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CSR Limited
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CSR half yearly report 2007

Results for the six months to 30 September 2007

Results for announcement to the market

(All comparisons are to the half year ended 30 September 2006)

				$ million
Trading revenue	down	2.4%	to	1,552.2
Earnings before interest and tax (excluding significant items)	down	16.2%	to	158.2
Profit for the period attributable to members (excluding significant items)	down	33.8%	to	72.3
Profit for the period attributable to members (including significant items)	down	38.2%	to	67.5

	30 September 2007	30 September 2006
Net tangible assets per share	$0.93	$1.12

Dividends	**Amount per security**	**Franking**	**Franked amount per security at 30% tax**
Interim dividend	6 cents	100%	6 cents
Previous corresponding period	6 cents	100%	6 cents

Record date for determining entitlements to interim dividend	19 November 2007
Dividend payment date	17 December 2007

This document represents information provided pursuant to Listing Rule 4.2A of the Australian Securities Exchange. The information should be read in conjunction with CSR's most recent annual financial report, the Full Financial Report for the year ended 31 March 2007. Shareholders wishing to receive the Full Financial Report may obtain a copy from CSR's internet site at www.csr.com.au or by contacting CSR Investor Relations on 02 9235 8000.

The results presentation will be available via an audio webcast from CSR's website www.csr.com.au commencing at 10am today.

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CSR Limited

Half year report for the six months ended 30 September 2007

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7 November 2007

CSR EBIT down 16%:
46% lift in Building Products offset by 69% drop in Sugar earnings

- CSR EBIT for the six months to 30 September 2007 of $158.2 million down 16% - earnings weighted to second half of the year
- Building Products EBIT up 46% following restructuring of the Bricks and Roofing operations and acquisition of the Australasian business of Pilkington in June 2007
- As foreshadowed, raw sugar prices pulled down sugar earnings by 69%
- Pilkington – early performance in line with expectations, integration on track. DMS Glass acquisition complete
- Lower EBIT, higher interest costs and effective tax rate lowered net profit before significant items by 34% to $72.3 million. Including significant items, net profit was down 38% to $67.5 million
- The interim dividend to be paid on 17 December 2007 will be maintained at 6 cents a share, fully franked
- Net cash from operating activities up 7.5% to $134.2 million
- Share purchase plan completed on 2 November 2007 raising $112 million. Dividend reinvestment plan reactivated for interim dividend payment
- A detailed review of CSR's structure has concluded that a restructuring of assets at this point in the cycle would not result in any significant valuation uplift

Financial results summary

Half year ended 30 September [$ million unless stated]	**2007**	2006	change
Trading revenue	**1,552.2**	1,590.9	-2%
Earnings before interest, tax, depreciation and amortisation	**229.1**	250.3	-8%
Earnings before interest and tax – EBIT	**158.2**	188.8	-16%
Net finance expense	**-39.1**	-25.9	51%
Tax expense	**-30.2**	-37.6	-20%
Outside equity interest	**-16.6**	-16.1	
Net profit before significant items	**72.3**	109.2	-34%
Net profit after significant items	**67.5**	109.2	-38%
Earnings per share after significant items (EPS) [cents]	**7.7**	12.0	-36%
	30 September 2007	30 September 2006	
Gearing – net debt / net debt + equity [(1)]	**42.4%**	32.8%	

(1) Excludes fair value of hedges from equity

Earnings before interest and tax (EBIT) by segment

Half year ended 30 September [$ million unless stated]	2007	2006	change
Building Products	**66.3**	45.5	46%
Sugar	**22.4**	71.6	-69%
Aluminium	**65.9**	67.6	-3%
Property	**7.6**	9.7	-22%
Business segment total	**162.2**	194.4	-17%
Corporate costs	**-8.6**	-8.8	
Restructure and provisions	**4.6**	3.2	
Total EBIT	**158.2**	188.8	-16%

Overview

"For the half year the significant increase in CSR Building Products' earnings was not enough to offset the nearly 70 per cent drop from Sugar," CSR managing director Jerry Maycock said today.

"Growth in Building Products was assisted by the acquisition of Pilkington and the restructuring of Bricks and Roofing divisions. Despite the ongoing downturn in the east coast residential housing market, earnings from our existing businesses was up 18 per cent on a 2 per cent lift in revenue."

"The acquisition of DMS Glass in October adds further synergies to the Pilkington acquisition. The integration of both companies, although in the early stages, is progressing extremely well. The combined impact is expected to be approximately earnings per share neutral this year and positive thereafter, excluding one-off costs."

"As highlighted earlier this year, Sugar milling earnings were impacted by a $71 per tonne drop in raw sugar prices compared to the prior half year, the higher A$, increased costs due to wet weather and the sugar mills renewal program. A three year program is underway in the raw sugar mills to upgrade critical equipment, improve cost position and increase sugar recovery. The Refined Sugar business performed strongly with earnings up 21% while our renewable fuel ethanol and electricity businesses continue to grow."

