CSR ANNUAL REPORT 2005

Building on 150 years

CSR 1855-2005 CELEBRATING 150 YEARS

150

CSR

CSR LIMITED ABN 90 000 001 276

CSR Annual Report 2005

FRONT COVER

Main photo The steam train hauling sugarcane was photographed by Max Dupain in 1958. Because CSR's 150 year history has paralleled that of photography, many striking photos have been taken for the company by some of Australia's leading photographers.

Supporting photos CSR has major involvements in building products, sugar and aluminium.

1 The corporate seal of The Colonial Sugar Refining Company, 1887 to 1973.

2 CSR's first sugar refinery, the Brisbane Works, in Parramatta Road, Sydney, in 1860.

3 CSR's Goondi sugar mill, near Innisfail, Queensland, soon after it began operating in 1885.

4 CSR began in building materials with the manufacture of Cane-ite fibre board from sugarcane fibre. Shown here is part of the Sydney plant in 1953.

5 We expanded into making other building materials, including Timbrock board, shown in this 1955 image.

Main photo CSR today is a major supplier of building products. PGH's clay pavers surface a drive on Queensland's Gold Coast.

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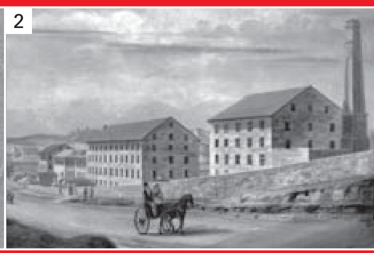

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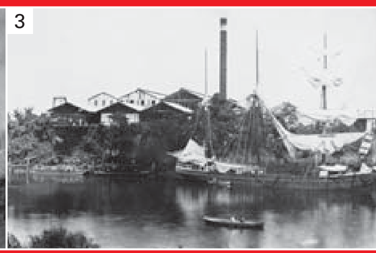
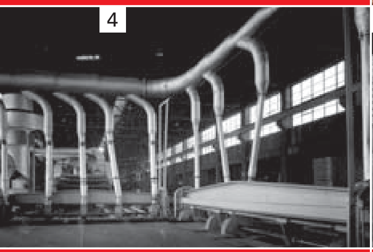


After 150 years – strength through diversification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IT'S BEEN A GOOD YEAR FOR CSR. OUR DIVERSIFIED BUSINESSES INCREASED PROFIT BY 25.3%, CASH FLOW BY 10.5% AND DIVIDEND FROM 11 TO 12 CENTS A SHARE WITH FULL FRANKING. WE PROPOSE A 20 CENTS A SHARE CAPITAL RETURN TO SHAREHOLDERS.

CSR is one of Australia's longest established companies – and the oldest listed manufacturer. Nearly all our businesses have been pioneers in their industries, which they continue to lead.

The organisation has evolved considerably since its origin as The Colonial Sugar Refining Company on 1 January 1855. Incorporated as a public company in 1887, CSR has paid a dividend every year since. We began manufacturing building materials in 1936. The company changed its name to CSR Limited in 1973.

Today, CSR is a major manufacturing company, with leading market positions in building products, aluminium and sugar.

CSR 1855-2005
CELEBRATING 150 YEARS

CSR – a significant part of Australia's commercial and corporate life for a century and a half

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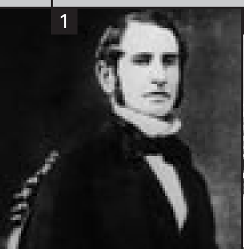
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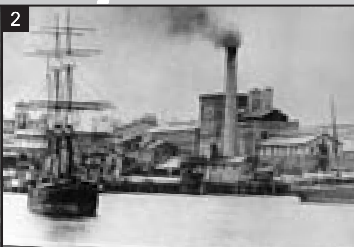
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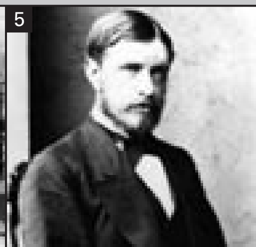

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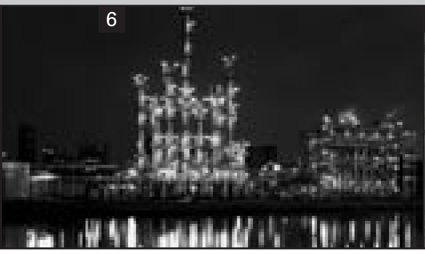

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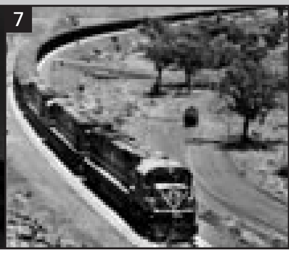

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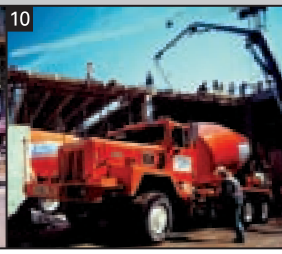


WHY IS CSR STILL HERE AFTER 150 YEARS? CLEARLY, THE COMPANY AND ITS ACTIVITIES HAVE MET THE NEEDS OF PEOPLE AND ORGANISATIONS WITH AN INTEREST IN THE COMPANY, AND OF THE COMMUNITIES IN WHICH WE OPERATE.

In 1855, Edward Knox (later Sir Edward) founded The Colonial Sugar Refining Company to refine imported raw sugar – taking over from the recently defunct Australasian Sugar Company, formed in 1842.

CSR very nearly did not survive its formative years in that turbulent colonial period of Australia's history. And there have been bumpy times since, but after a century and a half CSR is the nation's longest established listed manufacturing company.

CSR entered the raw sugar industry in 1870 with the construction of sugar mills in northern New South Wales. We subsequently expanded to milling in Queensland and Fiji. The Fiji mills were sold in 1972 and the NSW mills in 1978. CSR first distilled ethanol from mill molasses in northern NSW in 1873.

By the time of World War I, CSR – operating solely in sugar – was Australia's largest manufacturing organisation.

But by the 1930s, the company felt a need for both new industries in which to expand and counter cyclical products to help balance the impact of movements in world sugar prices.

CSR began its diversification into building products in 1936 with the production and sale of fibre boards of a range of densities, made from waste sugarcane fibre.

CSR's investment in the aluminium industry began in 1969 when we took part in a joint venture to develop the Gove alumina and bauxite project in the Northern Territory. CSR now participates in aluminium production through a share in the Tomago smelter, NSW. Tomago began smelting aluminium in 1983.

At different times in its history, CSR has operated in a range of industries, supplying products and services that have included carbon dioxide, chemicals, floor tiles, macadamia nuts, tinned pineapples, rum and, in World War II, armaments ranging from cannon shells to signal pistols. The company has been a major producer of coal, oil and natural gas, timber and pastoral products. And we have mined copper, gold, tin and other minerals.

