable possible changes in key assumptions have been considered. If the business cash contribution (after tax) reduces by 20% for each year modelled, the recoverable amount of the CGU would reduce by $67 million and an impairment charge of $34 million would be recorded in relation to the Glass segment assets.

No other reasonable possible changes in key assumptions have been identified which may cause the carrying amount to exceed its recoverable amount.

11 Net deferred income tax assets

$million	2018	2017
Net deferred income tax assets arising on temporary differences[1]	141.5	145.6
Net deferred income tax liabilities arising on temporary differences	(7.4)	–
Tax losses – revenue recorded as asset[1]	10.3	55.6
Total net deferred income tax assets	**144.4**	201.2

1 For the year ended 31 March 2018, deferred income tax assets in the statement of financial position total $151.8 million (31 March 2017: 201.2 million).

Movement in deferred income tax assets

$million	Opening balance	Credited (charged) to profit or loss[1]	Credited (charged) to equity	Other (including transfers)[2]	Closing balance
2018					
Property, plant and equipment	(11.7)	(2.8)	–	5.0	(9.5)
Superannuation defined benefit plans	(4.3)	(0.1)	1.0	–	(3.4)
Product liability provision	93.7	(7.0)	–	–	86.7
Employee benefits provisions	34.7	1.5	–	0.1	36.3
Other provisions	22.2	0.9	–	(0.1)	23.0
Spares and stores	(8.3)	(3.9)	–	0.4	(11.8)
Fair value of hedges	13.7	–	(11.7)	–	2.0
Other individually insignificant balances	5.6	0.8	2.6	1.8	10.8
Tax losses	55.6	(35.6)	–	(9.7)	10.3
Total net deferred income tax assets	201.2	(46.2)	(8.1)	(2.5)	**144.4**
2017					
Property, plant and equipment	(11.0)	(3.4)	–	2.7	(11.7)
Superannuation defined benefit plans	2.8	0.2	(7.3)	–	(4.3)
Product liability provision	100.3	(6.6)	–	–	93.7
Employee benefits provisions	34.0	0.4	–	0.3	34.7
Other provisions	23.3	(2.3)	–	1.2	22.2
Spares and stores	(8.7)	0.3	–	0.1	(8.3)
Fair value of hedges	(4.7)	–	18.4	–	13.7
Other individually insignificant balances	(2.4)	3.2	0.5	4.3	5.6
Tax losses	84.8	(21.1)	–	(8.1)	55.6
Total net deferred income tax assets	218.4	(29.3)	11.6	0.5	201.2

1 In the year ended 31 March 2017, the movement in tax losses of $21.1 million includes research and development tax benefits of $3.1 million included in other income in the statement of financial performance.
2 For the year ended 31 March 2018, the movement of $2.5 million in 'other' relates to a final adjustment to the net deferred tax assets recognised on the formation of PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited). For the year ended 31 March 2017, the movement of $0.5 million in 'other' relates to net deferred tax assets recognised on the acquisition of the minority interest in Viridian Glass Limited Partnership, and an adjustment to the net deferred tax assets recognised on the formation of PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited. Refer to note 8 for further details.

Recognition and measurement

Current tax: represents the amount expected to be paid in relation to taxable income for the financial year measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax: is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities, when the tax balances relate to the same taxation authority and when the CSR group intends to settle the tax assets and liabilities on a net basis. No provision for withholding tax has been made on undistributed earnings of overseas controlled entities where there is no intention to distribute those earnings.

12 Provisions

$million	2017	Recognised/ remeasured	Settled/ transferred	Discount unwind	2018
Current					
Employee benefits	113.5	58.2	(60.9)	–	110.8
Restructure and rationalisation	9.3	6.2	(4.4)	–	11.1
Product liability	29.2	32.5	(31.7)	–	30.0
Restoration and environmental rehabilitation	8.7	3.5	(9.7)	–	2.5
Uninsured losses and future claims	5.6	10.9	(10.7)	–	5.8
Other[1]	19.8	15.9	(18.9)	–	16.8
Total current provisions	186.1	127.2	(136.3)	–	**177.0**
Non-current					
Employee benefits	5.2	0.1	2.6	–	7.9
Product liability	283.2	(32.5)	–	8.3	259.0
Restoration and environmental rehabilitation	1.0	0.2	2.2	–	3.4
Uninsured losses and future claims	22.2	–	0.5	0.6	23.3
Other[1]	8.2	0.4	6.1	0.1	14.8
Total non-current provisions	319.8	(31.8)	11.4	9.0	**308.4**

1 Includes provision for anticipated disposal costs of Tomago aluminium smelters spent pot lining and lease liabilities.

Recognition, measurement and critical accounting estimates

Provisions are recognised when the CSR group has a present obligation (legal or constructive) as a result of a past event, it is probable that settlement will be required and the obligation can be reliably estimated. Provisions which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the CSR group.

Provisions representing critical accounting estimates and key sources of estimation uncertainty

- **Product liability:** provision is made for all known asbestos claims and reasonably foreseeable future claims has been determined using reports provided by independent experts in each of Australia and the United States, and includes an appropriate prudential margin. Refer to note 13 for further details of the key assumptions and uncertainties in estimating this liability.
- **Measurement of provisions for restoration and environmental rehabilitation and legal claims:** the CSR group is in the process of remediating land in relation to legacy factory sites and is involved in a number of ongoing legal disputes. The liability is immediately recognised when the environmental exposure is identified and the rehabilitation costs can be reliably estimated. Judgment is required in arriving at an estimate of future costs required to extinguish these obligations. Given the nature of these issues, circumstances may change and estimates and provisions will be updated accordingly. Expert advice is relied upon (where available) and known facts at the date of this report are considered to arrive at the best estimate for future liabilities.
- **Provision for uninsured losses and future claims:** relates to the CSR group's self-insurance program for workers' compensation. CSR Limited is a licensed self-insurer in New South Wales, Queensland, Victoria, Western Australia and the Australian Capital Territory for workers compensation insurance. The provision recognises the best estimate of the consideration required to settle the present obligation for anticipated compensation payments and is determined at each year end reporting date using reports provided by independent experts annually.

Other provisions

- **Employee benefits provisions:** provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations when it is probable that settlement will be required and they are capable of being reliably measured. Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

13 Product liability

Background

CSR Limited and/or certain subsidiaries (CSR) were involved in mining asbestos and manufacturing and marketing products containing asbestos in Australia, and exporting asbestos to the United States. CSR's involvement in asbestos mining, and the manufacture of products containing asbestos, began in the early 1940s and ceased with the disposition of the Wunderlich asbestos cement business in 1977. As a result of these activities, CSR has been named as a defendant in litigation in Australia and the United States.

In Australia, asbestos related personal injury claims have been made by employees and ex-employees of CSR, by others such as contractors and transporters and by users of products containing asbestos, by people who lived near factories operated by former subsidiaries of CSR, as well as residents of and visitors to Wittenoom. As at 31 March 2018, there were 256 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 2018, there were 349 such claims pending.

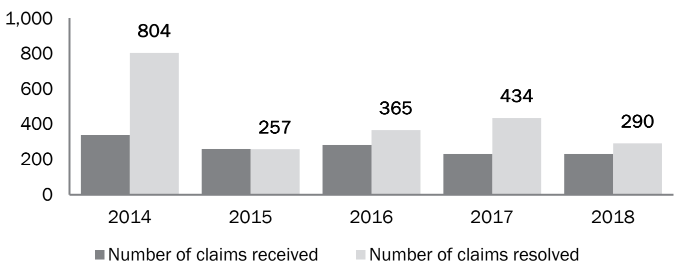
CSR has been settling claims since 1989. It has been, and remains, CSR's policy to ensure that all legitimate asbestos related claims, whether in Australia or the US, are resolved on a fair and equitable basis. Where there is a demonstrated liability, CSR will seek to offer a fair settlement and, in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

Default judgements have been sought and obtained against CSR in the US, without CSR being present or represented (and for damages that are excessive and of a nature that would not be recognised in Australia). Australian law does not recognise the jurisdiction of US courts in such matters. There have not been any US judgements enforced against CSR. As at 31 March 2018, CSR had resolved approximately 4,500 claims in Australia and approximately 137,600 claims in the United States.

Claims experience

CSR's recent claims experience is summarised in the graphs below.

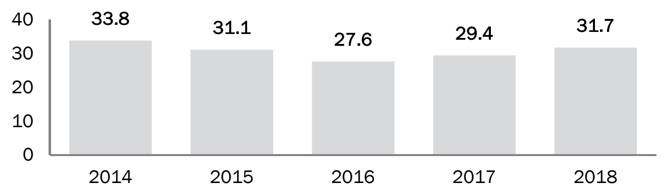
Graph 1: Five year history – claim numbers



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.

The chart below shows recent cash payments for asbestos claims.

Graph 2: Five year history – claim payments (A$ million)



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 Australia and the United States. CSR has appointed Finity Consulting Pty Limited as the independent expert to estimate the Australian liabilities. CSR has appointed Nathan Associates, Inc (previously 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 costs 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.

13 Product liability (continued)

Basis of provision (continued)

In Australia, the methodology used by Finity Consulting Pty Limited produces the central estimate of future asbestos liabilities which represents the average expectation of the range of possible outcomes. At 31 March 2018 the central estimate was A$166.7 million calculated using a discount rate of 3.75%. On an undiscounted and inflated basis that central estimate would be A$222.5 million over the years to 2070, being the year that the Australian independent expert advises CSR is relevant for the estimation of CSR's future Australian asbestos liabilities.

In the United States the methodology used by Nathan Associates, Inc produces a base case estimate or most likely outcome. At 31 March 2018, the base case estimate was US$51.0 million calculated using a discount rate of 2.60%. On an undiscounted and inflated basis that base case estimate would be US$58.5 million over the anticipated further life of the United States liability (40 years).