"In Aluminium, we have continued hedging at attractive levels to lock-in future earnings, while Property's results are expected to return to a more sustainable level in the range of $35 million to $40 million per annum, depending on the outcome of transactions currently in negotiation," Mr Maycock said.

Group outlook

"For the full year, despite an expected 70 to 75% lift in Building Products earnings, CSR's full year EBIT is expected to be around 5% lower due to the downturn in Sugar and a lower result from Property. This guidance is in line with the September 2007 trading update.

"Net profit will also be impacted by increased interest costs due to the recent acquisitions and a higher average tax rate," Mr Maycock said.

Strategy review

A detailed review of CSR's structure over the last six months has concluded that a restructuring of the portfolio at this point in the cycle would not result in any significant valuation uplift.

Mr Maycock said the key factors influencing this conclusion include:

- raw sugar prices and new Australian housing construction being at cyclical low points, with the timing and rate of upturns still not apparent
- CSR's earnings yet to benefit from almost $900 million of acquisitions over the last six months and recent and pending investment in growth projects, and

- the improved medium term outlook for markets in Sugar and Building Products, based on fundamentals and enhanced by opportunities in energy efficiency and renewable energy.

“A significant capital expenditure program is underway with over $400 million budgeted for investment in the next two to three years to coincide with an expected upturn in Sugar and Building Products.”

“We are improving business performance and investing in growth. I am confident that these steps will position the company to take advantage of improved market conditions anticipated in the future,” Mr Maycock said.

“After a thorough analysis the Board has concluded it is not in the best interests of shareholders to restructure CSR’s portfolio now. Nevertheless we do believe there will be opportunities in future to create value from structural change. We are intent on growing all our businesses and ensuring they have the appropriate scale and structure to take advantage of such opportunities.”

Financial review

CSR issued 49 million new shares in an institutional equity placement which raised $150 million (before costs) in September 2007. A share purchase plan (SPP) which was announced concurrently with the equity placement closed on 2 November 2007. The SPP, originally targeted to raise $75 million, was oversubscribed raising a total $112 million and will result in the issuance of an additional 36.6 million shares.

As previously announced, the company’s dividend reinvestment plan (DRP) will be reinstated for the interim dividend. The last date for receipt of the election notice for participation in the DRP is the dividend record date of 19 November. For the interim dividend, a discount of 2.5% will apply for shares allocated under the DRP. The applicable discount (if any) for future dividends may be changed at the discretion of the board. The company has entered into arrangements to underwrite the offer of shares under the DRP for the interim dividend.

Following the acquisition of Pilkington, net debt has increased to $1.1 billion from $448.6 million in March 2007. Gearing (measured as net debt/net debt plus equity) has increased to 42.4% from 25.3%.

CSR continues to deliver strong cash flow with net cash from operating activities (excluding derivative margin calls and settlements of insurance litigation) of $134.2 million, up 7.5% from $124.8 million, largely due to working capital improvements.

Review of results by segment

Building Products

CSR returns continue to be impacted by the ongoing downturn in the residential housing market in New South Wales. However earnings have improved, particularly following completion of the restructuring of the Bricks and Roofing operations.

EBIT of $66.3 million which includes $12.7 million of earnings for three months from Pilkington, was up from the previous year’s $45.5 million. Work continues to ensure that CSR is positioned to maximise returns when the residential building market begins to turn around in response to the pressure from underlying demand for new dwellings.

Performance Systems’ revenue (including Bradford™ insulation, Hebel™ lightweight concrete products, Edmonds™ ventilation systems and Bradcore™ panels) increased by 1% to $142.2 million (excluding Pilkington) as sluggish market conditions in the residential market reduced volumes and wet weather delayed some projects into the second half of the year while the previous year also included a large one-off contract in Asia. Excluding this contract, revenue was up 9%.

On 29 June 2007, CSR completed the acquisition of Pilkington, Australasia’s leading manufacturer and value added distributor of architectural glass. For the period from 29 June 2007 to 30 September 2007, Pilkington contributed revenue of $104.8 million and EBIT of $12.7 million. The early performance of Pilkington is in line with expectations, despite the soft housing market.

The Pilkington business is ideally positioned to capitalise on the increasing use of architectural glass in residential and commercial buildings and an increasing focus on energy efficiency. It also complements CSR's existing portfolio of energy efficient building products. CSR has further enhanced its position in the glass market with the acquisition of DMS Glass which was completed on 8 October 2007. DMS is a leading Australian downstream value-added processor and distributor of flat glass. Integration of Pilkington and DMS is underway and although the integration of Pilkington and DMS has just commenced, forecast synergies are on track. As part of the acquisition, Pilkington will be re-branded under the CSR master brand over the next few months.

