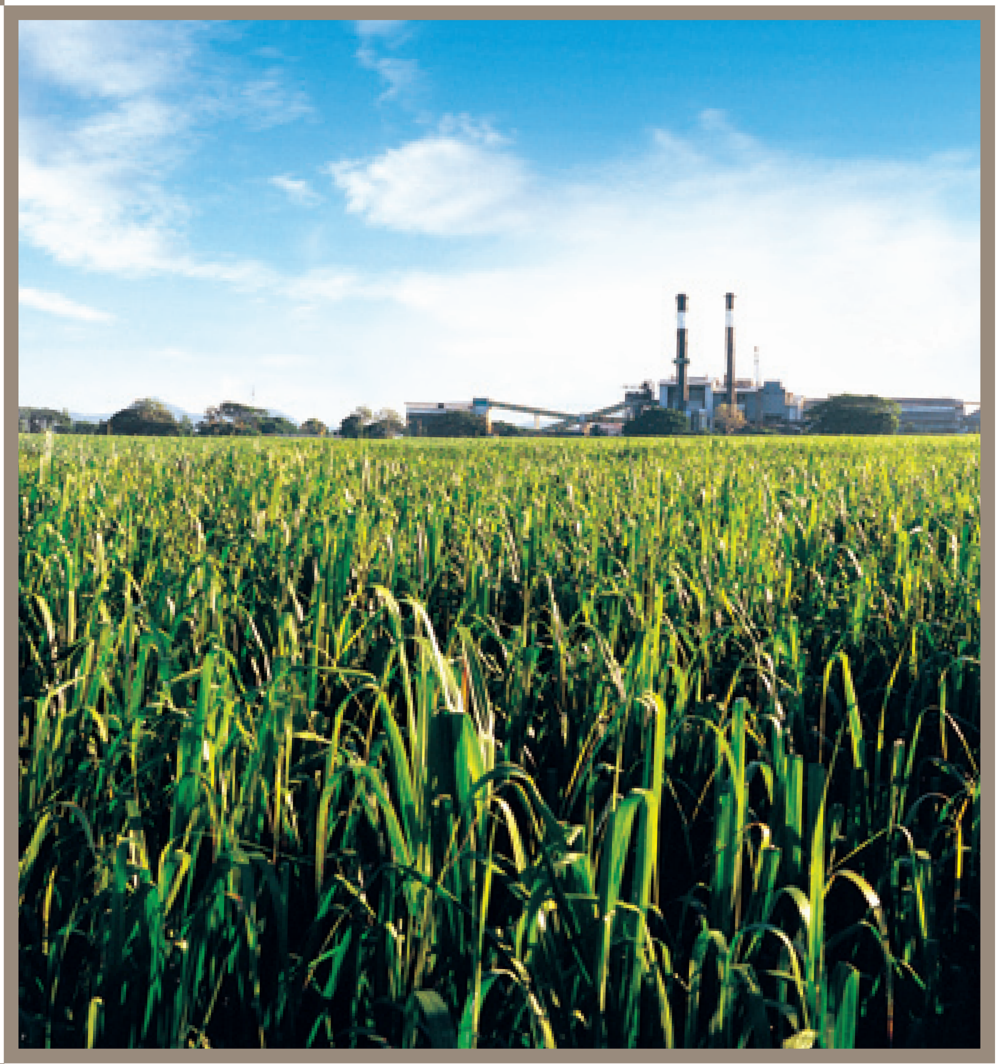
CSR ANNUAL REPORT 2006



BE SURE WITH CSR

CSR ANNUAL REPORT 2006

CREATING SHAREHOLDER VALUE

OUR DIVERSIFIED BUSINESSES HAVE ENSURED WE CONTINUE TO INCREASE SHAREHOLDER VALUE

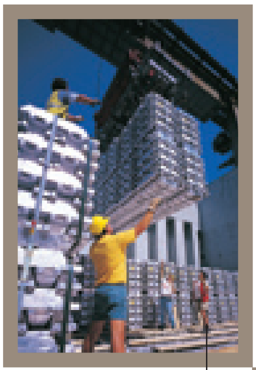
We focus on businesses our people know well: building products, aluminium, sugar and property. The combination of these diversified operations, each subject to its own market cycle, has enabled CSR to produce strong returns and cash flow.

After more than 150 years of serving customers, CSR continues to be a leading manufacturer – with operations throughout Australia and in Asia and New Zealand.

PROPERTY

Value from developing former industrial sites

(Refer page 17)



BUILDING PRODUCTS

Value from growing in new products and innovative systems

(Refer page 10)

ALUMINIUM

Value from expanded production and good returns in international markets

(Refer page 13)

SUGAR

Value from growing in renewable energy – and better world sugar prices

(Refer page 14)

HIGHLIGHTS

A busy year with higher earnings and dividends. Several growth projects are under way

THE YEAR IN BRIEF

MAJOR ANNOUNCEMENTS TO ASX AND MEDIA RELEASES[a]

2006

17 May	CSR net profit before significant items rose 16.7% to $249.8 million for the year ended 31 March 2006
	Total dividend for the year to increase by 25% to 15 cents a share
11 May	CSR Managing Director Alec Brennan confirms that he plans to retire at the end of his current contract in March 2007. A search process is under way to appoint a successor, with internal and external candidates to be considered
18 April	Employees' donation of $38,000 for Cyclone Larry relief fund matched $3 for $1 by CSR. Total contribution over $150,000
12 April	Partial settlement of longstanding litigation with insurers
31 March	Increased participation in fuel ethanol market
24 March	CSR rationalises brick and roof tile manufacturing operations
8 March	Ian Glasson is to be the new chief executive of CSR Sugar, replacing Ian McMaster who is to retire
15 February	$15 million expansion of fuel ethanol capacity at the Sarina, Queensland, distillery
23 January	Appointment of Anne Brennan as chief financial officer to replace Warren Saxelby who is stepping down

2005

20 December	Conditional agreement for sale of land around New Zealand Sugar Company's (CSR 75%) sugar refinery in Auckland, New Zealand
23 November	CSR acquires two businesses which expand CSR Building Products into adjacent markets of ventilation systems and metal roofing
8 November	Results for the half year ended 30 September 2005
6 October	CSR upgrades full year forecast for CSR Property
31 August	Pioneer mill renewable electricity plant in final stages of commissioning
18 May	Results for the year ended 31 March 2005
	Capital return of 20 cents a share or $182 million announced
17 May	Richard Lee joins the CSR board

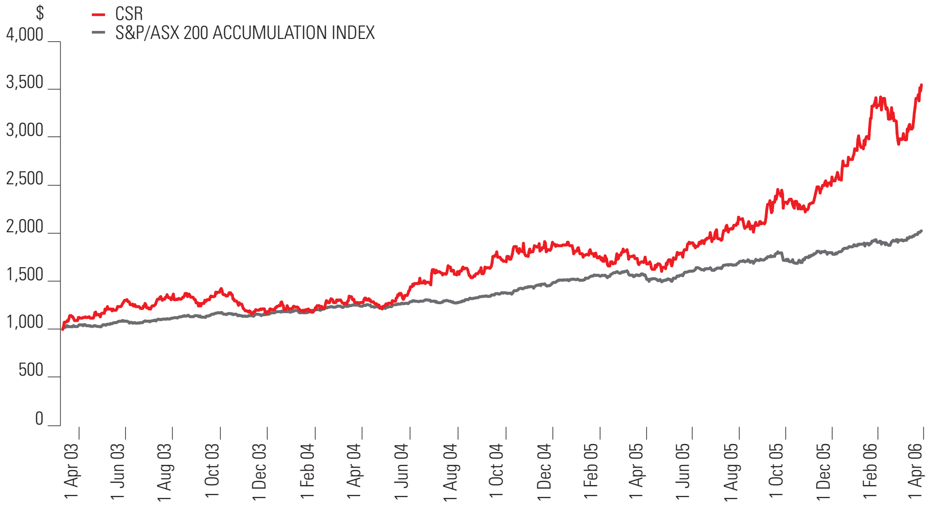
a Dates shown are when announcements were made to the Australian Stock Exchange (ASX) or released to the media. As part of our continuous disclosure, CSR promptly informs the ASX of information that may affect the company's share price. Announcements are published in full on our internet site, www.csr.com.au.

KEY FACTS[a] – EXCLUDING SIGNIFICANT ITEMS

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	**2006**	2005	% CHANGE
OPERATING RESULTS			
Trading revenue	**2,866.9**	2,367.5	21.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**533.1**	462.1	15.4
Earnings before interest and tax (EBIT)	**416.8**	358.6	16.2
Net profit before significant items	**249.8**	214.0	16.7
Capital investment	**299.5**	261.0	14.8
FINANCIAL POSITION			
Shareholders' funds	**1,075.4**	1,256.1	(14.4)
Total assets	**3,063.2**	2,380.1	28.7
Net debt	**558.5**	270.1	106.8
KEY DATA PER SHARE			
Earnings before significant items [cents]	**27.4**	23.4	17.1
Dividend [cents]	**15.0**	12.0	25.0
KEY MEASURES			
Return on shareholders' funds (ROSF) [%]	**21.8**[b]	18.9	
Gearing at 31 March [%]	**30.5**[b]	17.7	
Interest cover at 31 March [times]	**17.2**	27.2	
Employees [number of people employed]	**6,363**	5,973	
Safety performance [recordable injuries][c]	**15.3**	14.8	

a Results in 2006 and 2005 are reported under Australian equivalents to International Financial Reporting Standards (A-IFRS). All results prior to 2005 were reported under previous Australian accounting standards.
b Restated to exclude fair value adjustments for hedges from equity.
c The total number of recordable injuries per million work hours.

CSR TOTAL SHAREHOLDER RETURN OVER THREE YEARS

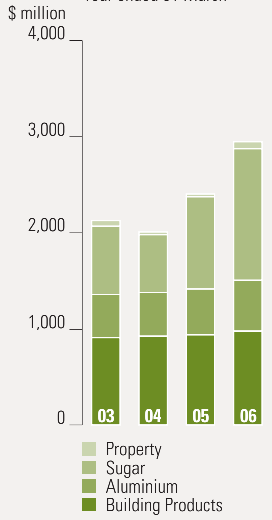


CSR VS S&P/ASX 200 ACCUMULATION INDEX – 1 APRIL 2003 TO 31 MARCH 2006

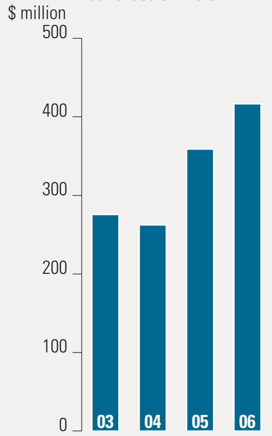
$1,000 invested in CSR shares on 1 April 2003 was worth $3,546 three years later including reinvestment of dividends and the return of capital. The same investment of $1,000 in the S&P/ASX 200 Accumulation Index, a benchmark of the Australian equity market, was worth $2,023 after the same period.

As a guide to performance over the past five years, $1,000 invested in CSR shares on 30 March 2001 was worth $4,610 five years later. The same investment of $1,000 in the S&P/ASX 200 Accumulation Index was worth $1,996. This calculation assumes that on the date CSR shares began trading ex-entitlement to Rinker Group Limited shares (31 March 2003), the Rinker shares were sold and proceeds reinvested in CSR.

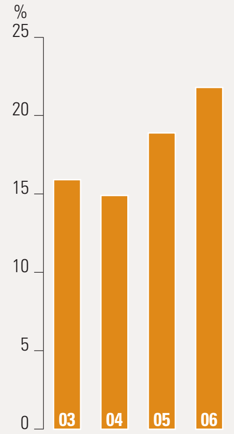
REVENUE BY BUSINESS
Year ended 31 March



EARNINGS BEFORE INTEREST AND TAX (EBIT)
Year ended 31 March



RETURN ON SHAREHOLDERS' FUNDS (ROSF)
Year ended 31 March



CHAIRMAN'S MESSAGE FROM IAN BLACKBURNE

Another strong performance from CSR's diversified portfolio of businesses

CSR PERFORMED STRONGLY LAST YEAR, ASSISTED BY INCREASED COMMODITY PRICES FOR OUR SUGAR AND ALUMINIUM OPERATIONS, IMPROVED PROPERTY RETURNS AND COST SAVINGS, WHICH MORE THAN OFFSET A SLOWDOWN IN OUR RESIDENTIAL HOUSING MARKETS.

Net profit before significant items rose 16.7% to $249.8 million. Earnings per share were up 17.1% to 27.4 cents, compared with 23.4 cents the prior year. Return on shareholders' funds grew to 21.8%, up from 18.9%.

CSR's total net profit after tax including significant items was $305.0 million, which includes a partial settlement of longstanding litigation with insurers.

The board substantially increased dividends for the year. When the final dividend of 9 cents a share is paid in July, the total dividends paid for the year will be 15 cents, fully franked – an increase of 25%.

CSR continues to pay a significant proportion of sustainable profit as dividends. The recent increase in commodity prices has provided an opportunity for the company to hedge a portion of future earnings over the next few years to establish a higher level of sustainable earnings.

With the final dividend, CSR will have returned over $331 million to shareholders for the year through an increased total dividend, share buyback and a return of capital to shareholders of $182.1 million or 20 cents a share.

The return of capital to shareholders in August 2005 was a one-off restructure of the company's gearing and share capital. We now have a capital structure more appropriate to our range of businesses and liabilities, with flexibility for growth.

The company's share price has performed strongly. In the past three years, CSR's total shareholder return of 52.5% a year has outperformed the S&P/ASX 200 Accumulation Index return of 26.5%, a benchmark of the Australian equity market. (See the CSR Total Shareholder Return Over Three Years graph, page 3.)

We made use of the company's strong financial position to pursue over $219 million in growth initiatives last year. In selecting growth opportunities, we continued our strategy of expanding carefully in businesses we know well, either in – or aligned to – CSR's existing industries.

I thank CSR's people, led by Alec Brennan, for their hard work in improving efficiency and profitability during a demanding, but successful year.

Alec has confirmed that he plans to retire at the end of his current contract in March 2007. A search process is under way to appoint a successor with internal and external candidates to be considered. Alec will be working closely with the board to ensure a smooth succession process.

In his 37 year career with CSR, Alec has served the company in a wide range of senior roles across the businesses. He has been a director since 1996 and chief executive since March 2003. The company has benefited tremendously from his role in restructuring CSR over the past 10 years. The last decade, and especially the past three years, has seen very substantial value creation for shareholders.

I also thank my fellow directors for their contributions to the effective operation of the board last year. The board rigorously promotes good governance. Supporting strict adherence to CSR's code of business conduct and ethics continues to be an important focus. The sustainability report (page 18) shows the result of additional efforts this year by our businesses to improve their performance in managing their environmental and other corporate social responsibilities.

In the year ahead, we will actively continue to follow our strategy of steady growth and improving the long-term operations of our businesses.

I am confident that CSR's diversified range of businesses and team of skilled and competent people will continue to provide shareholders with strong returns. ■

Ian Blackburne

IAN BLACKBURNE
Chairman

MANAGING DIRECTOR'S REVIEW FROM ALEC BRENNAN

Delivering on our strategy to create value for shareholders

THREE YEARS AGO, WE UNDERTOOK TO CREATE VALUE FOR SHAREHOLDERS BY VIGOROUSLY PURSUING A STRATEGY OF:

- Lifting all aspects of our operational performance including:
  - safety and environmental protection
  - how well we meet our customers' needs
  - factory reliability and distribution efficiency
  - the quality and skills of our people.
- Growing and restructuring our Building Products, Aluminium and Sugar businesses in ways aligned to their present operations, and developing our growing Property activities.
- Managing capital to create value for shareholders.

This strategy has produced good results for shareholders. CSR has been among the best performing companies in the S&P/ASX 200 index during the past three years with total shareholder return averaging 52.5% a year.

CSR AND SUSTAINABILITY

The way we manage our safety and environmental responsibilities is a good measure of how well we manage our business as a whole.

The safety of our people continues to be a very high priority – it is the first issue discussed at all management meetings. After three years of solid improvement, the rate at which our employees are being injured worsened slightly this year. However, the severity of injuries dropped by 34.2%. This considerable improvement followed a dedicated program of targeting those parts of our operations where serious injuries occurred.

Even though our safety performance is well ahead of the average level for similar manufacturing companies, we know we have to achieve better results. All injuries are avoidable. Changing the way people think and do things takes time, but over the next few years we will be working to re-orient our safety program from being management led to one where every single employee accepts responsibility for their own safety and the safety of the people they work with.

We took a positive step last year to improve CSR's environmental performance, by developing separate, extensive environmental protection plans for each business unit. We are providing more support to make it possible for local managers to handle greater responsibility for the key environmental risks at each of the company's 50 operating sites. As well, we are working to improve our people's level of environmental awareness. And we are minimising our use of resources with greater recycling and waste reduction.

We continued to expand the production of environmentally friendly products and services. CSR is now one of Australia's leading producers of *green* electricity and a major producer of fuel ethanol. Also, we produce a range of building products which specifically improve the energy efficiency of buildings.

BE SURE WITH CSR – PROVIDING QUALITY PRODUCTS TO OUR CUSTOMERS

Over the past few years, we have substantially improved customer satisfaction measures – which all CSR businesses now measure.

Research shows that our brands such as Gyprock™ plasterboard, Monier™ roof tiles and Bradford™ insulation are among the most respected in the marketplace. Eight out of 10 customers are happy to recommend CSR building products to colleagues and friends.

CSR recently launched a national marketing campaign, initially targeted at building materials customers. The program aims to communicate the key strengths of the CSR brand, as confirmed by research – reliability of service, quality, longevity and trustworthiness. The CSR master brand supports our individual products and their powerful brands in the market.

ENHANCING OPERATIONAL PERFORMANCE

In Building Products, we have committed to achieve $75 million in operational improvement over the three years to March 2007 and we remain on track to meet this target. Under the program, we are reducing costs while strengthening operational effectiveness and logistics performance, improving systems and achieving targeted marketing initiatives – including benefits from growth in new products and services in existing and adjacent markets.

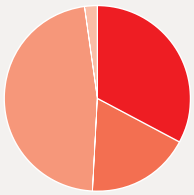
In Sugar, we have worked with others to improve the raw sugar industry's sustainability against tough international competition. The program includes boosting sugarcane farming productivity as well as harvesting, transport and milling efficiency.

DEVELOPING PEOPLE

Over the past three years, we have recruited a broad range of capable people to take on leadership roles and to build a pool of talented people with high potential to be developed to take on future management positions. New training programs have been prepared including specialised programs for sales staff, and a fairness, respect and diversity program which reinforces the responsibility for all CSR people to uphold company values.

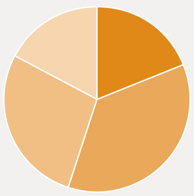
CSR IS A DIVERSIFIED COMPANY

REVENUE BY BUSINESS
Year ended 31 March 2006



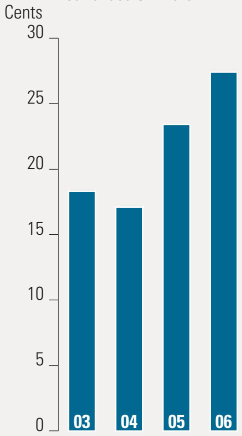
- Building Products 33%
- Aluminium 18%
- Sugar 47%
- Property 2%

EARNINGS BEFORE INTEREST AND TAX (EBIT)
Year ended 31 March 2006



- Building Products 19%
- Aluminium 36%
- Sugar 28%
- Property 17%

EARNINGS PER SHARE BEFORE SIGNIFICANT ITEMS ROSE 17.1%
Year ended 31 March



To help celebrate CSR's 150th year, a special awards program last year identified and rewarded 34 employees from all levels in the organisation who made valuable contributions to the company.

VALUE CREATING GROWTH

In the past three years, we have spent over $530 million on a range of value creating growth initiatives in areas allied to our existing businesses. Last year, we launched or completed a number of new projects.

BUILDING PRODUCTS We are well advanced on two major expansions to increase capacity of efficient, low cost manufacturing operations in PGH™ bricks in Brisbane and Bradford™ insulation in Sydney. These investments will ensure that we will be well placed to meet the market as residential construction recovers over the next few years.

We are also expanding in Asia. To meet growing demand for Bradcore's™ range of non-combustible wall and ceiling panels, we are constructing a $20 million factory in southern China. The plant will mainly service commercial building customers, through distribution networks established in China and other parts of Asia as well as in Australia and New Zealand.

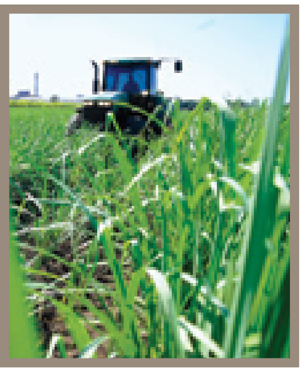
CSR made three relatively small acquisitions in businesses aligned to our existing operations – in roof safety guard rails, metal roofing installation and building ventilation systems.

SUGAR CSR completed commissioning of a major renewable electricity generating plant at Pioneer mill in the Burdekin River region of North Queensland. Also, we are completing a $15 million plant to produce fuel ethanol at Sarina distillery, Queensland. When operating in mid 2006, the distillery will have yearly capacity to process up to 32 million litres of fuel ethanol. In March this year, we announced a major new contract to supply ethanol to BP Australia for the Queensland fuel market.

PROPERTY CSR's property activities have grown considerably in the past three years with a number of major projects currently under development, including the 100 hectare industrial site at Erskine Park in western Sydney, a 75 residential lot development of a former quarry at Ferntree Gully in Melbourne's Dandenong Ranges and a residential project in Brisbane which has potential for 400 home sites.

CAPITAL MANAGEMENT DELIVERING STRONG RETURNS TO SHAREHOLDERS

We continue to focus on strategies for managing the capital invested in CSR in ways that create value for our shareholders. A share buyback announced in May 2003 which extended until June 2005 resulted in over 4% of the company's shares being purchased for a total of $72.2 million. In August 2005, we completed a return of capital of $182 million, or 20 cents a share. Our robust cash flow – a major strength of CSR – continues to underpin the company's flexibility for growth.



(FACING PAGE) In Brisbane, PGH™ face bricks were used for a major extension at Villanova College.

(LEFT) CSR's growing energy businesses are based on using the by products of sugarcane milling to produce electricity and fuel ethanol.

PRODUCING RESULTS FOR SHAREHOLDERS – EBIT UP 16.2%

CSR's earnings before interest and tax (EBIT) rose 16.2% over the previous year to $416.8 million.

BUILDING PRODUCTS Trading revenue of $974.2 million rose by 4.5%, helped by contributions from new products but revenue fell in some of the Australian businesses with the sharp downturn in residential building in New South Wales and Queensland. EBIT was down 8.9% to $101.5 million excluding $20.6 million of one-off costs associated with closing two manufacturing plants. Including the one-off costs, EBIT was $80.9 million.

ALUMINIUM Trading revenue rose 10.5% to $523.5 million with higher aluminium prices and progressively increased volumes following the upgrade at Tomago smelter. EBIT last year increased 10.0% to $156.1 million with record sales tonnage.

SUGAR Trading revenue increased strongly by 42.4% to $1,367.8 million. EBIT was $123.7 million, up 26.5%. The world sugar price has risen significantly during the year resulting in a price to CSR of $316 a tonne, well above $255 a tonne the previous year. Productivity improvements and good growing conditions lifted the 2005 sugarcane crop 2.7% to a record 15.4 million tonnes.

PROPERTY EBIT grew strongly to $75.6 million, up from $27.1 million. Two major sales of industrially zoned land at CSR's Erskine Park site contributed to the increase.

MANAGEMENT TEAM CHANGES

Two new senior managers have joined us. Ian Glasson has been appointed chief executive of CSR Sugar from April 2006, taking over from Ian McMaster who has retired. Anne Brennan replaced Warren Saxelby as chief financial officer in February 2006. Both Ian and Anne bring considerable experience to their roles with CSR.

I thank Ian McMaster and Warren Saxelby for their valuable contributions to CSR.

OUTLOOK FOR THE YEAR AHEAD

The commercial environment in which CSR operates is subject to a range of influences, including movements in currency exchange rates, interest rates, commodity prices (especially in the raw sugar and aluminium markets) and levels of building activity in Australia, New Zealand and Asia.

BUILDING PRODUCTS We expect the slowdown in Australian housing construction to continue through the first half of this year with a possible recovery early in 2007. Growth in the commercial building sector should partly offset the slowdown in the residential building market segment. With this outlook, even with efficiency gains and cost reductions, EBIT is likely to fall short of last year (excluding last year's one-off costs).

ALUMINIUM Continued world economic growth should result in US$ aluminium prices remaining at good levels. However, we will not fully benefit from higher prices this year because of the impact of hedging at lower levels completed in previous years. We expect lower A$ returns will reduce EBIT by around 15%. An active hedging program continues, with a substantial portion of net aluminium exposure hedged for the year ending 31 March 2008 and beyond, locking in an attractive level of returns.

SUGAR While growing conditions have been reasonable, we expect this season's sugarcane crop to be a little below last season's record. However, if the current rainy conditions continue, this may impact the quantity of raw sugar produced. Although the raw sugar price is likely to remain volatile, the strong price rise over recent months together with the pricing already completed for this year should ensure that the price to CSR will be in excess of $400 a tonne. Accordingly, we expect a significant improvement in Sugar EBIT.

PROPERTY Returns are likely to be lower than last year. Development of the Ferntree Gully site is well advanced for sales of residential lots to begin mid 2006.

OVERALL At this early stage in the year, if sugar prices remain at or near current levels, we expect to achieve an overall EBIT result for the group around 10% above last year, excluding the one-off items.

PRIORITIES FOR THE YEAR AHEAD

While our broad strategy remains unchanged, we are targeting specific initiatives in each business:

- In Building Products, we are continuing to work on aggressively improving operational performance and growing sensibly – through expansion of existing operations and acquisitions of businesses in adjacent sections of our industry.
- In Aluminium, we are maximising value from the efficient operation of the expanded Tomago smelter, striving to develop sales of value added products and continuing the hedging program.
- In Sugar, we are looking for further opportunities to grow, capitalising on CSR's strong strategic position in the global sugar industry. Also, we are continuing to hedge some of our exposure to world sugar prices to underpin returns at an acceptable level.
- In Property, we are seeking suitable ways to extend further the number of sites in different stages of development to build a sustainable earnings source.

Thank you to our customers and suppliers; we look forward to working with you in the year ahead.

We also thank our shareholders. We remain strongly committed to building CSR's value for our shareholders. CSR is well placed to continue to deliver steady returns and strong cash flow into the future. ■

ALEC BRENNAN
Managing Director

CSR'S CORPORATE MANAGEMENT

CHRIS BERTUCH
General Counsel

ANNE BRENNAN
Chief Financial Officer

GRAHAM HUGHES
Company Secretary

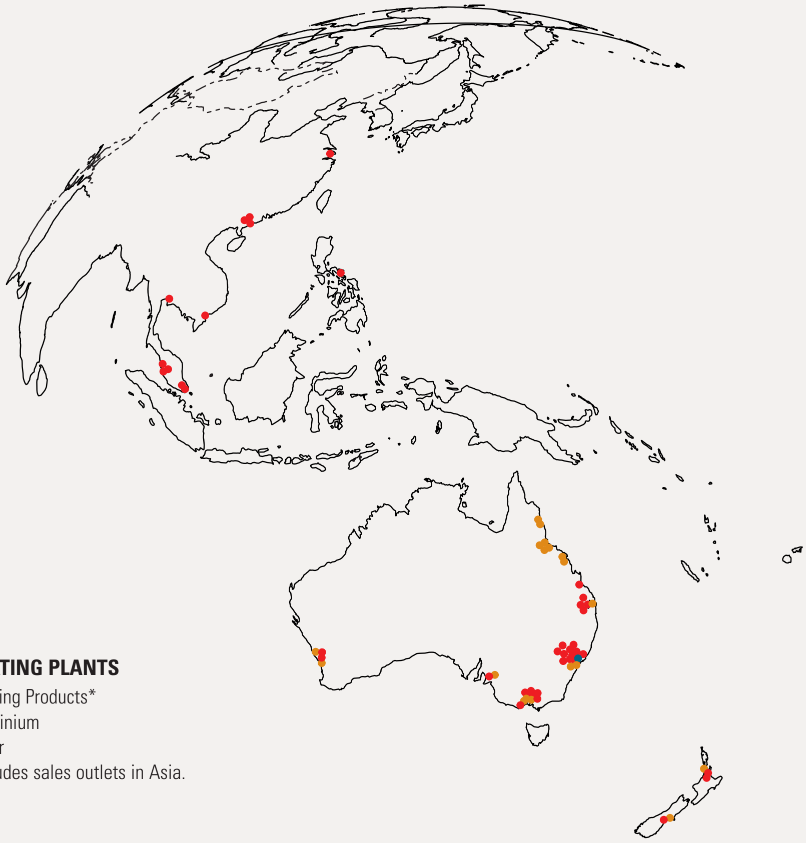
MARTIN JONES
General Manager Government Relations

COLIN STREETER
General Manager Human Resources

ANDRÉE TAYLOR
General Manager Investor Relations

SUMMARY OF OPERATIONS

CSR's total returns improved strongly from our diversified businesses



OPERATING PLANTS

- Building Products*
- Aluminium
- Sugar

* Includes sales outlets in Asia.

OPERATING PLANTS

	TOTAL	AUSTRALIA	NEW ZEALAND	CHINA	THAILAND	MALAYSIA	SINGAPORE	
BUILDING PRODUCTS								
Wholly or majority owned plants								**Production capacity/year**
Plasterboard	**4**	4						79 million metres^2
Fibre cement	**1**	1						10 million metres^2
Insulation and ducting	**9**	3		3	1	1	1	93,000 tonnes
Roof tiles	**8**	6	2					9 million metres^2
Clay bricks and pavers	**9**	8	1					415 million units
Aerated lightweight concrete	**2**	1				1		254,000 metres^3
50% owned plants								
Building board accessory systems	**4**	4						
Gypsum mine	**1**	1						
TOTAL OPERATING PLANTS	**38**	28	3	3	1	2	1	
SUGAR								
Wholly or majority owned plants								**Production capacity/year**
Raw sugar mills	**7**	7						2.4 million tonnes
Distilleries	**2**	2						60 million litres
Refineries	**3**	2	1					970,000 tonnes
TOTAL OPERATING PLANTS	**12**	11	1					

BUILDING PRODUCTS

PERFORMANCE SUMMARY

- Trading revenue $974.2 million, up 4.5%.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) down 18.0% to $122.6 million (including $20.6 million one-off plant write down).
- Earnings before interest and tax (EBIT) down 27.4% to $80.9 million (including plant write down).
- Profit margin (EBIT/trading revenue) 8.3% (or 10.4% excluding plant write down), down from 11.9%.

FEATURES

- Total residential market down by 8.2%. NSW fell 18.6%.
- $35 million operational improvements.
- 'Be sure with CSR' marketing program launched.
- Rationalised less efficient brick plants.

PROGRESS AGAINST PRIORITIES

- **Expand capacity at the Oxley brick plant and Ingleburn glasswool insulation factory:** Oxley expansion to be completed mid 2006. Ingleburn new plant in production.
- **Implement stringent operational improvement:** On track to achieve $75 million three year target.
- **Grow the business through acquisitions, new products and increased capacity:** Expanded into new products and services.
- **Continue to improve safety and environmental performance:** Recordable injuries fell 6.4%; severity rate fell 15.7%. Levels 1 and 2, minor and significant, environmental incidents fell 46.9%. No level 3 or more serious incidents.[a]

KEY OBJECTIVES THIS YEAR

- Continue to improve safety and environmental performance.
- Achieve the three year operational improvement total of $75 million.
- Grow by extending product and service range.
- Continue drive for higher customer service.

a Environmental and safety performance is reported on pages 18 to 24.

ALUMINIUM

PERFORMANCE SUMMARY

- Trading revenue $523.5 million, up 10.5%.
- EBITDA $184.0 million, up 8.8%.
- EBIT $156.1 million, up 10.0%.
- Profit margin 29.8%, down from 30.0%.
- CSR's share of Gove Aluminium Finance Limited (GAF) (CSR 70%) net profit before finance costs rose 9.4% to $76.9 million.

FEATURES

- GAF sold a record tonnage following Tomago smelter's expansion.
- The world aluminium price in US$ increased by 14.8% and in A$ by 12.7%.