The product liability provision is determined every six months by aggregating the Australian and United States estimates noted above, translating the United States base case estimate to Australian dollars using the exchange rate prevailing at the balance date and adding a prudential margin. The prudential margin is determined by the CSR directors at the balance date, having regard to the prevailing litigation environment, any material uncertainties that may affect future liabilities and the applicable long-term Australian dollar to United States dollar exchange rate. As evidenced by the analysis below, due in particular, to the fluctuations in exchange rate, the prudential margin has varied over the past five years. The directors anticipate that the prudential margin will continue to fluctuate within a range approximating 10% to 30% depending on the prevailing circumstances at each balance date.

At 31 March 2018, a provision of $289.0 million (31 March 2017: $312.4 million) has been made for all known claims and reasonably foreseeable future claims, and includes a prudential margin of $55.7 million (31 March 2017: $60.0 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 Nathan Associates, Inc 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 2018 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 understate or overstate CSR's asbestos liability.

However, taking into account the provision already included in CSR's financial statements and current claims management experience, CSR is of the opinion that asbestos litigation in Australia and the United States will not have a material adverse impact on the CSR group's financial condition.

CSR's asbestos provision from 2014 to the year ended 31 March 2018 is summarised in the graph and table below.

Graph 3: Five year history – asbestos provision

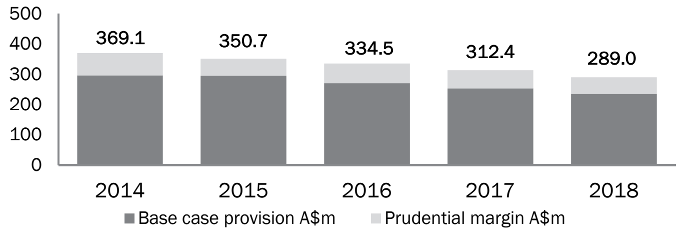


Table 1: Five year history – asbestos provision

$million	Year ended 31 March				
	2014	2015	2016	2017	2018
United States base case estimate US$	123.5	104.9	86.0	72.2	51.0
United States base case estimate A$	133.5	137.0	112.2	94.5	66.6
Australian central estimate A$	161.8	157.2	157.1	157.9	166.7
Subtotal A$	295.3	294.2	269.3	252.4	233.3
Prudential margin A$	73.8	56.5	65.2	60.0	55.7
Prudential margin %	*25.0%*	*19.2%*	*24.2%*	*23.8%*	*23.9%*
Total product liability provision A$	**369.1**	**350.7**	**334.5**	**312.4**	**289.0**

Capital structure and risk management

14 Borrowings and credit facilities

i) Borrowings

	2018	2017
Non-current borrowings – unsecured	**28.0**	30.5

Recognition and measurement

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit or loss over the period of the borrowing using the effective interest rate method.

ii) Credit facilities

The CSR group has a total of $325.0 million (31 March 2017: $325.0 million) committed standby facilities with external financial institutions. These facilities have fixed maturity dates as follows: $111.0 million in 2019, $164.0 million in 2020, with the balance of $50.0 million in 2021. As at 31 March 2018, $297.0 million of the standby facilities were undrawn (2017: $294.5 million undrawn).

15 Issued capital

	Ordinary shares fully paid[1]	Issued capital $million
On issue 31 March 2017	504,480,858	1,036.8
On-market share buy-back – net of transaction costs[2]	(172,631)	(0.6)
On issue 31 March 2018	**504,308,227**	**1,036.2**

1 Fully paid ordinary shares are listed on the Australian Securities Exchange and carry one vote per share and the right to dividends.
2 In the year ended 31 March 2017, 1,219,457 shares were purchased for $4.3 million (net of transaction costs) as part of the on-market share buy-back.

No shares were issued during the years ended 31 March 2018 and 31 March 2017 under employee share plans as shares in respect of the plans were acquired on market. During the years ended 31 March 2018 and 31 March 2017, eligible shareholders were able to reinvest all or part of their dividends in fully paid ordinary shares. Shares were acquired on-market and did not have any impact on issued capital.

Net tangible assets per ordinary share for the year ended 31 March 2018 are $2.15 (2017: $2.00). Net tangible assets per share is calculated as net assets attributable to CSR Limited shareholders of $1,227.4 million (2017: $1,155.0 million) less intangible assets of $143.9 million (2017: $143.8 million) divided by the number of issued ordinary shares of 504.3 million (2017: 504.5 million).

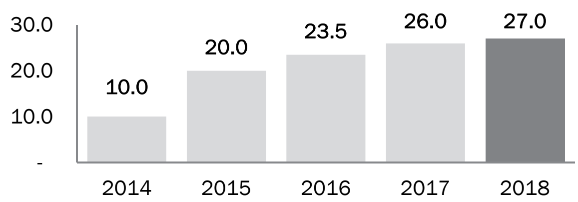
During the year ended 31 March 2016, the company announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back. The share buy-back was completed during the year ended 31 March 2018.

16 Dividends and franking credits

i) Dividends

Dividend type	Cents per share	Franking	Total amount $million	Date paid/payable
2016 Final	12.0	Nil	60.7	5 July 2016
2017 Interim	13.0	Nil	65.6	13 December 2016
2017 Final	13.0	50%	65.6	4 July 2017
2018 Interim	13.5	50%	68.1	12 December 2017
2018 Final[1]	13.5	75%[2]	68.1	3 July 2018

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



1 The final dividend for the financial year ended 31 March 2018 has not been recognised in this financial report because it was resolved to be paid after 31 March 2018. The amounts disclosed as recognised in 2018 are the final dividend in respect of the financial year ended 31 March 2017 and the interim dividend in respect of the financial year ended 31 March 2018.
2 Final dividend of 13.5 cents per share, 75% (10.125 cents) franked at the 30.0% corporate tax rate.

ii) Franking credits

$million	2018	2017
Franking account balance on an accruals basis[1]	**47.0**	38.2

1 The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of income tax liabilities or receivables after the end of the year.

17 Reserves

$million	Hedge reserve	Foreign currency translation reserve	Employee share reserve	Share based payment trust reserve	Non-controlling interests reserve	Other	Total
Balance at 1 April 2017	(22.2)	(6.6)	31.2	(15.9)	(56.6)	(3.3)	(73.4)
Hedge profit recognised in equity	10.8	–	–	–	–	–	10.8
Hedge loss transferred to the statement of financial performance	18.1	–	–	–	–	–	18.1
Translation of foreign operations	–	2.0	–	–	–	–	2.0
Income tax expense related to other comprehensive income	(8.7)	–	–	–	–	–	(8.7)
Share-based payments expense	–	–	3.7	–	–	–	3.7
Income tax benefit related to share-based payments expense	–	–	2.6	–	–	–	2.6
Acquisition of treasury shares	–	–	–	(5.8)	–	–	(5.8)
Non-controlling interests on acquisition of subsidiary	–	–	–	–	(2.5)	–	(2.5)
Balance at 31 March 2018	**(2.0)**	**(4.6)**	**37.5**	**(21.7)**	**(59.1)**	**(3.3)**	**(53.2)**
Balance at 1 April 2016	6.7	(0.5)	27.5	(10.5)	0.5	(3.3)	20.4
Hedge loss recognised in equity	(31.3)	–	–	–	–	–	(31.3)
Hedge profit transferred to the statement of financial performance	(10.1)	–	–	–	–	–	(10.1)
Translation of foreign operations	–	(0.5)	–	–	–	–	(0.5)
Recycling of foreign currency translation reserve on disposal of equity accounted investment	–	(5.6)	–	–	–	–	(5.6)
Income tax benefit related to other comprehensive income	12.5	–	–	–	–	–	12.5
Share-based payments expense	–	–	3.2	–	–	–	3.2
Income tax benefit related to share-based payments expense	–	–	0.5	–	–	–	0.5
Acquisition of treasury shares	–	–	–	(5.4)	–	–	(5.4)
Non-controlling interests on acquisition of subsidiary	–	–	–	–	(57.1)	–	(57.1)
Balance at 31 March 2017	(22.2)	(6.6)	31.2	(15.9)	(56.6)	(3.3)	(73.4)

Nature and purpose of reserves

Hedge reserve: the hedge reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income. Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Foreign currency translation reserve: exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity.

Employee share reserve: the employee share reserve is used to recognise the share-based payments expense and associated income tax recognised through other comprehensive income.

Share-based payment trust reserve: treasury shares are shares in CSR Limited that are held by the CSR Limited Share Plan Trust ('Trust') for the purpose of issuing shares under the CSR employee share plans and the CSR executive incentive plans (see pages 43 to 46 of the remuneration report for further detail). When the Trust purchases the company's equity instruments, the consideration paid is recorded in the share-based payments trust reserve.

Number of shares	2018	2017
Opening balance	824,219	989,753
Acquisition of shares by the Trust (average price of $4.39 (2017: $3.51) per share)	1,325,619	1,540,000
Issue of shares under executive incentive plans	(994,582)	(1,705,534)
Closing balance	**1,155,256**	**824,219**

Non-controlling interests reserve: this reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control. Details of the nature of the amounts recognised in the year ended 31 March 2018 are set out in note 8.

Other reserves: other reserves are used to recognise the written put option the minority shareholders of the Martini business have to sell all of their remaining interest to the group at an agreed price (based on the financial results of the business).

18 Financial risk management

The CSR group's activities expose it to a variety of financial risks:

(i) credit risk;
(ii) liquidity risk; and
(iii) market risk.

This note presents information about the Risk Management Policy framework ('framework') and each of these risks.

The framework sets out the specific principles in relation to the use of financial instruments in hedging exposures to commodity risk, foreign exchange risk, interest rate risk and credit risk, in addition to the use of derivatives and the investment of excess liquidity. The Risk Management Policy has been approved by the board of directors.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the CSR group's activities. Compliance with the framework and procedures is reviewed by the Finance Committee on a routine basis. The Finance Committee membership consists of the managing director and other relevant senior executives.