On 19 June 2007, CSR announced that it will invest $50 million to construct a new Bradford™ glasswool insulation manufacturing plant north of Brisbane in Pine Rivers, Queensland. Bradford is the largest insulation producer in the Asia Pacific region and this new factory will increase its total glasswool production capacity in Australia by over 30%.

Heightened community awareness of climate change issues has increased demand for products such as insulation and coated glass as they provide an immediate and cost effective solution to improve the energy efficiency of existing buildings.

Gyprock™ plasterboard and Cemintel™ Fibre Cement revenue was up 7% to $213.7 million due to the contribution of Fricker Ceiling Systems acquired in December 2006 and growth in Western Australian and Queensland, offsetting the impact of the ongoing slowdown in the housing market in New South Wales.

A $140 million program is underway during the next two years to upgrade the Melbourne Gyprock™ plasterboard factory to a larger capacity, environmentally sustainable plant which will be the lowest cost in the industry. The reconfigured CSR Gyprock™ network will result in the industry's lowest through-the-cycle delivered cost.

PGH™ bricks and Monier™ and Wunderlich™ roofing revenue of $159.0 million is down 3%. The successful completion of the restructuring of the Bricks and Roofing operations has led to a significant increase in EBIT. In the last six months, prices have increased in most markets although volumes are down, in line with market conditions. Following the closure of the Strathpine plant announced in May 2007, the transfer of paving operations to Cooroy is underway, with production scheduled to begin in early 2008.

Outlook: The residential construction market is forecast to remain relatively flat in the eastern states, although the Queensland market is showing some signs of recovery, which should continue for the rest of this year. The strength of the Western Australia market appears to be slowing and the timing and level of recovery for the New South Wales market remains uncertain. Commercial demand remains strong in all states.

Excluding earnings from the Pilkington and DMS acquisition, Building Products EBIT is expected to be 15-20% higher than last year with sales growth in the commercial sector and further cost reductions. Including the acquisitions, EBIT will be in the range of 70-75% higher than the previous year.

Sugar

Trading revenue of $642.0 million was down from $803.2 million while EBIT of $22.4 million was down from $71.6 million largely due to the significant drop in raw sugar price to A$300 per tonne from A$371 per tonne for the comparable six months last year.

Raw Sugar: Unusually heavy rain in June and July delayed the start of the crushing season by 3-4 weeks in CSR's largest milling region in the Burdekin south of Townsville, while the Herbert region and Plane Creek mill were also delayed by 2-3 weeks. This was latest start to the milling season on record. As a result, milling will need to be extended into December, which is the start of the traditional rainy period in North Queensland. This increases the risk of further rain interruptions, lower sugar recovery and the possibility that some sugarcane is left uncut at the end of the year.

The first year of a three year program has been completed in the mills to upgrade critical equipment, improve cost position and increase sugar recovery. This year operating capital expenditure is expected to be approximately 170% of depreciation to ensure that CSR maintains its competitive position in the global raw sugar market.

The renewal program also includes upgrading the mills' IT systems, improving maintenance processes and adding to the mills teams' skills and capabilities through recruitment and training. Labour costs in particular are higher, due also to the shortage of skilled workers in the North Queensland region. This will increase fixed costs by at least $10 million this year with approximately half of these costs incurred in the first half of the year including higher levels of depreciation.

Refined Sugar's earnings were up due to increased sales volumes and improved trading margins. The $56 million upgrade of the Yarraville refinery in Melbourne is underway to improve efficiency and ensure that the refinery meets customer expectations as Australia's preferred refined sugar supplier.

Ethanol's returns were lower in the first half of the year due to the wet weather delays which have impacted molasses availability and fertiliser sales revenues. Given reasonable weather conditions in the second half of the year, these sales should be recovered.

Outlook: The Refined Sugar, Ethanol and renewable electricity businesses are performing well and are expected to deliver results ahead of last year. Sugar milling will be impacted by the fall in raw sugar prices and higher A$. Despite the hedging completed in previous years, the realised raw sugar price is likely to be marginally below A$300 per tonne compared to A$354 per tonne last year.

Assuming reasonable weather conditions for the remainder of the milling season and the prevailing raw sugar prices and exchange rates continue, the overall Sugar EBIT is expected to be between 40-45% below last year.

Aluminium

Gove Aluminium Finance Limited (70% CSR) trading revenue increased 2% to $282.5 million on marginally higher prices and a small reduction in sales. GAF's sales volume from the Tomago aluminium smelter was 93,137 tonnes, 811 tonnes (0.9%) lower than the corresponding period last year.

The average realised aluminium price was A$3,033 a tonne, including settlement of hedging losses, compared with A$2,949 in the same period last year. The average world aluminium price increased to US$2,702, a rise of US$98 over last year's comparable price.