One of the most successful episodes in the CSR group's long story was the growth and subsequent demerger from CSR Limited, in March 2003, of Rinker Group Limited and its heavy building materials businesses in the US, Australia and Asia.

Main photo Australia's Prime Minister, John Howard, addressed CSR's yearly dinner for major customers hosted by CSR directors. Held in March 2005, the function helped commemorate CSR's 150th year.

1 CSR's founder, Edward Knox (in 1854), was chairman for periods between 1855 and 1901.

2 Pyrmont sugar refinery, Sydney, 1886.

3 A company laboratory in 1896. CSR has been renowned for the depth and breadth of its technical expertise, including providing our own training for thousands of chemists, engineers and technicians.

4 Pyrmont's sugar was delivered this way from the 1870s to the 1950s.

5 E W Knox (in 1890), son of the founder, was a driving force behind CSR's commitment to science-based management. Chief executive 1880 to 1920 and chairman 1920 to 1933.

6 CSR Chemicals, Sydney, 1974.

7 Iron ore train, 1977. In the 1960s, CSR acquired interests in minerals ventures, including the successful Mt Newman, Western Australia, iron ore project.

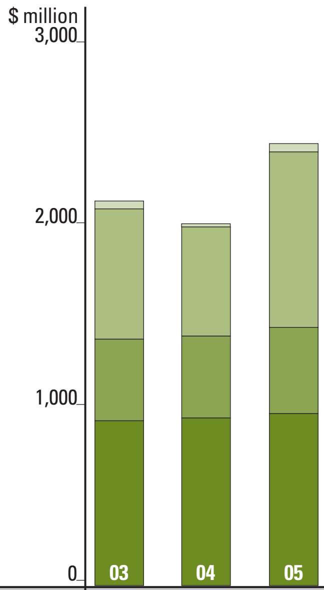
8 CSR's Jackson oil field, Queensland, 1984.

9 CSR Readymix Farley concrete trucks at the new Commonwealth Parliament House, Australian Capital Territory, 1985.

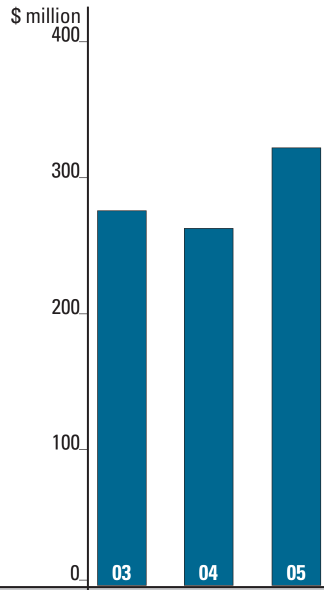
10 Rinker Materials concrete trucks, Miami, USA, 1991.

HIGHLIGHTS
OVERVIEW OF CSR

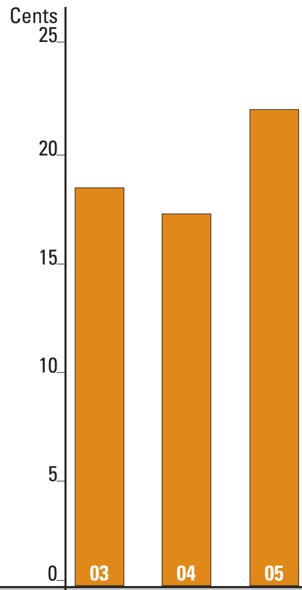
RETURNS AND PROFITABILITY IMPROVING



REVENUE BY BUSINESS
Year ended 31 March
- Property
- Sugar
- Aluminium
- Building Products



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



EARNINGS PER SHARE BEFORE SIGNIFICANT ITEMS
Year ended 31 March

THE YEAR IN BRIEF
MAJOR ANNOUNCEMENTS TO THE AUSTRALIAN STOCK EXCHANGE*

2005

18 MAY	Net profit before significant items rose 25.3% to $200.8 million for the year ended 31 March 2005. Proposed capital return of 20 cents per share or $182 million.
17 MAY	Richard Lee joins the CSR board.
13 JANUARY	South east Queensland concrete roof tile operations expand with the $12.5 million acquisition of Karreman Roof Tiles, Brisbane.

2004

14 DECEMBER	Impending changes to the board of directors including the appointment of Kathleen Conlon.
1 DECEMBER	Glasswool insulation production to expand by 10,000 tonnes a year.
9 NOVEMBER	Net profit before significant items increased 28.6% to $128.6 million for the half year ended 30 September 2004. Interim dividend increased to 6 cents per share with full franking.
17 SEPTEMBER	$41.0 million settlement with Lloyd's Underwriters.
17 AUGUST	Resolution of claim with Alcan – $21.6 million payable to CSR.
28 JULY	Sale of 17 hectares of industrial land at CSR's Erskine Park, Sydney, development site.
19 MAY	Net profit of $160.2 million for the year ended 31 March 2004.

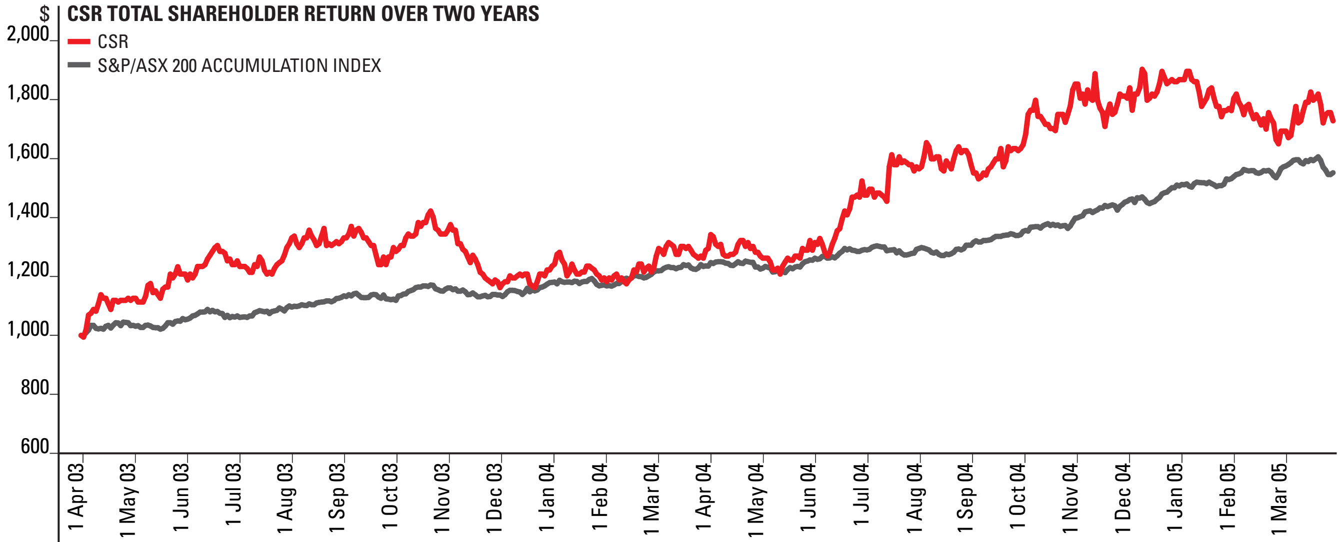
* Dates shown are when announcements were made to the Australian Stock Exchange (ASX). As part of our continuous disclosure, CSR promptly informs the ASX of information that may affect the company's share price. Announcements are published in full on our internet site, www.csr.com.au.