The CSR group uses a variety of derivative instruments to manage financial and commodity price risks. During the year ended 31 March 2018 the CSR group began hedging electricity price risk using derivative instruments. Otherwise there have been no changes in the CSR group's exposure to risks or the Risk Management Policies used to manage these risks during the years ended 31 March 2018 and 31 March 2017.

The CSR group does not use derivative or financial instruments for speculative or trading purposes.

Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

i) Credit risk

Nature of the risk

Credit risk is the risk of financial loss to the CSR group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the CSR group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk management: receivables

The CSR group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. To manage this risk, the CSR group has a policy for establishing credit approvals and limits under which each new customer is analysed individually for creditworthiness before the CSR group's standard payment and delivery terms and conditions are offered. Sale limits are established for each customer and reviewed regularly.

Any sales exceeding those limits require approval from the general manager. The CSR group continuously monitors the financial viability of its counterparties, ageing analysis and, where necessary, carries out a reassessment of sale limits provided.

Concentrations of credit risk with respect to receivables are limited due to the large number of customers and markets in which the CSR group does business, as well as the dispersion across many geographic areas.

The CSR group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables (see note 9).

Credit risk management: derivatives

The CSR group has an established counterparty credit risk policy. Derivatives may be entered into with banks that are rated at least A– from rating agency Standard & Poor's or A3 from rating agency Moody's, unless otherwise approved by the board.

ii) Liquidity risk

Nature of the risk

Liquidity risk is the risk that the CSR group has insufficient funds to meet its financial obligations when they fall due.

Liquidity risk management

Liquidity risk management requires maintaining sufficient cash, bank facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The CSR group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the CSR group's reputation. Details of credit facilities and the maturity profile are given in note 14.

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

Liquidity risk ($million)	1 year or less	1 to 3 years	3 to 5 years	Total
2018				
Current payables	305.2	–	–	305.2
Non-current other payables	–	3.7	–	3.7
Borrowings (including interest)	0.7	28.1	–	28.8
Commodity financial instruments	18.5	9.4	–	27.9
Foreign currency financial instruments[1]	0.6	1.3	–	1.9
Total	325.0	42.5	–	**367.5**
2017				
Current payables	287.3	–	–	287.3
Non-current other payables	–	3.7	–	3.7
Borrowings (including interest)	0.8	30.7	–	31.5
Commodity financial instruments	29.6	23.0	0.9	53.5
Foreign currency financial instruments[1]	0.6	0.1	–	0.7
Total	318.3	57.5	0.9	376.7

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

18 Financial risk management (continued)

iii) Market risk

Nature of commodity price risk – aluminium

The CSR group has exposure to aluminium commodity prices which arises from sales contracts that commit the CSR group to supply aluminium in future years. Prices for product supplied under these contracts are a function of the US dollar market price at the time of delivery.

Commodity price risk management – aluminium

The CSR group has a policy of hedging its aluminium sales (net of any linked exposure on inputs such as Alumina), where acceptable pricing is available, to reduce the volatility of its aluminium earnings when exchanged into Australian dollars. Eligible hedging instruments used for hedging commodity price risk include commodity forward contracts and commodity options. Hedging is undertaken at declining levels for up to four years.

The price of product supplied under sales contracts comprises two components, the London Metal Exchange (LME) Primary Aluminium cash price, and a physical premium. Over the year ended 31 March 2017, the average of the daily LME cash price was US$2,044.4 per tonne and the average Platts mid-point physical premium was US$111.0 per tonne. The LME price component represented 95% of the sum of the two. The CSR group designates the LME price component of sales as the hedged item. Commodity forward and option contracts are also priced against the LME Primary Aluminium cash price. There is an established economic relationship between the physical sales of aluminium and the commodity forward and option contracts as they are both priced using the same reference price. As the underlying risk of the aluminium price risk is identical to the hedged component, the CSR group has established a hedge ratio of 1:1 for all its hedging relationships over aluminium price risk.

The CSR group does not hedge its exposure to the variability in physical metal premiums. In the CSR group's view, there is currently no viable hedge instrument for physical metal premiums and this component of the metal sales price remains unhedged.

The table below provides information about the aluminium commodity swaps entered into by the CSR group to manage its aluminium commodity price exposure:

	Notional value				Fair value	
Commodity price risk ($million)	1 year or less	1 to 3 years	3 to 5 years	Total	Asset	Liability
2018						
Aluminium commodity swaps[1,2]	216.7	310.0	3.7	530.4	10.4	(23.5)
2017						
Aluminium commodity swaps[1,2]	254.0	356.1	10.4	620.5	–	(49.1)

1 The average price in US dollars per metric tonne at 31 March 2018 was $1,990.7 (2017: $1,838.4). The average price for the individual periods does not materially differ from the overall average price disclosed.

2 $13.1 million net of commodity contract losses (2017: $49.1 million net losses) were deferred in 2018 as the losses relate to cash flow hedges of highly probable forecast transactions. The expected timing of recognition based on the fair values at 31 March 2018 is one year or less: $14.7 million loss (2017: $28.9 million loss); one to three years: $1.4 million gain (2017: $20.0 million loss); three to five years: $0.2 million gain (2017: $0.2 million loss).

Commodity price risk sensitivity – aluminium

At 31 March 2018, had the Aluminium price strengthened/weakened by 10%, assuming a constant exchange rate on hedging contracts, the post-tax profit arising from commodity swaps would have been materially unchanged, mainly as a result of the effectiveness of the hedging in place. Equity before tax would have been $52.7 million lower/$52.7 million higher (2017: $65.5 million lower/$65.5 million higher) had the Aluminium price strengthened/weakened by 10%, assuming a constant exchange rate on hedging contracts arising mainly from commodity swaps designated as cash flow hedges.

Other commodity price risks

Other commodity price risks include:

- **Oil:** the CSR group has exposure to oil commodity prices through an oil price linked gas purchasing contract. The A$ gas purchase price is partially a function of the prevailing US$ oil price and A$/US$ exchange rate. The CSR group has a policy of hedging the oil price component of the price of gas purchased to reduce the volatility of its energy costs.
- **Electricity:** the CSR group has exposure to the National Electricity Market spot electricity price through an electricity supply agreement. The CSR group has a policy of hedging this spot price exposure to reduce the volatility of its energy costs.

No further detailed disclosure is included on these commodity price risks given they are not material to the CSR group.

Interest rate risk management

At the reporting date, CSR group's interest rate exposure is limited to the net debt balance of $14.3 million (2017: $11.4 million). The carrying amount of the net debt balance is the same as the fair value. The maturity profile for the cash balance of $13.7 million is less than 1 year and the maturity profile for the borrowings balance of $28.0 million is one to three years. The average interest rate on debt for the year was 2.4% (2017: 2.4%) and the average interest rate on cash balances for the year was 0.44% (2017: 0.44%).

At 31 March 2018, 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 (2017: $0.1 million lower/higher), mainly as a result of higher/lower interest expense on debt balances.

18 Financial risk management (continued)

iii) Market risk (continued)

Nature of foreign exchange risk

The CSR group's major foreign currency exposure relates to its US dollar aluminium sales revenue and payments for raw materials and capital equipment.

Foreign exchange risk management

The CSR group uses a variety of foreign exchange risk management instruments, including spot, forward and swap currency contracts and currency options, to hedge foreign currency denominated receipts resulting from revenue and payments for raw materials and capital equipment denominated in foreign currencies.

The CSR group's policy is to hedge its net US dollar aluminium exposure to reduce the volatility of aluminium earnings, when acceptable Australian dollar outcomes can be achieved.

Forecast US dollar receipts are based on highly probable forecast monthly sales transactions of aluminium which ensures that the underlying foreign currency exchange risk is identical to the hedged risk component (i.e. the US dollar price). Therefore, the CSR group has established a hedge ratio of 1:1 for all its foreign exchange hedging relationships. Hedging is undertaken at declining levels for up to four years.

The CSR group's policy to hedge foreign exchange exposures arising from payments for raw materials are hedged for up to 18 months with a declining hedge level over time, although higher levels can be hedged when using currency options. The policy requires that material foreign currency denominated purchases of capital equipment be fully hedged to the domestic currency to eliminate currency exposure. Similarly, the policy also requires that all material foreign currency assets and liabilities are hedged to the relevant entity's domestic currency.

Foreign exchange risk sensitivity

At 31 March 2018, had the Australian dollar strengthened/weakened by 10% against the respective foreign currencies with all other variables held constant, the post-tax profit arising from forward exchange rate agreements would have been materially unchanged, mainly as a result of the effectiveness of the hedging in place. Equity before tax would have been $22.7 million higher/$26.8 million lower (2017: $31.7 million higher/$36.8 million lower) had the Australian dollar strengthened/weakened by 10% against the respective foreign currencies arising mainly from foreign forward exchange contracts designated as cash flow hedges.

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

Foreign exchange risk[1,3] ($million)	Average exchange rate[2]	Notional value			Fair value	
		1 year or less	1 to 3 years	Total	Asset	Liability
2018						
US dollar – buy	0.78	123.0	5.3	128.3	2.1	(0.2)
US dollar – sell	0.76	162.3	196.3	358.6	5.8	(1.4)
NZ dollar – buy	1.07	12.0	–	12.0	0.1	–
NZ dollar – sell	1.06	54.7	–	54.7	0.1	(0.2)
Euro – buy	0.64	26.9	–	26.9	1.0	–
Euro – sell	0.65	2.6	–	2.6	–	–
Japanese yen - buy	86.40	3.1	–	3.1	0.2	–
Japanese yen - sell	86.08	1.1	–	1.1	–	(0.1)
Total					**9.3**	**(1.9)**
2017						
US dollar – buy	0.76	68.1	–	68.1	0.9	(0.1)
US dollar – sell	0.75	207.4	176.0	383.4	7.4	(0.1)
NZ dollar – buy	1.07	11.1	–	11.1	–	(0.3)
NZ dollar – sell	1.06	29.4	–	29.4	0.3	–
Euro – buy	0.69	9.1	–	9.1	–	(0.2)
Euro – sell	0.71	2.7	–	2.7	–	–
Total					8.6	(0.7)

1 $6.8 million of net foreign exchange contract gains (2017: $6.7 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 2018 is one year or less: $6.4 million gain (2017: $3.9 million gain); and one to three years: $0.4 million gain (2017: $2.8 million gain).
2 Average rates for the individual periods do not materially differ from the overall average rates disclosed.
3 The CSR group has insignificant exchange rate exposures in GBP.