PROGRESS AGAINST PRIORITIES

- **Continue to hedge the world market aluminium price and US$ revenue to provide a base level of profitability and to reduce volatility of earnings:** Increased forward hedging levels when aluminium prices improved.
- **Maximise value from the efficient operation of the expanded Tomago smelter, including further development of billet and slab production:** Sold expanded production in ingot form because value added product sales declined in softer markets.
- **Support Tomago in continuing to improve safety and environmental performance:** Tomago improved safety. Reduced greenhouse sensitive perfluorocarbon emissions. Environment management system certified under ISO14001.

KEY OBJECTIVES THIS YEAR

- Continue to hedge the world market aluminium price and US$ revenue to provide a base level of profitability and reduced volatility of earnings.
- Maximise value from the efficient operation of the smelter. Support maintaining a competitive global position in smelting.

SUGAR

PERFORMANCE SUMMARY

- Trading revenue $1,367.8 million, up 42.4%.
- EBITDA $166.5 million, up 26.0%.
- EBIT $123.7 million, up 26.5%.
- Profit margin 9.0%, down from 10.2%.

FEATURES

- Raw sugar prices rose steeply to a price to CSR of $316 a tonne.
- We milled a record crop.
- Pioneer mill's renewable electricity plant commenced operations.
- Sarina distillery's new fuel ethanol plant on schedule for completion in mid 2006.

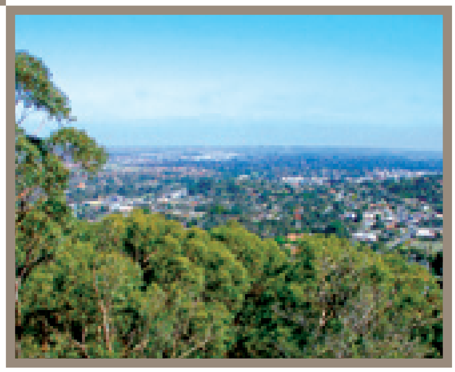
PROGRESS AGAINST PRIORITIES

- **Ensure the renewable electricity plant at Pioneer mill is successfully commissioned and develop other growth proposals:** Pioneer mill's new plant is in commercial operation. Improvements under construction will extend duration of operations each year.
- **Continue active participation in industry restructuring:** The program to improve industry sustainability progressed, including increasing farm crop yields.
- **Strengthen the performance of the refined sugar business:** Work under way to improve Yarraville refinery. A range of new retail products was launched.
- **Develop the fuel ethanol market and increase higher value exports:** New fuel ethanol plant will begin production this year.
- **Continue to improve safety and environmental performance:** Recordable injuries increased 20.0%, but severity rate fell 51.1%. 61 level 1 and 2 environmental incidents were recorded vs 41 last year. No level 3 or more serious incidents.[a]

KEY OBJECTIVES THIS YEAR

- Continue to improve safety and environmental performance.
- Explore opportunities to grow based on our strong position in the global sugar industry.
- Reduce the volatility of earnings from the sugar business by selectively hedging the world sugar price.
- Actively support sugar industry restructuring.
- Ensure that additional fuel ethanol production comes on stream.

a Environmental and safety performance is reported on pages 18 to 24.



PROPERTY

PERFORMANCE SUMMARY

- Net revenue $69.7 million, up 194.1%.
- EBIT $75.6 million, up 179.0%.

FEATURES

- CSR completed sales of industrially zoned land at Erskine Park, western Sydney including:
  - 17.0 hectares to BlueScope Steel
  - 16.7 hectares to Australand Property Group.
- Subdivision development is advanced at Peregrine Heights estate, in Ferntree Gully in Victoria's Dandenong Ranges. Initial marketing of residential lots is under way.
- Conditional sale of 36 hectares of parkland and lakes at the Chelsea sugar refinery in Auckland as a public park.
- The Envirogreen (CSR 50%) garden products joint venture was sold.

PROGRESS AGAINST PRIORITIES

- **Complete Erskine Park land sale to BlueScope Steel and execute further sale or lease opportunities:** Settlement of sales to both BlueScope Steel and Australand.
- **Develop Erskine Park and Ferntree Gully sites and other projects on time and on budget within commercial agreements with other parties:** Discussions are under way with regulatory authorities about developing the 60 hectare balance of Erskine Park site. Ferntree Gully development is on schedule.

KEY OBJECTIVES THIS YEAR

- Progress sale or development of land at Erskine Park and Ferntree Gully.
- Add new properties to development program.

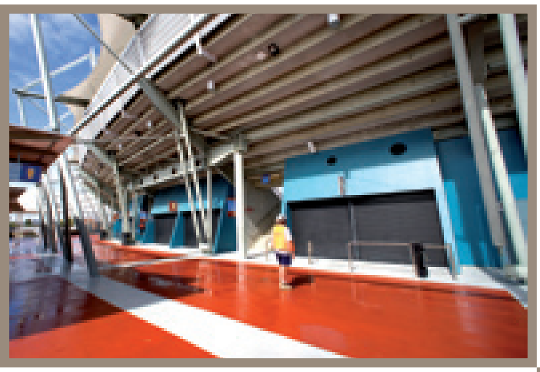
BUILDING PRODUCTS

Returns down due to significant slowdown in residential construction in New South Wales

DESPITE SOFTER MARKET CONDITIONS, TRADING REVENUE INCREASED 4.5% TO $974.2 MILLION DUE TO PRICE IMPROVEMENTS AND HIGHER SALES VOLUMES FROM NEW PRODUCTS AND SERVICES.

Earnings before interest and tax (EBIT) include restructuring costs of $20.6 million for rationalisation of two manufacturing plants. Excluding these costs, EBIT was down 8.9% to $101.5 million due to weaker building activity in Australian east coast markets. The impact of lower sales volumes from our major products was mostly offset by operational performance improvements cutting costs by $35 million. Including the restructuring costs, EBIT was $80.9 million, down 27.4%.

We are now more than half way toward delivering CSR's target of $75 million in total operational improvement over three years to March 2007. The program is reducing costs while strengthening operational effectiveness and logistics performance, improving systems and achieving targeted marketing initiatives, including benefits from growth in new products and services in existing and adjacent markets.



(FACING PAGE) CSR Gyprock™ plasterboard is being extensively used for the internal lining of this major corporate head office.

(ABOVE) CSR's Gyprock™ plasterboard and Cemintel™ fibre cement have been used for upgrading the Gabba cricket ground, Brisbane.

Residential building has slowed markedly, with housing commencements in the year to December 2005 down 7.9% when compared with the previous year. Detached housing commencements were down by 6.7% and multi-residential construction fell 10.0%.

Housing commencements highlight the contrasting activity levels among the states, with New South Wales (where detached housing construction is at a 30 year low) down by 23.6%, Queensland down 6.1% and Victoria down 5.6%. But Western Australia's dwelling approvals grew by 6.6%.

Building Products has significant exposure to the east coast markets of NSW and Queensland where the company derives about 55% of revenue. In the bricks and pavers business, the exposure is significantly higher because PGH™ does not manufacture in Victoria or Western Australia.

Alterations and additions to dwellings in the year to December 2005 were broadly in line with the prior year (measured by the value of commencements). Commercial building activity increased by 18.9%.

Throughout the year, CSR continued to supply some of the largest and most significant commercial projects in Australia. This included new head offices in Sydney for two major Australian companies and one of the largest residential towers in NSW as well as numerous schools, shopping centres, hospitals and government buildings across the nation.

PREPARING FOR THE HOUSING MARKET REBOUND

To ensure that we will be well placed to service the market when the housing sector improves, CSR is investing in expanding efficient manufacturing capacity for our main products.

The $34 million expansion of CSR's low cost PGH™ brick plant at Oxley, south of Brisbane, is progressing on time and budget for completion in July 2006. The plant's production capacity will be boosted by 35 million bricks a year. As a result, a less efficient brick line at our Strathpine plant in Brisbane's north has been mothballed. The Strathpine brick line will remain available for reactivation if required by growth in the Queensland housing market.

Expansion of the Bradford™ insulation factory at Ingleburn, Sydney, was completed in April 2006 at a cost of $28 million. The plant's glasswool insulation production capacity has increased by about 50% to 28,000 tonnes a year to meet growing demand for insulation driven by improved housing energy efficiency standards.

Bradcore™ panel systems is increasing sales of non-combustible wall and ceiling panels to the commercial building market, via distribution networks established throughout Australia and in New Zealand and Asia. To meet growing demand, CSR is constructing a $20 million Rokcore™ panel (previously branded Paroc™) factory in southern China, targeted for completion in January 2007.

ALL BUSINESSES ARE DEVELOPING NEW PRODUCTS AND SERVICES

GYPROCK™ PLASTERBOARD AND CEMINTEL™ FIBRE CEMENT revenue increased 1.4% to $393.7 million. The Gyprock™ plasterboard business delivered planned cost reductions, while maintaining profit margins in an increasingly competitive market. We are exploring a range of options to maintain our position in the Australian market as a low cost manufacturer. Cemintel™ fibre cement sales volumes were marginally up despite a slowdown in some key markets.

MONIER™ AND WUNDERLICH™ ROOFING revenue increased 6.0% to $181.1 million, with reduced sales volumes of some main products offset by an increase in prices for concrete roof tiles. Further price increases are likely this year as CSR Roofing seeks to recover cost increases. Revenues were boosted by investing in businesses – aligned to our existing roofing operations – which provide residential builders with complete roofing solutions.

In November 2005, CSR acquired a Queensland based roofing contractor business and subsequently launched MySteel Roofing Solutions™ which targets the metal roofing installation market. TopCat Safety Rail™, acquired in May 2005, supplies guard rails and other edge safety equipment required during roof installations in the residential and commercial markets.

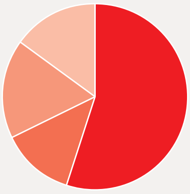
PGH™ AND MONIERBRICK™ revenue fell 12.0% to $137.3 million. Returns were hit by the slowdown in the NSW residential market.

We have announced that production will cease in June 2006 at the PGH™ brick factory in Maitland, NSW. Production tonnages are being transferred to other more efficient PGH™ clay brick and paver factories, reducing overall costs. We are reviewing a range of longer term options to restart production of clay products at the Maitland site, consistent with the site's current operations, regulatory consents and licences. Reinvestment at the site is contingent on a much stronger outlook for prices and returns than at present.

BRADFORD™ INSULATION, VENTILATION AND PANEL SYSTEMS revenue (including sales of Bradford™ insulation, Hebel™ lightweight concrete products, Edmonds™ ventilation products and Bradcore™ panel systems) rose by 21.0% to $247.1 million. In Australia,

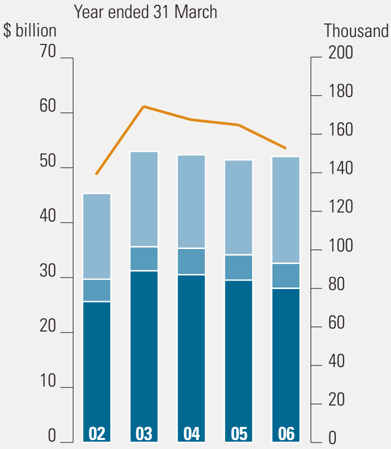
The University of Southern Queensland used Rokcore™ panels as the external curtain wall for a new building on its Springfield campus.

END MARKETS
Year ended 31 March 2006



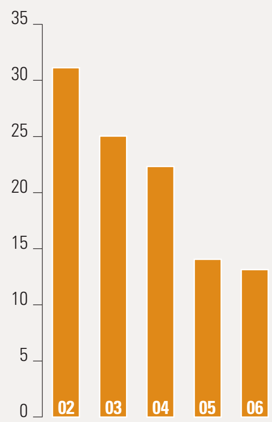
- Detached housing 55%
- Alterations and additions 13%
- Commercial 17%
- Other residential 15%

AUSTRALIAN NON-CIVIL BUILDING AND CONSTRUCTION ACTIVITY
Year ended 31 March



- Residential starts – 3 month lag (right axis)
- Commercial (left axis)
- Alterations and additions (left axis)
- New residential (left axis)

THE RATE OF RECORDABLE INJURIES FELL 6.4%
Year ended 31 March



Total recordable injuries per million work hours

Bradford™ insulation profitability increased, with higher prices and cost reductions. The Asian insulation business performed strongly with sales volumes up in its domestic and growing export markets, following completion of two factory expansions in southern China.

In November 2005, CSR acquired the assets of Edmonds Pty Limited, a world leader in the production of quality, energy efficient residential and commercial building ventilation products. Edmonds™ ventilation systems complement Bradford™ insulation operations and its 'Smarter environments' market campaign which highlights the environmental benefits of our products. Legislative changes requiring improved energy efficiency in new buildings, together with a generally increased emphasis on energy saving and home comfort, are driving strong growth in markets for improved insulation and ventilation systems.

HEBEL™ aerated lightweight concrete products' returns were lower as the Australian multi-residential building market fell, particularly in NSW. This was partly offset by an increase in the use of Hebel™ panels in other wall and floor applications.

THE YEAR AHEAD

- Our current plans assume a continued slowdown for Australian housing construction, but there are signs of a possible recovery in the market later this year.
- Grow by acquisition and by extending our range of products which improve energy efficiency and thermal and acoustic comfort in new buildings.
- Develop tailored lightweight systems which combine CSR's various building products into solutions to meet the specific needs of the building market.
- Continue efforts to reduce costs through operational improvement to reach the three year target of $75 million in total savings by March 2007.
- We will continue to invest in marketing programs to support both the CSR master brand and our powerful building product brands to reinforce the company's key strengths of reliability of service, quality, longevity and trustworthiness. ■

SENIOR MANAGEMENT

NEILL EVANS
Executive General Manager Roofing

CHRIS GRUBB
Executive General Manager Bricks and Pavers

JOHN HODGKINSON
Executive General Manager Insulation, Ventilation, Panel Systems and Business Development

GREGORY ROUGH
Executive General Manager Plasterboard and Fibre Cement

BUILDING PRODUCTS

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	2006	2005	2004	2003	2002	2001
KEY FACTS[a]						
Trading revenue	**974.2**	932.3	918.0	896.2	806.3	859.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**122.6**	149.5	155.5	154.6	142.7	173.5
Depreciation and amortisation	**41.7**	38.1	42.9	34.9	33.9	38.4
Earnings before interest and tax (EBIT)	**80.9**[b]	111.4	112.6	119.7	108.8	135.1
Net profit before finance	**60.5**	83.4	81.3	87.2	74.9	89.9
Business cash flow[c]	**97.0**	92.2	130.5	141.4	128.4	170.8
Funds employed at 31 March	**680.7**	613.1	580.4	605.6	611.7	602.3
Capital investment	**104.7**	64.5	38.8	41.8	52.3	27.5
Profit margin (EBIT/trading revenue) [%]	**8.3**	11.9	12.3	13.4	13.5	15.7
Return on funds employed (ROFE) [%]	**11.9**	18.2	19.4	19.8	17.8	22.4
Average working capital/trading revenue [%]	**20.0**	17.8	16.9	16.7	18.9	17.5
Number of people employed	**4,356**	4,062				
RESERVES PROVED AND PROBABLE – MILLION TONNES						
Gypsum[d]	**280**	280				
Clay and shale	**34**	34				

a Results in 2006 and 2005 are reported under Australian equivalents to International Financial Reporting Standards (A-IFRS). All results prior to 2005 were reported under previous Australian accounting standards.
b Includes $20.6 million of one-off plant closure costs.
c Business cash flow: net cash from operating activities adjusted for tax paid and operating capital expenditure.
d 50% CSR.

ALUMINIUM

(BELOW LEFT) GAF exports aluminium mainly to longstanding customers in Japan and other Asian countries.

(LEFT) An aluminium slab being removed from its mould at Tomago smelter.

Profit up 9.4% with higher world aluminium prices and record sales

ALUMINIUM OUTPUT INCREASED AT TOMAGO SMELTER, NEW SOUTH WALES, WITH THE PROGRESSIVE RAMPING UP OF PRODUCTION THAT HAS FOLLOWED THE 15% EXPANSION PROJECT IN 2004.

CSR's 70% share of Gove Aluminium Finance Limited's (GAF) net profit before finance costs rose 9.4% on the prior year to $76.9 million.

The average realised aluminium price was A$2,820 a tonne, including a small hedging loss, compared with A$2,737 in the prior year. The average world aluminium price increased 14.8% to US$2,039 a tonne. However, in A$ terms the aluminium price rose by 12.7% due to the continued strength of the A$ for much of the year. We increased our forward hedging levels in the second half of the year when aluminium prices increased.

GAF's sales increased by 7.3% to a record 185,654 tonnes, which included some production delayed from the previous year. Sales of value added aluminium billets and slabs fell 23% to 33,026 tonnes (18% of sales volume). Our sales of these products were adversely affected by expansion of production capacity in the Middle East and by end-users running down stocks during the second half of the 2005 calendar year.

Global aluminium consumption grew by almost 6% in 2005 led by growth in Asia, predominantly China. During the second half of the year, the world aluminium price increased substantially as part of a commodities boom largely driven by the Chinese economy's continuing growth. Prices were also supported by a supply deficit in the aluminium market and increased investment fund activity in base metals.

Chinese aluminium production continued to grow strongly and – for the third successive year – accounted for over half of the growth in world production capacity. Investment in new global alumina capacity is expected to overcome an alumina shortage, boost the supply of aluminium and allow the market to return to balance.

THE YEAR AHEAD

- We expect supply in the aluminium market to continue to fall slightly short of demand and for prices to continue at good levels, although below current peaks. GAF's earnings will be down this year as a result of earlier hedging at lower prices.
- GAF's sales tonnage this year is expected to be similar to last year. Tomago's rate of production growth has levelled off as the expansion project becomes fully operational.
- We will continue to:
  - take advantage of opportunities to hedge GAF's exposures to movements in the aluminium price and the A$/US$ exchange rate
  - maximise value from the efficient operation of the expanded Tomago smelter
  - develop sales of value added billet and slab aluminium products. ■

ALUMINIUM

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	**2006**	2005	2004	2003	2002	2001
KEY FACTS[a]						
Trading revenue	**523.5**	473.6	449.4	446.5	443.2	520.4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**184.0**	169.1	167.3	148.7	131.7	241.3
Depreciation and amortisation	**27.9**	27.2	23.1	22.4	21.7	29.8
Earnings before interest and tax (EBIT)	**156.1**	141.9	144.2	126.3	110.0	211.5
CSR's share of net profit before finance	**76.9**	70.3	72.2	63.7	58.2	97.9
Business cash flow[b]	**143.4**	152.7	169.3	162.0	128.9	217.8
Funds employed at 31 March	**290.2**	277.6	212.5	264.7	307.9	304.4
Capital investment	**16.7**	22.0	69.7	8.9	9.5	13.1
Profit margin (EBIT/trading revenue) [%]	**29.8**	30.0	32.1	28.3	24.8	40.6
Return on funds employed (ROFE) [%]	**53.8**	51.1	67.9	47.7	35.7	69.5
Average working capital/trading revenue [%]	**7.2**	7.0	8.2	10.0	9.7	10.9
Average world aluminium price (US$/tonne)	**2,039**	1,776	1,497	1,364	1,412	1,544

a Results in 2006 and 2005 are reported under Australian equivalents to International Financial Reporting Standards (A-IFRS). All results prior to 2005 were reported under previous Australian accounting standards.

b Business cash flow: net cash from operating activities adjusted for tax paid and operating capital expenditure.

SENIOR MANAGEMENT

JOHN DAVIES
General Manager Gove Aluminium Finance

SUGAR

A strong lift in raw sugar prices boosted returns

TRADING REVENUE ROSE 42.4% TO $1,367.8 MILLION. EARNINGS BEFORE INTEREST AND TAX (EBIT) WERE $123.7 MILLION, UP 26.5% COMPARED WITH $97.8 MILLION THE PREVIOUS YEAR.

Prices for raw sugar and molasses rose strongly although raw sugar production was down slightly due to the effects of unseasonable wet weather.

The result includes the second part of a sustainability grant paid under the Australian Government's sugar reform program announced in April 2004. We have worked hard to help with the program to improve sugar industry sustainability, including playing a leading role in the industry's successful productivity program to increase sugarcane farm crop yields.

We are investing in a major research project with the University of Queensland to seek ways to substantially increase the sugar content of sugarcane.

(FACING PAGE) PLUS ULP is a new 94 octane petrol enhanced 10% with ethanol – E10 – supplied by CSR. A cleaner burning fuel, E10 significantly lowers smog-causing emissions.

(ABOVE LEFT) Changes are near completion for CSR's ethanol distillery at Sarina, Queensland, to produce fuel ethanol.

(LEFT) CSR supplies renewable electricity at commercial rates to the Queensland power grid.

The final stage of deregulation of the sugar industry was completed in January 2006, with the establishment of a voluntary marketing organisation for Queensland's raw sugar exports. This initiative will increase the flexibility and competitiveness of the Australian sugar industry in the world market.

Fortunately, CSR's sugar operations were not impacted by the devastating effects of cyclones in far North Queensland in March 2006. We have worked with our sugar milling neighbours during the past few months to provide support for both the industry and community in the cyclone affected region, including donating equipment to repair damaged mills ahead of the start of the milling season in June. CSR people also raised $38,000 for the Cyclone Larry relief fund – more than two thirds coming from Sugar employees based in North Queensland. This was matched $3 for $1 by CSR to lift the total contribution to over $150,000.

BUILDING A SUSTAINABLE FUTURE THROUGH RENEWABLE ENERGY

The new renewable electricity plant at Pioneer raw sugar mill, North Queensland, started generating power in August 2005. Originally targeted for completion in June 2005, delays and cost overruns increased the total capital cost from $140 million to approximately $170 million, subject to the resolution of pending claims.

Greater bagasse (waste sugarcane fibre) availability enabled the renewable electricity plant to extend its operation until March this year – well beyond the end of the 2005 milling season. Additional improvements now under construction will further lengthen the plant's operating period.

We now generate over 607,000 megawatt hours of renewable energy to power our sugar mills and to sell to the Queensland electricity grid.

CSR is the one of the two large producers of ethanol in Australia. We have a growing business in the renewable fuel ethanol industry. In February 2006, we announced a $15 million project to produce fuel ethanol at CSR's Sarina, Queensland, distillery, targeted for completion in mid 2006. Sarina distillery will then be capable of producing 32 million litres of fuel grade ethanol from the distillery's total ethanol capacity of 60 million litres.

In support of this project, CSR has received an Australian Government biofuels capital grant of $4.2 million and a Queensland Government grant of $250,000 under the Sugar Industry Innovation Fund, to assist with the engineering and introduction of new technology.

CSR has entered into a major two year supply contract with BP Australia to supply 23 million litres of fuel ethanol from the upgraded Sarina plant to petrol stations in Queensland. We expect to be able to fully exploit our increased fuel ethanol capacity following commissioning of the plant later this year.

RAW SUGAR

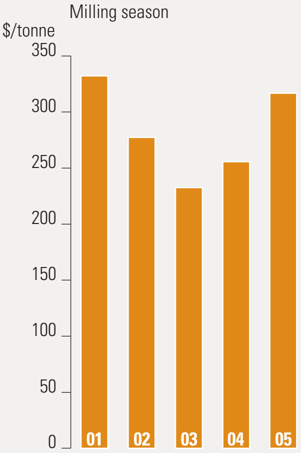
EBIT of $92.5 million rose strongly – by 51.4%.

Productivity improvements and good growing conditions – especially in the Herbert River region north of Townsville – resulted in CSR milling a record sugarcane crop of 15.4 million tonnes, up 2.7%, although the amount of raw sugar produced fell slightly to 2.197 million tonnes from 2.234 million tonnes. Wet weather and a longer milling season in the Burdekin River region, south of Townsville, reduced the sugar content of sugarcane. Additional costs were incurred due to a delayed start of the Pioneer mill renewable energy plant and the extended milling season.

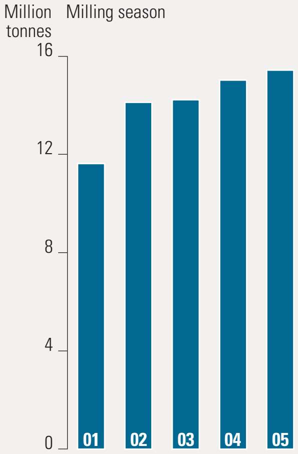
The steep rise in world sugar prices in the second half of the year lifted the price to CSR to $316 a tonne, a major improvement on the $255 a tonne the previous year. The market improvement is due to a number of factors, including reduced exports expected from the European Union following reform of the EU sugar regime, higher oil prices increasing demand for fuel ethanol, and reduced production due to weather issues affecting major suppliers including India, Thailand and the US. The higher sugar price has encouraged CSR to hedge a portion of its exposure to sugar prices for future years.

Sugar Australia (CSR 75%) successfully launched new sugar packs designed to meet retail consumers' specific needs.

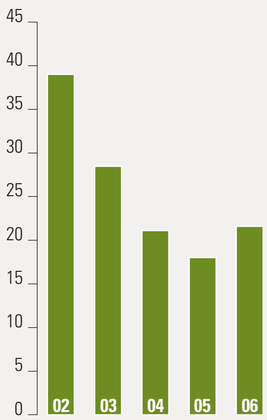
QUEENSLAND SUGAR POOL PRICE UP 23.9%
Milling season



SUGARCANE CROP UP 2.7%
Milling season



THE RATE OF RECORDABLE INJURIES ROSE BY 20.0%
Year ended 31 March



Total recordable injuries per million work hours

REFINED SUGAR

EBIT of $32.3 million was down from $38.9 million due to lower demand from food and beverage manufacturers and reduced exports. Several new product lines helped lift Sugar Australia's (CSR 75%) retail market share. Demand for refined sugar in the export market is expected to improve later this year as competition from EU white sugar exports slows.

ETHANOL

EBIT of $5.1 million was up 13.3% from $4.5 million the prior year. Demand for fuel ethanol increased, but the higher cost of molasses (ethanol's raw material) reduced profitability.

THE YEAR AHEAD

While growing conditions have been reasonably good, we expect this season's sugarcane crop to be a little below last season's record, but the quantity of raw sugar produced should be about the same.

The raw sugar price is likely to remain volatile; however, the strong price rise over recent months, and the hedging already completed for this year will ensure that the price is in excess of $400 a tonne.

We will continue to develop the sugar business by:

- seeking opportunities to grow based on our strong position in the global sugar industry
- selectively hedging our exposure to raw sugar prices to reduce earnings volatility
- supporting industry restructure to improve longer term viability of the sugar industry. ■

SENIOR MANAGEMENT

IAN GLASSON
Chief Executive Sugar

PAUL BEATTIE
Chief Financial Officer

MARK DAY
Executive General Manager Sugar Milling

BERNARD DUIGNAN
General Manager New Zealand Sugar Company

TIM HART
Chief Executive Sugar Australia

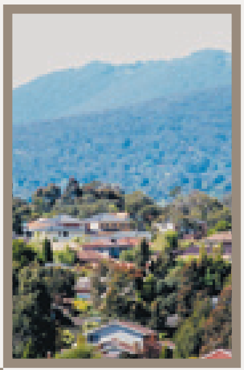
GAVIN HUGHES
General Manager Ethanol

SUGAR

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	**2006**	2005	2004	2003	2002	2001
KEY FACTS[a]						
Trading revenue	**1,367.8**	960.5	600.2	708.2	693.7	529.3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**166.5**	132.2	72.8	106.9	110.1	53.5
Depreciation and amortisation	**42.8**	34.4	35.2	36.1	36.3	37.0
Earnings before interest and tax (EBIT)	**123.7**	97.8	37.6	70.8	73.8	16.5
Net profit before finance	**82.1**	64.4	28.5	53.1	57.3	12.5
Business cash flow[b]	**104.0**	96.3	72.3	114.9	99.2	6.3
Funds employed at 31 March	**931.3**	800.8	655.1	655.8	697.7	757.0
Capital investment	**111.3**	157.6	38.9	21.1	23.0	21.7
Profit margin (EBIT/trading revenue) [%]	**9.0**	10.2	6.3	10.0	10.6	3.1
Return on funds employed (ROFE) [%]	**13.3**	12.2	5.7	10.8	10.6	2.2
Average working capital/trading revenue [%]	**13.4**	8.2	9.7	8.3	9.2	9.8
Number of people employed	**1,820**	1,730				

a Results in 2006 and 2005 are reported under Australian equivalents to International Financial Reporting Standards (A-IFRS). All results prior to 2005 were reported under previous Australian accounting standards.
b Business cash flow: net cash from operating activities adjusted for tax paid and operating capital expenditure.

PROPERTY



(BELOW LEFT) The quarry site at Erskine Park, western Sydney, is being progressively restored for development.

(LEFT) The Dandenong foothills, near Melbourne. CSR's Peregrine Heights Estate offers home sites adjacent to a national park.

Our growing property development business increased returns

NET REVENUE WAS $69.7 MILLION, UP FROM $23.7 MILLION.

Earnings before interest and tax (EBIT) rose to $75.6 million from $27.1 million, which includes profit from two property related settlements. We received a final adjustment to the July 1996 sale of CSR's former Pyrmont site in Sydney. In August 2005, the garden products joint venture, Envirogreen Pty Limited (CSR 50%) was sold.

We maximise returns from the sale of industrial sites at the end of their productive life by advancing the sites through various stages of the development process. This may include obtaining site regulatory approvals and rezoning, and managing land rehabilitation and construction of infrastructure.

MAJOR PROJECTS UNDER WAY

ERSKINE PARK, WESTERN SYDNEY CSR is developing a former quarry as industrially zoned land with fully serviced lots for sale or lease. We have now secured transactions for 40.3 hectares of the site, including completion of the sale of 17.0 hectares to BlueScope Steel and 16.7 hectares to Australand Property Group.

Discussions continue with local and state authorities to generate further value for the remaining 60 hectares of land at Erskine Park available for development.

FERNTREE GULLY, MELBOURNE Road construction and environmentally attuned site preparation began in January 2006 for the Peregrine Heights Estate at a former quarry site at Ferntree Gully and is due for completion in mid 2006.

Initial marketing of the 75 residential lots is under way. This new community will provide a unique opportunity for homes to be created adjacent to Dandenong National Park.

PENRITH LAKES, WEST OF SYDNEY (CSR 20%) Negotiations continue with planning authorities for this major urban development.

CHELSEA SUGAR REFINERY, NEW ZEALAND In December 2005, CSR entered into a conditional agreement for the sale of 36 hectares of parkland and lakes around the Chelsea sugar refinery in Birkenhead, Auckland, for NZ$20 million. The land will be sold to the Chelsea Park Trust for use as a public park, with the transaction targeted for completion in mid to late 2006.

OTHER SITES Development plans are under review for land at Narangba, Brisbane, which would support 400 residential lots. Also, following the acquisition in January 2005 of the modern Karreman concrete roof tile factory, we have consolidated CSR's Brisbane roof tile operations into the new plant. As a result, the 20 hectare Darra roof tile factory has been designated as surplus land for development. Site preparation will start in June 2006.

ENVIROGUARD (CSR 50%) The landfill waste management business performed strongly.

THE YEAR AHEAD

- We are working to progress the sale or development of the balance of the Erskine Park and Ferntree Gully sites.
- Optimise value of existing land assets.
- New properties to be added to the longer term development program.

SENIOR MANAGEMENT

ANDREW MACKENZIE
General Manager Property

PROPERTY

YEAR ENDED 31 MARCH – $ MILLION	**2006**	2005	2004	2003	2002	2001
KEY FACTS[a]						
Net revenue	**69.7**	23.7	17.6	31.4	7.5	2.0
Earnings before interest and tax (EBIT)	**75.6**	27.1	15.9	28.8	9.2	6.2
Capital investment	**54.2**	14.0	15.3	–	–	–

a Results in 2006 and 2005 are reported under Australian equivalents to International Financial Reporting Standards (A-IFRS). All results prior to 2005 were reported under previous Australian accounting standards.

SUSTAINABILITY – ENVIRONMENT AND COMMUNITY

Protecting the safety and health of our people and improving the environment in which we operate are core values for CSR

IT IS OUR FIRM POLICY TO ACT RESPONSIBLY ALWAYS, ENSURING THAT THE COMPANY AND OUR PEOPLE DEAL EFFECTIVELY AND APPROPRIATELY WITH THE COMMUNITIES IN WHICH WE OPERATE, TO ENCOURAGE AND EARN THEIR SUPPORT.

The CSR board's Safety, Health and Environment (SHE) Committee sets policies and standards and regularly reports to the board on management of the company's SHE and community responsibilities.

CSR is steadily increasing the production of environmentally friendly products and services. Our Sugar business is a major producer of new renewable electricity (that is, power generated from sustainable sources rather than fossil fuels) and one of Australia's two largest suppliers of fuel ethanol. Put simply, we are producing energy from sugarcane, a relatively efficient way of sourcing the sun's power.

The Building Products businesses market a range of products which significantly improve the energy efficiency of residential, commercial and industrial buildings.