EBIT was $65.9 million, $1.7 million lower than the corresponding period last year. EBIT margin decreased to 23.3%, compared to 24.4%. This was mainly due to higher production costs and lower sales volumes. In addition, for technical reasons the Tomago smelter is experiencing a transient period of increased pot maintenance slowing production by about 2%. This is expected to continue during the second half of the year and probably the first quarter of the next financial year, with production expected to return to previous levels thereafter.

The world aluminium price softened in the latter part of the last six months due to concern that the higher cost of credit would slow growth, particularly in developed economies. However growth in demand for aluminium continues to be strong and US$ prices should continue to be favourable, but will remain sensitive to the supply and demand balance for aluminium in China.

GAF has maintained high hedging levels in the near term and for the second half of the financial year around 85% of net aluminium exposure is hedged at A$3,005 per tonne.

Outlook: Factors that impacted the first six months including higher production costs and slightly lower volumes as well as the softening aluminium price and higher A$ will also impact the next six months. As a result, Aluminium's EBIT is expected to be slightly below last year.

Property

EBIT of $7.6 million was down from $9.7 million. The half year result comprises earnings from the Enviroguard (CSR 50%) landfill waste management business which is performing well and additional sales of residential land at Ferntree Gully in Melbourne.

Outlook: This year, Property's results are expected to return to a more sustainable level in the range of $35 to $40 million per annum, depending on the outcome of transactions currently in negotiation.

7 November 2007

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CSR Limited

ABN 90 000 001 276

Directors of CSR Limited

Directors of CSR Limited at any time during the half year ended 30 September 2007, or since that date, are as follows (each of them was a director from 1 April 2007 up to and including the date of this report):

Ian Blackburne

Kathleen Conlon

Ray Horsburgh

Richard Lee

Jerry Maycock

John Story

Signed in accordance with a resolution of the directors.

Jerry Maycock

Managing Director

Sydney, 7 November 2007

Deloitte.

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The Directors
CSR Limited
Level 1
9 Help Street
CHATSWOOD NSW 2057

7 November 2007

Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION TO CSR LIMITED

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

As lead audit partner for the review of the financial statements of CSR Limited for the half-year ended 30 September 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountant

Condensed income statement

Half year ended 30 September ($ million)	Note	Consolidated 2007	2006
Trading revenue - sale of goods		**1,552.2**	1,590.9
Cost of sales		**(1,187.8)**	(1,231.2)
Gross margin		**364.4**	359.7
Warehouse and distribution costs		**(90.1)**	(81.7)
Selling costs		**(83.1)**	(78.1)
Administration and other operating costs		**(54.8)**	(40.2)
Share of profit of associates	9	**9.1**	12.3
Operating profit		**145.5**	172.0
Other income from ordinary activities		**12.1**	15.1
Other expenses from ordinary activities		**(8.3)**	(1.3)
Dividend income		**2.0**	3.0
Profit from ordinary activities before finance and income tax		**151.3**	188.8
Interest income	2	**1.9**	2.9
Finance cost	2	**(41.0)**	(28.8)
Profit from ordinary activities before income tax		**112.2**	162.9
Income tax expense relating to ordinary activities	3	**(28.1)**	(37.6)
Net profit		**84.1**	125.3
Net profit attributable to minority interests		**16.6**	16.1
Net profit attributable to shareholders of CSR Limited		**67.5**	109.2
Reconciliation of retained profits			
Retained profits at the beginning of the financial year		**630.7**	470.2
Net profit attributable to shareholders of CSR Limited		**67.5**	109.2
Net income recognised directly in retained profits		**2.2**	12.1
Total available for appropriation		**700.4**	591.5
Dividends paid	8	**(78.9)**	(82.1)
Retained profits at the end of the financial half year		**621.5**	509.4
(cents)			
Basic earnings per share based on net profit attributable to shareholders of CSR Limited [a]		**7.7**	12.0
Diluted earnings per share based on net profit attributable to shareholders of CSR Limited [a]		**7.7**	12.0

[a] Based on a weighted average number of shares of 878.4 million (2006: 907.2 million).

Notes to the financial statements are annexed.