18 Financial risk management (continued)

iv) Capital management

The CSR group manages its capital to ensure that entities in the CSR group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The capital structure of the CSR group consists of debt which includes the borrowings disclosed in note 14, cash and cash equivalents, issued capital and reserves disclosed in notes 15 and 17 and retained profits. The CSR group reviews the capital structure regularly and balances its overall capital structure through the payment of dividends, new share issues, share consolidations and share buy-backs, as well as the issue of new debt or the redemption of existing debt.

v) Fair value measurement of financial instruments

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

	2018	2017
$million	Level 2	Level 2
Financial assets at fair value		
Commodity swaps – aluminium	10.4	–
Commodity swaps – oil and electricity	3.6	–
Forward exchange rate contracts	9.3	8.8
Other	1.5	–
Total	**24.8**	8.8
Financial liabilities at fair value		
Commodity swaps – aluminium	23.5	49.1
Commodity swaps – oil and electricity	3.7	3.0
Forward exchange rate contracts	1.9	0.7
Total	**29.1**	52.8

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

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

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

There were no transfers from Level 2 to Level 1 and Level 3 in 2018 and no transfers in either direction in 2018.

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

Recognition and measurement

The fair value of financial instruments, including financial assets and liabilities approximates their carrying amount.

The fair values of derivative instruments are calculated using quoted market prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

The CSR group designates its derivatives as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the year when the hedged item is recognised in profit or loss.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts.

18 Financial risk management (continued)

vi) Cash flow hedging

The impact of hedging instruments designated in material hedging relationships as of 31 March 2018 on the statement of financial position of the CSR group is as follows:

	Commodity price risk[1]		Foreign exchange risk			
	Aluminium commodity swaps (forecast sales)[2]		Forward currency contracts (forecast sales)[3]		Forward currency contracts (forecast purchases)[4]	
$million	2018	2017	2018	2017	2018	2017
Notional amount	204,000 tonnes	258,000 tonnes	351.9	376.1	109.5	68.6
Carrying amount:						
Asset	10.4	–	5.9	7.4	3.4	–
Liability	23.5	49.1	1.5	0.1	0.4	0.7
Changes in value of instrument used for calculating hedge ineffectiveness – (loss) gain	(13.1)	(49.1)	4.4	7.4	2.4	(0.7)

1 The CSR group has insignificant hedging relationships in oil commodity swaps and electricity swaps.
2 $1.4 million (2017: $nil) of the carrying amount of Aluminium commodity swaps are disclosed within current other financial assets and $9.0 million (2017: $nil) within non-current other financial assets. $16.1 million (2017: $28.9 million) of Aluminium commodity swaps are disclosed within current other financial liabilities and $7.4 million (2017: $20.2 million) within non-current other financial liabilities.
3 $4.3 million (2017: $4.6 million) of the carrying amount of forward currency contracts are disclosed within current other financial assets and $1.6 million (2017: $2.8 million) within non-current other financial assets. $0.1 million (2017: $nil) of the carrying amount of forward currency contracts are disclosed within current other financial liabilities and $1.4 million (2017: $0.1 million) within non-current other financial liabilities.
4 $3.3 million (2017: $nil) of the carrying amount of forward currency contracts are disclosed within current other financial assets and $0.1 million (2017 $nil) within non-current other financial assets. $0.4 million (2017: $0.7 million) of forward current contract liabilities are disclosed within current other financial liabilities.

The impact of hedged items designated in hedging relationships as of 31 March 2018 on the statement of financial position of the CSR group is as follows:

	Commodity price risk		Foreign exchange risk			
	Aluminium commodity swaps (forecast sales)		Forward currency contracts (forecast sales)		Forward currency contracts (forecast purchases)	
$million	2018	2017	2018	2017	2018	2017
Changes in value of hedged item used for calculating hedge ineffectiveness – gain (loss)	13.1	49.2	(4.4)	(7.4)	(2.4)	0.7
Cash flow hedge reserve (continuing hedges) – gain (loss)	(13.1)	(49.1)	4.4	7.4	2.4	(0.7)

The below hedging relationships affected profit or loss and other comprehensive income as follows:

	Commodity price risk		Foreign exchange risk			
	Aluminium commodity swaps (forecast sales)		Forward currency contracts (forecast sales)		Forward currency contracts (forecast purchases)	
$million	2018	2017	2018	2017	2018	2017
Hedge gain (loss) recognised in other comprehensive income[1]	7.1	(50.7)	1.6	6.6	2.2	(0.7)
Gain (loss) reclassified from other comprehensive income to profit or loss before tax[2]	28.9	(23.6)	(4.6)	2.8	0.7	4.5
Line item in statement of comprehensive income	Trading revenue	Trading revenue	Trading revenue	Trading revenue	Cost of sales	Cost of sales

No hedge ineffectiveness was recognised in profit or loss during the year.

1 The hedge gain (loss) recognised in other comprehensive income totalling $10.9 million gain (2017: $44.8 million loss) together with the $2.5 million gain (2017: $0.2 million gain) on oil and electricity swaps less non-controlling interests of $2.6 million (2017: $13.3 million) reconciles to the hedge gain (loss) transferred to equity in note 17.
2 The gain (loss) reclassified from other comprehensive income to profit or loss after tax totalling $25.0 million gain (2017: $16.3 million loss) together with the $0.4 million gain (2017: $nil) on oil and electricity swaps less non-controlling interests of $7.3 million gain (2017: $6.2 million loss) reconciles to the hedge gain (loss) transferred to statement of financial performance in note 17.

Group structure

19 Subsidiaries

Entity	% CSR ownership 2018	% CSR ownership 2017	Entity	% CSR ownership 2018	% CSR ownership 2017
Incorporated in Australia			**Incorporated in Australia (continued)**		
A-Jacks Hardwall Plaster Pty Ltd	100	100	Gove Aluminium Finance Ltd	70	70
A-Jacks Unit Trust	100	100	Midalco Pty Limited	100	100
AFS Systems Pty Ltd[2]	100	100	High Road Capital Pty Limited[3]	100	100
AFS Unit Trust	100	100	Monier PGH Superannuation Pty Limited	100	100
BI (Contracting) Pty Limited	100	100	PASS Pty Limited	100	100
Bradford Insulation Industries Pty Limited	100	100	PGH Bricks & Pavers Pty Limited[2,4]	100	100
Bradford Insulation (SA) Pty Limited[1]	100	100	Rediwall Unit Trust	100	100
Bricks Australia Services Pty Limited[2]	100	100	Rivarol Pty Limited[2]	100	100
Buchanan Borehole Collieries Pty Ltd	100	100	SA Independent Glass Pty Ltd	100	100
CSR Building Products Limited[2]	100	100	Seltsam Pty Limited	100	100
CSR Developments Pty Ltd	100	100	Softwood Holdings Limited[1]	100	100
CSR Erskine Park Trust	100	100	Softwood Plantations Pty Limited[1]	100	100
CSR Finance Ltd[2]	100	100	Softwoods Queensland Pty Ltd[1]	100	100
CSR Industrial Property Trust	100	100	Thiess Bros Pty Ltd	100	100
CSR Industrial Property Nominees No. 1 Pty Limited	100	100	Thiess Holdings Pty Limited	100	100
CSR Industrial Property Nominees No. 2 Pty Limited	100	100			
CSR International Pty Ltd	100	100	**Incorporated in New Zealand**		
CSR Investments Pty Limited[2]	100	100	CSR Building Products (NZ) Ltd	100	100
CSR Investments (Asia) Pty Limited	100	100	CSR Viridian (New Zealand) Holdings Limited	100	100
CSR Investments (Indonesia) Pty Limited	100	100	CSR Viridian (New Zealand) Limited	100	100
CSR Martini Pty Limited	70	70	Viridian Glass Limited Partnership[5]	100	100
CSR Share Plan Pty Limited	100	100	Norm Fowke Glass Limited	100	100
CSR Structural Systems Pty Limited[2]	100	100	Euroglass Systems Limited	100	100
CSR Viridian Finance Pty Limited[2]	100	100	Glass Concepts Limited	100	100
CSR Viridian Holdings Limited[2]	100	100	National Glass Limited	100	100
CSR Viridian International Pty Limited	100	100	Tasman Glass Limited	100	100
CSR Viridian Investment Company Pty Limited	100	100	Viridian Glass GP Limited	100	100
CSR Viridian Limited[2]	100	100			
CSR Viridian Operations Pty Limited	100	100	**Incorporated in other countries**		
CSR Viridian Properties Pty Limited	100	100	CSR Guangdong Glasswool Co., Ltd (China)	79	79
CSR-ER Nominees Pty Ltd	100	100	CSR Insurance Pte Limited (Singapore)	100	100
DMS Security Glass Pty Ltd	100	100	PT Prima Karya Plasterboard (Indonesia)	100	100
Don Mathieson & Staff Glass Pty Ltd	100	100			

1 In members voluntary liquidation.
2 These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3 During the year, Bradford Energy Finance Pty Limited changed its legal name to High Road Capital Pty Limited.
4 The CSR group held a 60% interest in Boral CSR Bricks Pty Limited ('BCB') until 31 October 2016 when the remaining 40% interest was acquired. Following the acquisition, BCB has changed its legal name to PGH Bricks & Pavers Pty Limited. Refer to note 8 for further details.
5 The CSR group held a 58% interest in Viridian Glass Limited Partnership until 30 June 2016 when the remaining 42% interest was acquired. Refer to note 8 for further details.