(FACING PAGE) Greening Australia is propagating seeds of trees and other plants native to the Erskine Park district to rehabilitate CSR's former quarry site.

(LEFT) Greening Australia works in partnership with landholders, the community, government and business to tackle environmental issues.

ENVIRONMENTAL MANAGEMENT

CSR impacts on the environment mainly through the production of clay, concrete, gypsum based and other building materials and sugar as well as preparing land for development. We strive to improve the performance of our sites in meeting the main environmental management issues facing us: the control of process water, stormwater, solid wastes, boiler stack emissions, dust, odour and noise.

Our environmental management is based on a continuing program of auditing sites for full compliance with the company's SHE standards and all environmental laws and regulations.

External environmental risk and compliance audits were carried out last year at 20 sites as part of a rolling three year program of independent reviews.

We are not aware of any environmental issues, not provided for, which would materially affect our business as a whole.

ENVIRONMENTAL INCIDENTS

CSR reports environmental incidents based on five levels of breaches of compliance with regulatory requirements: 1 minor, 2 significant, 3 serious, 4 severe and 5 extreme.

There were 95 recorded environmental incidents reported last year, 9.5% lower than the prior year. The incidents were all level 1 and 2 and the decrease was due, in large part, to targeted improvement plans for each business. Further work was undertaken to ensure there were no level 3, 4 or 5 incidents.

ENVIRONMENTAL PROTECTION AND PLANNING

Last year, CSR took a big step to improve our environmental performance with the development of separate, extensive environmental protection plans for each business unit.

Underlying each plan is a commitment by local managers to:

- comply with the many environmental laws and regulations and licence requirements to which the company's 50 operating sites are subject
- identify and address key environmental risks
- improve the level of environmental awareness of our employees and contractors
- reduce our use of resources.

ENVIRONMENTAL PERFORMANCE

CSR BUSINESS	PRIME ENVIRONMENTAL PROTECTION FOCUS IS TO MINIMISE	PERFORMANCE HIGHLIGHTS
BUILDING PRODUCTS		
Plasterboard and fibre cement	Waste. Water, electricity and gas use	Plasterboard reduced solid waste by 12%
		Fibre cement launched a major water recycling initiative to reduce waste discharge by over 50%
Roof tiles	Waste. Energy use	Increased waste recycling (reducing disposal as landfill)
Bricks and pavers	Waste. Water and energy use	Reduced water requirements through improved production processes
		Plant upgrades introduced to reduce energy use
Insulation	Waste	Successful completion of waste rockwool recycling trial. Work is now proceeding on adopting the technology at the Clayton factory, Victoria, and progressively at other sites
SUGAR		
Raw sugar	Water use, solid waste and boiler stack emissions	Victoria and Inkerman raw sugar mills reduced water use by over 30%. Water management and recycling programs continue at all mills
Ethanol	Waste. Water and energy use	Continued focus on reducing energy use as production capacity was increased
Refined sugar	Waste. Water use	Water management initiatives now recycling over 15,000 litres a week, saving over 750,000 litres of water a year

ENVIRONMENTAL PERFORMANCE MEASURES

Each CSR business unit is now focusing especially on continuously improving – as measured by key performance indicators – those aspects of environmental management that are most relevant to them.

Last year, the businesses made changes to improve the accuracy and timeliness of the environmental performance data, which is regularly reported to senior managers and the board's SHE Committee. The environmental performance table above outlines achievements in the past year.

INCREASED RECYCLING

As part of CSR's ongoing commitment to reducing waste, Bradford (with the help of the CSIRO) successfully completed a trial at our Clayton, Victoria, plant of a major project to recycle up to 85% of previously scrap rockwool insulation. Bulky rockwool waste is compressed into briquettes which are reused in the factory's production furnace. A full scale briquetting plant is now being commissioned at the Clayton factory and we are planning to adopt the technology in CSR's three rockwool insulation plants in Asia.

Bradford™'s glasswool insulation is produced from up to 80% recycled glass.

IMPROVING WATER CONSERVATION

Building Products' Cemintel™ fibre cement factory in Wetherill Park, Sydney, is conducting a major project for the recycling of waste water in the manufacturing process. The recycling process is specifically designed to cope with the abrasive materials used in fibre cement manufacture. The project will result in major savings, reducing water use by almost half and recycling over 50% of waste water. The project was recognised last year with a $102,000 grant from the NSW Department of Energy, Utilities and Sustainability.

CSR's raw sugar mills generate large amounts of water from milling sugarcane, which has a high water content of about 75%. The mills are maximising the amount of water which is recycled and minimising

the discharge of treated water. Inkerman mill in the Burdekin River district, North Queensland, has developed a new production process to reuse all liquid waste that cannot be used for irrigation of sugarcane. Following extensive capital investment, which included installation of recycling pumps and construction of a 20 megalitre water pond, Inkerman now recycles all process water, eliminating the discharge of treated water and minimising the mill's intake of fresh water.

Sugar Australia's (CSR 75%) sugar refining people have worked with Sydney Water for the past two years to change production methods at the Glebe, Sydney, plant. Separating waste water with concentrated biological content for off site disposal has reduced waste water discharged into the sewer system.

Sugar Australia has received a $340,000 grant from the Water Smart Industry Demonstration Fund (facilitated by City West Water) for a new filtering system which removes calcium phosphate from the waste steam at Yarraville, Melbourne, refinery. The excess water is reused in the production process with the calcium phosphate recycled for composting by agricultural industries.

ENVIRONMENTALLY FRIENDLY PRODUCTS AND SERVICES

INCREASING PRODUCTION OF RENEWABLE ENERGY

The renewable energy plant at CSR's Pioneer raw sugar mill in the Burdekin River district came into commercial production in August, during the 2005 sugarcane harvesting and milling season. The mill's electricity generators are fuelled by waste sugarcane fibre (bagasse), produced in large quantities by milling.

The new plant reduces Queensland's reliance on electricity generated from fossil fuels and lowers greenhouse gas emissions – avoiding the emission of 165,000 tonnes of carbon dioxide into the atmosphere each year.

CSR's sugar mills now generate over 607,000 megawatt hours of electricity a year from renewable sources, enough for 81,000 homes. The reduced carbon dioxide emission compared with power generated from fossil fuels is equivalent to taking 136,000 motor cars off the road.

EXPANDING RENEWABLE FUEL ETHANOL MARKET

Demand for fuel ethanol continues to grow with efforts by the Australian and Queensland governments, major oil companies and automobile manufacturers to promote the benefits of this renewable and domestically produced fuel source. CSR will help meet this demand with our increased supply of fuel ethanol from our new plant at Sarina, scheduled to begin production later this year.

CSR's ethanol is a sustainable and renewable product, produced from molasses, a by product of sugar milling. Using ethanol as a fuel additive has advantages for the environment as well as for engine performance and the economy. Adding 10% ethanol to petrol increases the amount of oxygen in the fuel combustion process, resulting in cleaner and more complete combustion and will considerably cut carbon dioxide emissions.

INSULATION IMPROVES ENERGY EFFICIENCY

The effective use of insulation is a key part in meeting the new energy efficiency provisions in the Building Code of Australia announced by the Australian Building Codes Board. Beginning in May 2006, all new homes must meet a minimum 5 Star performance rating, a significantly improved level of energy efficiency.

For the first time, building regulations now require all commercial buildings in Australia to meet minimum insulation standards.

ENVIRONMENTALLY SUSTAINABLE PRODUCTS

Combinations of CSR's range of building products offer environmental benefits through improved energy efficiency as well as better fire and noise protection ratings. The community is increasingly expecting buildings to be more environmentally friendly. The right choice of building products is an essential element of environmentally functional building design.

The long product life of PGH™ bricks reduces the need for replacement and the consequent impact on the environment. Clay bricks are an effective insulator, reducing the energy needed for heating or cooling a house. Cladding the external walls with decorative face bricks reduces the need for coatings such as painting or render, minimising the impact on the environment of producing these materials.

Monier™ concrete and Wunderlich™ terracotta roof tiles deliver effective thermal and noise insulation relative to other roofing materials. This is enhanced with Bradford™ insulation products, including EnviroSeal™ roof sarking (an impermeable reflective membrane). By installing EnviroSeal™ under roof tiles, up to 95% of radiant heat is reflected from entering the roof space and adds to the thermal resistance of the roof system.

Hebel™ lightweight concrete products provide good insulation against heat, cold and sound. Aerated lightweight concrete is produced with a fraction of the energy and materials required for conventional masonry products and the production process produces no waste.

(FACING PAGE) CSR has donated parkland to the community as part of the Peregrine Heights Estate development of a former quarry at Ferntree Gully, Melbourne.

(LEFT) CSR is a major supporter of the award winning Australian-Italian Festival held each year at Ingham, North Queensland.

PROMOTING SUSTAINABLE FARMING

As a by product of our Sarina distillery's production of ethanol from sugarcane molasses, the plant produces economical and nutrient rich liquid fertilisers which are sold to local sugarcane and other farmers. One such, the leading product BioDunder™, has been awarded organic status.

CSR Ethanol is leading the way in fertiliser use and productivity improvement in North Queensland. Launched in 2004, a service to deliver and apply fertiliser products maps the soil composition of sugarcane land using both state-of-the-art satellite positioning and soil electricity-conductivity technology. This enables our fertiliser business to apply appropriate blends of liquid products at rates which closely match a farm's specific soil nutrient needs, maximising crop yield while minimising cost and reducing risk of fertiliser runoff into waterways.

BIODIVERSITY OF NEW DEVELOPMENT PROJECTS

As part of CSR Property's development of our 100 hectare industrial site at Erskine Park, Sydney, we are working with other local landowners and environmental and government authorities to prepare a biodiversity strategy to protect and enhance key ecological features.

We are dedicating 33 hectares to the biodiversity project, including planting 3.5 trees for every existing tree which needs to be removed from parts of the site. Importantly, CSR is funding Greening Australia to collect seeds and propagate plants native to the local area, to prepare for plantings to restore the land as part of the final stages of the project.

CSR AND THE COMMUNITY

Under CSR's Community Support Program, CSR people may donate a portion of their salary to 14 Australian charities selected by employees. Usually, the company matches employees' donations dollar for dollar. In the 2005 calendar year, CSR linked its support for the community to the company's 150th anniversary by matching every $1.00 donation from employees with a separate $1.50 donation. Last year, CSR people raised a total $135,000 for charities via the program which was matched by the company.

In March 2006, Cyclone Larry devastated both the community and the sugar industry in the Innisfail district, Queensland, just north of the regions serviced by our mills. We have responded in several ways:

- For the April pay cycle, CSR matched every $1 donated by employees under our Community Support Program to the Cyclone Larry disaster relief fund by donating another $3. CSR employees raised $38,000 – more than two thirds coming from our Sugar people based in North Queensland. This lifted the total donation to the fund to over $150,000.
- We have provided people and equipment to help fix damaged sugarcane mills before the harvesting season starts in June this year. This will help restore the local economy which depends upon the cash paid by mills to farmers for their sugarcane flowing back into the community.
- CSR's Building Products businesses have a strong presence in Queensland. To help cyclone devastated communities rebuild, we have been working with the Shire of Johnstone and the Recovery Organising Committee to provide further responses in the rebuilding process.

CSR extended its support for Habitat for Humanity (one of the charities in our Community Support Program) which builds affordable housing for low income families. We donated building products and provided construction assistance to construct homes in Cowra, NSW, and Dandenong South, Victoria. Support for this program continues this year.

CSR did not make any direct donations to political parties in the year ended 31 March 2006.

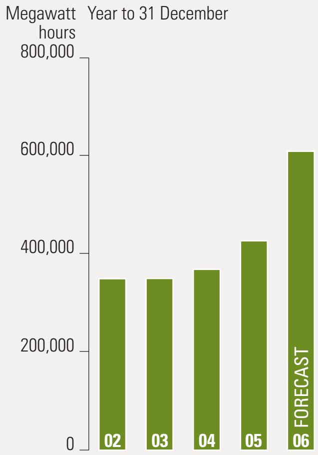
VALUE ADDED

CSR's main contribution to society is through payments to employees and taxes, dividends and interest paid. These are shown in the pie chart right describing the $992 million of value added to the community. ■

CSR IS ONE OF AUSTRALIA'S LARGEST PROVIDERS OF NEW RENEWABLE ENERGY

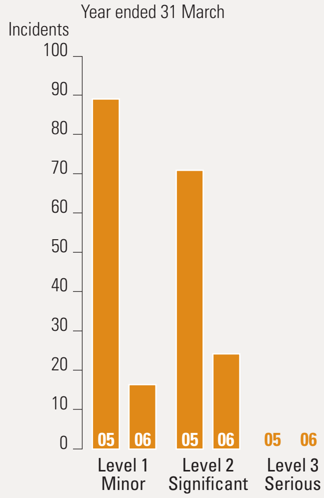
RENEWABLE ENERGY PRODUCTION IS TO INCREASE BY 42% IN 2006

Year to 31 December



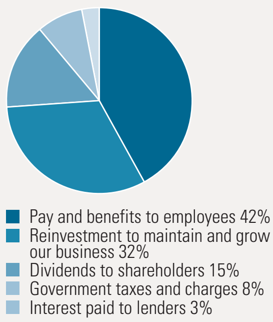
THE TOTAL NUMBER OF ENVIRONMENTAL INCIDENTS FELL BY 9.5%

Year ended 31 March



VALUE ADDED TO THE COMMUNITY

Year ended 31 March 2006



SUSTAINABILITY – PEOPLE AND SAFETY

We are selecting and training people to drive the most from our businesses – with safety

CSR HAS BEEN IN OPERATION FOR OVER 150 YEARS BECAUSE OUR PEOPLE HAVE SUCCESSFULLY CONTINUED TO MEET THE NEEDS OF OUR CUSTOMERS, SHAREHOLDERS AND OUR COMMUNITIES.

Today, in developing the skills of our people to ensure we achieve our business objectives, we strive to reinforce the values that CSR holds to be fundamentally important. These key values are:

- Safety, health and environment – our most important value is safeguarding the safety and health of people and protecting the environment.
- Customer focus – making sure we understand and meet our customers' needs.
- Continuous improvement – improving our processes and products.
- Innovation – developing new products and processes.
- Getting results – unless we make profitable returns, all of the above will be to no avail.

DEVELOPING OUR PEOPLE

Over the past year, our training programs re-emphasised developing specific skills of our people.

Some 4,257 people undertook 19,466 training programs, including in-house and CSR sponsored external programs, and shorter, customised courses. This is equivalent to 17 hours training a year per employee. We are working to increase this substantially over the next year.

We are giving additional emphasis to building a pool of talented people to take on future leadership roles. The skills, abilities and personal style of potential leaders have been intensively assessed, with individual development needs specifically targeted.

(FACING PAGE) Graduate management trainees at CSR's Gyprock™ plasterboard plant, Sydney. From left, Matt Ridderhof, Shirley Tan and Paola Tornatore.

(LEFT) To celebrate CSR's 150th anniversary, special awards recognised people who made valuable contributions. From left, Stephen Powell, Alan Bleasdale, David Begg, Noel Smart and Rickie Donmez.

A fairness, respect and diversity development program was launched, with compulsory involvement by all managers and their team members. The program reinforces individual acceptance of the responsibility of each CSR person in upholding company policies on fair and respectful treatment of all employees.

A specialised training curriculum was developed for sales staff which will be enhanced this year with targeted training sessions. We have focused on defining the skills and know how needed for excellence in selling. New training programs reflect this.

We are progressively extending on-line computer access for all employees to improve communication efficiency and to cut costs by streamlining administration procedures.

MOTIVATING AND RETAINING PEOPLE

We continued to boost our people's performance, including providing market-competitive salaries and benefits, and short and long-term incentives. As well, we ensure fair policies, challenging and satisfying work, and quality leadership.

To help align employees' interests with those of shareholders, an employee share plan encourages our people to own shares – 2,497 employees, 62.2% of those eligible, took part.

We are retaining key employees – less than 6% of our high performing people left CSR last year compared with 20% of lower performing individuals. This is attributed, at least in part, to our improved development processes. We are placing further emphasis on assisting our managers to act as performance coaches for potential leaders to produce even higher levels of employee motivation, retention and performance.

CSR 150 CHAMPIONS

As part of CSR's 150th anniversary last year, a special awards program identified 34 employees who made valuable contributions to the company, reinforcing our key values (described above). The CSR Champions were rewarded for their achievements with attendance at functions in November 2005, which recognised their contributions. Their achievements were publicised throughout the company in a special employee communication program. To suitably reward and motivate CSR's many other similarly dedicated employees, we plan to continue the recognition program on a regular basis.

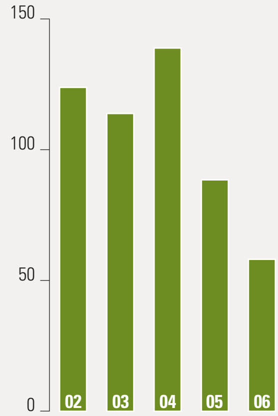
PEOPLE IN CSR

AS AT 31 MARCH	2006	2005	% CHANGE
Number of people employed[a]	**6,363**	5,973	6.5
Building Products	**4,356**	4,062	7.2
Sugar	**1,820**	1,730	5.2
Australian shared services, Property	**132**	135	(2.2)
Executive support team, Aluminium	**55**	46	19.6
Number of people employed by geographic grouping			
Australia	**4,010**	3,821	4.9
China	**1,743**	1,529	14.0
New Zealand	**284**	294	(3.4)
Malaysia	**191**	196	(2.6)
Thailand	**109**	106	2.8
Singapore	**26**	27	(3.7)

a Full time equivalent employees, including those employed by majority owned subsidiaries.

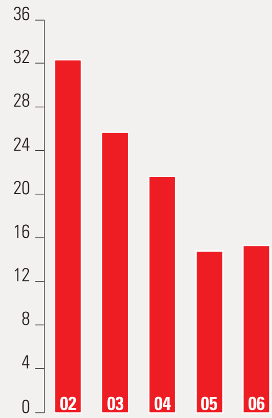
YEAR ENDED 31 MARCH	2006	2005	% CHANGE
Financial performance per employee			
Trading revenue [$000]	**450.6**	396.4	13.7
Net profit before significant items [$000]	**39.3**	35.8	9.8
Profit before finance and tax/labour cost [%]	**95.6**	84.8	12.7

THE SEVERITY RATE OF INJURIES FELL BY 34.2%
Year ended 31 March



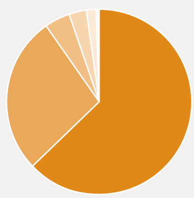
The number of days lost per one million work hours

THE RATE OF RECORDABLE INJURIES ROSE BY 3.4%
Year ended 31 March



Total recordable injuries per million work hours

PEOPLE ACROSS CSR
As at 31 March 2006



- Australia 63.0%
- China 27.4%
- New Zealand 4.5%
- Malaysia 3.0%
- Thailand 1.7%
- Singapore 0.4%

(RIGHT) CSR's new TopCat Safety Rail™ business demonstrated its roofing installation safety products at the Sydney Safety Show.

(BELOW) CSR's new Quicksafe® crane trucks safely deliver plasterboard and fibre cement sheets to difficult locations.

A TARGETED SAFETY PROGRAM

At CSR, we regard all injuries as avoidable – and serious injuries and deaths as totally preventable. Everyone must return home safely from work every day.

To prevent injuries and illnesses, CSR is taking an integrated approach to changing the way we act and the way we think about the safety and health of our people.

Last year, we upgraded our company wide standards for systematic management of SHE to provide a user-friendly format for use throughout the company. On-line support is now available for assessing risks at individual sites.

To ensure full compliance with company wide SHE standards, all sites are required to complete an external accreditation review every three years.

We are shifting focus for managing SHE improvement to supporting front line supervisors with a new SHE leadership program being put into practice over this year and the next. The program will provide supervisors with the skills and processes needed to assist with developing and maintaining safe systems in our workplaces. Supervisors will be helped to be permanently alert for possible safety risks and the need to eliminate potential workplace hazards.

IMPROVING SAFETY PERFORMANCE

Our safety statistics showed two major improvements last year. Workers' compensation performance (which measures costs and the time required for injured employees to return to work) improved by 37.6%. In addition, the injury severity rate fell 34.2% to 58.1 days lost per million work hours. This progress followed increased focus during the past year on ways to prevent more-serious injuries.

However, the total recordable injury frequency rate rose to 15.3 medical treatment, lost time and restricted work injuries per million hours worked – a 3.4% increase. The lost time injury frequency rate rose by 6.8% to 4.7. We are taking firm action to fix the adverse movement in injury rates. To some extent, it reflected our continually increasing focus on better reporting of all aspects of employee safety. Last year, we intensified focus especially on those sites with poorer safety performance.

Our lost time injury frequency rate of 4.7 remains well below the industry average in the manufacturing sector of 28.2 (as shown in *The Compendium of Workers' Compensation Statistics Australia 2002-2003*). Our goal, however, is zero injuries.

CONTROLLING ACCESS TO PLANT

Industry wide, many injuries at work are caused by failure to separate people from plant danger. Too many people are injured while maintaining, repairing, adjusting or cleaning equipment. All these injuries are avoidable with effective basic procedures to control access to plant.

Last year, we standardised our procedures at all CSR sites for isolating people from danger from fixed plant and equipment, strengthening our ability to adequately control risks to our people. This is being reinforced by detailed job safety analyses.

Separate standards for safely operating mobile plant – including trucks and forklifts – are being adopted to keep people safe from harm, especially in distribution centres and factory loading areas.

The refined sugar business – in a program launched at the Sydney factory – improved systems and standards to ensure equipment is maintained to be more reliable and safety risks minimised. Site work teams were restructured to ensure acceptance of greater personal ownership and accountability for safety issues by everyone.

REDUCING MANUAL HANDLING

We continued our program to minimise the risk of manual handling (our most frequent cause of injuries), including sprains and strains and other harm from lifting, pulling and pushing.

Our brick manufacturing plant at Cooroy, Queensland, is replacing manual palletising of bricks with a customised system using robotics, reducing the risk of handling injuries.

CSR is working to minimise risk of manual handling injuries at customers' sites, particularly building sites. We recently launched the Quicksafe® customised delivery system which uses a specialised crane truck to deliver products to difficult sites. As well as providing our customers with a safe and flexible alternative to manual handling, the crane trucks reduce costs by minimising product damage and breakage.

The Victorian WorkCover Authority 2005 WorkSafe Victoria Awards recently selected the Quicksafe® system as a finalist in the category of 'Best solution for sprains and strains'. ■

FINANCIAL REVIEW

OUR STRONG CASH FLOW AND BALANCE SHEET WILL SUPPORT FUTURE GROWTH.

CSR's net profit before significant items rose 16.7% to $249.8 million for the year ended 31 March 2006. Sugar, Aluminium and Property operations improved strongly while Building Products was down on the previous year.

Earnings per share before significant items rose 17.1% from 23.4 cents to 27.4 cents with higher earnings and the benefit of the share buyback completed in June 2005.

CSR's total net profit after tax was $305.0 million which included significant items relating to a resolution by CSR of some longstanding litigation issues offset in part by the one-off increase in the provision for product liability of $54.0 million as a result of a review of the provision's prudential margins.

Trading revenue rose 21.1% to $2,866.9 million due principally to higher sugar and aluminium prices and the inclusion of $270.9 million in revenue from the Sugar Australia and New Zealand Sugar Company (CSR 75%) subsidiaries following full consolidation from 1 October 2004. Earnings before interest, tax and significant items (EBIT) were up 16.2% to $416.8 million. Return on shareholders' funds (net profit excluding significant items/shareholders' funds) increased to 21.8% (restated to exclude fair value adjustments for hedges from equity) from 18.9%.

CASH FLOW AND CAPITAL EXPENDITURE

Cash from operating activities of $317.1 million continued to demonstrate the strong cash flows generated from our businesses but was slightly below $320.7 million the previous year, which benefited from cash received following the settlement with insurers announced in September 2004. Cash flow to 31 March 2006 did not fully reflect the benefit of higher raw sugar prices as final payments for sugar sold for last year will not be received until June 2006.

Cash from operations was directed to development capital expenditure of $219.2 million, primarily for construction of the plant to expand generation of renewable electricity at Pioneer sugar mill, Property development and the expansion of two Building Products' factories. Operating capital expenditure was $80.3 million – equivalent to 75% of depreciation.

Net cash flow plus additional net borrowings of $291.7 million were used to fund interest of $34.0 million, dividends of $144.9 million, a capital return of $182.1 million and a share buyback of $12.3 million.

CSR's gearing (net debt/net debt + equity) is 30.5% (restated to exclude fair value adjustments for hedges from equity). Net debt rose from $270.1 million to $558.5 million following the capital return payment in August 2005. CSR's strong cash flow underpins the company's flexibility for growth.

CAPITAL MANAGEMENT AND FUNDING

The company made a payment to shareholders of 20 cents per share or $182.1 million in total as a return of capital. The purpose of the return of capital was to achieve a one-off structural alteration to the company's gearing and share capital.

The on-market buyback that commenced in 2003 and was extended in 2004 ended on 10 June 2005. During the year ended 31 March 2006, 5.2 million shares were purchased at an average price of $2.37 a share.

Total dividends for the year were increased to 15 cents a share, representing a payout ratio of 55% of net profit before significant items – with full franking being maintained.

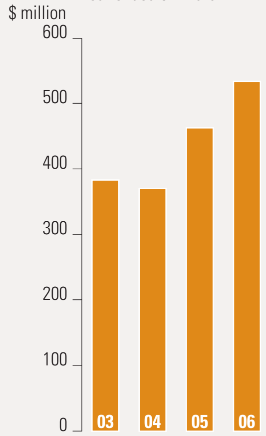
CSR's long and short-term credit ratings were maintained at investment grade, with ratings confirmed during the year of BBB+ (stable) from Standard & Poor's.

CSR adopted International Financial Reporting Standards (A-IFRS) from 1 April 2005. The impact of A-IFRS is summarised in note 34 to the financial report. The financial report for the year ended 31 March 2006 and the comparative data for the previous year has been prepared under A-IFRS.

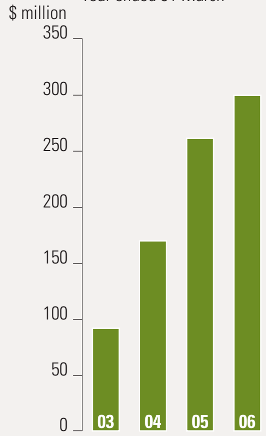
FINANCIAL RISK MANAGEMENT

CSR has an overall program to manage risks associated with movements in interest rates, commodity prices and exchange rates. CSR's financial risk management program utilises a cash flow at risk model to guide forward commodity and exchange rate pricing decisions. The objective is to secure acceptable returns for the business and reduce volatility in earnings.

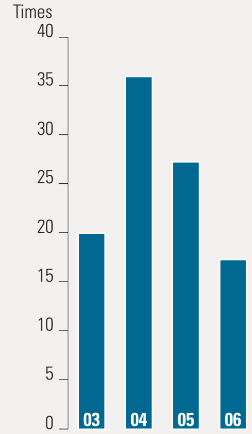
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)
Year ended 31 March



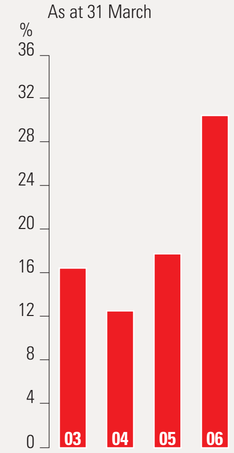
CASH CAPITAL INVESTMENT
Year ended 31 March



INTEREST COVER
Year ended 31 March



GEARING
As at 31 March



The board has approved policies and principles to manage financial risks that provide the basis for CSR's comprehensive risk management program. No speculative hedging is permitted. (Further information is on pages 31 and 32).

A-IFRS requires the company to include the fair value of all derivative instruments used to manage financial and commodity price risks on its balance sheet. By applying the market price to these instruments as of 31 March 2006, there is a negative impact on the fair value of $282.0 million. On an after-tax basis, the net amount is $197.5 million, which is included in the group's equity accounts.

CSR has entered into derivative contracts to hedge its forward raw sugar and aluminium price exposures in Australian dollars. The average price for raw sugar hedged is A$340 per tonne. This is well above the average price for raw sugar over the past five years of A$277 per tonne, but is considerably below the market price at 31 March 2006 of A$554 per tonne. Similarly, the average price of aluminium hedged is A$2,808 per tonne. This compares with a five year average of A$2,478 per tonne but is below the market price at 31 March 2006 of A$3,545 per tonne.

SIGNIFICANT ITEMS

In April 2006, CSR reached a settlement of litigation with a group of 48 Australian, UK and European insurers. Under the terms of this settlement, each of the settling insurers is obliged to pay its share of a settlement totalling approximately $103.3 million on or before 10 June 2006. CSR incurred legal costs of approximately $10.3 million in relation to this litigation.

CSR's provision for product liability is determined using reports provided by independent experts in each of the US and Australia. CSR has included within the provision an appropriate prudential margin. CSR has increased its product liability provision by $54.0 million to $365.8 million to take account of the uncertainties surrounding asbestos litigation in each of the US and Australia, recent claims experience and the release of certain insurance policies which CSR believes provided coverage for asbestos-related claims. This increase has been treated as a significant item in the year ended 31 March 2006. ■

PROFITABILITY – BEFORE SIGNIFICANT ITEMS

YEAR ENDED 31 MARCH – $ MILLION	TOTAL REVENUE		PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		INCOME TAX		MINORITY INTERESTS		NET PROFIT	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Building Products	**978.1**	937.4	**80.9**	111.4	**19.2**	27.5	**1.2**	0.5	**60.5**	83.4
Aluminium	**526.9**	475.2	**156.1**	141.9	**47.1**	42.6	**32.1**	29.0	**76.9**	70.3
Sugar	**1,371.4**	961.9	**123.7**	97.8	**35.7**	28.8	**5.9**	4.6	**82.1**	64.4
Property	**69.7**	23.7	**75.6**	27.1	**(1.1)**	(6.7)	**–**	–	**76.7**	33.8
Corporate	**3.9**	2.0	**(18.9)**	(16.9)	**(5.5)**	(5.1)	**–**	–	**(13.4)**	(11.8)
Restructuring and provisions	**–**	–	**(0.6)**	(2.7)	**(1.6)**	(2.4)	**–**	–	**1.0**	(0.3)
Segment total	**2,950.0**	2,400.2	**416.8**	358.6	**93.8**	84.7	**39.2**	34.1	**283.8**	239.8
Net finance	**3.5**	4.1	**(50.8)**	(38.3)	**(15.7)**	(11.9)	**(1.1)**	(0.6)	**(34.0)**	(25.8)
GROUP TOTAL	**2,953.5**	2,404.3	**366.0**	320.3	**78.1**	72.8	**38.1**	33.5	**249.8**	214.0

CASH FLOW

YEAR ENDED 31 MARCH – $ MILLION	**2006**	2005
Operating profit before finance and income tax	**416.8**	358.6
Depreciation and amortisation	**116.3**	103.5
Net income tax paid	**(54.3)**	(52.4)
Change in working capital	**(31.5)**	(41.5)
Profit on asset sales and write downs	**(55.9)**	(29.4)
Other	**(74.3)**	(18.1)
Cash flow from operating activities	**317.1**	320.7
Capital investment	**(299.5)**	(261.0)
Divestment proceeds	**112.6**	88.4
Other	**(47.7)**	(68.7)
Cash flow applied to investment activities	**(234.6)**	(241.3)
Internal cash flow	**82.5**	79.4

FINANCIAL POSITION

AS AT 31 MARCH – $ MILLION UNLESS STATED	**2006**	2005
Total assets	**3,063.2**	2,380.1
Total liabilities	**1,987.8**	1,124.0
Total equity	**1,075.4**	1,256.1
Net debt	**558.5**	270.1
Gearing [%]		
Net debt/net debt + equity	**30.5**[a]	17.7
Net debt/equity	**51.9**	21.5

a Restated to exclude fair value adjustments for hedges from equity.

As part of the CSR board's program of regularly reviewing company sites, directors inspected PGH™ Bricks' kiln expansion at Oxley, near Brisbane. From left, Richard Lee, Barry Jackson, Kathleen Conlon, Ian Blackburne, Alec Brennan and John Story.