Condensed balance sheet

($ million)	Note	Consolidated As at 30 September 2007	Consolidated As at 31 March 2007
Current assets			
Cash and cash equivalents		**48.8**	53.2
Receivables		**545.9**	541.9
Inventories		**347.0**	278.1
Other financial assets		**88.4**	79.4
Other current assets		**29.2**	28.2
Total current assets		**1,059.3**	980.8
Non-current assets			
Receivables		**41.2**	34.8
Inventories		**31.1**	27.3
Investments accounted for using the equity method		**36.4**	33.0
Other financial assets		**112.5**	88.8
Property, plant and equipment		**1,875.4**	1,564.1
Goodwill		**444.0**	15.5
Other intangible assets		**52.6**	50.3
Deferred income tax assets		**71.7**	79.2
Other non-current assets		**73.7**	64.2
Total non-current assets		**2,738.6**	1,957.2
Total assets		**3,797.9**	2,938.0
Current liabilities			
Payables		**373.8**	361.9
Borrowings		**21.1**	4.1
Other financial liabilities		**71.1**	129.1
Tax payable		**13.0**	8.0
Provisions		**222.0**	191.5
Total current liabilities		**701.0**	694.6
Non-current liabilities			
Payables		**8.7**	1.3
Borrowings		**1,113.4**	497.7
Other financial liabilities		**53.6**	76.9
Provisions		**414.3**	403.3
Other non-current liabilities		**6.3**	-
Total non-current liabilities		**1,596.3**	979.2
Total liabilities		**2,297.3**	1,673.8
Net assets		**1,500.6**	1,264.2
Equity			
Issued capital	7	**710.2**	559.5
Reserves		**25.8**	(30.7)
Retained profits		**621.5**	630.7
Equity attributable to shareholders of CSR Limited		**1,357.5**	1,159.5
Minority interests in controlled entities		**143.1**	104.7
Total equity		**1,500.6**	1,264.2

Notes to the financial statements are annexed.

Condensed statement of recognised income and expense

Half year ended 30 September ($ million)	Consolidated 2007	2006
Actuarial profit on defined benefit plans	**3.1**	9.6
Income tax on actuarial profit	**(0.9)**	(2.9)
Fair value adjustment for Sugar Terminals Limited	**-**	5.4
Net income recognised directly in retained profits	**2.2**	12.1
Hedge gain (loss) taken to other equity	**122.6**	219.3
Income tax expense on cash flow hedges	**(36.8)**	(65.7)
Translation of foreign operations taken to other equity	**(10.1)**	1.9
Net income recognised directly in other equity	**75.7**	155.5
Total income recognised directly in equity	**77.9**	167.6
Net profit for the financial half year	**84.1**	125.3
Total recognised income and expense for the financial half year	**162.0**	292.9
Attributable to:		
CSR Limited shareholders	**123.8**	259.0
Minority interests	**38.2**	33.9
Total recognised income and expense for the financial half year	**162.0**	292.9

Notes to the financial statements are annexed.

Condensed statement of cash flows

Half year ended 30 September ($ million)	Note	Consolidated 2007	2006
Cash flows from operating activities			
Receipts from customers		**1,728.6**	1,733.6
Payments to suppliers and employees		**(1,569.8)**	(1,592.2)
Dividends and distributions received		**7.7**	7.9
Interest received		**1.2**	3.0
Income tax paid		**(33.5)**	(27.5)
Net cash from operating activities before derivative margin calls and insurance settlement		**134.2**	124.8
Proceeds from legal settlement with insurers		**-**	105.0
Legal costs associated with legal settlement with insurers		**-**	(10.5)
Derivative margin calls		**13.1**	36.1
Net cash from operating activities		**147.3**	255.4
Cash flows from investing activities			
Purchase of property, plant and equipment and other non-current assets		**(140.9)**	(125.8)
Proceeds from sale of property, plant and equipment and other non-current assets		**25.1**	39.1
Purchase of controlled entities and businesses, net of cash acquired	6	**(712.7)**	-
Loans and receivables advanced		**-**	(2.9)
Loans and receivables repaid		**-**	-
Net cash used in investing activities		**(828.5)**	(89.6)
Cash flows from financing activities			
Proceeds from issue of shares		**150.7**	2.1
Share buyback		**-**	(106.3)
Net proceeds from borrowings		**636.3**	86.6
Dividends paid		**(78.7)**	(81.9)
Interest and other finance costs paid		**(28.1)**	(20.5)
Net cash from (used in) financing activities		**680.2**	(120.0)
Net (decrease) increase in cash held		**(1.0)**	45.8
Net cash at beginning of the financial period		**51.3**	57.4
Effects of exchange rate changes		**(1.5)**	(1.4)
Net cash at 30 September		**48.8**	101.8

Reconciliation of net cash

Reconciliation of net cash at the end of the financial period (as shown in the statement of cash flows) to the related items in the balance sheet is as follows:

	2007	2006
Cash at banks and on hand	**46.7**	52.9
Short-term loans and deposits	**2.1**	48.9
Cash	**48.8**	101.8
Bank overdrafts	**-**	-
Net cash at 30 September	**48.8**	101.8

Notes to the financial statements are annexed.