20 Deed of cross guarantee

CSR Limited, Bricks Australia Services Pty Limited, CSR Building Products Limited, CSR Finance Ltd, CSR Investments Pty Limited, CSR Structural Systems Pty Limited, AFS Systems Pty Ltd (joined during the year ended 31 March 2018) CSR Viridian Finance Pty Limited, CSR Viridian Holdings Limited, CSR Viridian Limited, PGH Bricks & Pavers Pty Limited (joined during the year ended 31 March 2017) and Rivarol Pty Limited are parties to a deed of cross guarantee ('the Deed') under which each company guarantees the debts of the others. By entering into the Deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

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

20 Deed of cross guarantee (continued)

Set out below is a consolidated statement of financial performance, a consolidated statement of comprehensive income, a consolidated statement of financial position and a summary of movements in consolidated retained profits for the years ended 31 March 2018 and 31 March 2017 of the closed group.

i) Consolidated statement of financial performance

$million	2018	2017
Trading revenue – sale of goods	**1,856.2**	1,803.7
Cost of sales	(1,142.7)	(1,105.9)
Gross margin	**713.5**	697.8
Other income	125.0	53.0
Warehouse and distribution costs	(221.5)	(206.6)
Selling, administration and other operating costs	(324.4)	(310.7)
Share of net profit of joint venture entities	12.3	14.2
Other expenses	(24.3)	(24.4)
Profit before finance costs and income tax	**280.6**	223.3
Interest income	1.4	2.3
Finance costs	(13.3)	(13.7)
Profit before income tax	**268.7**	211.9
Income tax expense	(54.6)	(32.5)
Profit after tax	**214.1**	179.4

ii) Consolidated statement of comprehensive income

$million	2018	2017
Profit after tax	**214.1**	179.4
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss		
Hedge profit (loss) recognised in equity	5.0	(0.6)
Hedge loss transferred to statement of financial performance	1.4	4.5
Exchange differences arising on translation of foreign operations	2.0	(0.5)
Exchange differences on acquisition of controlled entity, transferred to statement of financial performance	–	(5.6)
Income tax expense relating to these items	(1.9)	(1.0)
Items that will not be reclassified to profit or loss		
Actuarial (loss) gain on superannuation defined benefit plans	(3.3)	24.1
Income tax benefit (expense) relating to these items	1.0	(7.3)
Other comprehensive income – net of tax	4.2	13.6
Total comprehensive income	**218.3**	193.0

iii) Summary of movements in consolidated retained profits

$million	2018	2017
Opening retained profits	127.8	57.9
Profit for the year	214.1	179.4
Actuarial (loss) gain on superannuation defined benefit plans (net of tax)	(2.3)	16.8
Dividends provided for or paid	(133.7)	(126.3)
Closing retained profits	**205.9**	127.8

20 Deed of cross guarantee (continued)

iv) Consolidated statement of financial position

$million	2018	2017
Current assets		
Cash and cash equivalents	9.3	15.8
Receivables	225.5	233.3
Inventories	359.9	306.3
Other financial assets	5.5	0.8
Prepayments and other current assets	9.2	3.6
Total current assets	**609.4**	559.8
Non-current assets		
Receivables	86.7	22.5
Inventories	57.7	81.6
Investments accounted for using the equity method	35.8	32.2
Other financial assets	134.3	131.5
Property, plant and equipment	699.8	704.8
Goodwill	86.0	85.5
Other intangible assets	43.3	43.7
Deferred income tax assets	138.1	184.2
Other non-current assets	12.1	19.3
Total non-current assets	**1,293.8**	1,305.3
Total assets	**1,903.2**	1,865.1
Current liabilities		
Payables	222.4	242.2
Other financial liabilities	2.7	1.0
Tax payable	4.2	7.0
Provisions	152.4	154.4
Total current liabilities	**381.7**	404.6
Non-current liabilities		
Payables	–	3.8
Borrowings	28.0	30.5
Other financial liabilities	1.4	2.6
Provisions	299.8	311.1
Other non-current liabilities	–	0.1
Total non-current liabilities	**329.2**	348.1
Total liabilities	**710.9**	752.7
Net assets	**1,192.3**	1,112.4
Equity		
Issued capital	1,036.2	1,036.8
Reserves[1]	(49.8)	(52.2)
Retained profits	205.9	127.8
Equity attributable to shareholders of the closed group	**1,192.3**	1,112.4

1 PGH Bricks & Pavers Pty Limited ('PGH Bricks') became a party to the Deed on 6 February 2017, following the acquisition of Boral Limited's 40% minority interest in PGH Bricks. The balance includes ($57.1) million recognised in the non-controlling interests reserve on acquisition. Refer to note 8 for further details.

21 Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the CSR group. The amounts disclosed are before intercompany eliminations.

	PGH Bricks & Pavers Pty Limited[1]		Gove Aluminium Finance Limited	
$million	2018	2017	2018	2017
Statement of financial position				
Current assets	–	–	137.5	155.4
Non-current assets	–	–	126.6	130.9
Current liabilities	–	–	101.2	98.6
Non-current liabilities	–	–	24.4	28.9
Statement of financial performance				
Revenue	–	179.6	565.5	511.5
Profit after tax for the year	–	19.1	55.2	63.1
Other comprehensive (expense) income for the year	–	–	23.1	(45.7)
Total comprehensive income for the year	–	19.1	78.3	17.4
Statement of cash flows				
Cash flows from operating activities	–	14.4	72.4	86.1
Cash flows from investing activities	–	(3.2)	(9.4)	(9.3)
Cash flows from financing activities	–	(6.6)	(99.1)	(40.4)
Net (decrease) increase in cash held	–	4.6	(36.1)	36.4
Transactions with non-controlling interests				
Profit allocated to non-controlling interests[2]	–	7.6	16.6	18.9
Dividends paid to non-controlling interests	–	8.3	29.5	12.1

1 As PGH Bricks & Pavers Pty Limited is wholly owned by the CSR group at 31 March 2018 the disclosure of the summarised statement of financial position is not applicable. In the year ended 31 March 2017, the CSR group held a 60% interest in PGH Bricks & Pavers Pty Limited (formerly Boral CSR Bricks Pty Limited) until 31 October 2016 when the remaining 40% interest was acquired. Refer to note 8 for further detail. Summarised financial information for the statement of financial performance and cash flows is for the seven month period ended 31 October 2016.

2 Profit allocated to non-controlling interests for subsidiaries that are not material for disclosure was $1.2 million for the year ended 31 March 2018 (2017: $0.7 million).

22 Interest in joint operations

The CSR group's interest in the Tomago aluminium smelter joint operation of 36.05% (2017: 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% (2017: 25.24%).

Recognition and measurement

The shareholders of the joint operation are jointly and severally liable for the liabilities incurred by the operation and have rights to the assets. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses. Where the CSR group and the parties to the agreements only have rights to the net assets of each of the operations under the arrangements, these entities will be classified as joint ventures of the CSR group and accounted for using the equity method. Refer to note 23.

Critical accounting estimate

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement, and therefore requires judgment in determining the classification. The CSR group has both joint operations and joint ventures.

23 Equity accounting information

Carrying amount ($million)	2018			2017		
Entity[1]	Long-term loan	Equity accounted investment	Net investment	Long-term loan	Equity accounted investment	Net investment
Building products						
Rondo Building Services Pty Ltd[2]	–	18.8	18.8	–	14.5	14.5
Gypsum Resources Trust Australia[2]	12.0	–	12.0	12.0	–	12.0
New Zealand Brick Distributors[3]	–	7.9	7.9	–	7.8	7.8
Other[2]	2.4	2.5	4.9	2.4	3.2	5.6
Total investment	14.4	29.2	**43.6**	14.4	25.5	39.9

1 The CSR group's interest in these entities is 50% (2017: 50%).
2 Entities incorporated in Australia.
3 Entity is a limited partnership in New Zealand.

Recognition and measurement

Investments in joint venture and associate entities have been accounted for under the equity method in the CSR group financial statements. CSR's share of net profit/loss of joint venture entities is recorded in the statement of financial performance.

Purchases and sales of goods and services to joint venture entities are on normal terms and conditions.

i) Net investment in joint ventures

$million	2018	2017
Opening net investment	39.9	61.0
Share of net profit before income tax	18.1	21.0
Share of income tax	(5.4)	(6.3)
Dividends and distributions received	(9.5)	(14.2)
Write-down of equity accounted investment	(0.4)	–
Disposal of investment in joint venture	–	(21.4)
Foreign currency translation and other	0.9	(0.2)
Closing net investment	**43.6**	39.9

ii) Summarised financial information of joint venture entities

$million	2018	2017
Statement of financial position		
Current assets	96.6	92.5
Non-current assets	22.1	22.3
Current liabilities	58.7	50.0
Non-current liabilities	3.3	2.3
Statement of financial performance		
Revenue	273.5	293.3
Share of net profit (loss) after tax		
Viridian Glass New Zealand[1]	–	(0.3)
Rondo Pty Limited	12.4	14.4
Other	0.3	0.6

1 The CSR group held a 58% interest in Viridian Glass Limited Partnership until 30 June 2016 when the remaining 42% interest was acquired. Refer to note 8 for further detail. In the year ended 31 March 2017, contribution to net profit is for the three month period ended 30 June 2016.

iii) Balances and transactions with joint venture entities

$million	Note	2018	2017
Current loans payable to CSR		0.1	0.1
Non-current loans payable to CSR	29	11.3	11.3
Purchases of goods and services		24.4	46.3
Sales of goods and services		2.8	3.3

24 Parent entity disclosures

i) Summary financial information of CSR Limited (parent)