DIRECTORS

CSR DIRECTORS AS AT 17 MAY 2006

IAN BLACKBURNE
BSc(Hons), PhD, MBA, age 60.
Chairman, chairs the Remuneration and Nominations Committee, member of the Audit Committee and the Safety, Health and Environment Committee. He joined the board in 1999 and was last re-elected in 2004. An independent director, Ian is a former managing director of Caltex Australia Limited, with 25 years' experience in petroleum refining, distribution and marketing. He is chairman of the Australian Nuclear Science and Technology Organisation; a director of both Suncorp-Metway Limited and Teekay Shipping Corporation for five years and a director of Symbion Health Limited (formerly Mayne Group Limited) for one year; and a member of the Australian Graduate School of Management Advisory Council. Resides in Sydney.

ALEC BRENNAN
BSc(Hons), MBA(Dist), age 59.
Managing Director.
Joined CSR in 1969, appointed to the board as an executive director in 1996, became deputy managing director in 1998 and managing director in March 2003. Alec has had senior CSR management experience in raw sugar marketing, sugar refining, aluminium, building products and construction materials. He has been a director of Emeco Limited since August 2005 and is a director of Garvan Research Foundation and a fellow of the Senate of the University of Sydney. Resides in Sydney.

KATHLEEN CONLON
BA(Econ)(Dist), MBA, age 42.
A member of the Remuneration and Nominations Committee and the Safety, Health and Environment Committee. Kathleen joined the board in 2004, as an independent director, after seven years as a partner and director of the Boston Consulting Group (BCG) where she led BCG's Asia Pacific Operational Effectiveness Practice Area and was previously the leader of the Sydney office. Kathleen brings to the CSR board over 20 years' experience in professional consulting, having advised many of Australia's leading industrial companies. She is a council member of Chief Executive Women and NSW council member of the Australian Institute of Company Directors. Resides in Sydney.

BARRY JACKSON
BCom(Hons), age 61.
Chairs the Safety, Health and Environment Committee and is a member of the Remuneration and Nominations Committee. He joined the board in 2003. An independent director, Barry is a former managing director of Pacifica Group Limited and chief executive of BTR Nylex's Building Products Group, with over 30 years' experience in manufacturing and industrial marketing. He has been a director of Alesco Corporation Limited for four years and PaperlinX Limited for six years. Barry is also a director of Equity Trustees Limited and St Vincent's Institute of Medical Research. Resides in Melbourne.

RICHARD LEE
BEng(Chem)(Hons), MA(Oxon), age 56.
A member of the Audit Committee and the Remuneration and Nominations Committee. He joined the board in 2005. An independent director, Richard has 19 years' experience in investment banking and the finance industry. He is a former chief executive officer of N M Rothschild Australia Group. Prior to his investment banking career, Richard held a number of senior roles in CSR's Sugar division. Richard has been the chairman of Salmat Limited for three years and a director of Ridley Corporation Limited for four years. A Rhodes Scholar, he is a fellow and NSW council member of the Australian Institute of Company Directors, a founding council member of the Institute of Neuromuscular Research and a director of the North Shore Heart Research Foundation. Resides in Sydney.

JOHN STORY
BA, LLB, age 60.
Chairs the Audit Committee and is a member of the Remuneration and Nominations Committee and the Safety, Health and Environment Committee. John joined the board in 2003. An independent director, John has over 30 years' experience as a senior lawyer advising in corporate and commercial law. He is the chairman of Suncorp-Metway Limited, of which he has been a director for 11 years; and a director of Tabcorp Holdings Limited since early 2004, following its merger with Jupiters Limited in late 2003 (John had been a director of Jupiters for 12 years). In 2003, he relinquished a directorship of Ruralco Holdings Limited after 15 years and in 2005, he ceased to be a director of Australian Magnesium Corporation Limited after three years. He is the non-executive chairman of Corrs Chambers Westgarth Lawyers, a member of the Senate of the University of Queensland, president of the Queensland Council of the Australian Institute of Company Directors and a member of its national board. Resides in Brisbane.

RETIREMENT FROM THE BOARD

Carolyn Hewson retired from the board in July 2005 after 10 years' service.

COMPANY SECRETARY

GRAHAM HUGHES
BCom, FCIS, CPA, age 54.
Since joining CSR in 1970, Graham has held a variety of senior finance and other positions. Graham coordinated the team that managed the demerger of Rinker Group Limited. He was appointed company secretary in April 2003.

CHRIS BERTUCH
BEc, LLM, age 44.
Chris is general counsel and alternative company secretary. He joined CSR as corporate lawyer in 1993. Previously, he was a partner in the law firm Gadens Lawyers in Sydney. Chris has had extensive experience in corporate, commercial and trade practice law, and dispute resolution.

CORPORATE GOVERNANCE STATEMENT

CSR'S CORPORATE GOVERNANCE IS THE SYSTEM BY WHICH THE COMPANY IS DIRECTED AND MANAGED. IT IS THE FRAMEWORK WITHIN WHICH:

- the CSR board of directors is accountable to shareholders for the operations, profit performance and growth of the company
- the risks of business are identified and managed
- CSR's long established values and behaviour underpin the way we do business.

This statement is organised under headings based on the Australian Stock Exchange Corporate Governance Council's (ASXCGC) 10 essential Principles of Good Corporate Governance and Best Practice Recommendations, dated 31 March 2003.

Charters and policies referred to are available on CSR's internet site.

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

CSR'S GOVERNANCE STRUCTURE IS DESIGNED TO PROMOTE PROFIT AND GROWTH

A key part of CSR directors' responsibility is to ensure the enduring operation of an effective corporate governance structure.

ROLES AND RESPONSIBILITIES: The board prescribes the respective roles and responsibilities of the board and management (ASXCGC principle 1)

The board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded. Its functions, as summarised in the Board Charter, are:

- appointing, evaluating, rewarding or removing the managing director and approving appointments, remuneration or removal of senior management
- reviewing and approving group strategies, budgets, plans and policies
- assessing performance against strategies to monitor both the performance of management as well as the suitability of those strategies
- reviewing executive and director succession planning and the balance of skills and experience available to the company
- reviewing operating information to understand at all times the state of health of the company
- considering management recommendations on key issues – including acquisitions and divestments, restructuring, funding and significant capital expenditure
- approving policies on, and overseeing the management of, business and financial risks, safety and occupational health, and environmental issues
- ensuring that the company acts legally and responsibly on all matters and that the highest ethical standards are maintained.

The board delegates to the managing director the authority to manage the company and its businesses within levels of authority specified by the board.

LETTERS OF APPOINTMENT

The managing director's responsibilities and terms of employment, including termination entitlements, are set out in a formal letter of appointment. A copy is available on the CSR internet site.

Letters of appointment are also prepared for non-executive directors and the chief financial officer, covering duties, time commitments, induction and the corporate governance framework described on the company's internet site.

BOARD OF DIRECTORS: CSR has a board of effective composition, size and commitment to discharge its responsibilities and duties (ASXCGC principle 2)

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

SIZE AND COMPOSITION OF THE BOARD

The board comprises five non-executive directors and one executive director – the managing director. Information about directors is on page 27.

The board keeps under review the balance of skills and experience of its members, their independence and access to advice and information.

DIRECTORS' INDEPENDENCE AND DEALING WITH CONFLICT OF INTEREST

Each of the non-executive directors, including the chairman, is independent of CSR and its management, having no business or other relationships that could compromise his or her autonomy as a director. The board's framework for determining director independence is included in the Board Charter. The impact of any past or present relationship with the company on a director's ability to exercise independent judgment is carefully assessed.

John Story is the non-executive chairman of Corrs Chambers Westgarth Lawyers (Corrs), a firm which CSR paid $1.1 million in legal fees last year. The board believes that John Story's role at Corrs does not affect his independence as a director because he receives a fixed salary for his role as non-executive chairman and he is one of seven directors on the Corrs' board and one of over 100 partners in the firm. CSR's policy is to engage those lawyers most appropriate for a task and uses a number of law firms.

If a potential conflict of interest arises, the director concerned does not receive the relevant board papers and leaves the board meeting while the matter is considered. Directors must advise the board immediately of any interests that could potentially conflict with those of CSR.

Directors may obtain independent professional advice at CSR's expense on matters arising in the course of their board and committee duties, after obtaining the chairman's approval. The Board Charter requires all directors to be provided with a copy of such advice and to be notified if the chairman's approval is withheld. No director exercised this right during the year.

ELECTION OF DIRECTORS

The Remuneration and Nominations Committee makes recommendations to the board on the appointment of new directors, criteria for new appointees and endorsement of retiring directors seeking re-election – based on the most recent performance review of the board.

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

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

Non-executive directors are subject to re-election by rotation at least every three years and, under the company's constitution (except where this requirement is prohibited by law) must retire not later than their 70th birthday. Newly appointed directors must seek re-election at the first general meeting of shareholders following their appointment. Non-executive directors appointed from 2001 shall not seek re-election after serving for 10 years.

CONTRACTS WITH DIRECTORS

Since the previous year, no director has received or become entitled to receive a benefit because of a contract between any company in the CSR group and the director, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, other than:

- in the case of non-executive directors, remuneration as disclosed on page 37, the shareholder approved Employee Share Acquisition Plan and an agreement which conforms to the company's constitution for entitlements to retirement and termination payments
- in the case of executive directors, a letter of employment and the shareholder approved Employee Share Acquisition Plan.

INDEMNITIES

Under clause 101 of CSR's constitution and (in the case of CSR directors) a deed substantially in the form approved by shareholders in July 1999, each CSR director, the company secretary, and every other person who is or has been a CSR officer is indemnified to the extent permitted by law, against:

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

The company has a similar policy covering all employees. CSR's external auditor is not indemnified under clause 101. The company has insured against amounts that it is liable to pay under this clause.

Directors and officers of the company have purchased insurance, for which they pay premiums, against certain liabilities they may incur in carrying out their duties for the company.

BOARD COMMITTEES

To increase its effectiveness, the board has three committees, each with a charter approved by the board. The Audit Committee and the Safety, Health and Environment Committee each comprise at least three non-executive directors and are chaired by directors other than the board chairman. The Remuneration and Nominations Committee consists of all the non-executive directors and is chaired by the board chairman. The Managing Director, Alec Brennan, attends meetings of board committees by invitation. He is not present if this could compromise the objectivity of proceedings.

Committee papers are copied to all directors before the meetings. Minutes are included in the papers for the next board meeting and the director chairing the committee reports to the board on matters addressed by the committee. The membership of these committees, the number of meetings held and each director's attendance record last year is shown on page 30.

THE WORK OF DIRECTORS

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

The chairman commits additional time and meets regularly with the managing director to review business and strategic issues and to agree board meeting agendas. The non-executive directors meet with no managers present at the commencement of board meetings.

Last year, the directors visited the company's operations in southern China and several Building Products' factories in Australia to understand better the issues facing each of those businesses and their people.

INDUCTION AND REVIEW: CSR actively encourages enhanced board and management effectiveness (ASXCGC principle 8)

The board strives to ensure that directors and key executives have the knowledge and information needed to operate effectively. The performance of the board is regularly reviewed.

INDUCTION AND ACCESS TO INFORMATION

The chairman briefs new directors on their roles and responsibilities. They receive a comprehensive information pack and special briefings from management and visit key operating sites to assist them to understand rapidly CSR's businesses and issues. Time is allocated at board and committee meetings for continuing education on significant issues facing the company and changes to the regulatory environment.

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

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

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

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

PERFORMANCE REVIEW

In early 2006, the Remuneration and Nominations Committee engaged an independent consultant to review the performance of the board, its committees and each director. The committee agreed further actions to improve the effectiveness of the board and its committees after considering the results of interviews and progress against recommendations made the previous year.

REMUNERATION: CSR ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined (ASXCGC principle 9)

CSR's policy is to reward executives with a combination of fixed remuneration and short and long-term incentives structured to drive improvements in shareholder value.

Non-executive directors receive no incentive payments. Executives and directors may forgo part of their cash remuneration to acquire shares in CSR. Employees cannot approve their own remuneration, nor that of their direct subordinates, without their manager's approval.

REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee, comprising all non-executive directors, is chaired by the board chairman. Together with an overview of people issues, particularly succession and development planning for senior managers, the committee advises the board on remuneration policies and practices, evaluates the performance of the managing director against pre-agreed goals and makes recommendations to the board on remuneration for the managing director and senior managers reporting to him. The committee considers independent advice on policies and practices to attract, motivate, reward and retain strong performers.

The committee also considers the board's size and composition, criteria for membership, candidates to fill vacancies and the terms and conditions of their appointment.

The remuneration report includes further details on CSR's remuneration policy and its relationship to the company's performance last year (pages 33 to 37). It includes details of the remuneration of directors and key managers last year. Shareholders are invited to vote on the adoption of the report at the company's annual general meeting.

EQUITY BASED EXECUTIVE REMUNERATION

Key features of the three employee share plans now used by CSR, the company's policy on share ownership and details of CSR shares beneficially owned by directors and key managers appear in the remuneration report on pages 33 and 35.

DISCLOSURE: CSR promotes timely and balanced disclosure of all material matters concerning the company (ASXCGC principle 5)

CONTINUOUS DISCLOSURE

CSR has a long established practice of providing relevant and timely information to shareholders, supported by its share market disclosure policy which details comprehensive procedures to ensure compliance with all legal obligations. The policy limits external briefings in the periods between the end of a financial year or half year and the release to the Australian Stock Exchange (ASX) of the relevant results. The company secretary is responsible for communications with the ASX. Major announcements provided to the ASX last year are included in 'The year in brief' on page 2.

COMMENTARY ON FINANCIAL RESULTS

CSR provides a review of operations and a financial review in this annual report. Results announcements to the ASX and analyst presentations are made available on the company's internet site.

SHAREHOLDERS: CSR respects the rights of shareholders and facilitates the effective exercise of those rights (ASXCGC principle 6)

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

DIRECTORS' MEETINGS

YEAR ENDED 31 MARCH 2006	CSR BOARD		AUDIT COMMITTEE		SAFETY, HEALTH AND ENVIRONMENT COMMITTEE		REMUNERATION AND NOMINATIONS COMMITTEE	
	HELD[a]	ATTENDED[b]	HELD[a]	ATTENDED[b]	HELD[a]	ATTENDED[b]	HELD[a]	ATTENDED[b]
Ian Blackburne	12	12	4	4	4	4	5	5
Alec Brennan	12	12						
Kathleen Conlon	12	12			4	4	5	5
Carolyn Hewson[c]	4	4	1	1			2	2
Barry Jackson	12	12			4	4	5	5
Richard Lee[d]	11	11	3	3			4	4
John Story	12	12	4	4	4	4	5	5

a Meetings held while a member.
b Meetings attended.
c Retired 14 July 2005.
d Appointed 17 May 2005.

Where practicable, the company uses the latest widely available electronic technology to communicate openly and continually with shareholders – and the stock market in general. Announcements to the ASX, significant briefings, notices of meetings and speeches at annual general meetings are promptly posted on the company's internet site and retained there for three years. Shareholders and other interested parties can receive e-mail advices of links to the newly posted annual report and can lodge proxies electronically for the annual general meeting. The annual general meeting and profit announcement briefings are available via a live webcast from the company's internet site to allow access by all interested parties.

AUDITOR ATTENDS THE ANNUAL GENERAL MEETING
The external audit firm partner in charge of the CSR audit is available to answer shareholder questions at the company's annual general meeting.

THE CORPORATE GOVERNANCE STRUCTURE SETS THE WAY RISKS ARE IDENTIFIED AND MANAGED

CSR's governance structure is designed to ensure that risks of conducting business are properly managed.

AUDIT: CSR has a structure to independently verify and safeguard the integrity of the company's financial reporting (ASXCGC principle 4)

AUDIT COMMITTEE
The Audit Committee is chaired by John Story, the other members being Ian Blackburne and Richard Lee, all of whom are independent directors. The external audit firm partner in charge of the CSR audit attends Audit Committee meetings by invitation, together with the internal audit manager and relevant senior executives.

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

Specific responsibilities include advising the board on the appointment of external auditors (following the procedure in the committee's charter), the yearly audit plan, and the yearly and half yearly financial reports. The committee is a direct link for providing the views of internal and external auditors to the board, when necessary, independently of management influence. Time is allocated for detailed questioning of the material presented and separate sessions with each of the external auditor, internal auditor and chief financial officer.

The committee seeks to ensure the independence of the external auditor. It pre-approves any non-audit services to be performed by the audit firm. Such approval will not be given if the services might impair the auditor's judgment or independence. The committee's charter requires that individuals playing a significant role in the CSR audit be rotated every five years. The auditor annually confirms its independence within the meaning of applicable legislation and professional standards.

FINANCIAL REPORT ACCOUNTABILITY
CSR's process for approval of financial statements has a longstanding requirement that authorisations be given by various levels of management. CSR's managing director and chief financial officer, who are present for board discussion of financial matters, are required to state to the board, in writing, that the company's financial reports present a true and fair view in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

RISK MANAGEMENT: CSR has a sound system of risk oversight and management and internal control (ASXCGC principle 7)

CSR identifies the risks facing its operations, assesses the balance of risks and rewards, and optimises the returns from its businesses to deliver shareholder value. The risk framework is:

- Business risks The board requires managers of CSR's businesses to identify and quantify business risks and to adopt cost effective strategies to manage CSR's exposure. Risk management is a key element of CSR's strategic planning, decision making and execution of strategies.
- Financial risks The board has approved principles and policies to manage financial risks of exposures to foreign currencies, commodity prices and interest rates. CSR's policies prohibit speculative transactions, restrict hedging to pre-set limits and require senior management approval of hedging instruments. The policies specify who may authorise transactions and segregates duties of those carrying them out.
- Financial integrity and reporting risks Management has put into practice policies, procedures and controls to ensure the integrity of its accounting and financial reporting to stakeholders. Internal audit provides independent assurance of the effectiveness of these processes to manage internal control and risk, in accordance with an annual plan agreed and monitored by the Audit Committee.
- Legal compliance risks The board maintains policies and procedures to ensure compliance with all major legal requirements in the conduct of CSR's business.

The board oversees and reviews the effectiveness of the risk management systems implemented by management. The board has assigned responsibility to:

- Audit Committee – reviews and reports to the board in relation to the company's financial reporting, internal control structure, risk management systems, and the internal and external audit functions.

  The Audit Committee recommends to the board the appointment or dismissal of the internal auditor, who is independent of the external auditor.

  An independent external audit is performed on the annual financial report of CSR.
- Safety, Health and Environment Committee – reviews and reports to the board on the management of the company's safety, health and environment liabilities and legal responsibilities.
- Management – manages and reports to the board on business and financial risks and compliance with other legal obligations.
- Internal audit – provides independent assurance in relation to the effectiveness of processes to manage internal control and risk in accordance with an agreed annual plan, which may be refined as necessary.

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

CSR'S LONG ESTABLISHED VALUES AND BEHAVIOURS UNDERPIN ITS ACTIVITIES

CSR's corporate governance culture – our way of doing business – and values are critically important to CSR's continuing commercial success.

CODE OF CONDUCT: CSR actively promotes ethical and responsible decision making (ASXCGC principle 3)

Ethical behaviour is required of directors, executives and all other employees.

CODE OF BUSINESS CONDUCT AND ETHICS
The board has endorsed a Code of Business Conduct and Ethics (available on the company's internet site) that formalises the longstanding obligation of all CSR people including directors to behave ethically, act within the law, avoid conflicts of interest and act honestly in all business activities.

TRADING IN CSR SHARES
CSR directors are required to hold a minimum of 2,000 company shares. Directors' shareholdings at 17 May 2006 are shown below.

Under the company's share trading policy, directors and senior management may only buy or sell CSR shares, or give instructions to the trustee of CSR's Employee Share Acquisition Plan, during one month periods commencing two days after the date of the yearly and half yearly results announcements and the annual general meeting. Also, they are prohibited from buying or selling CSR shares at any time if they are aware of any price sensitive information that has not been made public. All CSR share dealings by directors are promptly notified to the ASX.

STAKEHOLDERS: CSR recognises its legal and other obligations to all legitimate stakeholders (ASXCGC principle 10)

CSR's Code of Business Conduct and Ethics reinforces the company's commitment to giving proper regard to the interests of people and organisations dealing with the company. Each CSR person is required to respect and abide by the company's obligations to employees, shareholders, customers, suppliers and communities in which we operate.

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

CSR employees are required to sign a certificate of compliance signifying that they have read and complied with the code. Our Whistleblowers' Protection Policy promises that an employee will not be subject to retaliation by CSR for reporting in good faith a possible violation of the Code of Business Conduct and Ethics.

SAFETY, HEALTH AND ENVIRONMENT RESPONSIBILITIES
An important part of CSR's governance commitments includes protection for its people's safety and occupational health, and for the environment (SHE). The board endorsed SHE policy (available on the CSR internet site) details the company's and individuals' obligations.

The board's Safety, Health and Environment Committee oversees and reports to the board on the management of the company's SHE responsibilities. The SHE Committee comprises Barry Jackson (chairman), Ian Blackburne, Kathleen Conlon and John Story.

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

CORPORATE GOVERNANCE AND DISCLOSURE

CSR considers that the above corporate governance practices comply with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

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

Statement as at 17 May 2006

DIRECTORS' INTERESTS IN CSR SHARES

AS AT 17 MAY	**TOTAL 2006**	TOTAL 2005
Ian Blackburne	**134,456**	103,458
Alec Brennan	**3,318,552**	2,218,508
Kathleen Conlon	**9,359**	2,000
Barry Jackson	**65,901**	57,903
Richard Lee	**23,000**	23,000
John Story	**53,114**	46,715

REMUNERATION REPORT

THIS REPORT FORMS PART OF THE DIRECTORS' STATUTORY REPORT FOR THE YEAR ENDED 31 MARCH 2006.

REMUNERATION POLICY

The key principles on which CSR's executive remuneration policy are based are:

- Remuneration is set at levels that will attract and retain good performers and motivate and reward them to improve business results continually.
- Remuneration is structured to reward employees for increasing shareholder value.
- Rewards are linked to the achievement of business strategies and goals.
- Ownership of CSR shares is strongly encouraged.
- Remuneration is benchmarked against similar positions in companies with which CSR competes for skilled people.

REMUNERATION AND NOMINATIONS COMMITTEE

The composition and functions of this board committee, which oversees remuneration issues, nominations for directors and human resources matters, are set out on page 30. The committee's charter is available on CSR's internet site. Support for the committee, including the services of external advisers, is provided through CSR's general manager human resources.

The committee's specialist remuneration advisers are the Hay Group, Mercer Human Resource Consulting and Godfrey Remuneration Group.

REMUNERATION STRUCTURE

The remuneration structure is in two parts:

FIXED REMUNERATION comprises payroll salary, superannuation and other benefits provided by the company, and is the pre-tax cost to CSR of these components.

Employees may forgo part of their cash remuneration and acquire CSR shares under the Employee Share Acquisition Plan (ESAP) approved by shareholders in 1998.

VARIABLE REMUNERATION comprises a short-term incentive – usually an annual cash payment and/or shares under ESAP – and a long-term incentive that is currently in the form of shares purchased in trust under the Cash Award Share Plan (CASP) and/or ESAP. Not all staff participate in the short and long-term incentive plans. Participation in both plans is selectively applied to people in positions more able to influence the performance of the business.

CSR aims to set fixed annual remuneration for most employees at market median levels for jobs of comparable size, based on job evaluations using internationally recognised job evaluation methods and to provide short and long-term incentives to enable top performers to be remunerated at the upper end of the market, subject always to the performance of CSR.

All CSR jobs are allocated grades based on job evaluations. Each grade has a remuneration range between 20% above and below the grade midpoint.

The rate of progression up to around the midpoint of the range is determined by annual performance reviews. In some cases, superior performance or strong market demand (for specific job categories) justify above median fixed remuneration.

The aim of both the short and long-term incentive plans is to drive performance to successfully implement annual business plans and increase shareholder value.

EMPLOYEE SHARE PLANS

The company actively encourages employees at all levels to hold shares in CSR, to align their interests with those of shareholders. No shares or options were issued during the year under the Executive Share Option Plan (ESOP) for which amendments were last approved by shareholders in 2000. The three share plans currently in use are:

UNIVERSAL SHARE/OPTION PLAN (USOP), for which amendments were last approved by shareholders in 2000, is available to all employees, except executive directors, with the equivalent of one year's service. Each year, the board sets a maximum number of shares that can be issued to each eligible employee. In September 2005, each eligible employee was entitled to be issued with 400 shares upon payment of market value and be issued with a further 400 shares at no consideration. The offer is structured to allow employees to take advantage of the favourable tax treatment available for participants in employee share plans. The shares can only be sold at the earlier of three years after the date of issue and the date on which the employee leaves CSR.

During the year ended 31 March 2006, 1,996,800 shares were issued to the 2,497 employees who participated in USOP (refer to note 21 on page 54).

EMPLOYEE SHARE ACQUISITION PLAN (ESAP), approved by shareholders in 1998, allows directors and staff employees to forgo part of their cash remuneration to acquire shares in the company. The shares are purchased on-market by the ESAP trustee who acts on instructions given in accordance with the plan rules and the company's share trading policy. The shares are held in trust while the participant is employed by CSR unless company approval is granted to sell or transfer them. The maximum period of income tax deferral on the value of the shares purchased is 10 years under current tax law. Participants are entitled to dividends and other distributions on shares held by the trustee and can instruct the trustee how to vote their shares at company annual general meetings.

During the year ended 31 March 2006, 202 employees acquired 2,634,079 shares and the non-executive directors acquired over 48,000 shares under the plan.

CASH AWARD SHARE PLAN (CASP), described to shareholders in the notice of meeting for the 2002 AGM, is used as the vehicle for long-term incentives for senior managers other than executive directors. The trust structure and operation of the plan is identical to ESAP except that shares do not vest in the participant until certain conditions (see below) are met in the period three to five years after the shares are purchased.

THE SHORT-TERM INCENTIVE PLAN

Short-term incentives are used to differentiate rewards based on year by year performance. That is, with good company financial performance, a very good performer would normally achieve a high short-term incentive which, when added to fixed remuneration, would bring the combination of these two components to around the upper quartile of market rates.

There are several levels of short-term incentive plans in CSR. At the senior executive level (except the managing director), annual incentives can be as high as 75% of fixed remuneration for superior performance by both the business unit and the individual.

The key principles of the short-term incentive plan are:

- Performance indicators will normally be based on business and/or group financial performance and individual achievement of specified goals (for example, achieving progress with initiatives relating to growth, operational improvement, safety and succession planning).
- At senior executive levels (except the managing director), the financial measures carry a heavier weighting (60% of the potential incentive) than the non-financial measures and are set so that the maximum reward can only be gained if the results are at a level that should deliver a top quartile return to shareholders. In some cases, there is a primary component (for example, performance of a business) and a host component (for example, performance of a group of businesses). The host component encourages teamwork, to extract synergies between businesses.
- The individual performance indicators must be genuine drivers of business performance, including safety performance, to support long-term sustainability.
- All short-term incentive plans are self funding. That is, the cost of the incentives is deducted from the result before determining the performance level.
- The senior executive plans are structured to encourage sustainability of financial results. For example, if a senior executive earns a reward for financial performance in excess of 22.5% of fixed remuneration, two thirds of that excess is withheld and paid out over the following two years only if results in those years are above pre-determined threshold levels.
- Formula based incentives can be overridden to reward or penalise executives, for example, for inadequate safety performance or unacceptable business behaviour. Financial results may be normalised to adjust for movements in extraneous items such as commodity prices, currencies, substantial market fluctuations or corporate directives.

The managing director's and key managers' short-term incentive payments are shown in the table below.

THE LONG-TERM INCENTIVE PLAN

CASP provides long-term incentives for executives to reward sustained superior performance and to align their interests more closely with those of CSR shareholders.

CASP has advantages for shareholders over an options plan. It does not dilute shareholders' equity, because existing shares are purchased on-market and the cost of the shares is fully reflected in the company's accounts.

Each year, eligible participants (excluding the managing director) are offered the opportunity to qualify for CSR shares based on the achievement of specific long-term goals. The shares purchased are held in trust for participating executives. Dividend payments and returns of capital on these shares vest immediately.

The shares purchased in July 2005 will vest if CSR's total return to shareholders (TSR), including share price growth, dividends and capital returns, exceeds the percentage increase in the S&P/ASX 200 Accumulation Index (index) for a minimum of 20 trading days in any of the six consecutive four month blocks that occur during the two year period between the third and fifth anniversary after purchase, otherwise the opportunity to earn the shares will be forfeited. The shares purchased in 2003 and 2004 will vest if CSR's TSR exceeds the index on any day during the relevant two year period.

Shares which vest in the participants must remain in the trust for the balance of a period of 10 years from the purchase date or until the earlier cessation of the participant's employment. The board has discretion to specify a different period during which the performance hurdle must be met before shares vest if special circumstances (such as retirement, redundancy or death) have occurred.

The value of shares purchased for executives each year is set at a level which will, if the shares vest, bring total remuneration for the period close to the 50th percentile of the market remuneration. Commencing with the 2004 offer, as an incentive to maximise the amount by which CSR's TSR exceeds the index after the three year holding period, additional shares can be purchased for executives and held in ESAP. For example, if after the holding period CSR's TSR was equivalent to or above the TSR of the 75th percentile company in the index by weight, additional shares would be purchased to bring total remuneration for the period to the 75th percentile of market remuneration. If CSR's TSR is between the index and the TSR of the 75th percentile company in the index by weight, pro rata values of ESAP shares would be purchased.

Shares purchased under the long-term incentive plan for the key managers are shown in the table on the opposite page. The managing director's long-term incentive arrangements are explained on page 37.

THE MANAGING DIRECTOR'S AND KEY MANAGERS' SHORT-TERM INCENTIVE PAYMENTS

		SHORT-TERM INCENTIVE YEAR ENDED 31 MARCH 2006	
	MAXIMUM % FIXED REMUNERATION[ac]	ENTITLEMENT $[b]	% FIXED REMUNERATION[c]
Alec Brennan	100	900,000	67
Chris Bertuch[d]	75	497,000	142
Anne Brennan[e]	75		
Neill Evans	75	110,000	32
Chris Grubb	75	110,000	33
John Hodgkinson	75	200,000	47
Ian McMaster	75	227,000	28
Gregory Rough	75	176,000	41
Warren Saxelby	75	240,000	37

a The minimum entitlement to a short-term incentive for key managers is zero and the maximum entitlement is as shown.
b Total entitlement including amounts (if applicable) withheld and paid over each of the subsequent two years subject to the CSR group financial performance in those years being above pre-determined threshold levels.
c Percentage of fixed remuneration per annum as at 31 March 2006.
d Includes additional incentive relating to achievement of multi-year goals.
e Anne Brennan, who joined CSR on 20 February 2006, has not participated in the short-term incentive plan for the year ended 31 March 2006, but will be eligible to earn up to 84% of her fixed remuneration for the year ending 31 March 2007 only.

COMPANY PERFORMANCE

A graph of CSR's TSR performance compared to the S&P/ASX 200 Accumulation Index is shown on page 3, indicating strong returns for CSR shareholders since March 2003. For the first tranche of CASP shares purchased in July 2003, the two year period during which the long-term incentive performance hurdle must be met commences in July 2006. The hurdle is expected to be met resulting in those shares vesting in July 2006.

CSR group financial performance, impacting the level of short-term incentives, is described on pages 3 to 17, 25, 26 and 40 to 67.

SHARE OWNERSHIP

The company expects all non-executive directors and senior executives to acquire a beneficial interest in CSR shares equivalent in value to 12 months' base remuneration. This is designed to align their interests with those of shareholders.

Until that goal is achieved:

- Non-executive directors have agreed to forgo a minimum of 25% of their directors' fees to buy CSR shares.
- Senior executives are expected to forgo at least 50% of any short-term incentive and apply it to the purchase of CSR shares through ESAP.

The shareholdings of directors and key managers are shown in the lower table right.

REMUNERATION REVIEW

The remuneration for executives and staff is reviewed annually, using a formal performance appraisal process and market data derived from independent surveys for people with similar skills and responsibilities.

The Remuneration and Nominations Committee recommends to the board an overall cap on the pool of money available for increases in fixed remuneration each year. In addition, the committee reviews the performance and the remuneration of the managing director and recommends to the board any short-term incentive payments and changes to his remuneration.

It also overviews the recommendations of the managing director for changes to the remuneration, incentive payments and shares purchased for those who report directly to him.

Changes to remuneration and the award of incentives for all executives and staff require a recommendation from the manager to whom the employee reports, which must, as a minimum, be approved by the manager a level above.

RETIREMENT BENEFITS FOR EMPLOYEES

CSR's Australian based employees participate in the Harwood Superannuation Fund (CSR Super Plan). Most employees (3,833) participate in cash accumulation divisions, their retirement benefit being the company's and their own contributions plus investment earnings. In February 2006, the fund was licensed by the Australian Prudential Regulation Authority to operate as a registered superannuation entity. It is licensed by the Australian Securities & Investments Commission (ASIC) to provide general financial advice.