KEY FACTS

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	2005	2004	% CHANGE
OPERATING RESULTS			
Trading revenue	**2,367.5**	1,970.8	20.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**438.0**	369.6	18.5
Earnings before interest and tax (EBIT)	**322.0**	262.7	22.6
Net profit before significant items	**200.8**	160.2	25.3
Net profit after significant items	**287.1**	160.2	79.2
Capital investment	**303.0**	110.7	173.7
FINANCIAL POSITION			
Shareholders' funds	**1,367.9**	1,144.9	19.5
Total assets	**2,655.2**	2,349.9	13.0
Net debt	**270.1**	164.1	64.6
KEY DATA PER SHARE			
Earnings before significant items [cents]	**21.9**	17.1	28.1
Earnings after significant items [cents]	**31.3**	17.1	83.0
Dividend [cents]	**12.0**	11.0	9.1
KEY MEASURES			
Profit margin (EBIT : trading revenue) [%]	**13.6**	13.3	
Return on shareholders' funds (ROSF) [%]	**16.2**	14.9	
Gearing at 31 March (net debt : net debt + equity) [%]	**16.5**	12.5	
Interest cover at 31 March (EBITDA : net interest expense) [times]	**25.8**	35.9	
Employees [number of people employed][a]	**5,973**	4,535	31.7
Safety performance [recordable injuries][b]	**15.1**	21.5	-29.8

a Includes Sugar Australia and New Zealand Sugar Company employees in 2005 only. CSR increased its stake in the refined sugar businesses from 50% to 75% in April 2004.
b The number of lost time, medical treatment and restricted work injuries per million work hours.

CSR has outperformed the Australian stock market over the past two years



CSR vs S&P/ASX 200 ACCUMULATION INDEX – 1 APRIL 2003 TO 31 MARCH 2005

$1,000 invested in CSR shares on 1 April 2003 (shortly after we demerged Rinker Group Limited) was worth $1,728 two years later including reinvestment of dividends. The same investment of $1,000 in the S&P/ASX 200 accumulation index, a benchmark of the Australian equity market, was worth $1,552.

As a guide to performance over the past five years, $1,000 invested in CSR shares on 31 March 2000 was worth $3,576 five years later. The same investment of $1,000 in the S&P/ASX 200 accumulation index was worth $1,591. This calculation assumes that on the date CSR shares began trading ex-entitlement to Rinker shares (31 March 2003), the Rinker shares were sold and invested in CSR.

CHAIRMAN'S MESSAGE FROM IAN BLACKBURNE

OVERVIEW OF CSR

In the year we celebrate CSR's 150 years, we have significantly increased shareholder value

BOTH THE COMPANY AND AUSTRALIA HAVE CHANGED A GREAT DEAL SINCE CSR WAS ESTABLISHED AS THE COLONIAL SUGAR REFINING COMPANY IN 1855.

We celebrate CSR's 150th anniversary during an extremely successful year. CSR has delivered a 25.3% increase in net profit before significant items, a higher dividend and franking, and a capital return of 20 cents a share (subject to shareholders' approval at our annual general meeting in July 2005).

Net profit before significant items was $200.8 million, with earnings per share up 28.1% to 21.9 cents. Including significant items, net profit was $287.1 million.

CSR continues to pay a significant proportion of sustainable profit as dividends, subject to available franking credits. The final dividend to be paid on 4 July will be 6 cents a share, bringing total dividends for the year to 12 cents a share, up from 11 cents, with franking increased from 70% to 100%.

The company proposes to make a payment to shareholders of 20 cents per share or $182 million in total as a return of capital. The purpose of the return of capital to shareholders is to achieve a one-off structural alteration to the company's gearing and share capital, which was established upon the demerger of Rinker Group Limited (Rinker) in March 2003.

The directors believe the return of capital will give the company a more efficient capital structure appropriate to CSR's range of businesses and liabilities, and provide adequate flexibility for future growth.

CSR continues to target value adding growth in our diversified businesses. During the past two years since the demerger, we have announced growth initiatives and acquisitions totalling in excess of $400 million.

There have been changes to the company's board of directors.

Kathleen Conlon joined the board in December 2004 as a non-executive director. Kathleen's experience as a globally pre-eminent leader in boosting organisational effectiveness is proving valuable as we strive to increase the rate of improvement in operational and distribution productivity across our businesses.

In May, Richard Lee joined us as a non-executive director. His experience in the finance industry included the position of chief executive of N M Rothschild Australia Group. Prior to his investment banking career, Richard held senior roles in CSR Sugar. His knowledge of CSR and expertise in investment banking will be particularly helpful to the company's strategy of generating value adding growth.

Kathleen Conlon and Richard Lee will stand for election at CSR's annual general meeting.

John Wylie retired from the board in March 2005 to allow him to devote more time to his rapidly growing investment banking and corporate advisory activities. We have been very fortunate to have had the benefit of John's wise counsel on a range of important issues over the past four years.

Carolyn Hewson will relinquish her board role at the conclusion of the company's annual general meeting after serving CSR shareholders for 10 years. Carolyn is CSR's longest serving director and chairs the Audit Committee. She also chaired the Due Diligence Committee during the Rinker demerger. She has made a very significant contribution to CSR during a period of rapid change for the company.

The year ahead is expected to be challenging, but CSR will benefit from growth projects now, or soon to be, under way. CSR's diversified range of businesses and team of skilled people will ensure CSR is well placed to continue its success, building on 150 years of endeavour.

Ian Blackburne

IAN BLACKBURNE
Chairman

MANAGING DIRECTOR'S REVIEW FROM ALEC BRENNAN
OVERVIEW OF CSR

Increased returns from CSR's diversified businesses, with growth beginning to contribute

CSR'S EARNINGS BEFORE INTEREST AND TAX (EBIT) WERE $322.0 MILLION, UP 22.6% OVER THE PREVIOUS YEAR – A POWERFUL TESTAMENT TO THE CONTINUING VIGOUR OF THE COMPANY AFTER 150 YEARS.