$million	2018	2017
Statement of financial position		
Current assets	302.6	264.0
Non-current assets	1,723.4	1,821.0
Current liabilities[1]	(517.9)	(488.1)
Non-current liabilities[1]	(282.4)	(334.4)
Net assets	**1,225.7**	1,262.5
Equity		
Issued capital	1,036.2	1,036.8
Reserves	9.9	9.3
Retained profits	179.6	216.4
Total equity	**1,225.7**	1,262.5
Statement of financial performance		
Profit after tax for the year	98.9	126.0
Total comprehensive income	233.3	141.4

1 Included within current liabilities are the current portion of the product liability provision and uninsured losses and future claims provision of $30.0 million and $5.8 million respectively (2017: $29.2 million and $5.6 million respectively). Included within non-current liabilities are the non-current portion of the product liability provision and uninsured losses and future claims provision of $259.0 million and $23.3 million respectively (2017: $283.2 million and $22.2 million respectively). See notes 12 and 13 for further details.

ii) CSR Limited transactions with controlled entities

During the financial years ended 31 March 2018 and 2017, CSR Limited advanced and repaid loans, sold and purchased goods and services, and provided accounting and administrative assistance to its controlled entities. All loans advanced to and payable to these related parties are unsecured and subordinate to other liabilities. Loans between members of the Australian tax consolidation group are not on normal terms and conditions.

iii) Contingent liabilities

$million	Note	2018	2017
Contingent liabilities, capable of estimation, arise in respect of the following categories:			
Performance guarantees provided to third parties		113.4	77.1
Bank guarantees to Harwood Superannuation Fund[1]	25	–	5.4
Total contingent liabilities[2]		**113.4**	82.5

1 CSR Limited has an obligation to contribute amounts so as to ensure that the assets attributable to certain superannuation defined benefit plans are not less than 120% of the amount required to meet the actuarial liabilities.

2 Financial guarantees disclosed above relate to bank guarantees provided to third parties to guarantee CSR Limited's performance of its liabilities of $76.9 million (2017: $77.1 million) and guarantees provided to third parties outside of the CSR group of $36.5 million (2017: $nil). In addition, CSR Limited has undertaken to provide financial support, as and when required, to certain wholly owned controlled entities so as to enable those entities to pay their debts as and when such debts become due and payable.

iv) Capital commitments

CSR Limited has committed $nil to the acquisition of any property, plant and equipment as at 31 March 2018 (2017: $nil).

Other

25 Employee benefits

i) Superannuation commitments

During the year, the CSR group participated in a number of superannuation funds (funds) in Australia and New Zealand. The funds provide benefits either on a cash accumulation or defined benefit basis, for employees (and spouses) on retirement, resignation or disablement, or to their dependants on death. Employer contributions are legally enforceable, with the right to terminate, reduce or suspend those contributions upon giving written notice to the trustees. CSR Limited and its Australian controlled entities are required to provide a minimum level of superannuation support for employees under the Australian superannuation guarantee legislation.

Australian superannuation funds

In Australia, the CSR group participates in the Harwood Superannuation Fund and the Pilkington (Australia) Superannuation Scheme for those employees and pensioners who are currently members of these funds and any new employees who become members.

Retirement funds

The contributions to the funds for the year ended 31 March 2018 for the CSR group were $41.8 million (2017: $41.6 million).

Accumulation funds

The benefits provided by accumulation funds are based on the contributions and income thereon held by the funds on behalf of the members. Contributions are made as agreed between the member and the company and for the financial year ended 31 March 2018, contributions totalled $36.1 million (2017: $35.4 million). These contributions are expensed in the year they are incurred. CSR group's legal or constructive obligation is limited to these contributions.

Defined benefit funds

The benefits provided by defined benefit divisions of funds (DBDs) are based on length of service or membership and salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the rules of the fund. Employer contributions generally vary based on actuarial advice and may be reduced or cease when a fund is in actuarial surplus. DBDs are closed to new members.

Changes to defined benefit obligations

The Harwood Superannuation Fund Trust Deed was amended with effect from midnight on 31 December 2011 to restructure the various plans within the fund, including splitting the CSR Plan Division One (defined benefit) into three separate plans. The amendment reflected the agreement between CSR Limited and Wilmar International Limited that Sucrogen Limited would assume full responsibility to fund its obligations for defined benefit members employed by the Sucrogen business as well as its share of the funding obligation in respect of the Harwood Pensioner DBD Plan. As such, amounts recorded for the CSR group exclude funding obligations and share of assets and liabilities which have been assumed by Wilmar Sugar Australia Limited.

Asset backing

The last actuarial assessment for the Harwood Superannuation Fund and the Pilkington (Australia) Superannuation Scheme was completed as at 30 June 2017. The funding requirements were reviewed as at 30 June 2017. 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.

The Trust Deed sets out minimum funding levels of 100% and 107% of actuarial liabilities respectively for the DBD CSR and DBD Harwood Pensioner plans. The deed further requires a funding guarantee of both plans to be 120% of actuarial liabilities with the difference between the minimum and required funding able to be provided through bank guarantees. At the time of the last actuarial review, DBD CSR had a funding position of 175% and DBD Harwood Pensioner had a funding position of 122%. Therefore, as at 31 March 2018, CSR Limited was not required to provide any bank guarantees to the trustee of the fund, to satisfy the balance of its commitments (2017: $5.4 million). The bank guarantees have been disclosed in note 24.

Given the surplus position of the Harwood Pensioner plan a review of the investment strategy was undertaken to better align the assets with the nature of the pension liability. This was completed in December 2017 and a more defensive investment strategy was implemented. There was no requirement for any further bank guarantees as part of this change. In line with this investment strategy a minimum funding level of 103% and the funding guarantee of 107% of actuarial liabilities has been agreed with the Trustee.

Table 1: Defined benefit plans (DBDs) sponsored by the CSR group

$million	CSR contributions to the funds	Present value of fund assets	Present value of fund liability	Net defined benefit asset	Contributions paid
Harwood Superannuation Fund					
DBD CSR and DBD Harwood Pensioner[1]	$nil from 1 April 2017	71.4	(68.3)	3.1	0.1
DBD Monier PGH	$nil from 1 April 2017	47.5	(39.5)	8.0	0.9
Pilkington (Australia) Superannuation Scheme DBD[2]	14.6% of eligible salary	51.0	(50.7)	0.3	1.5

1 Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2018.
2 Funds contributed by CSR are for accumulation members.

25 Employee benefits (continued)

i) Superannuation commitments (continued)

Key assumptions used by actuaries

Key assumptions and parameters used by the actuaries (expressed as weighted averages) are outlined below:

%		2018	2017
Discount rate (after tax)		3.8	4.1
Expected salary increase		3.3	3.1
Asset class allocation	– Equity instruments	30.0	44.1
	– Debt instruments	52.4	39.5
	– Property	2.9	4.7
	– Other	14.7	11.7

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

$million	2018	2017
Amounts recognised in the statement of financial performance[1]		
Current service cost	2.7	2.9
Finance cost	6.2	5.9
Interest income	(6.6)	(5.6)
Total expense included in the statement of financial performance	**2.3**	3.2
Actuarial (loss) gain incurred during the financial year and recognised in the statement of comprehensive income	**(3.3)**	24.1
Cumulative actuarial losses recognised in the statement of comprehensive income	**(52.7)**	(49.4)

1 Disclosed in selling, administration and other operating costs.

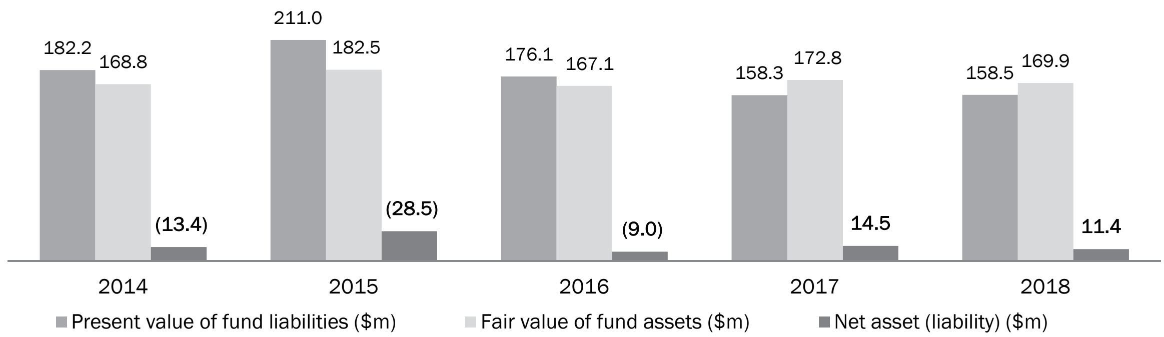
Impact of plans on the statement of financial position

$million	2018	2017
Net asset of superannuation defined benefit plans		
Fair value of assets	169.9	172.8
Present value of liabilities	(158.5)	(158.3)
Net asset	**11.4**	14.5
Included in the statement of financial position		
Non-current other assets (note 29)	11.4	14.6
Other non-current liabilities	–	(0.1)
Net asset	**11.4**	14.5
Movements in the fair value of the defined benefit plan assets		
Assets at the beginning of the financial year	172.8	167.1
Interest income	6.6	5.6
Return on assets (in excess of interest income)	3.8	8.4
Contributions from the employer	2.5	2.6
Contributions from participants	1.0	1.0
Benefits paid	(16.8)	(11.9)
Assets at the end of the financial year	**169.9**	172.8
Movements in the present value of the defined benefit plan liabilities		
Liabilities at the beginning of the financial year	158.3	176.1
Current service cost	2.7	2.9
Finance cost	6.2	5.9
Contributions from participants	1.0	1.0
Actuarial loss (gain)	7.1	(15.7)
Benefits paid	(16.8)	(11.9)
Liabilities at the end of the financial year	**158.5**	158.3

25 Employee benefits (continued)

i) Superannuation commitments (continued)

Net asset (liability) of superannuation defined benefit plans



Recognition and measurement

For superannuation defined benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained profits, in the year in which they occur, and are presented in the statement of comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The defined benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service costs, plus the present value of available refunds and reductions in future contributions to the plan.

ii) Share-based payments

Long-term incentive (LTI) plan – Performance rights plan (PRP)

Under the LTI plan effective during the year ended 31 March 2018, eligible executives were invited to receive performance rights in the company. Shares acquired on vesting of performance rights are fully paid ordinary shares and the amount payable to acquire these shares is $nil.