KEY MANAGERS' LONG-TERM INCENTIVES SHARES HELD IN TRUST UNDER THE CASH AWARD SHARE PLAN[a]

	CASP SHARES					
	BALANCE AT 31 MARCH 2005	PURCHASED[b]	VESTED[eg]	LAPSED[eg]	BALANCE AT 31 MARCH 2006[a]	INCLUDED IN REMUNERATION IN YEAR ENDED 31 MARCH 2006[c]
Chris Bertuch	72,524	37,803	–	–	110,327	36,776
Anne Brennan[d]		–	–	–	–	–
Neill Evans	56,661	45,363	–	–	102,024	34,008
Chris Grubb	51,373	45,363	–	–	96,736	32,245
John Hodgkinson	76,841	52,924	–	–	129,765	43,255
Ian McMaster[e]	240,131	94,507	–	–	334,638	111,546
Gregory Rough[f]		52,924	–	–	52,924	17,641
Warren Saxelby[g]	192,105	94,507	–	–	286,612	95,537

a As at 31 March 2006, the shares shown in this table have not yet vested in the participant.
b A total of 119 executives participated in CASP in the year ended 31 March 2006, with 1,102,870 shares purchased. For CASP shares purchased in the year ended 31 March 2006, the purchase price was $2.65 per share. These shares vest if CSR's total shareholder return exceeds the percentage increase in the S&P/ASX 200 Accumulation Index during one of six specified periods between the third and fifth anniversary after the purchase of the shares. If the performance hurdles are not met, none will vest.
c One third of the CASP shares purchased on each of 25 July 2005, 26 July 2004 and 24 July 2003.
d Anne Brennan joined CSR on 20 February 2006.
e Ian McMaster retired from office on 31 March 2006, assisted the incoming chief executive officer of CSR Sugar until 30 April 2006 and will be on leave from 1 May 2006 until his departure from CSR on 1 July 2006. The board has approved a vesting of all of these shares, except 31,502 shares which will lapse, on his retirement in July 2006.
f Gregory Rough joined CSR on 1 March 2005.
g Warren Saxelby retired from office on 19 February 2006, assisted the incoming chief financial officer until 31 March 2006 and will be on leave from 1 April 2006 until his departure from CSR on 31 July 2006. The board has approved a vesting of all of these shares, except 31,502 shares which will lapse, on his retirement in July 2006.

DIRECTORS' AND KEY MANAGERS' SHAREHOLDINGS[a]

	NUMBER OF CSR SHARES				
	BALANCE AT 31 MARCH 2005	INCLUDED IN REMUNERATION IN YEAR ENDED 31 MARCH 2006	ACQUIRED IN YEAR ENDED 31 MARCH 2006	SOLD IN YEAR ENDED 31 MARCH 2006	BALANCE AT 31 MARCH 2006
Directors					
Ian Blackburne (Chairman)	99,294	–	35,162	–	134,456
Alec Brennan[b] (Managing Director)	2,201,852	750,000	366,700	–	3,318,552
Kathleen Conlon	2,000	–	7,359	–	9,359
Carolyn Hewson[c]	48,635	–	3,155	–	
Barry Jackson	55,821	–	10,080	–	65,901
Richard Lee[d]	23,000	–	–	–	23,000
John Story	45,049	–	8,065	–	53,114
Key managers					
Chris Bertuch	94,687	–	122,699	–	217,386
Anne Brennan[e]		–	–	–	–
Neill Evans	26,195	–	38,946	–	65,141
Chris Grubb	43,234	–	40,217	–	83,451
John Hodgkinson	64,156	–	34,060	–	98,216
Ian McMaster[f]	735,855	–	112,486	–	848,341
Gregory Rough	–	–	–	–	–
Warren Saxelby[g]	438,890	–	119,905	–	558,795

a CSR shares in which the director or key manager has a beneficial interest, including shares held under ESAP but excluding shares held under CASP which have not vested.
b During the year, 750,000 shares were purchased under ESAP as a long-term incentive in accordance with the terms of Alec Brennan's contract.
c Retired 14 July 2005.
d Appointed 17 May 2005, at which time Richard Lee held a beneficial interest in 23,000 shares.
e Anne Brennan joined CSR on 20 February 2006.
f Ian McMaster retired from office on 31 March 2006, assisted the incoming chief executive officer of CSR Sugar until 30 April 2006 and will be on leave from 1 May 2006 until his departure from CSR on 1 July 2006.
g Warren Saxelby retired from office on 19 February 2006, assisted the incoming chief financial officer until 31 March 2006 and will be on leave from 1 April 2006 until his departure from CSR on 31 July 2006.

A small number (17) of current employees are members of a division of the fund that provides a defined benefit pension or lump sum on retirement. A further 38 accumulation division members can receive a defined lump sum if it is greater than their account balance. No defined benefits have been available to new members since 1987.

In April 2006, a new Monier PGH division of the fund was established by successor transfer of the Monier PGH Superannuation Fund – a legacy from the acquisition of these companies – which was closed to new members in 1996. It has 374 defined benefit members and 33 cash accumulation members.

New Zealand employees (216) participate in the CSR New Zealand Group Superannuation Plan which is a cash accumulation superannuation plan. CSR employees in Asia participate in government specified retirement arrangements.

All CSR sponsored plans are fully funded.

REMUNERATION OF STAFF AND EXECUTIVES

The key managers listed in the tables have no fixed term of employment. The following award and agreements cover CSR staff and executives with the exception of the managing director:

- CSR Staff (Consolidated) Award, 2000
- Agreement on Over-award Conditions of Employment, 1992
- Redundancy and Retrenchment Agreement, November 2002
- CSR Limited Senior Staff Remuneration Packaging Arrangements Certified Agreement, 1998.

Details of the award and certified agreement are available on the Department of Employment and Workplace Relations' internet site at www.wagenet.gov.au.

MANAGING DIRECTOR'S AND KEY MANAGERS' REMUNERATION

[$] YEAR ENDED 31 MARCH	FIXED REMUNERATION[a]	SHORT-TERM INCENTIVE[b]	RETIREMENT ALLOWANCE[c]	TERMINATION BENEFITS	USOP[d]	LONG-TERM INCENTIVE[ef]	OTHER BENEFITS[g]	TOTAL
Alec Brennan[ceg] (Managing Director)								
2005	1,155,660	715,000	627,676	–	–	1,557,442	42,275	4,098,053
2006	**1,372,920**	**900,000**	**915,115**	**–**	**–**	**1,981,180**	**–**	**5,169,215**
Chris Bertuch[h] (General Counsel)								
2005	317,985	319,555	–	–	920	50,000	–	688,460
2006	**349,860**	**497,000**	**–**	**–**	**1,048**	**83,332**	**–**	**931,240**
Anne Brennan (Chief Financial Officer from 20 February 2006)								
2006	**80,325**	**–**	**–**	**–**	**–**	**–**	**–**	**80,325**
Neill Evans[g] (Executive General Manager Roofing)								
2005	336,090	100,000	–	–	920	40,000	3,669	480,679
2006	**351,645**	**110,000**	**–**	**–**	**1,048**	**79,999**	**4,361**	**547,053**
Chris Grubb (Executive General Manager Bricks and Pavers)								
2005	291,975	100,000	–	–	920	36,667	–	429,562
2006	**328,695**	**110,000**	**–**	**–**	**1,048**	**76,665**	**–**	**516,408**
John Hodgkinson[g] (Executive General Manager Insulation, Ventilation, Panel Systems and Business Development)								
2005	397,035	150,000	–	–	920	53,333	174	601,462
2006	**426,360**	**200,000**	**–**	**–**	**–**	**99,997**	**1,688**	**728,045**
Ian McMaster[i] (Chief Executive Officer Sugar to 31 March 2006)								
2005	776,730	385,000	–	–	920	166,667	–	1,329,317
2006	**806,055**	**227,000**	**–**	**166,639**	**1,048**	**249,999**	**–**	**1,450,741**
Gregory Rough (Executive General Manager Plasterboard and Fibre Cement from 1 March 2005)								
2005	34,850	–	–	–	–	–	–	34,850
2006	**430,440**	**176,000**	**–**	**–**	**–**	**46,666**	**–**	**653,106**
Warren Saxelby[gj] (Chief Financial Officer to 19 February 2006)								
2005	630,360	295,000	–	–	920	322,963	54	1,249,297
2006	**655,605**	**240,000**	**–**	**739,904**	**1,048**	**216,665**	**–**	**1,853,222**
Total key managers (excluding the managing director)								
2005	2,785,025	1,349,555	–	–	5,520	669,630	3,897	4,813,627
2006	**3,428,985**	**1,560,000**	**–**	**906,543**	**5,240**	**853,323**	**6,049**	**6,760,140**

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

b Short-term incentives may be allocated at the executive's discretion to cash, the purchase of shares under ESAP or additional superannuation contributions.

c The value of Alec Brennan's participation in the CSR group defined benefit superannuation plan is calculated as his lump sum payout at 31 March 2006 less the equivalent figure at 31 March 2005. If he were to retire and take a pension, this would be $645,300 per annum at 31 March 2006 ($556,368 at 31 March 2005).

d Value of 400 free shares issued under USOP at $2.62 per share (2005: $2.30 per share). This plan is available to all eligible employees and is not subject to performance conditions.

e Alec Brennan's long-term incentive was the purchase of 750,000 shares under ESAP in accordance with his contract.

f For key managers (excluding Alec Brennan), one third of CASP shares purchased on 25 July 2005 at $2.64 per share, one third of CASP shares purchased on 26 July 2004 at $2.32 a share and one third of CASP shares purchased on 24 July 2003 at $1.89 per share. These shares vest if CSR total shareholder return exceeds the percentage increase in the S&P/ASX 200 Accumulation Index during specified periods between the third and fifth anniversary after purchase of the shares.

g In the year ended 31 March 2006, other benefits for Neill Evans were accommodation, airfares and corporate hospitality. For John Hodgkinson it was airfares and corporate hospitality. In the prior year, other benefits for Alec Brennan and Neill Evans were spouse travel, accommodation and corporate hospitality and for John Hodgkinson and Warren Saxelby, it was corporate hospitality.

h For both years, includes an additional incentive relating to achievement of multi-year goals.

i Ian McMaster retired from office on 31 March 2006, assisted the incoming chief executive officer of CSR Sugar until 30 April 2006 and will be on leave from 1 May 2006 until his retirement on 1 July 2006 when he will be paid his remaining accrued leave entitlements. Upon retirement, he will receive all of his 2003 and 2004 CASP shares and two thirds of his 2005 CASP shares. The cost of these shares, excluding amounts included in his remuneration in this and previous remuneration reports, is $166,639. The remaining 2005 CASP shares (31,502) will lapse on retirement.

j Warren Saxelby retired from office on 19 February 2006, assisted the incoming chief financial officer until 31 March 2006 and will be on leave from 1 April 2006 until his retirement on 31 July 2006. Upon retirement, he will receive all of his 2003 and 2004 CASP shares, two thirds of his 2005 CASP shares, and the cash equivalent of 149,357 CSR shares purchased at his retirement date. The cost of these shares, excluding amounts included in his remuneration in this and previous remuneration reports, is estimated to be $739,904. The remaining 2005 CASP shares (31,502) will lapse on retirement.

Other employees of CSR are employed under various awards and certified agreements which are registered with either the Australian Industrial Relations Commission or the relevant state industrial commission.

Should any of the key managers listed in the tables in this remuneration report be retrenched or have their employment contracts terminated by CSR, they are entitled to 12 months' notice or payment in lieu of that notice.

REMUNERATION OF EXECUTIVE DIRECTORS

Managing Director Alec Brennan is currently the only executive director. A board member since 1 May 1996, he was appointed managing director and chief executive officer in March 2003.

Alec Brennan's four year employment contract will terminate on 31 March 2007, his proposed retirement date after 38 years' service. A copy of his current (2003) contract is available on CSR's website, www.csr.com.au. The terms of the contract agreed with the new managing director will be disclosed as soon as an appointment is finalised.

Alec Brennan's remuneration comprises fixed remuneration; an annual short-term incentive of up to 100% of fixed remuneration; and as a long-term incentive, the opportunity to earn a maximum of 750,000 shares for the first two years of his contract, 817,000 shares for the third year and 806,000 shares for the final year, subject to exceeding performance hurdles. The number of shares for each of the final two years was increased following the return of capital in August 2005.

In each of May 2006 and May 2007, if CSR's TSR exceeds the index over the period since 1 April 2003, one half of the relevant maximum shares will be purchased and will vest immediately. The balance of the relevant maximum shares will be purchased and will vest immediately if CSR's TSR exceeds the TSR of the 75th percentile company in the index by weight. Either of these hurdles can be met at any time in the subsequent 12 months, however, if a hurdle is met after Alec Brennan leaves CSR, the value of the shares will be paid in cash. 750,000 shares were purchased between May and mid November 2005 and vested immediately because the corresponding hurdles were met.

The annual short-term incentive is weighted 40% on financial performance, 40% on achievement of specific non-financial goals and 20% on assessment of the general state of the company.

If CSR terminates Managing Director Alec Brennan's appointment without cause, in addition to his statutory entitlements, he will be paid the balance of the fixed remuneration to the end of his contract; a pro rata short-term incentive for the period to the date of termination; and as part of the payment in lieu of notice, an amount equal to half of the maximum short-term incentive for the period from date of termination to 31 March 2007.

Remuneration details for key managers – those executives who held the positions of greatest authority and/or received the highest remuneration during the year – are shown in the table on the opposite page. No director or key manager had an outstanding loan from any entity in the CSR group during the financial year ended 31 March 2006.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Fees for non-executive directors are based on the scope of directors' responsibilities and on the relative size and complexity of CSR.

The Remuneration and Nominations Committee considers the level of remuneration required to attract and retain directors with the necessary skills and experience for the CSR board. This takes into account survey data on the level of directors' fees being paid to directors of companies of comparable size and complexity.

No equity incentives are offered to non-executive directors. No retirement allowances are payable to non-executive directors appointed after 1 April 2003. The chairman, who joined the board before then, remains entitled to a retirement allowance of $211,306 frozen as at 31 March 2004.

The remuneration details for non-executive directors during the year are shown in the directors' remuneration table below.

The maximum aggregate sum (or cap) for the remuneration of non-executive directors is $1,150,000, approved by shareholders in 2005. This cap covers directors' fees, superannuation contributions and retirement benefits.

The fees for non-executive directors were increased effective 1 April 2006. The base director's fee per year, including committee work, is $116,000 (formerly $110,000) and the chairman's fee is $290,000 (formerly $275,000). The chair of the Audit Committee is paid an additional $17,000 (formerly $15,000) a year and the chair of the Safety, Health and Environment Committee $6,000 a year (unchanged). ■

DIRECTORS' REMUNERATION

[$]	PRIMARY REMUNERATION		
YEAR ENDED 31 MARCH	DIRECTORS' FEES[a]	SUPERANNUATION	TOTAL
Ian Blackburne[b] (Chairman)			
2005	227,500	20,475	247,975
2006	**275,000**	**24,750**	**299,750**
Kathleen Conlon			
2005	29,170	2,625	31,795
2006	**110,000**	**9,900**	**119,900**
Carolyn Hewson[b] (retired 14 July 2005)			
2005	103,000	9,270	112,270
2006	**36,210**	**3,259**	**39,469**
Barry Jackson			
2005	103,000	9,270	112,270
2006	**116,000**	**10,440**	**126,440**
Richard Lee (appointed 17 May 2005)			
2006	**96,250**	**8,663**	**104,913**
John Story			
2005	98,804	8,892	107,696
2006	**120,655**	**10,859**	**131,514**
Total non-executive directors			
2005	561,474	50,532	612,006
2006	**754,115**	**67,871**	**821,986**
Alec Brennan (Managing Director) – details are in the managing director's and key managers' remuneration table opposite.			
2005			4,098,053
2006			**5,169,215**
Total directors			
2005	561,474	50,532	4,710,059
2006	**754,115**	**67,871**	**5,991,201**

a Includes committee fees.

b Non-executive directors' retirement allowances were frozen at 31 March 2004. The retirement allowances accrual as at 31 March 2006 for Ian Blackburne was $211,306. Following Carolyn Hewson's retirement after 10 years' service, she was paid $205,964 in cash and other benefits.

DIRECTORS' STATUTORY REPORT

THE DIRECTORS OF CSR LIMITED (CSR) PRESENT THEIR REPORT FOR THE YEAR ENDED 31 MARCH 2006.

REVIEW OF OPERATIONS AND RESULTS

A review of CSR group operations and the results for the year ended 31 March 2006 are set out on pages 3 to 17, 25 and 26.

SIGNIFICANT CHANGES

There were no significant changes in the state of affairs of the CSR group during the year.

PRINCIPAL ACTIVITIES

The principal activities of entities in the CSR group during the year were the manufacture and supply of building products, with operations in Australia, Asia and New Zealand. In Australia, the CSR group had a substantial investment in the smelting of aluminium and produced raw sugar, renewable electricity and ethanol. The CSR group manufactured refined sugar products in Australia and New Zealand. The group is rationalising its property holdings, which may include the development of residential estates and the sale or leasing of industrial estates.

EVENTS AFTER BALANCE DATE

No material matters or circumstances have arisen since the end of the year.

LIKELY DEVELOPMENTS

Likely developments in the operations of the CSR group in the future and the expected results are referred to on pages 4, 7, 8, 9, 12, 13, 16 and 17. This report omits information about likely developments and expected future results that would unreasonably prejudice CSR. Developments which have arisen by the time of the annual general meeting on 13 July 2006 will be reported in the chairman's address to the meeting.

ENVIRONMENTAL PERFORMANCE

CSR group performance in relation to environmental regulation is reviewed on pages 18 to 21.

ASSESSMENT OF THE COMPANY

Information to enable shareholders to make an informed assessment of CSR group operations, financial position, strategies and prospects for future years is included on pages 3 to 17, 25, 26 and 40 to 68. This report omits information about strategies and prospects for future years that would unreasonably prejudice CSR.

DIVIDENDS

A final dividend for the year to 31 March 2006 of nine cents per ordinary share, fully franked, will be paid on 5 July 2006. Dividends paid and declared during the year are in note 25 to the financial statements on page 56.

DIRECTORS, SECRETARIES, DIRECTORS' MEETINGS AND DIRECTORS' SHAREHOLDINGS

The names of the directors who held office between 1 April 2005 and the date of this report and details about current directors' qualifications, age, experience, special responsibilities and directorships of listed companies are on pages 27 to 32. The qualifications and experience of each company secretary at 31 March 2006 are on page 27. Details about meetings of the board and of board committees, including attendance, are on page 30 and the directors' interests in CSR shares are on page 32. No company in the CSR group also made available to any director any interest in a registered scheme.

AUDITOR INDEPENDENCE

There is no former partner or director of Deloitte Touche Tohmatsu, CSR's auditor, who is or was at any time during the year ended 31 March 2006 an officer of CSR group. No auditor played a significant role in the CSR group audit for the year to 31 March 2006 in reliance on a declaration made under section 342A of the Corporations Act 2001 (ASIC relaxation of requirements to rotate persons who play a significant role in the audit every five years). The auditor's independence declaration (made under section 307C of the Corporations Act 2001) is set out on page 68 and forms part of this report.

OPTIONS OVER SHARE CAPITAL

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 issued pursuant to exercised options during or since the end of the year.

INDEMNITIES AND INSURANCE

No indemnities were given or insurance premiums paid for current or former officers or auditors during or since the end of the year. Additional information regarding indemnities and insurance is on page 29, including details of agreements by CSR to indemnify current or former officers.

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 24 to the financial statements on page 55. In accordance with advice provided by the Audit Committee, the directors are satisfied that the provision of non-audit services by Deloitte Touche Tohmatsu is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, in view of the materiality of the amounts, the nature of the services and the processes in place to monitor the independence of the auditors.

PROCEEDINGS ON BEHALF OF CSR

No proceedings have been brought on behalf of CSR, nor has any application been made in respect of CSR under section 237 of the Corporations Act 2001 (which allows members and other persons to bring proceedings on behalf of companies).

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration report on pages 33 to 37, which forms part of this directors' statutory report, describes board policy for determining the nature and amount of remuneration for directors, secretaries and senior executives of the group; the relationship between this policy and the company's performance; a detailed summary of performance conditions, why they were chosen and how performance is measured against them; and the remuneration details for each director and key manager.

The directors' statutory report is signed in accordance with a resolution of directors of CSR Limited. ■

IAN BLACKBURNE
Chairman

ALEC BRENNAN
Managing Director

17 May 2006

FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2006
CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)

INCOME STATEMENT[a]
Year ended 31 March
CSR Limited and its controlled entities

($ MILLION)	NOTE	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Trading revenue – sale of goods		**2,866.9**	2,367.5	**21.4**	20.7
Cost of sales		**(2,138.3)**	(1,724.9)	**–**	–
Gross margin		**728.6**	642.6	**21.4**	20.7
Warehouse and distribution costs		**(160.4)**	(135.1)	**–**	–
Selling costs		**(146.7)**	(134.0)	**–**	–
Administration and other operating costs		**(84.6)**	(72.6)	**(22.3)**	(23.8)
Share of net income of associate entities		**22.1**	29.5	**–**	10.8
Operating profit		**359.0**	330.4	**(0.9)**	7.7
Other income from ordinary activities	2	**182.9**	102.4	**175.4**	51.5
Other expenses from ordinary activities	2	**(89.6)**	(25.3)	**(68.0)**	(25.1)
Dividend income from controlled entities				**172.6**	2.2
Dividend income from others		**3.5**	1.0	**3.5**	1.0
Profit from ordinary activities before finance and income tax		**455.8**	408.5	**282.6**	37.3
Interest income	6	**3.5**	4.1	**11.4**	7.5
Finance cost	4	**(54.3)**	(42.4)	**(57.0)**	(41.3)
Profit from ordinary activities before income tax		**405.0**	370.2	**237.0**	3.5
Income tax (expense) benefit relating to ordinary activities	8	**(61.9)**	(17.8)	**27.1**	8.6
Net profit		**343.1**	352.4	**264.1**	12.1
Net profit attributable to minority interests		**38.1**	33.5		
Net profit attributable to shareholders of CSR Limited		**305.0**	318.9	**264.1**	12.1
Reconciliation of retained profits					
Retained profits at the beginning of the financial year		**264.2**	202.0	**378.8**	506.6
Adjustments on adoption of A-IFRS		**3.5**	(166.4)	**3.5**	(49.6)
Net profit attributable to shareholders of CSR Limited		**305.0**	318.9	**264.1**	12.1
Actuarial profit on defined benefit plans		**3.0**	28.0	**3.0**	28.0
Income tax on actuarial profit		**(0.8)**	(8.4)	**(0.8)**	(8.4)
Fair value adjustment for Sugar Terminals Ltd		**4.7**	–	**4.7**	–
Total available for appropriation		**579.6**	374.1	**653.3**	488.7
Dividends provided for or paid	25	**(109.4)**	(109.9)	**(109.4)**	(109.9)
Retained profits at the end of the financial year		**470.2**	264.2	**543.9**	378.8
(CENTS)					
Basic earnings per share based on net profit attributable to shareholders of CSR Limited[b]		**33.5**	34.8		
Diluted earnings per share based on net profit attributable to shareholders of CSR Limited[b]		**33.5**	34.8		

a Income statement for year ended 31 March 2005 was restated for A-IFRS as described in note 34.
b Weighted number of ordinary shares on issue used in the calculation of earnings per share is 911.6 million (2005: 916.1 million).

Notes to the financial statements are annexed.

BALANCE SHEET[a]

As at 31 March

CSR Limited and its controlled entities

($ MILLION)	NOTE	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Current assets					
Cash and cash equivalents	7	**58.3**	53.0	**6.2**	0.1
Receivables	9	**669.0**	391.3	**923.4**	474.8
Inventories	10	**277.0**	257.2	**12.2**	13.7
Other financial and current assets	11	**144.8**	18.6	**11.2**	13.0
Current assets		**1,149.1**	720.1	**953.0**	501.6
Non-current assets					
Receivables	9	**37.4**	37.1	**1,597.3**	1,447.9
Inventories	10	**37.7**	25.9	**28.6**	17.8
Investments accounted for using the equity method	29	**29.1**	25.0	**–**	–
Other financial assets	12	**54.5**	22.4	**1,038.9**	1,022.7
Property, plant and equipment	13	**1,529.1**	1,432.8	**16.8**	15.0
Goodwill	15	**14.6**	14.0	**–**	–
Other intangible assets	16	**51.1**	39.1	**9.3**	0.5
Net deferred income tax assets	8	**127.2**	36.9	**124.5**	128.6
Other non-current assets	11	**33.4**	26.8	**20.2**	13.5
Non-current assets		**1,914.1**	1,660.0	**2,835.6**	2,646.0
Total assets		**3,063.2**	2,380.1	**3,788.6**	3,147.6
Current liabilities					
Payables and financial liabilities	17	**616.1**	293.0	**274.5**	135.9
Borrowings	18	**28.7**	10.2	**21.2**	19.6
Tax payable	8	**13.4**	12.5	**–**	–
Provisions	20	**158.2**	146.1	**125.9**	116.0
Current liabilities		**816.4**	461.8	**421.6**	271.5
Non-current liabilities					
Payables and financial liabilities	18	**203.0**	10.9	**2.4**	9.8
Borrowings	18	**588.1**	312.9	**1,765.1**	1,284.3
Provisions	20	**380.3**	338.4	**379.4**	337.3
Non-current liabilities		**1,171.4**	662.2	**2,146.9**	1,631.4
Total liabilities		**1,987.8**	1,124.0	**2,568.5**	1,902.9
Net assets		**1,075.4**	1,256.1	**1,220.1**	1,244.7
Equity					
Issued capital	21	**671.9**	863.7	**671.9**	863.7
Reserves	22	**(165.0)**	2.0	**4.3**	2.2
Retained profits		**470.2**	264.2	**543.9**	378.8
Equity attributable to shareholders of CSR Limited		**977.1**	1,129.9	**1,220.1**	1,244.7
Minority interests	23	**98.3**	126.2		
Total equity		**1,075.4**	1,256.1	**1,220.1**	1,244.7

a Balance sheet as at 31 March 2005 was restated for A-IFRS as described in note 34.

Notes to the financial statements are annexed.

RECOGNISED INCOME AND EXPENSE STATEMENT

Year ended 31 March

CSR Limited and its controlled entities

	CSR GROUP		CSR LIMITED	
($ MILLION)	**2006**	2005	**2006**	2005
Actuarial profit on defined benefit plans	**3.0**	28.0	**3.0**	28.0
Income tax on actuarial profit	**(0.8)**	(8.4)	**(0.8)**	(8.4)
Fair value adjustment for Sugar Terminals Ltd	**4.7**	–	**4.7**	–
Net income recognised directly in retained profits	**6.9**	19.6	**6.9**	19.6
Hedge loss taken to other equity[a]	**(326.8)**	–	**(0.7)**	–
Income tax on hedge loss	**98.0**	–	**0.2**	–
Translation of foreign operations taken to other equity	**(2.4)**	(0.3)	**–**	–
Net income recognised directly in other equity	**(231.2)**	(0.3)	**(0.5)**	–
Total income recognised directly in equity	**(224.3)**	19.3	**6.4**	19.6
Net profit for the financial year	**343.1**	352.4	**264.1**	12.1
Total recognised income and expense for the financial year	**118.8**	371.7	**270.5**	31.7
Attributable to:				
CSR Limited shareholders	**120.1**	338.3	**270.5**	31.7
Minority interests	**(1.3)**	33.4		
Total recognised income and expense for the financial year	**118.8**	371.7	**270.5**	31.7

As required by A-IFRS, this statement presents changes in equity resulting from the net profit for the financial year and each item of income and expense for the financial year that, as required by A-IFRS, has been recognised directly in equity.

a The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed below. Similar adjustments were made at 1 April 2005 to restate the opening balance sheet of the CSR group to a position consistent with these accounting policies:

- i The measurement of financial assets designated as available-for-sale at fair value, with changes in fair value recognised in equity, rather than at cost in accordance with the superseded policy.
- ii The recognition and measurement of all derivatives (including any embedded derivatives) at fair value.
- iii The recognition in income of the movement in the fair value of derivatives which did not qualify for hedge accounting or were not designated as hedging instruments.
- iv The transfer of deferred hedging gains and losses recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction to the hedge reserve.
- v The deferral in equity of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge.
- vi The recognition in income of the ineffective portion of the movement in fair value of hedging instruments accounted for as a cash flow hedge.
- vii The recognition in income of the movement in fair value of derivatives accounted for as a fair value hedge and the fair valuing of hedged items.
- viii The recognition of any current or deferred taxes in relation to the adjustments described above.

Notes to the financial statements are annexed.

CASH FLOW STATEMENT

Year ended 31 March

CSR Limited and its controlled entities

($ MILLION)	NOTE	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Cash flows from operating activities					
Receipts from customers		**2,998.0**	2,537.2	**3.4**	24.8
Payments to suppliers and employees		**(2,615.1)**	(2,200.9)	**(75.8)**	(34.0)
Dividends and distributions received		**21.4**	32.6	**176.2**	16.5
Interest received		**3.2**	4.2	**10.9**	7.5
Income tax (paid) refunded		**(54.3)**	(52.4)	**(5.5)**	4.2
Net cash from operating activities before derivative margin calls		**353.2**	320.7	**109.2**	19.0
Derivative margin calls		**(36.1)**	–	**–**	–
Net cash from operating activities		**317.1**	320.7	**109.2**	19.0
Cash flows from investing activities					
Purchase of property, plant and equipment and other non-current assets		**(274.2)**	(228.6)	**(56.0)**	(9.2)
Proceeds from sale of property, plant and equipment and other non-current assets		**45.3**	59.2	**17.3**	11.7
Purchase of controlled entities and businesses, net of cash acquired	36	**(5.7)**	(74.4)	**–**	–
Loans and receivables advanced		**(0.1)**	–	**–**	–
Loans and receivables repaid		**0.1**	2.5	**0.1**	0.2
Net cash (used in) from investing activities		**(234.6)**	(241.3)	**(38.6)**	2.7
Cash flows from financing activities					
Proceeds from issue of shares to CSR shareholders		**2.6**	2.2	**2.6**	2.2
Share buyback		**(12.3)**	(9.8)	**(12.3)**	(9.8)
Capital return to CSR shareholders		**(181.6)**	–	**(181.6)**	–
Net proceeds from (repayment of) borrowings		**291.7**	94.7	**383.5**	(3.4)
Net financing (of) by controlled entities				**(108.8)**	76.7
Dividends paid		**(144.9)**	(148.5)	**(109.0)**	(109.6)
Interest and other finance costs paid		**(34.0)**	(19.3)	**(29.4)**	(19.6)
Net cash used in financing activities		**(78.5)**	(80.7)	**(55.0)**	(63.5)
Net increase (decrease) in cash held		**4.0**	(1.3)	**15.6**	(41.8)
Net cash at beginning of the financial year		**53.0**	57.2	**(11.3)**	30.3
Effects of exchange rate changes		**0.4**	(2.9)	**–**	0.2
Net cash at the end of the financial year	7	**57.4**	53.0	**4.3**	(11.3)
Reconciliation of net profit attributable to shareholders of CSR Limited to net cash from operating activities					
Net profit attributable to shareholders of CSR Limited		**305.0**	318.9	**264.1**	12.1
Significant item – Gove Aluminium litigation	3	**–**	(25.4)	**–**	–
Significant item – tax consolidation	3	**–**	(55.0)	**–**	–
Significant item – insurance settlement net of costs	3	**(93.0)**	–	**(93.0)**	–
Depreciation and amortisation	5	**116.3**	103.5	**4.2**	4.2
Net change in provisions		**53.8**	(3.0)	**53.9**	4.3
Interest expense	4	**30.2**	18.7	**31.2**	19.9
Profit on disposal of assets, asset write downs and associated costs	2	**(55.9)**	(29.4)	**(69.0)**	(1.9)
Net profit attributable to minority interests		**38.1**	33.5		
Net change in trade receivables and other current assets		**(104.0)**	(49.4)	**(91.9)**	(0.7)
Net change in current inventories		**(27.6)**	(48.4)	**(3.8)**	(57.6)
Net change in trade payables		**100.1**	56.3	**56.6**	52.6
Derivative margin calls		**(36.1)**	–	**–**	–
Other		**(9.8)**	0.4	**(43.1)**	(13.9)
Net cash from operating activities		**317.1**	320.7	**109.2**	19.0

Effect of A-IFRS on the cash flow statement

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies for the year ended 31 March 2005.

Credit facilities are shown in note 19.

During the financial year ended 31 March 2005, the CSR group purchased a further 25% interest in the Sugar refining associate entities.