Notes to the financial statements

i. Basis of Preparation. This half yearly report for CSR Limited and its controlled entities ("CSR group") is a general purpose financial report prepared in accordance with the accounting standard AASB 134 “Interim Financial Reporting”, the requirements of the Corporations Act 2001, other applicable accounting standards and interpretations, and complies with other requirements of the law and the Listing Rules of the Australian Securities Exchange Limited. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 “Interim Financial Reporting”. The financial report is based on historical cost, except for certain assets which are at deemed cost or fair value (financial assets). It should be read in conjunction with the last CSR Annual Report and announcements to the market made during the financial half year in accordance with the CSR group’s continuous disclosure obligations arising under the Corporations Act 2001 and Listing Rule 3.1. This report does not include all the notes of the type normally included in an annual report.

ii. Significant accounting policies.
The accounting policies set out below have been applied in preparing the financial statements for the financial half year ended 30 September 2007, and in the preparation of the comparative income statement for the financial half year ended 30 September 2006 and the comparative balance sheet as at 31 March 2007. The accounting standards, policies, estimation methods and measurement bases used in this report are the same as those used in the last CSR Annual Report.

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.

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.

Employee benefits. 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 statement of recognised income and expense. 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.

ii. Significant accounting policies. (continued)

Goodwill. Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets and liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in income and is not subsequently reversed.

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.

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.

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

Provision for rehabilitation. The estimated net present value of known rehabilitation costs that the CSR group believes will be incurred is taken up as a provision. The estimate is revised annually and the provision is adjusted accordingly.

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.

iii. Seasonality of results. The CSR group's sugar mills only operate for approximately five months of the year generally from late June to November. The results of this business are generally more favourable in the first half of the financial year than the second half. Due to delays as a result of wet weather, the current crushing season is likely to extend until December and hence the profit from the Sugar Milling business is likely to be significantly higher in the second half of the financial year than would ordinarily be the case. The prior year's crushing season (half year ended 30 September 2006) was also impacted by wet weather resulting in profit being more evenly distributed between the first and second half of the financial year.

iv. Currency. Unless otherwise stated amounts are in Australian currency.

v. Rounding. Unless otherwise stated, the amounts have been rounded to the nearest tenth of a million dollars and are shown by '$ million'. CSR Limited is a company of the kind referred to in the Australian Securities and Investments Commission Class Order 98/100 issued 10 July 1998.

vi. Significant items. For the financial half year ended 30 September 2007, one off costs after tax associated with the integration of Pilkington Australasia of $4.8 million were recorded as a significant item. There were no significant items in the financial half year ended 30 September 2006.

1. Segment information

Half year ended 30 September

($ million)	Total revenue[a b] 2007	Total revenue[a b] 2006	Depreciation & amortisation[c] 2007	Depreciation & amortisation[c] 2006
Business segments				
Sugar	**645.4**	806.6	**24.9**	22.6
Building Products	**628.3**	510.6	**28.1**	22.0
Aluminium	**284.6**	280.6	**15.5**	14.8
Property	**6.2**	8.4	**-**	-
Segment totals	**1,564.5**	1,606.2	**68.5**	59.4
Corporate, Restructuring and provisions[d]	**1.8**	2.8	**2.4**	2.1
Interest revenue	**1.9**	2.9		
Group total	**1,568.2**	1,611.9	**70.9**	61.5

($ million)	Profit from ordinary activities before income tax 2007	Profit from ordinary activities before income tax 2006	Income tax 2007	Income tax 2006	Minority interests 2007	Minority interests 2006	Net profit 2007	Net profit 2006
Business segments								
Sugar	**22.4**	71.6	**4.9**	19.6	**3.0**	1.8	**14.5**	50.2
Building Products	**66.3**	45.5	**18.7**	10.8	**0.5**	0.8	**47.1**	33.9
Aluminium	**65.9**	67.6	**19.5**	20.4	**13.6**	13.9	**32.8**	33.3
Property	**7.6**	9.7	**0.9**	0.3	**-**	-	**6.7**	9.4
Segment totals	**162.2**	194.4	**44.0**	51.1	**17.1**	16.5	**101.1**	126.8
Corporate[e]	**(8.6)**	(8.8)	**(2.5)**	(2.9)	**-**	-	**(6.1)**	(5.9)
Restructuring and provisions[d]	**4.6**	3.2	**0.7**	(2.7)	**-**	-	**3.9**	5.9
	158.2	188.8	**42.2**	45.5	**17.1**	16.5	**98.9**	126.8
Net finance cost	**(39.1)**	(25.9)	**(12.0)**	(7.9)	**(0.5)**	(0.4)	**(26.6)**	(17.6)
Group total before significant items	**119.1**	162.9	**30.2**	37.6	**16.6**	16.1	**72.3**	109.2
Significant items (refer note 4)	**(6.9)**	-	**(2.1)**	-	**-**	-	**(4.8)**	-
Group total after significant items	**112.2**	162.9	**28.1**	37.6	**16.6**	16.1	**67.5**	109.2

a Excludes net profit from associates.

b Intersegment revenue is negligible.

c Total depreciation and amortisation includes $7.4 million (2006: $5.1 million) amortisation of intangibles.

d Includes product liability, certain defined benefit superannuation expense and other non-operating costs.

e Represents unallocated overhead costs.