A summary of the performance rights granted under the plan is set out below:

Number of performance rights	2018	2017
Opening balance	3,166,010	3,727,228
Granted during the year	967,666	1,315,620
Vested during the year	(892,973)	(1,557,577)
Lapsed during the year	–	(319,261)
Closing balance	**3,240,703**	3,166,010

There were no vested and exercisable shares at 31 March 2018 (2017: nil).

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

		Performance rights	
Grant date	Expiry date	2018	2017
23 July 2014	23 July 2018	170,601	970,574
24 July 2015	1 April 2018	904,017	904,017
26 July 2016	1 April 2019	1,198,419	1,291,419
25 July 2017	1 April 2020	967,666	–
Total		3,240,703	3,166,010

A summary of key valuation assumptions for rights granted in the year ended 31 March 2018 is set out below:

Grant date	25 July 2017	25 July 2017
Vesting condition	Relative TSR	EPS
Valuation method	Monte Carlo simulation	Binominal Tree
Start of performance period	1 April 2017	1 April 2017
Testing date	31 March 2020	31 March 2020
Expected life	2.7 years	2.7 years
Grant date share price	$3.95	$3.95
Volatility	30%	30%
Dividend yield	5.9%	5.9%
Risk-free rate	1.89%	1.89%
Fair value	$1.76	$3.37

Further details on the LTI plan and the terms of the grants during the year are detailed in the remuneration report on pages 43 to 45.

25 Employee benefits (continued)

ii) Share-based payments (continued)

Deferred shares

Under the STI deferral plan, 20% of any STI earned by senior executives is delivered in CSR shares. These shares must be held in trust subject to trading restrictions and have a continued service requirement for a minimum of two years from the date of allocation.

Deferred shares are administered by the CSR Share Plan Trust. The shares are acquired on market at the grant date and are held as treasury shares until such time as they are vested. Forfeited shares are reallocated in subsequent grants. The number of shares to be granted is determined based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange.

	2018	2017
Number of rights to deferred shares granted	118,667	174,797
Fair value of rights at grant date	$4.93	$3.51

Other plans

Universal Share Option Plan (USOP): eligible employees can buy shares to a maximum value of $1,000 and receive an equivalent number of shares for no cash consideration. The shares are acquired on market prior to issue with the cost of acquisition recognised in employee benefit expense.

Employee Share Acquisition Plan (ESAP): directors and employees can forgo up to $5,000 of their cash remuneration annually to acquire shares in the company. The shares are purchased on market by the CSR Share Plan trustee, who acts on instructions given in accordance with the plan rules and the company's Share Trading Policy.

Number of shares issued under the plans	2018	2017
USOP[1]	506,664	547,476
ESAP	89,217	99,485

1 Number of shares issued includes the number of purchased shares issued to employees under the plan. Each participant was issued with shares to a maximum value of $1,000 based on the weighted average market price of $4.02 (2017: $3.87).

For further details on the USOP and the ESAP, refer to page 46 of the remuneration report.

Expenses arising from share-based payment transactions

$	2018	2017
Long term incentive plan (PRP)	3,099,880	2,626,357
Deferred shares	626,950	571,002
Other plans	1,019,408	1,059,640
Total expense	**4,746,238**	4,256,999

Recognition and measurement

Share-based payments can either be equity settled or cash settled.

- **Equity settled:** the fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period (with a corresponding increase to the employee share reserve), based on the CSR group's estimate of shares that will eventually vest.
- **Cash settled:** the ultimate expense recognised in relation to cash settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

26 Related party disclosures

i) Transactions with directors or other key management personnel

Transactions entered into during the financial year with directors of CSR Limited and other key management personnel of the CSR group and with their closely related entities which are within normal customer or employee relationships on terms and conditions no more favourable than those available to other customers, employees or shareholders included:

- contracts of employment (see section ii) and reimbursement of expenses;
- acquisition of shares in CSR Limited under the employee share plans and the dividend reinvestment plan;
- dividends from shares in CSR Limited; and
- sale and purchase of goods and services.

No new loans, loan repayments or loan balances occurred between the CSR group and directors and other key management personnel of the CSR group during the financial year ended 31 March 2018 (2017: nil).

ii) Key management personnel remuneration

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

$	2018	2017
Short-term employee benefits	4,319,706	3,437,587
Share-based payments expense	1,155,494	804,880
Total	5,475,200	4,242,467

Details of remuneration and the CSR Limited equity holdings of directors and other key management personnel are shown in the remuneration report on pages 35 to 52.

iii) Other related parties

Other than transactions with joint venture entities disclosed in note 23, no material amounts were receivable from, or payable to, other related parties as at 31 March 2018 (2017: nil), and no material transactions with other related parties occurred during those years.

Details of payments to superannuation defined benefit plans are shown in note 25.

27 Subsequent events

With the exception of the items disclosed below, there has not arisen in the interval between 31 March 2018 and the date of this report, any other matter or circumstance that has significantly affected or may significantly affect the operations of the CSR group, the results of those operations or the state of affairs of the CSR group in subsequent financial years.

Dividends

For dividends resolved to be paid after 31 March 2018, refer to note 16.

Sale of surplus land at Horsley Park

On 3 April 2018, CSR announced the sale of the first tranche of surplus land at Horsley Park, New South Wales. Under the terms of the sale, approximately $30.0 million of profit before tax is expected to be recognised in the statement of financial performance in the year ending 31 March 2019, with settlement expected in April 2019.

28 Commitments and contingencies

i) Commitments

$million	2018	2017
Operating lease and hire expenditure		
Land and buildings	204.0	212.8
Plant and equipment	27.9	27.6
Total	**231.9**	240.4
Contracted lease and hire expenditure comprises:		
Within one year	50.5	51.1
Between one and five year(s)	118.1	117.6
After five years	63.3	71.7
Total	**231.9**	240.4
Contracted capital expenditure comprises:		
Payable within one year	52.6	12.6

The total of minimum rentals to be received in the future under non-cancellable sub-leases as at 31 March 2018 is not material. Contingent rentals for 2018 and 2017 financial years were not material. The leases on most of the CSR group's rental premises contain renewal options. The CSR group's decision to exercise renewal options is primarily dependent upon the profitability of business conducted at the location.

Recognition and measurement – operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the CSR group as lessee are classified as operating leases.

ii) Contingencies

Contingencies for CSR Limited are outlined in the parent entity note 24. There are no other contingencies in relation to controlled entities within the CSR group. Operating lease expenditure for 2018 and 2017 is disclosed in note 5.

29 Other non-current assets

$million	Note	2018	2017
Loans to joint venture entities[1]		11.3	11.3
Other loans and receivables[2]		65.2	12.1
Total non-current receivables		**76.5**	23.4
Other assets		0.3	4.7
Superannuation defined benefit plans – fair value of surplus	25	11.4	14.6
Total other non-current assets		**11.7**	19.3

1 The CSR group has provided facilities to joint venture entities on arms length terms.
2 Includes a loan receivable of $52.0 million in relation to the sale of property at Rosehill in August 2017. The loan is interest bearing and due is for repayment in December 2019. The remaining balance of other loans and receivables has no fixed payment term.

30 Auditor's remuneration

$	2018	2017
Deloitte Touche Tohmatsu in Australia		
Audit or review of financial statements	742,000	788,400
Sustainability and carbon related assurance services	77,108	58,000
Other assurance and advisory services	9,000	40,600
Total auditor's remuneration	**828,108**	887,000

31 Other accounting policies

Cash and cash equivalents: net cash is defined as cash at bank and on hand and cash equivalents, net of bank overdrafts. Cash equivalents include highly liquid investments which are readily convertible to cash, and loans which are not subject to a term facility. Cash and cash equivalents held at 31 March 2018 included $13.7 million of cash at bank and on hand (2017: $19.1 million) and $nil short-term deposits (2017: $nil).

Tax consolidation: Australian tax legislation allows groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes.

The CSR group has elected for those entities within the CSR group that are wholly owned Australian resident entities to be taxed as a single entity from 1 April 2004.

Prior to the adoption of the tax consolidation system, CSR Limited, as the head entity in the tax consolidated group, agreed to compensate or be compensated by its wholly owned controlled entities for the balance of their current tax liability/(asset) and any tax loss related deferred tax asset assumed by CSR Limited. Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by CSR Limited and each member of the group in relation to the tax contribution amounts paid or payable between CSR Limited and the other members of the tax consolidated group in accordance with the arrangement.

Foreign currency: all foreign currency transactions during the financial year have been brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are brought to account in profit or loss in the year in which they arise except if designated as cash flow hedges.

On consolidation, the results and financial position of foreign operations are translated as follows:

- assets and liabilities are translated using exchange rates prevailing at the end of the reporting period;
- income and expense items are translated at the average exchange rates for the period; and
- exchange differences arising, if any, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the operation.

Put option liabilities on non-controlling interests: contracts that contain an obligation to pay cash in the future to purchase minority shares held by non-controlling interests, even if the payment is conditional on the option being exercised by the holder, are recorded as a financial liability. The initial redemption liability is recorded against equity. The financial liability is recognised at the present value of the expected redemption amount.

Goods and services tax: revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as a current asset or liability.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authority are classified as operating cash flows.

New standards not yet applicable:

1 **AASB 16 *Leases (AASB 16)*:** released on 23 February 2016 and will primarily affect the accounting treatment of leases by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. The standard will be first applicable for the year commencing 1 April 2019 and the group is currently in the process of quantifying the expected impact. The impact of this standard is expected to be material to the CSR group. However, until the group undertakes a detailed review, it is not practicable to provide a reasonable estimate of the effect of this standard.