Once again, the diversity of our portfolio of businesses helped increase returns. A slight downturn in returns from Building Products and Aluminium was offset by improved performance from Sugar and a significant lift in Property earnings.

Since the demerger of Rinker two years ago, we have committed $400 million to a range of growth initiatives which are related to our existing businesses. The initial impact of these initiatives along with a much tighter strategic and operational focus is reflected in the financial results.

CSR's net debt and gearing increased during the year as a result of spending on a number of growth projects, but both remain low. Gearing (measured as net debt / net debt + equity) at year end was 16.5%.

To improve the efficiency of our balance sheet, CSR proposes to make a return of capital of 20 cents per share or $182 million. This continues our strategy, pursued during the past two years of actively managing our balance sheet to create value for our shareholders.

CONTRIBUTION OF SIGNIFICANT ITEMS TO RETURNS

We made very good progress on a number of major issues this year – accounted for in our profit result as significant items totalling $86.3 million.

CSR reached settlements with various insurers in respect of coverage for asbestos claims and other matters. CSR was paid $45.3 million and wrote off $39.4 million of deferred legal costs incurred since 1996. CSR is continuing its proceedings against a number of other insurers.

CSR received $21.6 million from Alcan Northern Territory Alumina Pty Limited and wrote back provisions of $3.8 million in settlement of a dispute that arose following the sale of our interest in the bauxite and alumina joint venture at the Gove Peninsula in the Northern Territory in January 2001.

Also, CSR's entry into the tax consolidation system provided a one-off tax benefit of $55.0 million.

CSR AND SUSTAINABILITY

Improved environmental plans were established for each of our businesses, with specific targets for reducing waste, emissions and use of water and energy. Importantly, the process for collecting accurate data was improved. Also, procedures were tightened for external auditing of safety, health and environmental protection at each of our sites.

We made reasonable progress in reducing the rate at which our employees are being injured, with the number of recordable injuries decreasing by 30% and the severity rate (hours lost through injury per million work hours) by 70%. We have worked particularly hard to reduce the risk of serious injuries from mobile equipment such as forklifts and trucks.

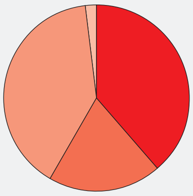
To mark our 150th anniversary with employees, we have launched a program to specially recognise 32 employees who exemplify the values that have always been an important part of CSR – safety and the environment, improvement, innovation, customer service and getting results.

CSR is recognising its role in the community this year, by lifting its matching donation from $1.00 to $1.50 for every $1.00 donated by over 680 employees participating in CSR's Community Support Program. In recognition of our operations in Asia, CSR also made a $50,000 donation to the Red Cross Asia quake and tsunami appeal.

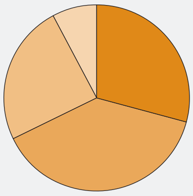
STRENGTH THROUGH DIVERSIFICATION

BUILDING PRODUCTS Trading revenue of $932.3 million rose slightly by 1.6% with new marketing initiatives offsetting a sharp slowdown in residential building construction in New South Wales and Victoria. EBIT of $108.0 million fell 4.1% as additional costs were incurred for initiatives to enhance customer service and reduce longer-term factory and distribution

CSR – A DIVERSIFIED COMPANY



REVENUE BY BUSINESS
Year ended 31 March 2005



EARNINGS BEFORE INTEREST AND TAX (EBIT)
Year ended 31 March 2005

costs. These changes are expected to support the acceleration of our operational improvement program this year.

ALUMINIUM Trading revenue from aluminium sales, including hedging, rose 5.4% to $473.6 million. EBIT of $141.9 million was 1.6% down on the previous year as higher aluminium prices and production were offset by increased cost of alumina and depreciation.

Tomago aluminium smelter, near Newcastle, NSW, completed construction of its 15% expansion project on time and on budget.

SUGAR Trading revenue rose to $960.5 million from the previous year's low level of $600.2 million. This increase includes $261.8 million of revenue from the sugar refining businesses. The financial results for Sugar Australia and New Zealand Sugar Company were consolidated into CSR's accounts from 1 October 2004 following the acquisition of an additional 25% stake in the businesses.

EBIT was $89.8 million, up from $37.6 million. The improvement followed a recovery of world raw sugar prices, providing a stronger base for our sugar mills and the rest of the Australian industry. The sugarcane crop was above that of the previous season, due to the success of industry productivity initiatives and improved weather during the growing season. The result was also boosted by the acquisition of the additional share in the refined sugar businesses and a payment to CSR under the first part of the Australian Government's sugar reform program (announced in April 2004).

PROPERTY EBIT improved to $28.6 million from $15.9 million, following the hand over of land for a major residential development in Woodcroft, Sydney. We are increasing returns on our property assets by overseeing development work, project managing land rehabilitation and obtaining site rezoning and subdivision approvals.

$400 MILLION OF ANNOUNCED GROWTH PROJECTS UNDER WAY

Over the past two years, we have begun growth projects and made acquisitions.

BUILDING PRODUCTS We initiated expansions at our brick plants in Oxley, south of Brisbane, and in New Lynn, Auckland. In Insulation, the Ingleburn glasswool factory in Sydney's south will increase capacity by 50%.

In January 2005, we acquired the Karreman concrete roof tile business in Brisbane, enabling CSR to expand in a growing regional market.

In Asia, we continued to build the group's China insulation business to meet growing demand in the region. In August 2004, we completed commissioning of our new, leased, Nanning glasswool insulation plant. The expanded Dongguan rockwool plant began production in March 2005.

ALUMINIUM CSR invested $76 million as its share in a project to expand capacity at Tomago.

SUGAR A 63 megawatt renewable electricity plant under construction at our Pioneer raw sugar mill in the Burdekin River District, North Queensland, is to be operating during this year's sugarcane harvesting and milling season. This will expand CSR's commercial generation of renewable electricity – fuelled by sugarcane waste fibre.

The total cost of the project is estimated to be approximately $140 million – up from $100 million announced in September 2003 – due to changes in the scope of the project and escalation in the cost of labour and materials.

The renewable energy project will generate returns above its cost of capital despite cost increases.

The project was originally approved on the basis of operating for about eight months each year, primarily during the sugarcane milling season. To boost returns, we are developing plans to operate the plant all year round.

In April 2004, CSR increased its share in the Sugar Australia joint venture and New Zealand Sugar Company Limited to 75% with the acquisition of Man Group's 25% interest for $61 million.

PROPERTY This year, we approved $32 million for infrastructure and road construction on the Erskine Park, Sydney, former quarry site. The 100 hectare site will be sold or developed and leased as industrial zoned land over the next two to three years.