Part of the purchase price for the business was used to extinguish debt in those businesses.

Notes to the financial statements are annexed.

BASIS OF ACCOUNTING

This general purpose financial report is prepared in accordance with the Corporations Act 2001, applicable accounting standards and Urgent Issues Group interpretations, and complies with other requirements of the law.

The financial report is based on historical cost, except for certain assets which are at deemed cost and the revalued amount of certain assets. 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 except for changes due to the adoption of A-IFRS which are shown in note 34. The adoption of A-IFRS assures that the consolidated financial statements comply with International Financial Reporting Standards.

The CSR group elected under s.334(5) of the Corporations Act 2001 to apply accounting standard AASB 119 'Employee Benefits' (December 2004), even though the standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

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

PRINCIPLES OF CONSOLIDATION

The group 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 group financial statements:

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

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.

CASH FLOW STATEMENT

Net cash is defined as cash at banks and on hand and cash equivalents net of bank overdrafts. Cash equivalents include highly liquid investments which are readily convertible to cash, and loans which are not subject to a term facility.

ACQUISITION OF ASSETS

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

PAYABLES

Trade and other payables are recognised when the CSR group becomes obliged to make future payments resulting from the purchase of goods and services.

CURRENCY

Unless otherwise shown in the financial report, amounts are in Australian currency.

DEPRECIATION (INCLUDING AMORTISATION)

Depreciable assets are depreciated at rates based upon their expected economic life using the straight-line method. The economic lives of property, plant and equipment assets are detailed in note 13.

RENEWABLE ENERGY CERTIFICATES

Renewable Energy Certificates (RECs) are recognised as other assets when they have been generated and the CSR group has obtained the necessary government approvals to sell them. They are valued at net realisable value.

INTANGIBLE ASSETS

Goodwill assets represent the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired. It is not amortised, but tested annually or whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in income and is not subsequently reversed. Certain trade names determined as being indefinite life are not amortised but are assessed annually for impairment. Internal costs relating to acquired intangible assets are expensed.

The cost of developing new systems, including purchased software, is deferred and subsequently amortised over a period of five to seven years, being the period over which the benefits are expected to arise.

BORROWINGS

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

CAPITALISATION OF INTEREST

Interest is expensed as incurred except where it relates to the financing of major projects constructed for internal use, where it is capitalised up to the date of commissioning. Following commissioning, the total capitalised cost including interest is amortised over the expected useful life of the asset.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs included in inventories consist of materials, labour and manufacturing overheads which are related to the purchase and production of inventories. The value of inventory is derived by the method most appropriate to each particular class of inventory. The major portion is valued on either a first-in-first-out or average cost basis.

PRODUCT LIABILITY

The CSR group's provision for product liability is determined using reports provided by independent experts in each of the United States and Australia. The CSR group has included within the provision an appropriate prudential margin. The CSR group has increased its product liability provision by $54.0 million to $365.8 million to take account of the uncertainties surrounding asbestos litigation in each of the United States and Australia, recent claims experience and the release of certain insurance policies which the CSR group believes provided coverage for asbestos-related claims. This increase has been treated as a significant item in the financial year ended 31 March 2006.

JOINT VENTURE AND ASSOCIATE ENTITIES

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

JOINT VENTURE OPERATIONS

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

SHARE-BASED PAYMENTS

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the CSR group's estimate of shares that will eventually vest.

SIGNIFICANT ITEMS

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

REVENUE RECOGNITION

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

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

Other than raw sugar sales, other products and services are sold on normal trade terms and conditions. In the case of raw sugar sold by the CSR group, revenue is recognised on a provisional basis at the time of title transfer to the centralised marketing authority, based on prevailing prices, and is subject to final adjustment when the final price is advised by the centralised marketing authority. In the current and prior years, this financial adjustment was not material.

PROVISION FOR REHABILITATION

The net present value of estimated costs of environmental rehabilitation of commercial sites, which require remediation of existing conditions resulting from present and past operations is taken up as a provision. The liability is immediately recognised when the environmental exposure is identified and the rehabilitation costs can be reliably estimated. The estimate is revised annually and the provision is adjusted accordingly.

INCOME TAX

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable income for the financial year. It is calculated using tax rates and tax laws that have been enacted or substantially 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 tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax assets or liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the CSR group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and when the CSR group intends to settle the tax assets and liabilities on a net basis.

No provision for withholding tax has been made on undistributed earnings of overseas controlled entities where there is no intention to distribute those earnings.

Current and deferred tax is recognised as an expense in the income statement 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 or excess.

CAPITAL GAINS TAX

No liability has been provided in the financial statements in respect of possible future capital gains tax that may arise on the disposal of assets, as no decision has been made to sell any of these assets.

TAX CONSOLIDATION

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

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

The financial effect of the adoption of the tax consolidation system was recognised in the financial statements as a significant item in the year ended 31 March 2005.

Prior to the adoption of the tax consolidation system, CSR Limited, as the head entity in the tax consolidation group, has agreed to compensate or be compensated by its wholly owned controlled entities for the carrying amount of their deferred tax balances. 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.

EMPLOYEE BENEFITS

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and other employee obligations (based on wage rates expected at the time of settling the liability) when it is probable that settlement will be required and they are capable of being reliably measured.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

The CSR group has elected under s.334(5) of the Corporations Act 2001 to apply Accounting standard AASB 119 'Employee Benefits' and AASB 2004-3 'Amendments to Australian Accounting Standards', even though these standards are not required to be applied until annual reporting periods beginning on or after 1 January 2006. For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained profits, in the period in which they occur, and are presented in the recognised income and expense statement. 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 balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

COMPARATIVE FIGURES

Where necessary to facilitate comparison, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

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 income in the period in which they arise except if designated as hedges.

On consolidation the financial statements of the CSR groups' overseas operations are translated at exchange rates prevailing at reporting date. Exchange differences are recognised in the foreign currency translation reserve and recognised in income on disposal of the operation.

BORROWING COSTS

Unwinding of the interest component of discounted assets and liabilities is treated as interest (finance cost).

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 & Investments Commission (ASIC) Class Order 98/100 issued 10 July 1998.

FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in income immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in income depends on the nature of the hedge relationship. The CSR group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges).

FAIR VALUE HEDGES

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

CASH FLOW HEDGES

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

EMBEDDED DERIVATIVES

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

ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following Australian accounting standards and Urgent Issues Group pronouncements have not yet been adopted by the CSR group:

- AASB 7 'Financial Instruments: Disclosures' applicable to the CSR group for the financial year ending 31 March 2008,
- UIG 4 'Determining Whether an Arrangement Contains a Lease' applicable to the CSR group for the financial year ending 31 March 2007, and
- UIG 9 'Reassessment of Embedded Derivatives' applicable to the CSR group for the financial year ending 31 March 2008.

The CSR group does not anticipate that the adoption of these standards will have a material effect on its financial statements. Upon adoption of AASB 7 the CSR group will be required to disclose additional information about financial instruments. There will be no effect on reported income or net assets.

FINANCIAL ASSETS

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

Certain shares held by the CSR group are classified as being available-for-sale and are stated at fair value. Fair value is determined in accordance with a discounted cash flow analysis. Gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in income for the period.

IMPAIRMENT OF ASSETS

At each reporting date, the CSR group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of a cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash generating unit is reduced to its recoverable amount. An impairment loss is recognised in income immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset. The reversal of an impairment loss is recognised immediately in income.

COMPARATIVE INFORMATION – FINANCIAL INSTRUMENTS

The CSR group has elected not to restate comparative information for financial instruments within the scope of accounting standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first time adoption of A-IFRS. The accounting policies applied to the accounting for financial instruments in the current financial year are detailed above. The following policies were applied to accounting for financial instruments in the comparative financial year:

DERIVATIVE AND HEDGING ACTIVITIES

The CSR group uses derivative financial instruments (derivatives) to hedge exposures to commodity and foreign exchange risk. In order to be designated as a hedge, at inception and during the term of the hedging instrument, it must be expected that the hedge will be effective in reducing exposure to the risks being hedged. The items hedged include recognised assets and liabilities, and anticipated transactions that are probable of occurring.

Forward exchange contracts, cross currency swaps and options are used to hedge foreign currency receivables, payables, borrowings and anticipated transactions. Commodity futures, swaps and options are used to hedge anticipated purchases and sales of commodities. Derivatives hedging recognised assets and liabilities are measured at net fair value and included in other receivables or other payables. Gains or losses are recognised in income as they occur and offset translation gains and losses of the underlying hedged item.

Gains and losses on derivatives hedging anticipated transactions are deferred and recognised in the measurement of the hedged item when it occurs. If a derivative is sold, terminated, redesignated or no longer effective and the anticipated transaction is still probable of occurring, gains and losses up to the time of termination, sale, redesignation or loss of effectiveness, continue to be accounted for as stated above. If the anticipated transaction is no longer probable, all deferred gains and losses are recognised immediately in income. Derivatives are not entered into for speculative reasons. However, if a derivative ceases to be designated as a hedge, for example, where the designated item is sold, extinguished, terminated or no longer probable of occurring, further gains and losses are recognised in income until the derivative matures or is sold or terminated. Option premiums are deferred and amortised over the term of the option.

Available for sale assets: The CSR group accounted for these assets at cost.

($ MILLION)	PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX 2006	2005	INCOME TAX 2006	2005	MINORITY INTERESTS 2006	2005	NET PROFIT 2006	2005
1 SEGMENT INFORMATION								
Business segments								
Building Products	**80.9**	111.4	**19.2**	27.5	**1.2**	0.5	**60.5**	83.4
Aluminium	**156.1**	141.9	**47.1**	42.6	**32.1**	29.0	**76.9**	70.3
Sugar – milling	**92.5**	61.1	**26.7**	20.4	**–**	–	**65.8**	40.7
Sugar – ethanol and refining	**31.2**	36.7	**9.0**	8.4	**5.9**	4.6	**16.3**	23.7
Property	**75.6**	27.1	**(1.1)**	(6.7)	**–**	–	**76.7**	33.8
Segment total	**436.3**	378.2	**100.9**	92.2	**39.2**	34.1	**296.2**	251.9
Corporate[a]	**(18.9)**	(16.9)	**(5.5)**	(5.1)	**–**	–	**(13.4)**	(11.8)
Restructuring and provisions[b]	**(0.6)**	(2.7)	**(1.6)**	(2.4)	**–**	–	**1.0**	(0.3)
	416.8	358.6	**93.8**	84.7	**39.2**	34.1	**283.8**	239.8
Net finance cost	**(50.8)**	(38.3)	**(15.7)**	(11.9)	**(1.1)**	(0.6)	**(34.0)**	(25.8)
Group total before significant items	**366.0**	320.3	**78.1**	72.8	**38.1**	33.5	**249.8**	214.0
Significant items (note 3)	**39.0**	49.9	**(16.2)**	(55.0)	**–**	–	**55.2**	104.9
Group total after significant items	**405.0**	370.2	**61.9**	17.8	**38.1**	33.5	**305.0**	318.9

Products and services
Building Products: plasterboard, fibre cement, glasswool and rockwool insulation, clay bricks and pavers, concrete and terracotta roof tiles, and lightweight concrete products
Aluminium: aluminium ingots, billets and slabs
Sugar – milling: raw sugar and renewable electricity
Sugar – ethanol and refining: ethanol and refined sugar
Property: property and waste management

	TOTAL REVENUE[c] 2006	2005	SHARE OF ASSOCIATE ENTITIES' NET PROFIT 2006	2005	DEPRECIATION AND AMORTISATION[d] 2006	2005	CAPITAL EXPENDITURE 2006	2005
Business segments								
Building Products	**978.1**	937.4	**9.6**	8.2	**41.7**	38.1	**104.7**	64.5
Aluminium	**526.9**	475.2	**–**	–	**27.9**	27.2	**16.7**	22.0
Sugar – milling	**765.5**	635.8	**–**	–	**30.1**	26.3	**91.0**	87.8
Sugar – ethanol and refining	**605.9**	326.1	**3.1**	16.5	**12.7**	8.1	**20.3**	69.8
Property	**69.7**	23.7	**9.4**	4.8	**–**	–	**54.2**	14.0
Segment total	**2,946.1**	2,398.2	**22.1**	29.5	**112.4**	99.7	**286.9**	258.1
Corporate[a]	**3.9**	2.0	**–**	–	**3.9**	3.8	**12.6**	2.9
Interest revenue	**3.5**	4.1						
Group total before significant items	**2,953.5**	2,404.3	**22.1**	29.5	**116.3**	103.5	**299.5**	261.0
Significant items (note 3)	**103.3**	70.7	**–**	–	**–**	–	**–**	–
Group total after significant items	**3,056.8**	2,475.0	**22.1**	29.5	**116.3**	103.5	**299.5**	261.0

	ASSETS 2006	2005	LIABILITIES 2006	2005	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD 2006	2005
Business segments	**826.4**	740.1	**153.8**	129.5	**8.9**	7.1
Aluminium	**468.1**	407.6	**275.7**	59.7	**–**	–
Sugar – milling	**860.9**	701.4	**330.8**	121.1	**–**	–
Sugar – ethanol and refining	**427.3**	334.1	**117.4**	62.2	**14.5**	11.9
Property	**148.9**	59.2	**20.8**	5.9	**5.7**	6.0
Segment total	**2,731.6**	2,242.4	**898.5**	378.4	**29.1**	25.0
Unallocated[b]	**146.1**	47.8	**459.1**	410.0	**–**	–
	2,877.7	2,290.2	**1,357.6**	788.4	**29.1**	25.0
Finance assets/liabilities	**58.3**	53.0	**616.8**	323.1		
Tax assets/liabilities	**127.2**	36.9	**13.4**	12.5		
Group total	**3,063.2**	2,380.1	**1,987.8**	1,124.0	**29.1**	25.0

a Represents unallocated overhead and other revenues.
b Includes product liability, and certain defined benefit superannuation and rationalisation costs.
c Intersegment sales are negligible. Excludes net profit from associate entities.
d Total depreciation and amortisation includes \$8.9 million (2005: \$7.3 million) amortisation of intangibles. Other than asset write downs and other rationalisation expenses, mainly in Building Products, of \$20.9 million, other non-cash expenses are immaterial.

($ MILLION)	PROFIT FROM ORDINARY ACTIVITIES BEFORE FINANCE, INCOME TAX AND SIGNIFICANT ITEMS 2006	2005	TOTAL REVENUE[a] 2006	2005	SEGMENT ASSETS 2006	2005	CAPITAL EXPENDITURE 2006	2005
1 SEGMENT INFORMATION (CONTINUED)								
Geographic segments								
Australia	**393.9**	336.2	**2,784.3**	2,276.2	**2,841.4**	2,174.5	**289.1**	218.4
New Zealand	**18.1**	19.5	**187.4**	130.0	**123.8**	127.9	**3.3**	39.3
Asia	**4.8**	2.9	**85.1**	68.8	**98.0**	77.7	**7.1**	3.3
Group total	**416.8**	358.6	**3,056.8**	2,475.0	**3,063.2**	2,380.1	**299.5**	261.0

a After significant items. Intersegment sales are negligible. Excludes net profit from associate entities.

	NOTE	CSR GROUP 2006	2005	CSR LIMITED 2006	2005
2 OTHER REVENUE AND EXPENSES FROM ORDINARY ACTIVITIES					
Income					
Significant items	3	**103.3**	70.7	**103.3**	45.3
Profit on disposal of property, plant and equipment and other assets		**76.8**	29.4	**69.3**	1.9
Write back of allowance for controlled entities' doubtful debts				**–**	2.6
Other		**2.8**	2.3	**2.8**	1.7
Total other income from ordinary activities		**182.9**	102.4	**175.4**	51.5
Expenses					
Significant items	3	**(64.3)**	(20.8)	**(64.3)**	(20.8)
Asset write downs and associated costs[a]		**(20.9)**	–	**(0.3)**	–
Increase in product liability provision		**–**	(3.1)	**–**	(3.1)
Increase allowance for controlled entities' doubtful debts				**(2.4)**	–
Other		**(4.4)**	(1.4)	**(1.0)**	(1.2)
Total other expenses from ordinary activities		**(89.6)**	(25.3)	**(68.0)**	(25.1)

a Results from closure of Building Products factories. Includes write down of property, plant and equipment, retrenchments and other rationalisation costs.

	CSR GROUP 2006	2005	CSR LIMITED 2006	2005
3 SIGNIFICANT ITEMS				
Gove Aluminium litigation				
Receipt from Alcan group	**–**	21.6	**–**	–
Settlement provisions no longer required	**–**	3.8	**–**	–
	–	25.4	**–**	–
Insurance litigation settlement				
Receipt from certain insurers	**103.3**	45.3	**103.3**	45.3
Associated legal expenses	**(10.3)**	(20.8)	**(10.3)**	(20.8)
	93.0	24.5	**93.0**	24.5
Increase in product liability provision				
Increase in provision	**(54.0)**	–	**(54.0)**	–
Tax benefit	**16.2**	–	**16.2**	–
	(37.8)	–	**(37.8)**	–
Tax consolidation				
Restatement of deferred tax balances on adoption of tax consolidation	**–**	55.0	**–**	–
	–	55.0	**–**	–
Total significant items				
Significant items before tax	**39.0**	49.9	**39.0**	24.5
Income tax on significant items	**16.2**	55.0	**16.2**	–
Total significant items after tax	**55.2**	104.9	**55.2**	24.5

	NOTE	CSR GROUP 2006	2005	CSR LIMITED 2006	2005
4 NET FINANCE COST					
Interest paid or payable on					
Short-term debt to controlled entities				**0.6**	3.4
Long-term debt to controlled entities				**6.3**	3.3
Short-term debt to others		**1.5**	2.4	**0.4**	0.6
Long-term debt to others		**33.0**	18.7	**23.9**	12.6
Amount capitalised		**(4.3)**	(2.4)	**–**	–
Total interest expense		**30.2**	18.7	**31.2**	19.9
Unwinding discount on non-current provisions and debtors		**22.2**	19.4	**22.2**	21.0
Funding costs		**1.1**	1.5	**0.6**	0.2
Foreign exchange loss		**0.8**	2.8	**3.0**	0.2
Finance cost		**54.3**	42.4	**57.0**	41.3
Interest income	6	**(3.5)**	(4.1)	**(11.4)**	(7.5)
Net finance cost		**50.8**	38.3	**45.6**	33.8

($ MILLION)	NOTE	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
5 DEPRECIATION AND AMORTISATION					
Amounts incurred for depreciation, amortisation and depletion of					
Property, plant and equipment		**107.3**	96.1	**4.0**	4.0
Intangible assets		**8.9**	7.3	**0.2**	0.2
Other		**0.1**	0.1	**–**	–
Total depreciation and amortisation		**116.3**	103.5	**4.2**	4.2
6 INTEREST INCOME					
Interest income from					
Short-term debt to controlled entities				**4.5**	2.7
Long-term debt to controlled entities				**5.8**	2.4
Short-term debt to others		**2.7**	3.7	**1.1**	2.4
Long-term debt to others		**0.8**	0.4	**–**	–
Total interest income		**3.5**	4.1	**11.4**	7.5
7 NET CASH					
Cash at banks and on hand		**55.6**	44.7	**4.5**	0.1
Short-term loans and deposits		**2.7**	8.3	**1.7**	–
Total cash		**58.3**	53.0	**6.2**	0.1
Bank overdraft	18	**(0.9)**	–	**(1.9)**	(11.4)
Net cash		**57.4**	53.0	**4.3**	(11.3)
8 INCOME TAXES[a]					
Reconciliation of income tax expense (benefit) charged to the income statement with income tax calculated on profit from ordinary activities before income tax:					
Profit from ordinary activities before income tax		**405.0**	370.2	**237.0**	3.5
Income tax expense calculated at 30%		**121.5**	111.1	**71.1**	1.1
Increase (decrease) in income tax expense (benefit) due to					
Asset disposals and write downs		**(21.5)**	(16.4)	**(20.7)**	0.3
Asian trading profits not recognised		**(1.1)**	(0.4)	**–**	–
Equity accounted associate entities profit and rebates on dividends received		**(7.7)**	(5.9)	**(50.6)**	(0.3)
Income tax (over) under provided in prior years		**(0.9)**	(1.1)	**1.0**	(0.3)
Significant items – tax consolidation		**–**	(55.0)	**–**	–
Significant items – other		**(27.9)**	(15.0)	**(27.9)**	(7.4)
Other items[b]		**(0.5)**	0.5	**–**	(2.0)
Total income tax expense (benefit) on profit from ordinary activities		**61.9**	17.8	**(27.1)**	(8.6)
Total income tax expense (benefit) comprises					
Current tax expense (income)		**86.8**	65.8	**(12.7)**	(37.9)
Deferred tax expense (income) relating to the origination and reversal of temporary differences		**(24.9)**	(48.0)	**(14.4)**	29.3
Total income tax expense (benefit) on profit from ordinary activities		**61.9**	17.8	**(27.1)**	(8.6)
Current income tax payable attributable to					
Entities in the tax consolidated group		–	–	**–**	–
Other entities		**13.4**	12.5	**–**	–
Total current income tax payable		**13.4**	12.5	**–**	**–**
Deferred income tax assets and liabilities comprise					
Tax losses – revenue recorded as asset		**–**	18.3	**–**	17.9
Temporary differences recorded as net asset		**127.2**	18.6	**124.5**	110.7
Net deferred income tax assets and liabilities		**127.2**	36.9	**124.5**	128.6

a Refer to significant accounting policies for details of tax consolidation.

b Includes allowance for research and development (R&D). R&D costs and tax claims were not material in 2006 and 2005.

8 INCOME TAXES (CONTINUED)

2006

Movement in net deferred income tax assets/liabilities attributable to temporary differences:

($ MILLION)	CSR GROUP OPENING BALANCE[d]	CHARGED TO INCOME	CHARGED TO EQUITY	OTHER[c]	CLOSING BALANCE
Fair value hedges	**–**	**–**	**84.5**	**–**	**84.5**
Property, plant and equipment	**(109.0)**	**11.2**	**–**	**–**	**(97.8)**
Intangible assets	**(10.0)**	**0.9**	**–**	**–**	**(9.1)**
Defined benefit superannuation	**(2.3)**	**(2.3)**	**(0.8)**	**–**	**(5.4)**
Prepayments	**(3.3)**	**–**	**–**	**–**	**(3.3)**
Product liability provision	**95.5**	**14.2**	**–**	**–**	**109.7**
Employee benefits provisions	**27.0**	**2.9**	**–**	**–**	**29.9**
Other provisions	**9.4**	**1.9**	**–**	**–**	**11.3**
Foreign currency monetary items	**2.4**	**(1.0)**	**–**	**–**	**1.4**
Other	**8.9**	**(2.9)**	**–**	**–**	**6.0**
	18.6	**24.9**	**83.7**	**–**	**127.2**

($ MILLION)	CSR LIMITED OPENING BALANCE[d]	CHARGED TO INCOME	CHARGED TO EQUITY	OTHER[c]	CLOSING BALANCE
Fair value hedges	**–**	**–**	**0.2**	**–**	**0.2**
Property, plant and equipment	**(12.3)**	**4.4**	**–**	**–**	**(7.9)**
Intangible assets	**–**	**–**	**–**	**–**	**–**
Defined benefit superannuation	**(2.3)**	**(2.3)**	**(0.8)**	**–**	**(5.4)**
Prepayments	**–**	**–**	**–**	**–**	**–**
Product liability provision	**95.5**	**14.2**	**–**	**–**	**109.7**
Employee benefits provisions	**22.4**	**2.6**	**–**	**–**	**25.0**
Other provisions	**4.0**	**2.2**	**–**	**–**	**6.2**
Foreign currency monetary items	**2.3**	**(0.4)**	**–**	**–**	**1.9**
Other	**1.1**	**(6.3)**	**–**	**–**	**(5.2)**
	110.7	**14.4**	**(0.6)**	**–**	**124.5**

2005

Movement in net deferred income tax assets/liabilities attributable to temporary differences:

($ MILLION)	CSR GROUP OPENING BALANCE[d]	CHARGED TO INCOME	CHARGED TO EQUITY	OTHER[c]	CLOSING BALANCE
Property, plant and equipment	(157.0)	54.2	–	(6.2)	(109.0)
Intangible assets	(8.0)	(2.0)	–	–	(10.0)
Defined benefit superannuation	7.9	(1.8)	(8.4)	–	(2.3)
Prepayments	(3.2)	(0.1)	–	–	(3.3)
Product liability provision	97.2	(1.7)	–	–	95.5
Employee benefits provisions	25.2	1.8	–	–	27.0
Other provisions	11.3	(1.9)	–	–	9.4
Foreign currency monetary items	2.2	0.2	–	–	2.4
Other	9.6	(0.7)	–	–	8.9
	(14.8)	48.0	(8.4)	(6.2)	18.6

($ MILLION)	CSR LIMITED OPENING BALANCE[d]	CHARGED TO INCOME	CHARGED TO EQUITY	OTHER[c]	CLOSING BALANCE
Property, plant and equipment	(10.2)	(2.1)	–	–	(12.3)
Intangible assets	–	–	–	–	–
Defined benefit superannuation	7.9	(1.8)	(8.4)	–	(2.3)
Prepayments	–	–	–	–	–
Product liability provision	97.2	(1.7)	–	–	95.5
Employee benefits provisions	22.4	–	–	–	22.4
Other provisions	4.4	(0.4)	–	–	4.0
Foreign currency monetary items	2.2	0.1	–	–	2.3
Other	24.5	(23.4)	–	–	1.1
	148.4	(29.3)	(8.4)	–	110.7

c Includes controlled entity and business acquisition and disposal tax balances, and tax balances reclassified from investments in associate entities.

d 2005 opening balance includes A-IFRS adoption adjustments as at 1 April 2004.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Deferred income tax assets not taken to account[e]				
Balance at the beginning of the financial year	**142.2**	126.6	**33.3**	36.4
Assets now taken to account	**(51.7)**	(10.7)	**(36.2)**	(3.1)
Assets not recognised	**12.4**	29.0	**2.9**	–
Assets now expired	**(38.7)**	(2.7)	**–**	–
Balance at the end of the financial year[f]	**64.2**	142.2	**–**	33.3

e Includes capital tax losses – CSR group $53.1 million (2005: $126.2 million).

f These benefits will only be obtained if the CSR group derives the necessary future assessable income and capital gains, and there are no adverse changes in Australian income tax legislation.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
9 RECEIVABLES				
Current				
Trade receivables	**441.2**	340.0	**219.8**	128.4
Allowance for doubtful debts	**(5.3)**	(4.7)	**(0.1)**	(0.1)
	435.9	335.3	**219.7**	128.3
Amounts owing by controlled entities			**522.6**	354.6
Allowance for doubtful debts			**(19.9)**	(18.6)
			502.7	336.0
Loans to and receivables from associate entities	**8.3**	8.3	**8.3**	0.8
Divestment debtors	**90.4**	31.1	**79.6**	2.8
Insurance settlements receivable	**103.3**	–	**103.3**	–
Other loans and receivables	**61.1**	46.6	**39.8**	36.9
Allowance for doubtful debts	**(30.0)**	(30.0)	**(30.0)**	(30.0)
	233.1	56.0	**201.0**	10.5
Total current receivables	**669.0**	391.3	**923.4**	474.8
Bad debts written off				
Trade receivables	**0.7**	1.3	**–**	0.2
Controlled entities			**1.1**	15.6
Non-current				
Loans to employees[a]	**0.4**	1.2	**0.4**	1.2
Amounts owing by controlled entities			**1,575.1**	1,435.1
Loans to associate entities	**16.5**	20.7	**5.5**	5.9
Other loans and receivables	**20.5**	15.2	**16.3**	5.7
Total non-current receivables	**37.4**	37.1	**1,597.3**	1,447.9

a There are no outstanding loans to executive or non-executive directors of CSR Limited as at 31 March 2006.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
10 INVENTORIES				
Current				
Raw and process materials and stores	**84.9**	81.7	**7.6**	12.4
Work in progress	**11.1**	10.7	**–**	–
Finished goods	**181.0**	164.8	**4.6**	1.3
Total current inventories	**277.0**	257.2	**12.2**	13.7
Non-current				
Raw and process materials and stores	**5.1**	4.4	**5.0**	4.4
Land held for sale at cost	**32.6**	21.5	**23.6**	13.4
Total non-current inventories	**37.7**	25.9	**28.6**	17.8
11 OTHER ASSETS				
Current				
Prepayments (including derivative margin calls)	**46.9**	9.7	**6.2**	5.4
Renewable Energy Certificates at fair value	**4.0**	7.2	**4.0**	7.2
Deferred costs	**1.6**	1.7	**1.0**	0.4
Fair value of derivatives	**92.3**	–	**–**	–
Total other current assets	**144.8**	18.6	**11.2**	13.0
Non-current				
Prepayments	**12.7**	12.7	**–**	–
Superannuation defined benefit plans – fair value of surplus	**18.1**	11.5	**18.1**	11.5
Deferred costs	**2.6**	2.6	**2.1**	2.0
Total other non-current assets	**33.4**	26.8	**20.2**	13.5
12 OTHER FINANCIAL ASSETS				
Non-current				
Investment in controlled entities at cost			**1,008.2**	1,000.3
Available for sale: shares at fair value (2005: cost)[ab]	**30.7**	22.4	**30.7**	22.4
Fair value of derivatives	**23.8**	–	**–**	–
Total other financial assets	**54.5**	22.4	**1,038.9**	1,022.7

a Not quoted on stock exchanges.
b The CSR group holds 13.7% (2005: 13.4%) of the share capital of Sugar Terminals Ltd, a company involved in storage of raw sugar. The CSR group does not believe that it is able to exert significant influence over Sugar Terminals Ltd as it has only one director on the board comprised of a minimum of five directors.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
13 PROPERTY, PLANT AND EQUIPMENT[a]				
Land and buildings				
At cost	**426.5**	417.2	**7.0**	4.4
Accumulated depreciation	**(68.4)**	(59.7)	**–**	–
Total land and buildings	**358.1**	357.5	**7.0**	4.4
Plant and equipment				
At cost	**2,417.4**	2,244.3	**24.2**	23.4
Accumulated depreciation	**(1,246.4)**	(1,169.0)	**(14.4)**	(12.8)
Total plant and equipment	**1,171.0**	1,075.3	**9.8**	10.6
Total property, plant and equipment	**1,529.1**	1,432.8	**16.8**	15.0

a The economic life over which assets are depreciated is buildings – 12 to 40 years; and plant and equipment – 2 to 40 years. The weighted average life of buildings – 24 years; and plant and equipment – 12 years.

($ MILLION)	LAND AND BUILDINGS CSR GROUP	LAND AND BUILDINGS CSR LIMITED	PLANT AND EQUIPMENT CSR GROUP	PLANT AND EQUIPMENT CSR LIMITED
14 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT				
Balance at the beginning of the financial year	**357.5**	**4.4**	**1,075.3**	**10.6**
Capital expenditure	**13.6**	**1.5**	**204.6**	**3.8**
Disposed	**(2.1)**	**–**	**(1.6)**	**(0.6)**
Depreciation and amortisation	**(11.0)**	**–**	**(96.3)**	**(4.0)**
Write downs	**(1.4)**	**(0.3)**	**(12.2)**	**–**
Foreign currency translation	**0.1**	**–**	**(0.7)**	**–**
Transferred from inventory	**1.4**	**1.4**	**1.9**	**–**
Balance at the end of the financial year	**358.1**	**7.0**	**1,171.0**	**9.8**

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
15 GOODWILL[a]				
Carrying amount				
Balance at the beginning of the financial year	**14.0**	8.6	**–**	–
Reclassification on full consolidation of refineries	**–**	5.6	**–**	–
Acquisitions	**0.9**	–	**–**	–
Foreign currency translation	**(0.3)**	(0.2)	**–**	–
Balance at the end of the financial year	**14.6**	14.0	**–**	**–**

a The carrying amount of goodwill is: Building Products (2006: $6.3 million, 2005: $5.4 million), Sugar – ethanol and refining (2006: $5.1 million, 2005: $5.4 million), Sugar milling (2006: $3.2 million, 2005: $3.2 million). The recoverable amounts of the cash generating units that include goodwill are determined using discounted cash flow projections based on financial budgets approved by management covering a five year period.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
16 OTHER INTANGIBLE ASSETS				
Systems software				
Software and systems development	**54.8**	37.4	**9.9**	0.9
Accumulated amortisation	**(25.2)**	(18.6)	**(0.6)**	(0.4)
Total systems software	**29.6**	18.8	**9.3**	0.5
Movements in systems software				
Net book value at the beginning of the financial year	**18.8**	25.3	**0.5**	0.3
Capital expenditure	**19.3**	0.4	**9.0**	0.4
Amortisation	**(8.5)**	(6.9)	**(0.2)**	(0.2)
Net book value at the end of the financial year	**29.6**	18.8	**9.3**	0.5
Trade names and non-competition agreements[a]				
At cost	**32.1**	29.9	**–**	–
Accumulated amortisation	**(10.6)**	(9.6)	**–**	–
Total trade names and non-competition agreements	**21.5**	20.3	**–**	–
Movements in trade names and non-competition agreements				
Net book value at the beginning of the financial year	**20.3**	19.9	**–**	–
Capital expenditure	**1.6**	0.8	**–**	–
Amortisation	**(0.4)**	(0.4)	**–**	–
Net book value at the end of the financial year	**21.5**	20.3	**–**	–
Total other intangible assets	**51.1**	39.1	**9.3**	0.5

a Includes indefinite life Building Products brand names (2006: $19.9 million, 2005: $19.9 million). The recoverable amounts of the cash generating units that include the brand names are determined using discounted cash flow projections based on financial budgets approved by management covering a five year period. These brand names currently have an indefinite life as the CSR group is continually spending money on marketing and developing the brand names and there are no contractual or other restrictions on the use of the brand names.