2 **AASB 15 *Revenue from contracts with customers (AASB 15)*:** issued in December 2014 and is expected to be first applicable to CSR Limited in the year commencing 1 April 2018, with amended comparatives. AASB 15 will replace AASB 118 *Revenue*, which covers contracts for goods and services, and AASB 111 *Construction Contracts*, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, that is, the 'notion of control' replaces the existing 'notion of risks and rewards'. The impact of this standard is not expected to have a material impact on the CSR group.

3 **AASB 9 *Financial instruments (AASB 9):*** the CSR group has adopted AASB 9 as issued in December 2013, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The CSR group has adopted the two main phases relating to classification and measurement of financial assets and financial liabilities (Phase 1) and hedge accounting (Phase 3). The update to AASB 9 *Financial Instruments* as issued in December 2013 which includes impairment (Phase 2) has not yet been adopted by the CSR group. Phase 2 of this standard is not expected to have a material impact on the CSR group and is first applicable for the year commencing 1 April 2018.

CSR LIMITED

ABN 90 000 001 276

Directors' declaration

The directors declare that:

1 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;

2 in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as disclosed in note 1;

3 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;

4 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 2018; and

5 there are reasonable grounds to believe that CSR Limited and the group entities identified in note 20 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the deed of cross guarantee between CSR Limited and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

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

Jeremy Sutcliffe Chairman	Rob Sindel Managing Director
Sydney, 9 May 2018	Sydney, 9 May 2018

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Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CSR Limited ("CSR" or the "company") and its subsidiaries (the "group"), which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of financial performance, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the group's financial position as at 31 March 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit responded to the key audit matter
Product Liability Provision (Refer to Note 13 Product liability) CSR has recognised a product liability provision of $289.0 million as at 31 March 2018. The provision is in respect of all known and reasonably foreseeable future asbestos claims. The provision is determined after considering the advice provided by management appointed external experts in Australia and the United States of America ("USA"), being the countries giving rise to the liabilities. The determination of the provision is subject to significant judgement as to expected settlement amounts and likelihood of future claims. In addition, the assumptions in respect of movements in foreign exchange rates and discount rates have a significant impact on the estimate of provisions. The size and complexity of the assumptions used in determining the provision result in it being considered as a key audit matter.	In conjunction with actuarial specialists, our procedures included, amongst others: ▪ assessing the competence and independence of management appointed external experts; ▪ assessing the appropriateness of the assumptions and methodology used in the reports prepared by the management appointed external experts; including: - evaluating the reasonableness of the methodology used to calculate the provision; - benchmarking of the discount rates; and - comparison of historical claims experience to assumptions used to estimate future claims; ▪ testing on a sample basis the accurate inclusion and exclusion of asbestos claims in management's liability database, which is provided to management appointed external experts and forms the basis for the reports; ▪ making enquiries of management appointed external experts and the company's internal and external legal counsel in respect of their conclusions; ▪ agreeing the provision breakdown between liabilities relating to Australia and the USA to the respective external experts' reports; ▪ testing the translation of the USA liability to Australian dollars at the appropriate foreign currency exchange rate; ▪ assessing the basis for the determination of the prudential margin through enquiries of management and their consideration of the external experts' reports; and ▪ assessing the appropriateness of the relevant disclosures in the financial statements.

<table>
<tr><th>Key audit matter</th><th>How the scope of our audit responded to the key audit matter</th></tr>
<tr><td>Asset valuation

(Refer to Note 10 Property, plant and equipment and intangible assets)

At 31 March 2018 the group's consolidated statement of financial position includes goodwill amounting to $98.1 million, other intangible assets amounting to $45.8 million and property, plant and equipment amounting to $834.0 million, comprised of several cash generating units (CGUs).

The assessment of impairment of the company's goodwill, other intangible assets and property, plant and equipment balances involved the exercise of significant judgement in respect of key assumptions such as discount rates, inflation, growth rates, forecast changes in the building cycle and forecast future cash flows, as appropriate.

Management prepare an impairment trigger analysis to identify which CGUs should be considered further for impairment. The Viridian CGU was identified by management as a CGU requiring an impairment analysis due to the low return on funds employed.

We focussed on this area as a key audit matter due to the judgment involved in forecasting future cash flows and the selection of assumptions.</td><td>In conjunction with valuation specialists, our procedures included, amongst others:

▪ evaluating the process used by management in the determination of those CGUs requiring further impairment analysis as a consequence of an impairment trigger by:
- assessing management's determination of the company's CGUs based on our understanding of the business and consistency with the segment reporting;
- evaluating management's impairment trigger analysis based on a number of factors including annual financial performance and external market conditions; and
- checking that each CGU containing goodwill had been included in management's impairment testing;
▪ evaluating the analysis performed by management and the conclusions drawn in relation to the Viridian CGU by:
- critically assessing the appropriateness of the impairment model methodology, key inputs and assumptions used in each model using our knowledge of each business and the industry, including assessment of:
▪ the discount rate;
▪ the terminal growth rate;
▪ the inflation rate;
▪ forecast changes in the business cycle; and
▪ forecast cash flows;
- testing, on a sample basis, the mathematical accuracy of the cash flow models;
- agreeing relevant data to the latest board approved forecasts;
- assessing the historical accuracy of forecasting of the CGUs;
- obtaining and reading the position papers prepared by management to support the models for this CGU;
- evaluating management's process, including testing controls on a sample basis in respect of the preparation and review of forecasts; and
- assessing the appropriateness of the relevant disclosures in the financial statements.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the group's annual report for the year ended 31 March 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report which forms part of the directors' report and is included in pages 35 to 52 of the CSR Limited annual report for the year ended 31 March 2018.

In our opinion, the Remuneration Report of CSR Limited for the year ended 31 March 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

J A Leotta
Chartered Accountants
Partner

Sydney, 9 May 2018

20 LARGEST HOLDERS OF ORDINARY SHARES

As at 30 April 2018

RANK	NAME	UNITS	% OF UNITS
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	173,643,673	34.43
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	87,763,481	17.40
3.	CITICORP NOMINEES PTY LIMITED	62,540,668	12.40
4.	NATIONAL NOMINEES LIMITED	20,588,015	4.08
5.	BNP PARIBAS NOMS PTY LTD DRP	8,893,128	1.76
6.	BNP PARIBAS NOMINEES PTY LTD	4,669,316	0.93
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,239,925	0.64
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,109,435	0.62
9.	CITICORP NOMINEES PTY LIMITED	2,673,358	0.53
10.	PRUDENTIAL NOMINEES PTY LTD	2,500,000	0.50
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,137,690	0.42
12.	CSR SHARE PLAN PTY LIMITED	1,155,256	0.23
13.	MR ALLAN ERNEST ORMES	1,066,667	0.21
14.	AMP LIFE LIMITED	1,057,317	0.21
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	898,957	0.18
16.	UBS NOMINEES PTY LTD	834,106	0.17
17.	SINDEL AUSTRALIA PTY LTD	809,414	0.16
18.	INVIA CUSTODIAN PTY LIMITED	693,649	0.14
19.	CSR SHARE PLAN PTY LIMITED	650,703	0.13
20.	V M NOMINEES PTY LTD	550,000	0.11
Top 20 holders of issued capital		**379,474,758**	**75.25**
Remaining holders balance		**124,833,469**	**24.75**

SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

Dimensional Entities and its subsidiaries advised that as of 20 June 2013, it and its associates had an interest in 30.4 million shares, which represented 6.01% of CSR's issued capital at that time.

The Vanguard Group Inc. and its subsidiaries advised that as of 17 June 2016, it and its associates had an interest in 25.3 million shares, which represented 5.00% of CSR's issued capital at that time.

State Street Corporation and its subsidiaries advised that as of 23 October 2017, it and its associates had an interest in 26.5 million shares, which represented 5.25% of CSR's issued capital at that time.

Yarra Funds Management and its subsidiaries advised that as of 24 April 2018, it and its associates had an interest in 31.3 million shares, which represented 6.21% of CSR's issued capital at that time.

SHAREHOLDINGS BY GEOGRAPHIC LOCATION

Location	Units	Units %	Holders	Holders %
AUSTRALIA	500,216,514	99.19	45,548	96.00
NEW ZEALAND	2,550,015	0.51	1,284	2.70
HONG KONG	669,614	0.13	43	0.09
UNITED KINGDOM	361,448	0.07	245	0.52
UNITED STATES OF AMERICA	151,157	0.03	98	0.21
Other	359,479	0.07	227	0.48
Total	**504,308,227**	**100.00**	**47,445**	**100.00**

DISTRIBUTION OF SHAREHOLDINGS

Range	Holders	Units	% of issued capital
1 – 1,000	23,532	11,621,783	2.30
1,001 – 5,000	19,207	43,093,612	8.55
5,001 – 10,000	2,933	20,812,472	4.13
10,001 – 100,000	1,693	36,612,339	7.26
100,001 and over	80	392,168,021	77.76
Total	**47,445**	**504,308,227**	**100.00**

UNMARKETABLE PARCELS

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $5.64 per unit	89	1,236	33,014

RECENT CSR DIVIDENDS

Date paid	Type of dividend	Dividend per share	Franking	Franked amount per share at 30%
December 2013	Interim	5.0 cents	0%	NA
July 2014	Final	5.0 cents	0%	NA
December 2014	Interim	8.5 cents	0%	NA
July 2015	Final	11.5 cents	0%	NA
December 2015	Interim	11.5 cents	0%	NA
July 2016	Final	12.0 cents	0%	NA
December 2016	Interim	13.0 cents	0%	NA
July 2017	Final	13.0 cents	50%	6.5 cents
December 2017	Interim	13.5 cents	50%	6.75 cents
July 2018	Final	13.5 cents	75%	10.125 cents

SHAREHOLDER INFORMATION

ANNUAL GENERAL MEETING

Wednesday 27 June 2018 at 11:00am

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

REGISTRY INFORMATION

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

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INVESTOR RELATIONS AND NEWS

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

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