INVESTING IN THE SUGAR INDUSTRY TO BUILD A SUSTAINABLE FUTURE

CSR has substantially invested in developing a leadership program in the sugar industry and assisting sugarcane growers to increase farm productivity, in collaboration with the Canegrowers organisation and the Bureau of Sugar Experiment Stations. Launched two years ago, this program now has an established track record of improving crop yields. CSR recently purchased a large sugarcane farm in the Burdekin region to assist in demonstrating best farming practice. CSR is also investing in a research project with the University of Queensland which is focusing on ways to increase the sugar content of sugarcane plants.

In May 2004, CSR received the Sugar Industry Innovator of the Year Award in recognition of its leadership development program.

OUTLOOK FOR THE YEAR AHEAD

CSR's profit performance is subject to a number of influences, including movements in exchange and interest rates, commodity prices (including fluctuations in the raw sugar market) and levels of building activity. At this early stage in the year, we expect a result broadly in line with last year.

BUILDING PRODUCTS Our plans for this year are based on the number of new dwellings continuing to fall, by around 5%. This should be partly offset by activity in the commercial building sector. With the benefit of operational improvement initiatives across the businesses, we are working to achieve a result broadly in line with last year.

ALUMINIUM We expect lower A$ returns will reduce EBIT by between 5% and 10%. The rate of growth in global aluminium demand is expected to slow. However, earnings will continue to be supported by our current hedging position.

SUGAR We expect continued reasonably good growing conditions, but this season's sugarcane crop should be slightly below that of last season. Assuming that world raw sugar prices are similar to last year, combined with additional revenue from the renewable energy plant at Pioneer mill, the result should be broadly in line with last year.

PROPERTY Results are expected to be at least in line with last year following the completion of the sale of 17 hectares of the 100 hectare site at Erskine Park and further development of the Ferntree Gully, Melbourne, properties.

PRIORITIES FOR THIS YEAR

This year, we must:

- lift safety and environmental performance
- secure our market positions in a time of reduced demand
- increase efficiency and drive costs down through focused improvement effort in all businesses
- complete property transactions on schedule
- develop opportunities for growth through acquisition and new product development.

OUR THANKS FOR 150 YEARS OF SUPPORT

Competition is tough in manufacturing in Australia. To continue to be successful, we in CSR have to be focused on improving our businesses, continuing to strive to be the very best at meeting our customers' needs – with high quality products and services – and continually seeking ways to grow and adapt our businesses to meet the changing needs of our markets.

While we can pause briefly to celebrate our success in achieving a century and a half of doing business, we know that we must continue to find ways to work harder and adapt faster so that we may continue to celebrate success and perhaps other major milestones again in the future.

I thank our shareholders, customers, business partners, suppliers and other service providers, and our employees, communities and governments. All have played an important part in CSR's successful journey to where we are today.

Alec Brennan

ALEC BRENNAN
Managing Director

CSR'S CORPORATE MANAGEMENT

CHRIS BERTUCH
General Counsel

JOHN DYER
General Manager Human Resources

GRAHAM HUGHES
Company Secretary

WARREN SAXELBY
Chief Financial Officer

ANDRÉE TAYLOR
General Manager Investor Relations

AN OVERVIEW OF CSR

The company has come a long way in the past 150 years

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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	**9**	7	2					9 million metres[2]
Clay bricks and pavers	**10**	9	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	**40**	30	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[a]	**3**	2	1					970,000 tonnes
TOTAL OPERATING PLANTS	**12**	11	1					

a CSR agreed to increase its stake from 50% to 75% on 2 April 2004.

Main photo CSR PGH Brick's new delivery fleet displays PGH's new brand image.

1 CSR provides a wide range of building products.

2 Value added aluminium slabs and billets sell at a premium to standard ingots.

3 Sugar Australia retail packs display the long established CSR sugar brand.

4 We maximise returns by developing for sale such former industrial sites as Ferntree Gully, Melbourne.

CSR Logo We have updated the CSR trademark as a *cornerstone* master brand to support our new, stronger, stand alone product brands.

CSR CONCENTRATES ON BUSINESSES THAT OUR PEOPLE KNOW WELL – WE NOW HAVE FOUR DIVERSIFIED BUSINESSES: BUILDING PRODUCTS, ALUMINIUM, SUGAR AND PROPERTY.

BUILDING PRODUCTS – OUR BUSINESSES ARE NUMBER ONE OR TWO IN THE MARKET FOR NEARLY ALL THEIR PRODUCTS

Our well established brands include Gyprock™ plasterboard, with a market share of over 30%.

CSR Fibre Cement is supplied to eastern seaboard markets, where our market share is over 15%.

Monier™ and Wunderlich™ are the leading concrete and terracotta roof tiles in Australia (with a 20% share of the roofing market) and New Zealand.

PGH™ clay bricks and pavers are manufactured in New South Wales, Queensland, South Australia and New Zealand with a share of over 30% of these markets.

CSR Hebel is the sole Australian producer of aerated lightweight concrete blocks and panels – used for internal and external walls and flooring – and has a plant in Malaysia.

In Australia, Bradford Insulation is a leading manufacturer of glasswool insulation (market share over 30%), the sole manufacturer of rockwool insulation and also produces reflective foil insulation.

We export insulation to New Zealand and other markets.

CSR is a major supplier of insulation across Asia, with plants in China, Malaysia, Singapore and Thailand.

ALUMINIUM – TOMAGO SMELTER PRODUCES 25% OF AUSTRALIA'S ALUMINIUM

CSR owns 70% of Gove Aluminium Finance Limited (GAF), which holds a 36.05% interest in the Tomago aluminium smelter, near Newcastle, NSW. Tomago is Australia's second largest aluminium smelter and one of the world's lower cost producers.

Under a tolling arrangement, each joint venture participant supplies its own alumina (from which aluminium is made), pays its share of smelter operating and capital costs and sells its share of the aluminium produced.

GAF exports its aluminium, mainly to long standing customers in Japan and other Asian countries.

GAF aims to maximise sales of value added products, principally aluminium billets and slabs, which sell at a premium to standard ingots.

SUGAR – CSR'S SEVEN MILLS PRODUCE ABOUT 40% OF AUSTRALIA'S YEARLY PRODUCTION

CSR's raw sugar mills in Queensland are located in some of the world's best sugarcane growing areas. We are expanding our capacity to commercially generate renewable electricity for the Queensland power grid.

CSR produces refined sugar for industrial and consumer markets in Australia (60% market share) and New Zealand (80% market share) through our 75% ownership of Sugar Australia and New Zealand Sugar Company. Refined sugar is exported mainly to Asia and the Pacific Islands.

CSR operates an ethanol production plant at Sarina in North Queensland and a processing and distribution plant at Yarraville, Melbourne, for supply to customers in Australia and Asia. The Sarina distillery supplies fertiliser by-products to sugarcane farmers.