Half year ended 30 September	($ million)	**2007**	2006

2. Net finance cost

Interest paid or payable on short-term debt	**0.9**	1.0
Interest paid or payable on long-term debt	**30.2**	19.1
Total interest expense	**31.1**	20.1
Unwinding discount on non-current provisions and debtors	**8.9**	8.4
Funding costs	**0.9**	0.7
Foreign exchange loss (gain)	**0.1**	(0.4)
Finance cost	**41.0**	28.8
Interest income	**(1.9)**	(2.9)
Net finance cost	**39.1**	25.9

3. Income taxes

Income tax expense

Reconciliation of income tax expense charged to the income statement with income tax calculated on profit from ordinary activities before income tax:

Profit from ordinary activities before income tax	**112.2**	162.9
Income tax expense calculated at 30%	**33.7**	48.9
Decrease in income tax expense due to		
Utilisation of losses in asset disposals	**-**	(2.0)
Asian trading profits tax rate differential	**(0.2)**	(0.7)
Equity accounted associates' net profit and rebates on dividends received	**(3.3)**	(4.6)
Research and development	**(1.3)**	-
Income tax over provided in prior years	**0.3**	(3.8)
Other items	**(1.1)**	(0.2)
Total income tax expense on profit from ordinary activities	**28.1**	37.6

4. Significant items

Pilkington Australasia acquisition		
Integration costs	**6.9**	-
Tax benefit	**(2.1)**	-
Total significant items after tax	**4.8**	-

5. Net tangible assets per share [a]

	30 September 2007 $	30 September 2006 $
Net tangible assets per share	**0.93**	1.12

a Calculated as net assets attributable to CSR Ltd shareholders ($1,357.5 million) less intangible assets ($496.6 million) divided by the number of shares (926.8 million).

6. Details of entities over which control has been gained or lost

Control gained over entities

On 29 June 2007 CSR Limited acquired 100% of the issued share capital of Pilkington Australia Finance Pty Ltd. The acquired business contributed revenues of $104.8 million, earnings before interest and tax (EBIT) of $12.7 million and net profit of $8.9 million before synergies to the CSR group for the period from 29 June 2007 to 30 September 2007. The net profit does not include significant items and interest expense associated with the acquisition. If the acquisition had occurred on 1 April 2007, revenues, EBIT and net profit for the half year ended 30 September 2007 would have been approximately $219.6 million, $26.0 million and $18.2 million respectively before significant items, interest expense and synergies. These amounts have been estimated using a consistent basis to the period since acquisition.

Details of the fair value of the assets and liabilities acquired and goodwill as shown below have not yet been finalised and are shown on a provisional basis only.

	($ million)
Purchase consideration (refer below)	
Cash paid - purchase price	690.0
Cash paid - other - includes working capital and cash adjustments	38.6
Direct costs relating to the acquisition	6.7
Total purchase consideration	735.3
Fair value of net identifiable assets acquired (refer below)	305.0
Goodwill (refer below)	430.3

Assets and liabilities acquired are as follows:

($ million)	Acquiree's carrying amount	Fair value
Cash	22.6	22.6
Trade receivables	60.2	60.2
Inventories	56.2	53.7
Other current assets	4.4	4.4
Property, plant and equipment	252.2	265.6
Deferred tax asset	15.7	24.3
Trade payables	(37.4)	(37.4)
Other creditors	(6.4)	(12.4)
Income tax provision	(2.8)	(2.8)
Provisions	(32.3)	(61.2)
Superannuation deficit	(6.3)	(6.3)
Deferred tax liability	(1.7)	(1.7)
Deferred income	(4.0)	(4.0)
Net identifiable assets acquired	320.4	305.0
Goodwill acquired[a]		430.3
Total purchase consideration		735.3
Cash balances acquired		(22.6)
Total flow of cash	320.4	712.7

At the date of this financial report no additional payments are anticipated.

a The goodwill is attributable to the workforce and the high profitability of the acquired business. There were no material acquisitions in the half year ended 30 September 2006.

Control lost over entities

No controlled entities were disposed of during the period which would materially affect net profit.