($ MILLION)	CSR GROUP 2006	2005	CSR LIMITED 2006	2005

17 CURRENT PAYABLES AND FINANCIAL LIABILITIES

Trade payables	**335.3**	236.9	**153.9**	97.3
Fair value of derivatives	**197.2**	–	**0.3**	–
Amounts owing to controlled entities			**71.4**	14.5
Other payables	**83.6**	56.1	**48.9**	24.1
Total current payables and financial liabilities	**616.1**	293.0	**274.5**	135.9

18 BORROWINGS

Current				
Unsecured bank overdraft	**0.9**	–	**1.9**	11.4
Short-term borrowings				
Secured				
Other facilities[a]	**6.6**	0.6	**–**	–
Unsecured				
Bank loans	**1.9**	1.4	**–**	–
Other facilities	**19.3**	8.2	**19.3**	8.2
	27.8	10.2	**19.3**	8.2
Total current borrowings	**28.7**	10.2	**21.2**	19.6
Non-current				
Long-term payables and financial liabilities				
Fair value of derivatives	**200.9**	–	**0.4**	–
Fair value of superannuation deficit	**–**	4.0	**–**	4.0
Other non-current payables	**2.1**	6.9	**2.0**	5.8
Total non-current payables and financial liabilities	**203.0**	10.9	**2.4**	9.8
Long-term borrowings				
Secured				
Other facilities[a]	**–**	6.3	**–**	–
Unsecured				
Loans from controlled entities			**1,195.5**	1,084.3
Bonds	**200.1**	200.1	**200.0**	200.0
Bank loans	**388.0**	31.5	**369.6**	–
Other facilities	**–**	75.0	**–**	–
Total non-current borrowings	**588.1**	312.9	**1,765.1**	1,284.3
Total non-current payables, financial liabilities and borrowings	**791.1**	323.8	**1,767.5**	1,294.1

a Finance lease secured by refinery assets with book value of $56.7 million.

($ MILLION)	CSR GROUP 2006	2005	2006 AVERAGE RATE % PA	2006 YEAR OF MATURITY

19 CREDIT FACILITIES AND MATURITY PROFILE

Long-term maturities of borrowings				
United States dollar debt				
Bonds	**0.1**	0.1	**7.7**	**2025**
Australian dollar debt				
Bank loans	**355.0**	25.0	**5.8**	**2010**
Bonds	**200.0**	200.0	**6.0**	**2009**
Other loans	**–**	75.0	**6.0**	**2005**
Other payables	**203.0**	17.2		
New Zealand dollars				
Bank loans	**14.6**	–	**7.7**	**2010**
Thai baht				
Bank loans	**7.0**	6.5	**4.1**	**2007**
Malaysian ringgit				
Bank loans	**11.4**	–	**4.2**	**2008**
Total non-current borrowings and payables	**791.1**	323.8		

Commercial paper
The CSR group cancelled its commercial paper program based in Australia in September 2005. The program (2005: $600 million), was an evergreen facility. Drawings on the program were backed by the credit standby facilities referred to below. As at 31 March 2006, no commercial paper was on issue.

Credit standby facilities
The CSR group has a total of $675 million (2005: $481 million) committed standby facilities. These facilities have fixed maturity dates ranging from September 2006 to September 2010. As at 31 March 2006, $305 million of the standby facilities were undrawn.

($ MILLION)	31 MARCH 2005	RECOGNISED/ REMEASURED	SETTLED/ TRANSFERRED	ACQUIRED	UNWINDING OF DISCOUNT	DISPOSED/ OTHER	31 MARCH 2006
20 PROVISIONS							
CSR group							
Current							
Employee benefits[a]	89.9	51.0	(43.2)	0.3	1.7	–	**99.7**
Fringe benefits tax	1.0	4.8	(4.5)	–	–	–	**1.3**
Restructure and rationalisation	5.6	3.0	(2.8)	–	–	–	**5.8**
Product liability[b]	21.8	25.1	(24.9)	–	–	–	**22.0**
Restoration and environmental rehabilitation	5.5	1.3	(1.9)	–	–	–	**4.9**
Uninsured losses and future claims[c]	9.7	13.9	(12.5)	–	–	–	**11.1**
Other[d]	12.6	4.4	(3.6)	–	–	–	**13.4**
Total CSR group current provisions	146.1	103.5	(93.4)	0.3	1.7	–	**158.2**
Non-current							
Product liability[b]	296.6	28.9	–	–	18.3	–	**343.8**
Restoration and environmental rehabilitation	1.5	(0.1)	–	–	–	–	**1.4**
Uninsured losses and future claims[c]	39.5	(7.8)	–	–	2.4	–	**34.1**
Other	0.8	0.2	–	–	–	–	**1.0**
Total CSR group non-current provisions	338.4	21.2	–	–	20.7	–	**380.3**
CSR Limited							
Current							
Employee benefits[a]	74.5	46.4	(37.8)	0.3	–	–	**83.4**
Fringe benefits tax	0.9	4.3	(4.0)	–	–	–	**1.2**
Restructure and rationalisation	4.1	1.1	(2.4)	–	–	–	**2.8**
Product liability[b]	21.8	25.1	(24.9)	–	–	–	**22.0**
Restoration and environmental rehabilitation	5.0	1.3	(1.4)	–	–	–	**4.9**
Uninsured losses and future claims[c]	9.4	13.9	(12.5)	–	–	–	**10.8**
Other	0.3	0.5	–	–	–	–	**0.8**
Total CSR Limited current provisions	116.0	92.6	(83.0)	0.3	–	–	**125.9**
Non-current							
Product liability[b]	296.6	28.9	–	–	18.3	–	**343.8**
Restoration and environmental rehabilitation	0.4	–	–	–	–	–	**0.4**
Uninsured losses and future claims[c]	39.5	(7.8)	–	–	2.4	–	**34.1**
Other	0.8	0.3	–	–	–	–	**1.1**
Total CSR Limited non-current provisions	337.3	21.4	–	–	20.7	–	**379.4**

a The number of employees as at 31 March 2006 in the CSR group was 6,363 (2005: 5,973).
b Refer to note 33 and the significant accounting policies note for details of the basis of the product liability provision.
c Uninsured losses and future claims mainly relate to the CSR group's self-insurance for workers' compensation program.
d Mainly relates to anticipated disposal costs of Tomago smelter spent pot lining.

	2006			2005		
	ORDINARY SHARES FULLY PAID	PRICE $	SHARE CAPITAL $ MILLION	ORDINARY SHARES FULLY PAID	PRICE $	SHARE CAPITAL $ MILLION
21 ISSUED CAPITAL[a]						
CSR Limited						
On issue at the beginning of the financial year	**915,584,749**		**863.7**	918,508,701		871.3
Share buyback[b]	**(5,212,234)**	**2.37**	**(12.3)**	(4,849,552)	2.03	(9.8)
Capital return[c]		**0.20**	**(182.1)**	–	–	–
Universal Share/Option Plan[d]	**1,996,800**	**1.31**	**2.6**	1,925,600	1.15	2.2
Total movements during the financial year	**(3,215,434)**		**(191.8)**	(2,923,952)		(7.6)
On issue at the end of the financial year	**912,369,315**		**671.9**	915,584,749		863.7

a The shares are fully paid ordinary shares, are listed on the Australian Stock Exchange and carry one vote per share and the right to dividends.
b In May 2003, CSR Limited announced a 12 month on-market share buyback of up to 5% of its fully paid shares. In May 2004, CSR announced a further 12 month share buyback of up to 5% of its fully paid shares would commence from 11 June 2004. In the period 1 April 2005 to 10 June 2005, 5,212,234 shares were repurchased and cancelled under the buyback. During the financial year to 31 March 2005, a total of 3,571,552 shares were repurchased and cancelled under the original buyback and 1,278,000 under the further buyback.
c On 4 August 2005, CSR Limited made a capital return to shareholders of $0.20 per share to achieve a one-off structural alteration to its gearing.
d Fully paid ordinary shares were issued in August, September and November 2005 and September and October 2004 under the employee Universal Share/Option Plan. For tax reasons, shares cannot be sold by participants within three years of allotment, unless they finish their employment with the company. Offers of fully paid shares were made to all eligible employees (2006: 4017, 2005: 4147). 2497 (2005: 2407) accepted the offer, subscribing for up to 400 shares at the market price of $2.62 each (2005: $2.30) and receiving an equivalent number of shares at no cost. The issue of 998,400 (2005: 962,800) shares purchased by employees was taken to equity. The additional 998,400 (2005: 962,800) shares issued at no cost were recorded as an expense in the financial report with an offsetting entry to the employee share reserve.

($ MILLION)	CSR GROUP 2006	2005	CSR LIMITED 2006	2005

22 RESERVES

Foreign currency translation reserve				
Value at the beginning of financial year	**(0.2)**	(1.2)	**–**	–
Adjustments on adoption of A-IFRS	**–**	1.2	**–**	–
Translation of foreign operations	**(1.1)**	(0.2)	**–**	–
Value at the end of the financial year	**(1.3)**	(0.2)	**–**	–
Employee share reserve				
Value at the beginning of financial year	**2.2**	–	**2.2**	–
CSR Limited free employee shares issued	**2.6**	2.2	**2.6**	2.2
Value at the end of the financial year	**4.8**	2.2	**4.8**	2.2
Hedge reserve				
Value at beginning of financial year	**–**	–	**–**	–
Adjustments on adoption of A-IFRS	**22.2**	–	**–**	–
Hedge loss	**(272.4)**	–	**(0.7)**	–
Income tax on hedge loss	**81.7**	–	**0.2**	–
Value at the end of the financial year	**(168.5)**	–	**(0.5)**	–
Total reserves	**(165.0)**	2.0	**4.3**	2.2

23 MINORITY INTERESTS IN CONTROLLED ENTITIES

Issued capital	**49.5**	49.3		
Hedge reserve	**(29.0)**	–		
Other reserves	**13.8**	13.6		
Retained profits	**64.0**	63.3		
Total minority interests in controlled entities	**98.3**	126.2		

($ THOUSAND)	CSR GROUP 2006	2005	CSR LIMITED 2006	2005

24 AUDITORS' REMUNERATION

Auditing and reviewing the financial report of the CSR group				
Deloitte Touche Tohmatsu in Australia[a]	**1,308**	1,074	**437**	387
Deloitte Touche Tohmatsu outside of Australia	**111**	106	**–**	–
	1,419	1,180	**437**	387
Other services				
Deloitte Touche Tohmatsu in Australia	**60**	128	**57**	121
Deloitte Touche Tohmatsu outside of Australia	**30**	54	**–**	–
	90	182	**57**	121
Total auditors' remuneration	**1,509**	1,362	**494**	508
Other services comprise				
Taxation strategy and compliance	**33**	54	–	–
Accounting advice[b]	**30**	103	**30**	103
Corporate reorganisation	**–**	15	**–**	15
Other	**27**	10	**27**	3
	90	182	**57**	121

a Includes $106,000 relating to audit of adoption of A-IFRS.

b Includes fees to assist the CSR group with the implementation of A-IFRS.

25 DIVIDENDS AND FRANKING CREDITS

	2006 CENTS PER SHARE	2006 TOTAL $ MILLION	2005 CENTS PER SHARE	2005 TOTAL $ MILLION
Recognised amounts				
Fully paid ordinary shares				
Prior year final dividend – franked to 100% (2005: 70%)	**6.0**	**54.6**	6.0	54.9
Interim dividend – franked to 100% (2005: 100%)	**6.0**	**54.8**	6.0	55.0
	12.0	**109.4**	12.0	109.9
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend – franked to 100% (2005: 100%)	**9.0**	**82.1**	6.0	54.6
	9.0	**82.1**	6.0	54.6

The final dividend for the financial year ended 31 March 2006 has not been recognised in this financial report because it was declared after 31 March 2006. The amounts disclosed as recognised is the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Adjusted franking account balance (tax paid basis) ($ million)	**2.7**	1.4	**2.7**	1.4
Impact on franking account balance of dividends not recognised	**(35.1)**	(23.4)	**(35.1)**	(23.4)

26 RELATED PARTY INFORMATION

Key management personnel remuneration

During the financial year total remuneration of $12,751,341 (2005: $9,523,686) was paid to directors and key management personnel. Details of the payments, and director and key management personnel CSR Limited equity holdings are shown in the remuneration report on pages 33 to 37.

CSR Limited transactions with controlled entities

During the financial years ended 31 March 2006 and 2005, CSR Limited advanced and repaid loans, sold and purchased goods and services and provided accounting and administrative assistance to its controlled entities.

Details of write downs of receivables from the controlled entities are disclosed in note 2.

Amounts receivable from and payable to these related parties are disclosed in notes 9, 17 and 18.

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.

Details of interest paid to and received from controlled entities are shown in notes 4 and 6.

Details of dividends received by CSR Limited from controlled entities are shown in the income statement.

Other related parties

Other than transactions with associate entities disclosed in note 29, no material amounts were receivable from, or payable to, related parties as at 31 March 2006 or 2005, and no material transactions with related parties occurred during those years.

Details of payments to defined benefit superannuation plans are shown in note 27.

Employee share plan interest free loans to directors or key management personnel

No new loans, loan repayments or loan balances occurred between the CSR group and key management personnel of the CSR group during the financial year ended 31 March 2006 or 2005.

Transactions entered into during the financial year with directors of CSR Limited and 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 including:

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

27 SUPERANNUATION COMMITMENTS

The CSR group participates in a number of superannuation funds (funds) in Australia, New Zealand and other countries where it operates. 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.

Asset backing

The assets of the funds at 31 March 2006 were sufficient to satisfy all benefits which would have been vested in the event of termination of the funds, or in the event of the voluntary or compulsory termination of the employment of each employee.

Retirement funds

The contributions to the funds were: CSR group: $29.2 million (2005: $26.0 million); and CSR Limited: $25.1 million (2005: $24.9 million).

Accumulation funds

The benefits provided by accumulation funds are based on the contributions and income thereon held by the funds on behalf of the members. Contributions are made by the members and the company based on a percentage of the members' salary, as specified by the rules of the fund. These contributions are expensed in the period they are incurred.

Defined benefit funds

The benefits provided by defined benefit divisions of funds (DBD) are based on length of service or membership and salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the rules of the fund. Employer contributions generally vary based on actuarial advice and may be reduced or cease when a fund is in actuarial surplus. The accounting treatment of the defined benefit superannuation funds is discussed in the note on significant accounting policies.

Harwood Superannuation Fund

In Australia, the CSR group participates in the Harwood Superannuation Fund for those employees and pensioners who are currently members of that fund and any new employees who become members of that fund. CSR Limited and Rinker Group Limited each separately cover, in effect, 50% of the funding of the accrued defined benefit liabilities of the Harwood Superannuation Fund as at the demerger date (28 March 2003), which will be revalued by the actuary at least annually. The CSR group will be responsible for obligations with respect to benefits accrued after the demerger relating to individuals who have been employed post-demerger.

Expected contributions to defined benefit funds

The CSR group expects to make a contribution of $3.0 million (2005: $6.6 million) to the defined benefit funds during the next financial year. The aggregate funding method was used to determine the contribution rates.

Expected rate of return on defined benefit funds assets

The expected return on assets is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

Defined benefit funds sponsored by the CSR group (determined in accordance with A-IFRS)

($ MILLION)		DEFINED BENEFIT OBLIGATION	FAIR VALUE OF FUND ASSETS	ASSET/ (LIABILITY)	CONTRIBUTIONS PAID
Harwood Superannuation Fund	– DBD – CSR pre-demerger[ab]	186.8	197.3	10.5	3.4
	– DBD – post-demerger CSR plan[ac]	5.7	4.5	(1.2)	–
Monier PGH Superannuation Fund	– DBD[d]	58.0	66.8	8.8	2.1

a Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2006, or in the case of the pre-demerger liabilities to 28 March 2003. These amounts are calculated at 31 March 2006 based on the assumptions used for the last actuarial review which was performed on 30 June 2005 by K Knapman FIAA. The fund was split into separate plans for the CSR and Rinker groups from the date of demerger of Rinker group effective 28 March 2003.

b There is an enforceable obligation for CSR Limited and the Rinker group to ensure that the assets attributable to the pre-demerger DBD are not less than 120% of the amount required to meet the actuarial liabilities of the DBD of the Harwood Superannuation Fund as at the demerger date, which are revalued by the actuary annually. Rinker Group Limited is required to cover, in effect, 50% of such obligations. The 120% coverage is determined according to guidelines that are not consistent with A-IFRS. CSR Limited has made available to the trustee of the fund a bank guarantee to satisfy the balance of its commitment if assets fall below 120%.

c There is an obligation for CSR Limited to contribute such amounts to the post-demerger CSR plan DBD as to ensure that the assets attributable to the CSR plan DBD are not less than 120% of the amount required to meet the actuarial liabilities of the CSR plan DBD. CSR Limited has made available to the trustee of the fund a bank guarantee to satisfy the balance of its commitment.

d Accrued benefits, market value of assets and surplus relate to the last actuarial review performed on 1 July 2005.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
27 SUPERANNUATION COMMITMENTS (CONTINUED)				
Amounts recognised in income statement (administration costs) in respect of the defined benefit funds				
Current service cost	**3.5**	4.4	**3.5**	4.4
Interest cost	**11.1**	11.6	**11.1**	11.6
Expected return on assets	**(16.7)**	(15.3)	**(16.7)**	(15.3)
Total (income) expense included in the income statement	**(2.1)**	0.7	**(2.1)**	0.7
Actuarial gains incurred during the financial year and recognised in the recognised income and expense statement	**3.0**	28.0	**3.0**	28.0
Cumulative actuarial gains and losses recognised in the recognised income and expense statement	**31.0**	28.0	**31.0**	28.0
Net (asset) liability of defined benefit funds				
Present value of liabilities	**250.5**	237.5	**250.5**	237.5
Fair value of assets	**(268.6)**	(245.0)	**(268.6)**	(245.0)
Net (asset) liability	**(18.1)**	(7.5)	**(18.1)**	(7.5)
Included in the balance sheet:				
Other non-current assets (note 11)	**(18.1)**	(11.5)	**(18.1)**	(11.5)
Non-current payables and financial liabilities (note 18)	**–**	4.0	**–**	4.0
Net (asset) liability	**(18.1)**	(7.5)	**(18.1)**	(7.5)
Movements in the present value of the defined benefit funds liabilities were as follows:				
Liabilities at the beginning of the financial year	**237.5**	259.8	**237.5**	259.8
Current service cost	**3.5**	4.4	**3.5**	4.4
Interest cost	**11.1**	11.6	**11.1**	11.6
Contributions from participants	**1.2**	0.7	**1.2**	0.7
Actuarial losses (gains)	**15.3**	(17.2)	**15.3**	(17.2)
Benefits paid	**(18.2)**	(21.8)	**(18.2)**	(21.8)
Transfers in	**0.1**	–	**0.1**	–
Liabilities at the end of the financial year	**250.5**	237.5	**250.5**	237.5
Movements in the present value of the defined benefit funds assets were as follows:				
Assets at the beginning of the financial year	**245.0**	233.4	**245.0**	233.4
Return on fund assets – expected	**16.7**	15.3	**16.7**	15.3
Return on fund assets – actuarial	**18.3**	10.8	**18.3**	10.8
Contributions from the employer	**5.5**	6.6	**5.5**	6.6
Contributions from participants	**1.2**	0.7	**1.2**	0.7
Benefits paid	**(18.2)**	(21.8)	**(18.2)**	(21.8)
Transfers in	**0.1**	–	**0.1**	–
Assets at the end of the financial year	**268.6**	245.0	**268.6**	245.0
The history of experience adjustments is as follows:				
Experience (loss) gain on fund liabilities	**(7.3)**	12.4	**(7.3)**	12.4
Experience gain on fund assets	**18.3**	10.8	**18.3**	10.8

(%)		CSR GROUP 2006	CSR GROUP 2005
Key assumptions and parameters (expressed as weighted averages):			
Discount rate (after tax)		**4.6**	4.9
Expected return on fund assets (after tax)		**6.8**	6.8
Expected salary increase		**4.5**	4.5
Asset class allocation	– equity instruments	**54.5**	51.8
	– debt instruments	**31.5**	34.4
	– property	**9.0**	9.6
	– other	**5.0**	4.2

28 FINANCIAL INSTRUMENTS

The CSR group uses a variety of derivative instruments to manage financial and commodity price risks. The CSR group does not use derivative or financial instruments for speculative or trading purposes.

Credit exposure

The CSR group is exposed to credit-related losses in the event of non-performance by counterparties to these derivative and financial instruments. The counterparties are predominantly prime financial institutions with a Standard & Poor's or Moody's rating of at least A- and A3 respectively.

The CSR group controls risk through the use of credit limits and monitoring procedures. The CSR group does not usually require collateral or other security to support financial instruments with credit risk.

Credit exposure of foreign currency and commodity price derivatives is represented by the net fair value of the contracts. The carrying amounts of financial assets included in the CSR group's financial statements represent its exposure to credit risk in relation to these assets.

As at 31 March 2006, the CSR group had no significant concentration of credit risk for derivative instruments with any single counterparty or group of counterparties. Concentrations of credit risk with respect to receivables are limited due to the large number of clients and markets in which the CSR group does business, as well as the dispersion across many geographic areas.

Net fair value

Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that CSR would realise upon disposition nor do they indicate the CSR group's intent or ability to dispose of the financial instrument.

The following assumptions and methods were used to estimate net fair value:

Commodity futures: The net fair value is based on the closing price on the applicable futures exchange and other market prices.

Foreign currency contracts, foreign exchange options, currency swaps and commodity swaps: The net fair value is estimated using market accepted formulae and market quoted input variables.

Cash, short-term loans and deposits, receivables, payables and short-term borrowings: The carrying amounts of these financial instruments approximate net fair value because of their short maturity.

Long-term borrowings: The present value of expected cash flows has been used to determine net fair value using interest rates derived from market parameters that accurately reflect their term structure. Certain estimates and judgments were required to develop the fair value amounts.

Commodity price sensitivity and risk management

The CSR group has exposure to aluminium commodity prices. The aluminium exposure arises from sales contracts that commit the CSR group to supply aluminium in future years. Prices for product supplied under these contracts are a function of the US dollar market price at the time of delivery. The CSR group has a policy of maintaining a minimum, but declining, level of hedging for up to the next five years at acceptable prices to manage its commodity price exposure with the objective of ensuring more predictable revenue cash flows.

The CSR group also has exposure to sugar prices through its raw sugar milling activities. The CSR group receives its share of Australian dollar pool price revenue derived by Queensland Sugar Limited based on its sugar price and foreign exchange hedging activities. Sugar price hedging is carried out by Queensland Sugar Limited for a maximum term usually of 18 months. CSR Sugar is also able to undertake additional longer term hedging in A$ terms with the sugar and currency exposure closely matched. This hedging may be conducted in declining volumes for up to five years where an acceptable price outcome can be achieved.

Sugar refining businesses seek to cover their exposure to raw sugar input costs against their refined sugar sales to industrial and retail customers on a back to back basis, thus eliminating market risk and locking in a refining margin. In this way, sugar commodity and currency price risk is minimised.

COMMODITY PRICE RISK EXPOSURE ($ MILLION)	AVERAGE PRICE[ab]	PRINCIPAL/MATURITIES 1 YEAR OR LESS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL	NET FAIR VALUE ASSET	LIABILITY
2006							
Aluminium							
London Metal Exchange aluminium futures sell contracts[c]	**1,796.4**	**49.7**	**40.7**	**–**	**90.4**	**–**	**29.9**
Aluminium commodity swaps[c]	**1,998.4**	**251.9**	**586.0**	**–**	**837.9**	**1.4**	**146.9**
Raw sugar							
New York Board of Trade Sugar No 11 futures buy contracts[c]	**304.9**	**161.5**	**11.6**	**–**	**173.1**	**54.5**	**0.1**
New York Board of Trade Sugar No 11 futures sell contracts[c]	**295.3**	**148.4**	**4.9**	**–**	**153.3**	**–**	**54.9**
Sugar commodity swaps[c]	**337.0**	**30.1**	**297.2**	**0.2**	**327.5**	**23.2**	**138.5**
Total						**79.1**	**370.3**
2005							
Aluminium							
London Metal Exchange aluminium futures sell contracts[c]	1,622.5	40.8	47.5	–	88.3	–	12.2
Aluminium commodity swaps[c]	1,555.6	184.5	130.6	–	315.1	–	62.2
Raw sugar							
New York Board of Trade Sugar No 11 futures buy contracts[c]	176.9	99.4	9.6	–	109.0	11.4	1.0
New York Board of Trade Sugar No 11 futures sell contracts[c]	183.3	55.6	13.0	–	68.6	1.1	5.1
Sugar commodity swaps[c]	146.4	1.7	13.7	–	15.4	4.4	–
Sugar commodity options[c]	198.4	0.7	–	–	0.7	–	–
Total						16.9	80.5

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

b US dollars per metric tonne.

c $291.2 million of commodity contract losses (2005: $63.6 million losses) was deferred in 2006 as the losses relate to hedges of highly probable forecast transactions. The expected timing of recognition based on the fair values at 31 March 2006 is one year or less: $125.1 million and one to five years: $166.1 million.

28 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange sensitivity and risk management

The CSR group uses a variety of foreign exchange risk management instruments including spot, forward and swap currency contracts and currency options, to hedge foreign currency denominated receipts resulting from revenue denominated in foreign currencies and payments for raw materials and capital equipment, with the key objective of achieving more predictable Australian dollar equivalent revenues.

The CSR group's major foreign currency exposure relates to its US dollar aluminium and sugar commodity price exposure and consequently has a currency hedging policy which complements the commodity price hedging policy by providing minimum but declining levels of hedging for up to the next five years using forward exchange rate contracts.

Other foreign exchange exposures are relatively small with the CSR group policy outlining guidelines for hedging for up to 18 months. The policy requires that foreign currency denominated purchases of capital equipment be fully hedged to the domestic currency to eliminate all currency exposure. Similarly, the policy also requires that foreign currency assets and liabilities are fully hedged to the relevant entity's domestic currency.

The table below provides information about the CSR group's significant exchange rate exposure.

FOREIGN EXCHANGE RISK EXPOSURE ($ MILLION)	AVERAGE EXCHANGE RATE[a]	PRINCIPAL/MATURITIES 1 YEAR OR LESS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL	NET FAIR VALUE[c] ASSET	LIABILITY
2006							
US dollar							
Forward exchange rate agreements[b]							
Receive US dollar	**0.75**	**135.5**	**31.6**	**–**	**167.1**	**9.6**	**0.2**
Pay US dollar	**0.71**	**334.6**	**820.0**	**0.2**	**1,154.8**	**26.9**	**26.7**
New Zealand dollar							
Forward exchange rate agreements[b]							
Pay New Zealand dollar	**1.09**	**3.7**	**–**	**–**	**3.7**	**0.3**	**–**
Euro							
Forward exchange rate agreements[b]							
Receive euro	**0.59**	**5.4**	**–**	**–**	**5.4**	**0.1**	**0.1**
Japanese yen							
Forward exchange rate agreements[b]							
Receive Japanese yen	**83.00**	**0.2**	**–**	**–**	**0.2**	**–**	**–**
Pay Japanese yen	**87.00**	**2.4**	**–**	**–**	**2.4**	**–**	**0.1**
Singaporean dollar							
Forward exchange rate agreements[b]							
Receive Singaporean dollar	**1.19**	**0.5**	**1.1**	**–**	**1.6**	**0.1**	**–**
Total						**37.0**	**27.1**
2005							
US dollar							
Forward exchange rate agreements[b]							
Receive US dollar	0.73	134.7	0.5	–	135.2	0.6	6.6
Pay US dollar	0.59	305.3	218.4	–	523.7	112.0	0.1
New Zealand dollar							
Forward exchange rate agreements[b]							
Pay New Zealand dollar	1.09	22.9	–	–	22.9	0.1	–
Euro							
Forward exchange rate agreements[b]							
Receive euro	0.57	13.2	–	–	13.2	–	0.3
Japanese yen							
Forward exchange rate agreements[b]							
Receive Japanese yen	83.00	0.2	–	–	0.2	–	–
Pay Japanese yen	76.00	3.7	–	–	3.7	0.2	–
Singaporean dollar							
Forward exchange rate agreements[b]							
Receive Singaporean dollar	1.29	0.6	1.4	–	2.0	0.1	–
Total						113.0	7.0

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

b $9.9 million of net foreign exchange contract gains (2005: $106.0 million gains) have been deferred as the gains relate to hedges of highly probable forecast transactions.
The expected timing of recognition based on the fair values at 31 March 2006 is one year or less: $20.5 million gain (2005: $69.4 million gain) and one to five years: $10.6 million loss (2005: $36.6 million gain).

c As at reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is $9.9 million (2005: unrealised gains of $106.0 million). In the current year, these unrealised gains have been deferred in the hedge reserve to the extent the hedge is effective.

28 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate sensitivity and risk management

CSR group policy allows the group to enter into a variety of derivative instruments to manage its interest rate exposure with the objective of obtaining lower funding costs and a more stable and predictable interest expense. The CSR group has a policy to maintain the percentage of fixed and variable rate debt within controlled limits. CSR group policy allows interest rate swaps and options to be entered into to maintain the mix of fixed and variable rate debt. The table below provides information about the CSR group's interest rate exposure and should be read in conjunction with notes 18 and 19.

INTEREST RATE RISK EXPOSURE ($ MILLION)	WEIGHTED AVERAGE TERM IN YEARS	RATE % PA[a]	PRINCIPAL/MATURITIES 1 YEAR OR LESS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL	CARRYING AMOUNT ASSET	LIABILITY	NET FAIR VALUE ASSET	LIABILITY
2006										
Long-term debt										
Fixed rate US dollar debt	**19.3**	**7.7**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**	**–**	**0.1**
Fixed rate Australian dollar debt	**3.0**	**6.0**	**–**	**200.0**	**–**	**200.0**	**–**	**200.0**	**–**	**195.3**
Fixed rate Thai baht debt	**1.7**	**4.1**	**–**	**7.0**	**–**	**7.0**	**–**	**7.0**	**–**	**6.9**
Fixed rate Malaysian ringgit debt	**2.1**	**4.1**	**–**	**11.4**	**–**	**11.4**	**–**	**11.4**	**–**	**11.3**
Floating rate Australian dollar debt[b]	**3.8**	**5.8**	**–**	**355.0**	**–**	**355.0**	**–**	**355.0**	**–**	**355.0**
Floating rate New Zealand dollar debt	**4.5**	**7.7**	**–**	**14.6**	**–**	**14.6**	**–**	**14.6**	**–**	**14.6**
Short-term debt										
Floating rate Australian dollar debt	**0.1**	**5.6**	**19.3**	**–**	**–**	**19.3**	**–**	**19.3**	**–**	**19.3**
Floating rate Singaporean dollar debt	**0.1**	**3.3**	**1.3**	**–**	**–**	**1.3**	**–**	**1.3**	**–**	**1.3**
Fixed rate Malaysian ringgit debt	**0.2**	**3.5**	**0.6**	**–**	**–**	**0.6**	**–**	**0.6**	**–**	**0.6**
Secured other Australian dollar debt	**1.0**	**–**	**6.6**	**–**	**–**	**6.6**	**–**	**6.6**	**–**	**6.6**
Term payables and other	**–**	**–**	**–**	**2.1**	**–**	**2.1**	**–**	**2.1**	**–**	**2.1**
Cash at bank and on deposit (net of overdraft)[c]	**–**	**–**	**57.4**	**–**	**–**	**57.4**	**58.3**	**0.9**	**57.4**	**–**
Total									**57.4**	**613.1**
2005										
Long-term debt										
Fixed rate US dollar debt	20.3	7.7	–	–	0.1	0.1	–	0.1	–	0.1
Fixed rate Australian dollar debt	4.0	6.0	–	200.0	–	200.0	–	200.0	–	195.6
Fixed rate Thai baht debt	2.7	4.1	–	6.5	–	6.5	–	6.5	–	6.1
Floating rate Australian dollar debt[b]	4.5	6.0	–	100.0	–	100.0	–	100.0	–	97.6
Secured other Australian dollar debt	1.5	–	–	6.3	–	6.3	–	6.3	–	5.7
Short-term debt										
Floating rate Australian dollar debt	0.1	5.6	8.2	–	–	8.2	–	8.2	–	8.2
Floating rate Singaporean dollar debt	0.1	2.4	1.4	–	–	1.4	–	1.4	–	1.4
Secured other Australian dollar debt	1.0	–	0.6	–	–	0.6	–	0.6	–	0.6
Term payables and other	–	–	–	6.9	–	6.9	–	6.9	–	6.9
Cash at bank and on deposit (net of overdraft)[c]	–	–	53.0	–	–	53.0	53.0	–	53.0	–
Total									53.0	322.2

a Average rates for the individual periods do not materially differ from the overall average rates disclosed. Other financial assets and liabilities are not exposed to interest rate risk.
b Maturities are based on the maturity date of the debt facilities, not the repricing date.
c Interest rates vary from nil to 7.3% per annum (2005: nil to 5.4% per annum).