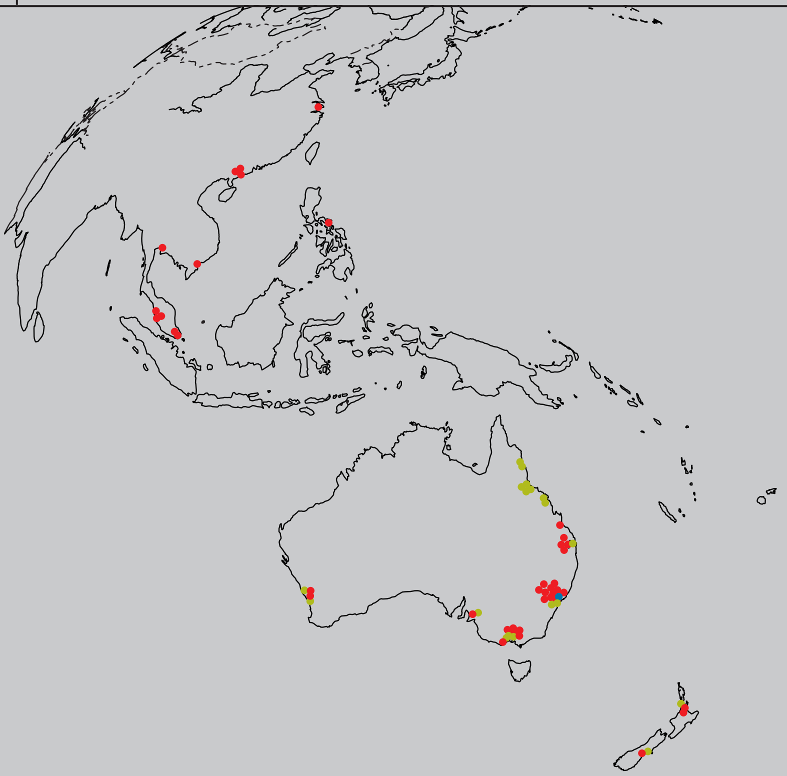
PROPERTY – WE ARE DEVELOPING SOME FORMER INDUSTRIAL SITES

We are maximising returns from the sale or lease of former industrial sites by overseeing development work, including, where appropriate, obtaining site rezoning and subdivision approvals.

CSR has a 50% interest in two joint ventures (with Brambles Industries Limited). Enviroguard operates landfills. Envirogreen is a leading supplier of home garden products.

SUMMARY OF OPERATIONS
REVIEW OF OPERATIONS

Our diversified group of businesses improved CSR's total returns



OPERATING PLANTS
- Building Products*
- Aluminium
- Sugar

* Includes sales outlets in Asia.

Building Products

PERFORMANCE SUMMARY
- Trading revenue $932.3 million.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) $150.4 million.
- Earnings before interest and tax (EBIT) $108.0 million.
- Profit margin (EBIT : trading revenue) 11.6%.

FEATURES
- Revenue up despite fall in NSW and Victorian housing markets.
- $100 million targeted for growth projects, including brick and insulation operations.
- Operational improvements to cut costs by $75 million over three years.
- Acquired a south east Queensland concrete roof tile business.

PROGRESS AGAINST PRIORITIES
- **Grow the business through acquisitions, new products and increased capacity**: Roof tile business acquired. Wide range of new products launched. Insulation capacity expanded in Asia.
- **Improve factory management and distribution efficiency to reduce unit costs and boost customer service**: Operational improvements cut costs by $16.8 million. Initiatives launched to improve service.
- **Bring Rosehill concrete roof tile plant into full production**: The Rosehill concrete tile plant is fully meeting demand.
- **Improve safety and environmental performance**: The rate of recordable injuries fell. Levels 1 and 2, minor and significant, environmental incidents rose; there were no level 3 serious incidents.*

KEY OBJECTIVES THIS YEAR
- Expand capacity at the Oxley brick plant and Ingleburn glasswool insulation factory.
- Implement a stringent operational improvement plan.
- Grow the business through acquisitions, new products and increased capacity.
- Continue to improve safety and environmental performance.

* Environmental and safety performance are reported on pages 24 and 27.

Aluminium

- Trading revenue $473.6 million.
- EBITDA $169.1 million.
- EBIT $141.9 million.
- Profit margin 30.0%.
- CSR's share of Gove Aluminium Finance Limited (GAF) (CSR 70%) net profit before finance costs $70.3 million.

- GAF sold a record tonnage as production increased following completion of the expansion project at Tomago aluminium smelter.
- Value added billet and slab aluminium sales increased by 6.4%.

- **Continue to hedge the world market aluminium price and US$ revenue to provide a base level of profitability and to reduce volatility of earnings**: We hedged forward aluminium price exposure consistent with future production, but hedged less currency in a year of high exchange rates.
- **Maximise value from the efficient operation of the expanded Tomago smelter**: With Tomago's increased production, we have boosted sales of value added products.

- Continue to hedge the world market aluminium price and US$ revenue to provide a base level of profitability and to reduce volatility of earnings.
- Maximise value from the efficient operation of Tomago smelter, including further development of billet and slab production.
- Support Tomago in continuing to improve safety and environmental performance.

Sugar

- Trading revenue $960.5 million.
- EBITDA $132.4 million.
- EBIT $89.8 million.
- Profit margin 9.3%.

- Raw sugar price rose 11.4% from a low level.
- $10 million received as the first part of an Australian Government sugar reform program sustainability grant.
- New renewable energy plant in the commissioning phase.
- 14.95 million tonnes of sugarcane milled to produce 2.2 million tonnes of raw sugar.

- **Ensure full benefit from restructuring and productivity improvement**: Increased sugarcane farm productivity is supporting increased profitability for farms and mills.
- **Construct the renewable electricity plant at Pioneer mill on time and within budget**: The project is commissioning for the 2005 milling season. Costs increased, due in part to changes in the scope of the project.
- **Boost the performance of the refined sugar joint ventures**: Increased ownership has made possible more focused management.
- **Improve safety and environmental performance**: The rate of recordable injuries fell. Levels 1 and 2, minor and significant, environmental incidents rose; there were no level 3 serious incidents.*

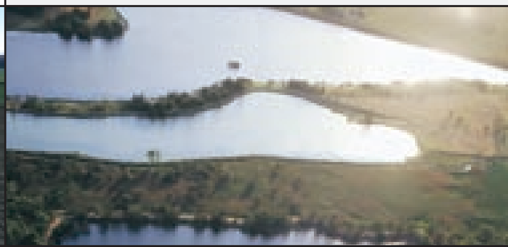
- Ensure the renewable electricity plant at Pioneer mill is successfully commissioned and develop other growth proposals.
- Continue active participation in industry restructuring.
- Strengthen the performance of the refined sugar business.
- Develop the ethanol fuel market and increase higher value exports.
- Continue to improve safety and environmental performance.