7. Issued capital

	Number shares[a]	Price $	Share Capital $ million
Particulars of shares issued during the financial half year by CSR Limited			
On issue 31 March 2007	876,277,500		559.5
Universal Share/Option Plan[b]	1,536,000	1.68	2.6
Institutional placement[c]	49,019,608	3.06	148.1
On issue 30 September 2007[d]	**926,833,108**		**710.2**

a The shares are fully paid ordinary shares listed on the Australian Stock Exchange and carry one vote per share and the right to dividends.
b Fully paid ordinary shares were issued in September 2007 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 CSR group. Offers of fully paid shares were made to all eligible employees (4,098). 2,560 accepted the offer prior to 30 September 2007, subscribing for up to 300 shares at $3.35 each and receiving an equivalent number of shares at no cost. The issue of 768,000 shares purchased by employees was taken to equity. The additional 768,000 shares issued at no cost were recorded as an expense in the financial report with an offsetting entry to the employee share reserve.
c Fully paid ordinary shares were issued on 14 September 2007. The purpose of the institutional placement was to partly fund the acquisition of Pilkington and the acquisition of DMS Glass. Proceeds are net of share placement costs of $1.9 million.
d There were 877,847,500 shares on issue at 30 September 2006.

8. Details relating to dividends and return of capital

	Financial year ending 31 March	Franking percentage	Date dividend paid/payable	Amount per share cents	Total amount $ million
Final dividend	2005	100	4 July 2005	6	54.6
Return of capital	2006		4 August 2005	20	182.1
Interim dividend	2006	100	9 December 2005	6	54.8
Final dividend	2006	100	5 July 2006	9	82.1
Interim dividend	2007	100	11 December 2006	6	52.6
Final dividend	2007	100	3 July 2007	9	78.9
Interim dividend	2008	100	17 December 2007	6	55.6

The interim dividend in respect of ordinary shares for the financial half year ended 30 September 2007 has not been recognised in this financial report because the interim dividend was declared subsequent to 30 September 2007.

Dividend reinvestment plans

CSR Limited has established a fully underwritten dividend reinvestment plan under which the holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of ordinary shares rather than be paid in cash. Shares issued under the plan for the interim dividend in December 2007 will be at a 2.5% discount to the weighted average market price of the shares sold on the ASX.

9. Details of associate entities

Share of net profit of associate entities	Half year ended 30 September	
	2007	2006
	$ million	$ million
Profit from ordinary activities before income tax	**13.1**	17.8
Income tax expense	**4.0**	5.5
Profit from ordinary activities after income tax	**9.1**	12.3
Extraordinary items after tax	**-**	-
Net profit	**9.1**	12.3
Minority interests	**-**	-
Total share of net profit	**9.1**	12.3

	Ownership interest		Share of profit	
	As at 30 September		Half year ended 30 September	
	2007	2006	**2007**	2006
Name	**%**	%	**$ million**	$ million
Associate companies				
C. Czarnikow Limited	**43**	43	**1.7**	3.5
Enviroguard Pty Limited	**50**	50	**2.7**	2.3
Rondo Pty Limited	**50**	50	**4.5**	6.2
Other non-material associates			**0.2**	0.3
Total share of net profit			**9.1**	12.3

The CSR group does not have any other material interests.

10. Events occurring after the balance sheet date

On 8 October 2007 CSR Limited acquired all of the issued shares in Don Mathieson & Staff Glass Pty Ltd (DMS Glass), a downstream value-added processor and distributor of flat glass, for cash consideration of $175 million.
The financial effects of the above transaction have not been brought to account at 30 September 2007 as it is impracticable to do so. The operating results and assets and liabilities of DMS Glass will be brought to account from 8 October 2007.

11. Contingent liabilities and assets

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 30 September 2007, there were 552 such claims pending.

In the United States, claims are made by people who allege exposure to asbestos fibre used in the manufacture of products containing asbestos or in the installation or use of those products. As at 30 September 2007, there were 2,456 such claims pending.

CSR has been settling claims since 1989. As at 30 September 2007, CSR had resolved 2,237 claims in Australia and approximately 131,500 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 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 asbestos-related bankruptcies, the passage of certain state based legislation relating to asbestos claims in the United States, and changes to the system for compensating asbestos claims in New South Wales and South Australia 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.

At 30 September 2007, a provision of $382.1 million (31 March 2007: $388.0 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 include 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.

CSR LIMITED

ABN 90 000 001 276

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes, set out on pages 10 to 21 are in accordance with the Corporations Act 2001, including
  (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2007, and of its performance as represented by the results of its operations and its cash flows, for the financial half year ended on that date;

(b) there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors pursuant to s.303(5) of the Corporations Act 2001.

Jerry Maycock
Managing Director

Sydney, 7 November 2007

Deloitte Touche Tohmatsu (Audit)
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Independent Auditor's Review Report to the Members of CSR Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CSR Limited, which comprises the balance sheet as at 30 September 2007, and the income statement, cash flow statement and statement of recognised income and expense for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year, as set out on pages 10 to 22.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 September 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of CSR Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner
Chartered Accountants
Sydney, 7 November 2007

Member of
Deloitte Touche Tohmatsu

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