Interest rate derivatives									
Australian dollar interest rate swaps									
Fixed rate receiver against A$ bank bills	4.5	5.9	–	150.0	–	150.0	–	–	–	0.7
Total									–	0.7

Net fair values

($ MILLION)	CARRYING AMOUNT ASSET 2006	2005	LIABILITY 2006	2005	NET FAIR VALUE ASSET 2006	2005	LIABILITY 2006	2005
Other financial assets	**54.5**	22.4			**54.5**	25.9		
Current trade receivables	**435.9**	335.3			**435.9**	335.3		
Current payables and financial liabilities			**616.1**	293.0			**616.1**	293.0
Non-current payables and financial liabilities			**203.0**	10.9			**203.0**	10.9
Total	**490.4**	357.7	**819.1**	303.9	**490.4**	361.2	**819.1**	303.9

29 EQUITY ACCOUNTING INFORMATION

Name of entity	Principal activity	Ownership interest 2006 %	Ownership interest 2005 %	Carrying amount 2006 ($ million)	Carrying amount 2005 ($ million)
C. Czarnikow Limited[a]	Sugar brokering	**43**	43	**14.5**	11.9
Enviroguard Pty Limited	Waste management	**50**	50	**5.7**	6.0
Rondo Pty Limited	Building products	**50**	50	**8.2**	6.5
Other non-material associates				**0.7**	0.6
Total investments accounted for using the equity method				**29.1**	25.0

All incorporated in Australia except C. Czarnikow Limited which is incorporated in England and Wales.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005
Equity accounted amount of investments at the beginning of the financial year	**25.0**	138.1
Share of associate entities' profit from ordinary activities before income tax[b]	**31.4**	38.1
Share of income tax	**(9.3)**	(8.6)
Dividends and distributions received	**(17.9)**	(34.8)
Associate entities now controlled entities	**–**	(177.9)
Acquisitions	**–**	70.0
Foreign currency translation and other	**(0.1)**	0.1
Equity accounted amount of investments at the end of the financial year	**29.1**	25.0
Share of revenue and reserves attributable to associate entities		
Revenue	**142.2**	115.4
Retained profits[c]	**21.9**	18.2
Asset revaluation reserves[c]	**0.7**	0.7
Other reserves[c]	**8.6**	9.1
Summarised balance sheet of associate entities		
Assets		
– cash	**65.0**	72.6
– other current assets	**215.7**	224.8
– property, plant and equipment	**18.3**	23.2
– other non-current assets	**1.9**	17.1
Liabilities		
– current payables	**131.8**	131.0
– current borrowings and other liabilities	**87.9**	113.3
– non-current liabilities	**16.0**	34.0
Net assets	**65.2**	59.4

a The reporting date is 31 December.
b The CSR group increased its interest in the sugar refinery associate entities on 2 April 2004 to 75%. The CSR group fully consolidated them from 1 October 2004 when control was achieved. The associate entity data excludes transactions from that later date.
c The opening balances as at 1 April 2004 were retained profits $30.4 million, asset revaluation reserves $1.1 million and other reserves $9.2 million.

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Balances and transactions with associate entities[de]				
Current loans and receivables	**8.3**	8.3	**8.3**	0.8
Non-current loans and receivables	**16.5**	20.7	**5.5**	5.9
New loans and receivables	**11.7**	12.3	**10.5**	5.3
Loans and receivables repaid	**15.5**	13.6	**3.0**	9.6
Current payables	**3.5**	2.8	**–**	–
Purchases of goods and services	**38.6**	32.6	**–**	–
Sales of goods and services	**2.5**	3.8	**–**	–
Dividends and distributions received and receivable	**17.9**	34.8	**–**	19.4

d Purchases and sales of goods and services are on normal terms and conditions.
e Excludes transactions with the Sugar Australia Joint Venture and New Zealand Sugar Company Ltd from 1 October 2004.

30 PARTICULARS RELATING TO CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION/FORMATION	% CSR OWNERSHIP 2006	2005
ACN 009 639 847 Pty Ltd[a]	Australia	**–**	100
Amalgamated Sugar Mills Pty Ltd	Australia	**100**	100
BI (Contracting) Pty Ltd	Australia	**100**	100
Bradford Insulation (M) Sdn Bhd[a]	Malaysia	**–**	100
Bradford Insulation Industries Pty Ltd	Australia	**100**	100
Bradford Insulation (SA) Pty Ltd[b]	Australia	**100**	100
Buchanan Borehole Collieries Pty Ltd	Australia	**100**	100
Chelsea Estates NZ Pty Ltd	Australia	**100**	100
Chelsea Nominees Ltd	New Zealand	**100**	100
CSR Bradford Air (M) Sdn Bhd	Malaysia	**70**	70
CSR Building Materials (HK) Ltd	Hong Kong	**100**	100
CSR Building Materials (M) Sdn Bhd	Malaysia	**70**	70
CSR Building Products (NZ) Ltd	New Zealand	**100**	100
CSR Building Materials Trading (Shanghai) Co., Ltd	China	**100**	100
CSR Building Products Ltd	Australia	**100**	100
CSR Building Systems (M) Sdn Bhd[a]	Malaysia	**–**	70
CSR Climate Control (M) Sdn Bhd	Malaysia	**70**	70
CSR Developments Pty Ltd	Australia	**100**	100
CSR Distilleries Operations Pty Ltd	Australia	**100**	100
CSR Erskine Park Trust	Australia	**100**	100
CSR Ethanol Pty Ltd	Australia	**100**	100
CSR Finance Ltd	Australia	**100**	100
CSR Guangdong Glasswool Co., Ltd	China	**79**	79
CSR Gypsum Products (UK) Ltd[a]	UK	**–**	100
CSR Humes (UK) Limited[a]	UK	**–**	100
CSR Industrial Property Master Trust	Australia	**100**	100
CSR Industrial Property Nominees No 1 Pty Ltd	Australia	**100**	100
CSR Industrial Property Nominees No 2 Pty Ltd	Australia	**100**	100
CSR Insulation (Thailand) Limited	Thailand	**100**	100
CSR Insurance Pte Limited	Singapore	**100**	100
CSR International Pty Ltd	Australia	**100**	100
CSR Investments Pty Ltd	Australia	**100**	100
CSR Investments (Asia) Pty Ltd	Australia	**100**	100
CSR Investments (Indonesia) Pty Ltd	Australia	**100**	100
CSR Investments (Taiwan) Pty Ltd	Australia	**100**	100
CSR Investments (Thailand) Pty Ltd	Australia	**100**	100
CSR Plane Creek Pty Ltd	Australia	**100**	100
CSR Readymix (Australia) Pty Ltd[a]	Australia	**–**	100
CSR Refining Investments Pty Ltd	Australia	**100**	100
CSR Refining Investments (NZ) Ltd	New Zealand	**100**	100
CSR Share Plan Pty Ltd	Australia	**100**	100
CSR South East Asia Pte Ltd	Singapore	**100**	100
CSR Sugar Investments Pty Ltd	Australia	**100**	100
CSR Sugar Pty Ltd	Australia	**100**	100
CSR Sugar (Herbert) Pty Ltd	Australia	**100**	100
CSR Sugar (Invicta) Pty Ltd	Australia	**100**	100
CSR Sugar (Kalamia) Pty Ltd	Australia	**100**	100
CSR Taiwan Co, Ltd[a]	Taiwan	**–**	100
CSR (Guangzhou) Building Materials Co., Ltd[c]	China	**100**	–
CSR (Guangdong) Rockwool Co., Ltd	China	**70**	70
CSR (Pioneer Sugar) Pty Ltd	Australia	**100**	100
Farley & Lewers Ltd	Australia	**100**	100
FEP Concrete Ltd	Australia	**100**	100
Gove Aluminium Finance Ltd	Australia	**70**	70
Gyprock Holdings Pty Ltd	Australia	**100**	100
Midalco Pty Ltd	Australia	**100**	100
New Zealand Sugar Company Ltd	New Zealand	**75**	75
Pioneer Sugar Mills Pty Ltd	Australia	**100**	100
Premier Packers Ltd	New Zealand	**75**	75
PT Prima Karya Plasterboard	Indonesia	**100**	100
Pyneboard Pty Ltd[a]	Australia	**–**	100
Refined Sugar Services Pty Ltd	Australia	**100**	100
Rivarol Pty Ltd	Australia	**100**	100
Seltsam Pty Ltd	Australia	**100**	100
Softwood Holdings Ltd[b]	Australia	**100**	100
Softwood Plantations Pty Ltd[b]	Australia	**100**	100
Softwoods Queensland Pty Ltd[b]	Australia	**100**	100
Sugar Australia Joint Venture	Australia	**75**	75
Sugar Australia Pty Ltd	Australia	**75**	75
Tatefield Pty Ltd	Australia	**75**	75
The Haughton Sugar Co Pty Ltd	Australia	**100**	100
The Readymix Group (Australia) Ltd[a]	Australia	**–**	100
Thiess Bros Pty Ltd	Australia	**100**	100
Thiess Holdings Pty Ltd	Australia	**100**	100

a Liquidated/deregistered during the financial year.
b In voluntary liquidation.
c Incorporated/formed during the financial year.

31 CONTRACTED LEASE AND HIRE EXPENDITURE[a]

($ MILLION)	CSR GROUP 2006	2005	CSR LIMITED 2006	2005
Contracted lease and hire expenditure commitments not otherwise provided for in the financial statements				
Land and buildings	**19.7**	22.2	**3.4**	6.7
Plant and equipment	**66.0**	72.9	**0.3**	0.5
	85.7	95.1	**3.7**	7.2
Contracted lease and hire expenditure comprises				
Non-cancellable operating leases payable				
Within one year	**10.0**	9.2	**3.1**	3.3
Between one and two years	**7.0**	10.9	**–**	3.1
Between two and five years	**12.9**	16.7	**–**	–
After five years	**5.7**	0.6	**–**	–
	35.6	37.4	**3.1**	6.4
Other payable				
Within one year	**7.7**	7.6	**0.2**	0.2
Between one and two years	**7.6**	7.6	**0.2**	0.3
Between two and five years	**22.2**	22.8	**0.2**	0.3
After five years	**12.6**	19.7	**–**	–
	50.1	57.7	**0.6**	0.8
Total operating lease and hire expenditure	**85.7**	95.1	**3.7**	7.2

a The operating lease and rental payments were CSR group $30.1 million (2005: $27.0 million), and CSR Limited $4.7 million (2005: $4.3 million). The total of minimum rentals to be received in the future under non-cancellable sub-leases as at 31 March 2006 is not material. Contingent rentals for 2006 and 2005 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. Finance lease liabilities are detailed in note 18.

($ MILLION)	CSR GROUP 2006	2005	CSR LIMITED 2006	2005
32 CONTRACTED CAPITAL EXPENDITURE				
Estimated capital expenditure contracted for at year end but not provided for				
Payable within one year – CSR group	**57.3**	78.1	**12.8**	18.7
Payable within one year – associate entities	**–**	–	**–**	–
Total contracted capital expenditure	**57.3**	78.1	**12.8**	18.7

($ MILLION)	CSR GROUP 2006	2005	CSR LIMITED 2006	2005
33 CONTINGENT LIABILITIES				
Contingent liabilities, capable of estimation, arise in respect of the following categories				
Performance guarantees provided to third parties and other contingent liabilities	**3.2**	4.2	**–**	0.6
Guarantees given by CSR Limited in respect of amounts borrowed by				
CSR Finance Limited			**0.1**	0.1
Rinker Materials Corporation[a]	**–**	324.1	**–**	324.1
Total contingent liabilities	**3.2**	328.3	**0.1**	324.8

a Outstanding pre-demerger guarantees on 2005 Rinker Materials Corporation bonds paid out in June 2005.

Product liability

CSR Limited and/or certain subsidiaries (CSR) were involved in mining asbestos and manufacturing and marketing products containing asbestos in Australia, and exporting asbestos to the United States. As a result of these activities, CSR has been named as a defendant in litigation in Australia and the United States.

In Australia, asbestos related personal injury claims have been made by employees and ex-employees of CSR, by others such as contractors and transporters and by users of products containing asbestos. As at 31 March 2006, there were 603 such claims pending.

In the United States, claims are made by people who allege exposure to asbestos fibre liberated either during the manufacture of products containing asbestos or in the installation or use of those products. As at 31 March 2006, there were 3,591 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2006, CSR had resolved 1,858 claims in Australia and approximately 129,000 claims in the United States.

There are uncertainties surrounding litigation in each of the United States and Australia. The incidence of asbestos related disease, the propensity of claimants to make formal demands on CSR, the amount of those demands, the presence of other defendants in litigation involving CSR, the impact on the United States litigation environment of recent asbestos bankruptcies, the passage of certain state-based legislation relating to asbestos claims in the United States, and recent changes to the system for compensating asbestos claims in New South Wales impact the numbers and value of claims made against CSR.

CSR has recognised as a provision for product liability costs the best estimate of the consideration required to settle the present obligation for anticipated compensation payments and legal costs as at the reporting date. In determining the provision, CSR has obtained independent expert advice in relation to the future incidence and value of asbestos related claims in each of the United States and Australia. Those assessments have projected CSR's claims experience into the future using various 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. The provision includes an appropriate prudential margin.

In 1995, CSR Limited commenced proceedings in United States District Court for the District of New Jersey against various Australian, European and American insurers that issued policies to CSR from approximately 1978 to 1989 (the 'Policies'). In those proceedings CSR seeks, among other things, (1) compensatory damages for breach of contract for failure to defend and indemnify CSR in US asbestos litigation; (2) a declaratory judgment that CSR is entitled to coverage under the Policies for future US asbestos claims; and (3) punitive damages for defendants' bad faith. The insurers deny liability for CSR's claims and have raised various defences in the proceedings.

To date, CSR has settled its disputes with certain of the defendants for a total of more than A$158 million. That amount includes a settlement in the previous financial year with certain Underwriters at Lloyd's (reinsured by Equitas) in 2004 for A$41 million. Recently CSR Limited also reached a settlement of litigation commenced in New Jersey in 1995 with a group of 48 Australian, United Kingdom and European insurers. Under the terms of the settlement each of the settling insurers is obliged to pay its share of a settlement totalling approximately A$103.3 million on or before 10 June 2006. CSR is continuing the action against those insurers that are yet to settle. These include ACE Insurance Limited and certain of its affiliates, which together were the primary and excess insurers of CSR and the lead insurer on many of the policies at issue in the proceedings.

At 31 March 2006, a provision of $365.8 million (2005: $318.4 million) has been made for all known claims and probable future claims but not for such claims as cannot presently be reliably measured. CSR cannot determine with certainty the amount of its ultimate liability with respect to asbestos related claims or the future impact on its financial condition. However, taking into account the provision already included in CSR's financial statements and current claims management experience, CSR is of the opinion that asbestos litigation in the United States and Australia will not have a material adverse impact on the CSR group financial condition.

Workers' compensation

CSR Limited acts as an authorised self-insurer in New South Wales, Queensland, Victoria, South Australia (to 10 April 2003), Western Australia and the Australian Capital Territory for workers' compensation insurance. Adequate provision has been made for all known claims and potential future claims that can be reliably measured.

34 IMPACTS OF THE ADOPTION OF A-IFRS

This Financial report has been prepared under Australian equivalents to International Financial Reporting Standards (A-IFRS). Previous financial reports were prepared using Australian Generally Accepted Accounting Principles (AGAAP) existing at that time.

The CSR group has not elected to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on the first time adoption of A-IFRS. The effect of changes in accounting policies for financial instruments at 1 April 2005 is detailed below.

The following tables reconcile the net profit and total equity as reported in the 2005 annual report to the net profit and total equity shown as a comparative in the current financial report.

Reconciliation of net profit attributable to shareholders under previous AGAAP to that under A-IFRS

YEAR ENDED 31 MARCH ($ MILLION)	NOTE	CSR GROUP 2005	CSR LIMITED 2005
Prior year net profit as previously reported under AGAAP		287.1	(10.4)
Recognition of defined benefit obligations, net of tax	b	4.1	4.1
Reduced depreciation on impairment adjustment, net of tax	c	5.9	–
Reduced depreciation on formation of JV adjustment, net of tax	d	1.5	1.3
Cessation of trade name amortisation	e	0.9	–
Cessation of goodwill amortisation	f	1.7	–
Deferred costs recognition adjustment, net of tax	g	19.0	18.6
Expensing share-based payments, net of tax	h	(1.5)	(1.5)
Tax benefit relating to changes in deferred tax accounts	j	0.2	–
Net profit after tax under A-IFRS		318.9	12.1

Reconciliation of total equity presented under previous AGAAP to that under A-IFRS

		CSR GROUP		CSR LIMITED	
($ MILLION)	NOTE	31 MARCH 2005	1 APRIL 2004	31 MARCH 2005	1 APRIL 2004
Total equity previously reported under AGAAP		1,367.9	1,144.9	1,250.0	1,377.9
Adjustments to retained profits (net of tax):					
Transfer from foreign currency translation reserve	a	(1.2)	(1.2)	–	–
Recognition of defined benefit obligations	b	5.2	(18.5)	5.2	(18.5)
Write down of assets	c d	(95.5)	(102.7)	(11.2)	(12.5)
Internally generated intangible assets	e	(5.4)	(6.3)	–	–
Cessation of goodwill amortisation	f	1.7	–	–	–
Deferred costs recognition adjustment	g	(4.2)	(23.2)	–	(18.6)
Expensing share-based payments	h	(1.5)	–	(1.5)	–
Adjustments to tax balances	j	(14.3)	(14.7)	–	–
Adjustments to other reserves (net of tax):					
Transfer foreign currency translation reserve to retained profits	a	1.2	1.2	–	–
Employee share reserve	h	2.2	–	2.2	–
Total equity under A-IFRS		1,256.1	979.5	1,244.7	1,328.3

Notes to the reconciliation of net profit and total equity

a Cumulative exchange differences
At the date of transition the CSR group elected to reset the foreign currency translation reserve to zero. An amount of $1.2 million (loss) was transferred from foreign currency translation reserve to retained profits.

b Defined benefit superannuation plans
A net defined benefit obligation of $26.4 million was recognised on 1 April 2004 on transition to A-IFRS. Under superseded policies, contributions to defined benefit superannuation plans were expensed when due and payable and no liabilities were recognised in relation to the plans.

c Impairment of assets
A write down is required under A-IFRS at the date of transition as a result of the establishment of cash generating units for Building Products and Sugar Mills at a lower level than required under the superseded standards. The write downs were determined on a discounted cash flow analysis based on management expectations at the date of transition.

d Formation of joint ventures
Profits recognised on the formation of joint ventures are not permitted under A-IFRS when similar non-monetary assets are contributed by the venturers in forming the joint venture. The unamortised balance of the profit recognised by the CSR group on formation of the Sugar Australia Joint Venture (JV) is adjusted against opening retained profits as at the date of transition to A-IFRS. This adjustment was made against the carrying value of the investment.

e Intangible assets
Under superseded standards certain internal costs were capitalised into the value of acquired intangible assets. These costs cannot be capitalised under A-IFRS and consequently the balance remaining at 1 April 2004 was adjusted against opening retained profits at that date.

f Goodwill
The CSR group has elected not to restate business combinations that occurred prior to the date of transition to A-IFRS, and accordingly, the carrying amount of goodwill at the date of transition has not changed. Goodwill, which was amortised under the superseded policies, is not amortised under A-IFRS from the date of transition.

g Deferred costs
Certain legal costs associated with insurance litigation were deferred under superseded standards. These costs cannot be carried under A-IFRS and were written off against retained profits as at 1 April 2004. In future these costs will be expensed as incurred. Start up costs capitalised under superseded standards were written off against retained profits at the transition date to A-IFRS. In future these costs will be expensed as incurred.

h Share-based payments
Free shares issued under the employee Universal Share/Option Plan were not recognised as an expense under superseded standards. On adoption of A-IFRS the CSR group will recognise an expense for all share-based remuneration. Restatement of year ended 31 March 2005 income statement includes expensing of free shares issued in September/October 2004.

34 IMPACTS OF THE ADOPTION OF A-IFRS (CONTINUED)

i Financial instruments
The CSR group has elected not to restate comparative information for financial statements within the scope of accounting standards AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', as permitted on first time adoption of A-IFRS. The effect of changes in accounting policies for financial instruments on the balance sheet at 1 April 2005 was an increase in other reserves of $31.3 million (CSR Limited $nil) for the fair value of cash flow hedges after tax, and an increase in CSR Limited retained profits of $3.5 million for the fair value of available for sale assets. The following assets were designated as available-for-sale on adoption of AASB 139. These financial assets were previously measured at cost:

($ MILLION)	FAIR VALUE AT 31 MARCH 2005	CARRYING AMOUNT AT 31 MARCH 2005
Non-current financial assets		
Shares in Sugar Terminals Ltd	25.9	22.4

The following transitional provisions have an effect on future periods:

The effectiveness of hedging relationships is assessed from 1 April 2005; no adjustment is made in relation to hedges under the superseded policies.

The main adjustments necessary that would make the comparative financial statements comply with AASB 132 and AASB 139 are listed in the recognised income and expense statement.

j Income tax
Under superseded policies, the CSR group adopted tax-effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items were included or allowed for income tax purposes in a period different to that for accounting were recognised at current taxation rates as deferred tax assets and deferred tax liabilities, as applicable. Under A-IFRS, deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases. The effect of the above adjustments on the deferred tax balances are as follows.

($ MILLION)	ADJUSTMENTS ON ADOPTION OF A-IFRS ON 1 APRIL 2004	CHANGES DUE TO REVISED A-IFRS INCOME STATEMENT	A-IFRS 31 MARCH 2005	CHANGES DUE TO AASB 139 FINANCIAL INSTRUMENTS
CSR group				
Deferred costs	2.0	(0.2)	1.8	–
Deferred tax not recognised under previous AGAAP	(14.7)	0.4	(14.3)	–
Asset write downs	43.9	(3.0)	40.9	–
Share-based payments	–	0.7	0.7	–
Defined benefit obligation	7.9	(10.2)	(2.3)	–
Fair value of cash flow hedges	–	–	–	(13.5)
Net decrease/(increase) in deferred tax balances	39.1	(12.3)	26.8	(13.5)
CSR Limited				
Asset write downs	5.3	(0.5)	4.8	–
Share-based payments	–	0.7	0.7	–
Defined benefit obligation	7.9	(10.2)	(2.3)	–
Net decrease/(increase) in deferred tax balances	13.2	(10.0)	3.2	–

35 INTEREST IN JOINT VENTURE OPERATION

($ MILLION)	CSR GROUP 2006	CSR GROUP 2005	CSR LIMITED 2006	CSR LIMITED 2005
Interest in the Tomago aluminium smelter joint venture operation[ab] is included in the financial statements in the following categories				
Current assets				
Cash and receivables	**2.6**	3.3	**–**	–
Inventories	**24.6**	25.2	**–**	–
Other current assets	**0.9**	0.8	**–**	–
	28.1	29.3	**–**	–
Non-current assets				
Receivables	**0.3**	0.3	**–**	–
Property, plant and equipment	**311.7**	330.1	**–**	–
Other non-current assets	**19.9**	12.7	**–**	–
	331.9	343.1	**–**	–
Total assets	**360.0**	372.4	**–**	–
Current liabilities	**35.5**	37.4	**–**	–
Non-current liabilities	**79.3**	79.1	**–**	–
Total liabilities	**114.8**	116.5	**–**	–
Net assets	**245.2**	255.9	**–**	–
Contracted capital expenditure	**5.1**	3.5	**–**	–
Contingent liabilities	**–**	1.1	**–**	–

a The CSR group's joint venture interest of 36.1% (2005: 36.1%) is held through a controlled entity in which the CSR group has a 70% interest.
b Principal activity: Aluminium.

36 ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

($ MILLION)	CSR GROUP ACQUISITIONS		CSR GROUP DISPOSALS	
VALUE OF NET ASSETS OF CONTROLLED ENTITIES AND BUSINESSES ACQUIRED AND DISPOSED[a]	**2006**	2005	**2006**	2005
Cash	**–**	2.2	**–**	–
Receivables	**–**	1.0	**–**	–
Inventories	**1.5**	1.3	**–**	–
Other current assets	**0.1**	0.1	**–**	–
Investments	**–**	70.0	**–**	–
Property, plant and equipment	**2.6**	11.7	**–**	–
Intangible assets	**1.3**	1.0	**–**	–
Other non-current assets	**0.1**	2.9	**–**	–
Payables	**–**	(1.2)	**–**	–
Interest-bearing liabilities	**(0.5)**	–	**–**	–
Provisions and tax liabilities	**(0.3)**	(12.4)	**–**	–
	4.8	76.6	**–**	–
Goodwill acquired	**0.9**	–	**–**	–
Total consideration	**5.7**	76.6	**–**	–
Cash balances acquired/disposed	**–**	(2.2)	**–**	–
Total flow of cash	**5.7**	74.4	**–**	–

a Operating results of the entities acquired are included in the income statement from date acquired (up to the date disposed). Control of the Sugar Australia Joint Venture and New Zealand Sugar Company Ltd was obtained on 1 October 2004.

37 SUBSEQUENT EVENTS

There have been no changes in events since 31 March 2006 that would materially impact any information disclosed in this financial report.

DIRECTORS' DECLARATION

1. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2006.
2. In the Directors' opinion:
   (a) the financial statements and notes, set out on pages 39 to 67 are in accordance with the Corporations Act 2001, including:
      (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
      (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date;
   (b) there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors pursuant to section 295(5) of the Corporations Act 2001.

Ian Blackburne

IAN BLACKBURNE
Chairman

Alec Brennan

ALEC BRENNAN
Managing Director

17 May 2006

Deloitte.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CSR LIMITED

SCOPE

The financial report, compensation disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, recognised income and expense statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both CSR Limited (the company) and the consolidated entity, for the financial year ended 31 March 2006 as set out on pages 39 to 67. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information about the compensation of key management personnel as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ('AASB 124') ('the compensation disclosures'), under the heading 'Remuneration Report' in pages 33 to 37 of the directors' report, as permitted by ASIC Class Order 06/50 and ASIC Class Order 06/105.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion:

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

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(2) the compensation disclosures that are contained in pages 33 to 37 of the directors' report comply with Accounting Standard paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124.

DELOITTE TOUCHE TOHMATSU

G COUTTAS
Partner
Chartered Accountants

Sydney, 17 May 2006

The following declaration has been provided to the directors of CSR Limited

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF 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 CSR Limited financial statements for the year ended 31 March 2006, 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.

DELOITTE TOUCHE TOHMATSU

G COUTTAS
Partner
Chartered Accountants

Sydney, 17 May 2006

Member of Deloitte Touche Tohmatsu

SHARE INFORMATION

AS AT 17 MAY 2006		ORDINARY SHARES	% OF TOTAL SHARES
20 LARGEST HOLDERS OF ORDINARY FULLY PAID SHARES			
1	Westpac Custodian Nominees Limited	160,116,244	17.55
2	J P Morgan Nominees Australia Limited	135,999,695	14.91
3	National Nominees Limited	104,911,653	11.50
4	ANZ Nominees Limited	35,956,475	3.94
5	Citicorp Nominees Pty Limited	30,200,784	3.31
6	Cogent Nominees Pty Limited	27,601,890	3.03
7	UBS Nominees Pty Limited	13,750,000	1.51
8	CSR Share Plan Pty Limited	10,257,231	1.12
9	Australian Foundation Investment Company Limited	6,244,404	0.68
10	PSS Board	5,419,511	0.59
11	AMP Life Limited	4,893,119	0.54
12	Cogent Nominees Pty Limited	4,890,443	0.54
13	UBS Nominees Pty Limited	4,878,964	0.53
14	RBC Dexia Investor Services Australia Nominees Pty Limited	4,440,882	0.49
15	CSS Board	3,893,094	0.43
16	Victorian Workcover Authority	3,560,087	0.39
17	HSBC Custody Nominees (Australia) Limited	3,515,487	0.39
18	Argo Investments Limited	3,095,512	0.34
19	Perpetual Trustee Company Limited	2,998,016	0.33
20	Queensland Investment Corporation	2,859,767	0.31
		569,483,258	62.43
Total issued capital		912,369,315	

SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

Barclays Global Investors Australia Limited advised that, as at 10 May 2006, it and its associates had a relevant interest in 86.19 million shares, 9.45% of CSR's total issued capital.

M&G Investment Management Limited advised that, as at 21 March 2006, it and its associates had a relevant interest in 54.91 million shares, 6.01% of CSR's total issued capital.

GMO Australia Ltd advised that, as at 6 January 2006, it and its associates had a relevant interest in 65.17 million shares, 7.14% of CSR's total issued capital.

State Street Global Advisors Australia Limited advised that, as at 21 December 2005, it and its associates had a relevant interest in 45.76 million shares, 5.02% of CSR's total issued capital.

AS AT 17 MAY 2006	LISTED FULLY PAID SHARES WITH FULL VOTING RIGHTS SHAREHOLDERS	%	SHARES	%
DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS				
Registered address				
Australia	81,464	96.14	902,205,016	98.89
New Zealand	2,082	2.46	6,118,316	0.67
UK	461	0.54	1,403,947	0.15
US	189	0.22	424,787	0.05
Other	545	0.64	2,217,249	0.24
Total	84,741	100.00	912,369,315	100.00
Size of shareholding				
1 - 1,000	28,698	33.86	17,173,273	1.88
1,001 - 5,000	41,605	49.10	104,372,890	11.44
5,001 - 10,000	9,271	10.94	66,717,060	7.31
10,001 - 100,000	5,006	5.91	100,454,216	11.01
100,001 - and over	161	0.19	623,651,876	68.36
Total	84,741	100.00	912,369,315	100.00
Shareholdings of less than a marketable parcel				
Holdings of 124 or less shares	815	0.96	60,797	0.01

RECENT CSR DIVIDENDS AND RETURN OF CAPITAL

DATE PAID	TYPE OF PAYMENT	PAYMENT PER SHARE	AMOUNT PER SHARE FRANKING	FRANKED AMOUNT PER SHARE AT 30% TAX
July 2004	Final dividend	6 cents	70%	4.2 cents
December 2004	Interim dividend	6 cents	100%	6 cents
July 2005	Final dividend	6 cents	100%	6 cents
August 2005	Capital return	20 cents		
December 2005	Interim dividend	6 cents	100%	6 cents

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E-mail investorrelations@csr.com.au

CSR internet site www.csr.com.au

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING
10.00 am Thursday 13 July 2006
The Westin Hotel, Martin Place, Sydney

SHAREHOLDERS' TIMETABLE[a]

	2006
CSR year end	31 March
Full year profit and final dividend announced	17 May
Shares begin trading ex dividend	6 June
Record date for final dividend	13 June
Annual report, notice of meeting and proxy form released	14 June
Final dividend paid	5 July
Proxy returns close 10.00 am Sydney	11 July
Annual general meeting 10.00 am Sydney	13 July
CSR half year end	30 September
Half year profit and half year dividend announced	8 November
Shares begin trading ex dividend	14 November
Record date for half year dividend	20 November
Half year dividend paid	11 December

	2007
CSR year end	31 March

a Timing of events is subject to change.

SHAREHOLDER INFORMATION AND INQUIRIES

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

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