* Environmental and safety performance are reported on pages 24 and 27.

Property

- Total revenue $45.8 million.
- EBITDA $28.6 million.
- EBIT $28.6 million.
- Profit margin 62.4%.

- We entered into a conditional agreement to sell 17 hectares of industrial land at CSR's Erskine Park, Sydney, 100 hectare site.
- Some 15 hectares of woodland and waterways at Woodcroft, Sydney, have been rehabilitated for public use.



- **Complete hand over of Woodcroft land to Mirvac**: Completed.
- **Progress Erskine Park development**: Infrastructure development ahead of schedule with a conditional sale of land to BlueScope Steel.

- Complete Erskine Park land sale to BlueScope Steel and execute further sale or lease opportunities.
- Develop Erskine Park and Ferntree Gully sites and other projects on time and on budget within commercial agreements with other parties.


CSR
Gyprock
CSR
Fibre Cement

Returns were down as additional costs were incurred to enhance customer service and improve factory operations

1


2


Main photo A wide range of CSR building products has been used by construction contractor Barclay Mowlem for the 5-star Peppers Resort and Spa which overlooks Salt Beach, Queensland.

1 Wunderlich new flat Nullabor terracotta roof tiles add stylish beauty and functionality to a home on Queensland's Gold Coast – and they come with a 50 year guarantee.

2 CSR ExpressWall™ compressed fibre cement sheets were used for the exterior lining of Wyong Hospital, NSW.

TRADING REVENUE OF $932.3 MILLION ROSE 1.6% DUE TO CONTINUED PRICING IMPROVEMENT IN SOME PRODUCTS.

Sales volumes fell in core markets of New South Wales by 7.1% and Victoria by 6.5% while the overall market for new dwellings fell 4.5%, partly offset by stronger activity in Queensland and Western Australia.

Alterations and additions activity was down 4.1% as demand for renovations slowed. The commercial market increased 3.3%.

Earnings before interest and tax (EBIT) reduced by 4.1% to $108.0 million and the profit margin of 11.6% was also down. We invested an additional $5 million in initiatives that will enhance customer service and resolve factory cost issues.

Operational performance improvements cut costs by $16.8 million. We launched a program to deliver $75 million in savings over three years. The program aims to reduce overheads, strengthen operations and logistics performance, improve systems and deliver targeted marketing initiatives.

OVER $100 MILLION TARGETED FOR GROWTH PROJECTS

Over $100 million is to be invested in growth projects. In Australia, we are spending $28 million to expand glasswool insulation capacity by about 50% to 28,000 tonnes a year, at our Bradford Insulation factory at Ingleburn, Sydney, by early 2006. This is to meet growing demand caused by improved housing energy efficiency standards.

In Asia, in August 2004, we completed commissioning of our new, leased glasswool insulation plant in Nanning, China (capacity 6,000 tonnes a year). In March 2005, expansion of the Dongguan rockwool insulation factory came on stream, increasing capacity by 20% to 24,000 tonnes yearly. This is to meet demand in China and elsewhere in Asia, enhancing our position as the largest insulation producer in the region.

In March 2005, CSR acquired the Brisbane based concrete roof tile business, Karreman Roof Tiles, for $12.5 million – expanding our capacity in the increasingly important south east Queensland region. To supplement CSR's roof installation service, we purchased a roof safety guardrail hire business, for $2 million.

In bricks and pavers, increased production capacity at the Auckland factory, of 15 million bricks a year, recently came on stream. Expansion of the Oxley plant, Brisbane, is under way for completion in mid 2006. We invested $4.5 million to develop an in-house distribution network. A fleet of new trucks started servicing the NSW metropolitan market in April 2005.

CSR is investing $4 million on process enhancements at the Wetherill Park, Sydney, fibre cement plant.

STEADY PERFORMANCE DESPITE SLOWDOWN IN EAST COAST MARKETS

CSR GYPROCK™ AND FIBRE CEMENT Revenue rose 2.6% to $388.3 million. In the **Gyprock**™ plasterboard business, CSR delivered planned cost reductions while maintaining margins in an increasingly competitive market.

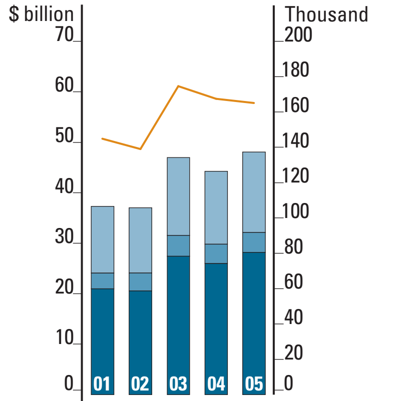
Sales and marketing were restructured to provide more focus on the needs of specific market segments and to develop and promote higher value products and services, such as high performance walls and ceilings.

CSR FIBRE CEMENT Sales volumes were steady despite a slowdown in some key markets and reduced exports due to the stronger A$. Sales of CSR's new ExpressWall™ compressed sheets continued to increase in the commercial building market. CSR is investing $4 million on process enhancements at the Wetherill Park plant.

CSR ROOFING **Monier**™ and **Wunderlich**™ roof tiles and other revenue declined 1.2% to $170.9 million, with higher prices offset by reduced volumes as the housing market slowed in some regions. Production from the modern Rosehill, Sydney, concrete tile plant is now fully meeting demand, so we closed the old Villawood plant (in November 2004) and sold the site. A new packaging system became operational at Rosehill in January 2005.

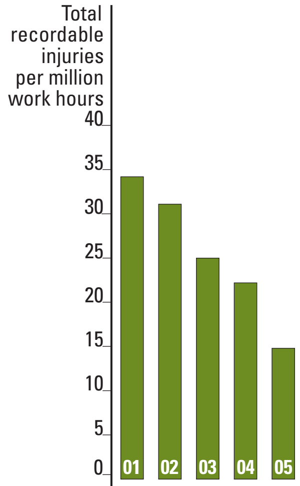
CSR BRICKS AND PAVERS Revenue in the **PGH**™ bricks and related businesses fell 7.1% to $156.1 million. Returns were impacted by the significant slowdown in the NSW residential market.

CSR INSULATION SYSTEMS Revenue increased by 1.5% to $203.7 million. In Australia, **Bradford Insulation** profitability increased significantly with higher prices and sales volumes were up by 7%.

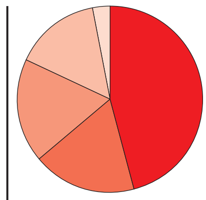


- Residential starts 3 month lag (right axis)
- Commercial (left axis)
- Alterations and additions (left axis)
- New residential (left axis)

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



THE RATE OF RECORDABLE INJURIES FELL 33%
Year ended 31 March



- Detached housing 46%
- Alterations and additions 18%
- Commercial 18%
- Other residential 15%
- Industrial/other 3%

END MARKETS
Year ended 31 March 2005

3 Construction contractor Hansen Yuncken has used a range of CSR products in building Adelaide's new state-of-the-art airport terminal, including Ecophon™ high acoustic performance ceiling panels.

4 Paroc Panels™ provide external lining for a pharmaceutical factory in Finland. CSR is the exclusive distributor of the Paroc™ fire resistant panel system in Australia, New Zealand, the Pacific and South East Asia.

Improved packaging equipment reduced distribution costs at the Ingleburn factory.

The Asian insulation business performed strongly in China, although overall returns were reduced by the strong A$ and lower prices in Malaysia.

Hebel™ aerated lightweight concrete products' pricing improved while sales volumes were lower as Australian multi-residential building activity fell. Profit increased through tighter cost control and a successful focus on more profitable new commercial and industrial market segments.

Sales of the **Paroc Panel**™ non-combustible wall and ceiling panel system are increasing in the commercial building market. We have established distribution networks in New Zealand and Asia and are looking into manufacturing the product in China.

THE YEAR AHEAD

- We expect Australian housing construction will continue to decline, partly offset by the alterations and additions market, and the commercial construction market.
- Expand capacity at Oxley brick plant and Ingleburn glasswool insulation factory.
- Across the businesses, we will:
  - grow through expanding capacity and extending our product range
  - boost customer service and ease of dealing with CSR
  - gain full advantage from our investment in computer systems with common processes and improved performance management
  - reduce costs through operational improvement to deliver at least $75 million in savings over three years.
- We are boosting our marketing efforts, to support our strong building products brands.

BUILDING PRODUCTS

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	**2005**	2004	2003	2002	2001	2000
KEY FACTS						
Trading revenue	**932.3**	918.0	896.2	806.3	859.6	942.9
Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA)	**150.4**	155.5	154.6	142.7	173.5	195.3
Depreciation and amortisation	**42.4**	42.9	34.9	33.9	38.4	39.4
Earnings before interest, tax and significant items (EBIT)	**108.0**	112.6	119.7	108.8	135.1	155.9
Net profit before finance and significant items	**80.3**	81.3	87.2	74.9	89.9	99.2
Business cash flow[a]	**92.2**	130.5	141.4	128.4	170.8	172.4
Funds employed at 31 March	**652.9**	580.4	605.6	611.7	602.3	642.1
Capital investment	**64.5**	38.8	41.8	52.3	27.5	14.8
Profit margin (EBIT : trading revenue) [%]	**11.6**	12.3	13.4	13.5	15.7	16.5
Return on funds employed (ROFE) [%]	**16.5**	19.4	19.8	17.8	22.4	24.3
Average working capital : trading revenue [%]	**17.8**	16.9	16.7	18.9	17.5	15.8
Number of people employed	**4,062**	3,044				
RESERVES PROVED AND PROBABLE – MILLION TONNES						
Gypsum[b]	**280**	280				
Clay and shale	**34**	34				

a Business cash flow: net cash from operating activities adjusted for tax paid and operating capital expenditure.
b 50% CSR.

SENIOR MANAGEMENT

NEILL EVANS
Executive General Manager CSR Roofing

CHRIS GRUBB
Executive General Manager CSR Bricks and Pavers

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

GREGORY ROUGH
Executive General Manager CSR Gyprock and Fibre Cement

ALUMINIUM
REVIEW OF OPERATIONS

Profit down slightly as higher aluminium prices and production were offset by lower prices from hedged sales

ALUMINIUM

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	2005	2004	2003	2002	2001	2000
KEY FACTS						
Trading revenue	**473.6**	449.4	446.5	443.2	520.4	485.3
Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA)	**169.1**	167.3	148.7	131.7	241.3	214.2
Depreciation and amortisation	**27.2**	23.1	22.4	21.7	29.8	31.4
Earnings before interest, tax and significant items (EBIT)	**141.9**	144.2	126.3	110.0	211.5	182.8
CSR's share of net profit before finance and significant items	**70.3**	72.2	63.7	58.2	97.9	82.4
Business cash flow[a]	**152.7**	169.3	162.0	128.9	217.8	192.4
Funds employed at 31 March	**278.4**	212.5	264.7	307.9	304.4	278.5
Capital investment	**22.0**	69.7	8.9	9.5	13.1	18.7
Profit margin (EBIT : trading revenue) [%]	**30.0**	32.1	28.3	24.8	40.6	37.7
Return on funds employed (ROFE) [%]	**51.0**	67.9	47.7	35.7	69.5	65.6
Average working capital : trading revenue [%]	**7.0**	8.2	10.0	9.7	10.9	11.6
Average world aluminum price (US$/tonne)	**1,776**	1,497	1,364	1,412	1,544	1,498

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

GOVE ALUMINIUM FINANCE LIMITED (GAF) TRADING REVENUE ROSE TO $473.6 MILLION.

Aluminium output increased following expansion of capacity at Tomago smelter, New South Wales. The average revenue per tonne of A$2,737 was up from A$2,696.

CSR's 70% share of GAF's net profit before finance costs fell 2.6% to $70.3 million due to the impact of a higher A$/US$ exchange rate and lower prices from hedged sales. Also affecting net profit were alumina costs and higher depreciation.

The average world aluminium price increased 18.6% to US$1,776 a tonne. However, the price when expressed in A$ terms rose by only 11.5%, due to the strengthening A$. We selectively hedged forward aluminium price exposure consistent with future production, but hedged less currency in a year of high exchange rates.

Tomago completed construction of its 15% expansion project on time and on budget. GAF's sales grew 3.8% to a record 173,060 tonnes as production increased. The expansion project will continue to increase production over the next two years.

Sales of value added billet and slab aluminium rose 6.4% to 42,974 tonnes (25% of sales), constrained by Tomago's current production capacity. There was high demand for these products in the Asia Pacific region into which GAF sells.

Global aluminium consumption grew by approximately 9% in the 2004 calendar year, following strong growth in the US and Asia, particularly in China. World aluminium prices improved substantially as the market moved into a production deficit after three years of surplus.

In China, aluminium production continued to grow strongly and, for a third successive year, accounted for over half the world's growth in production capacity. But the growth rate should slow with increasing competition for power from other Chinese industries.

THE YEAR AHEAD

The rate of growth of aluminium demand is expected to slow this year as global economic growth eases. However, a current production deficit for aluminium should maintain good price levels. GAF's earnings will continue to be supported by its current hedging position.

We will expand our market over the next two years as the Tomago expansion project progressively increases output.

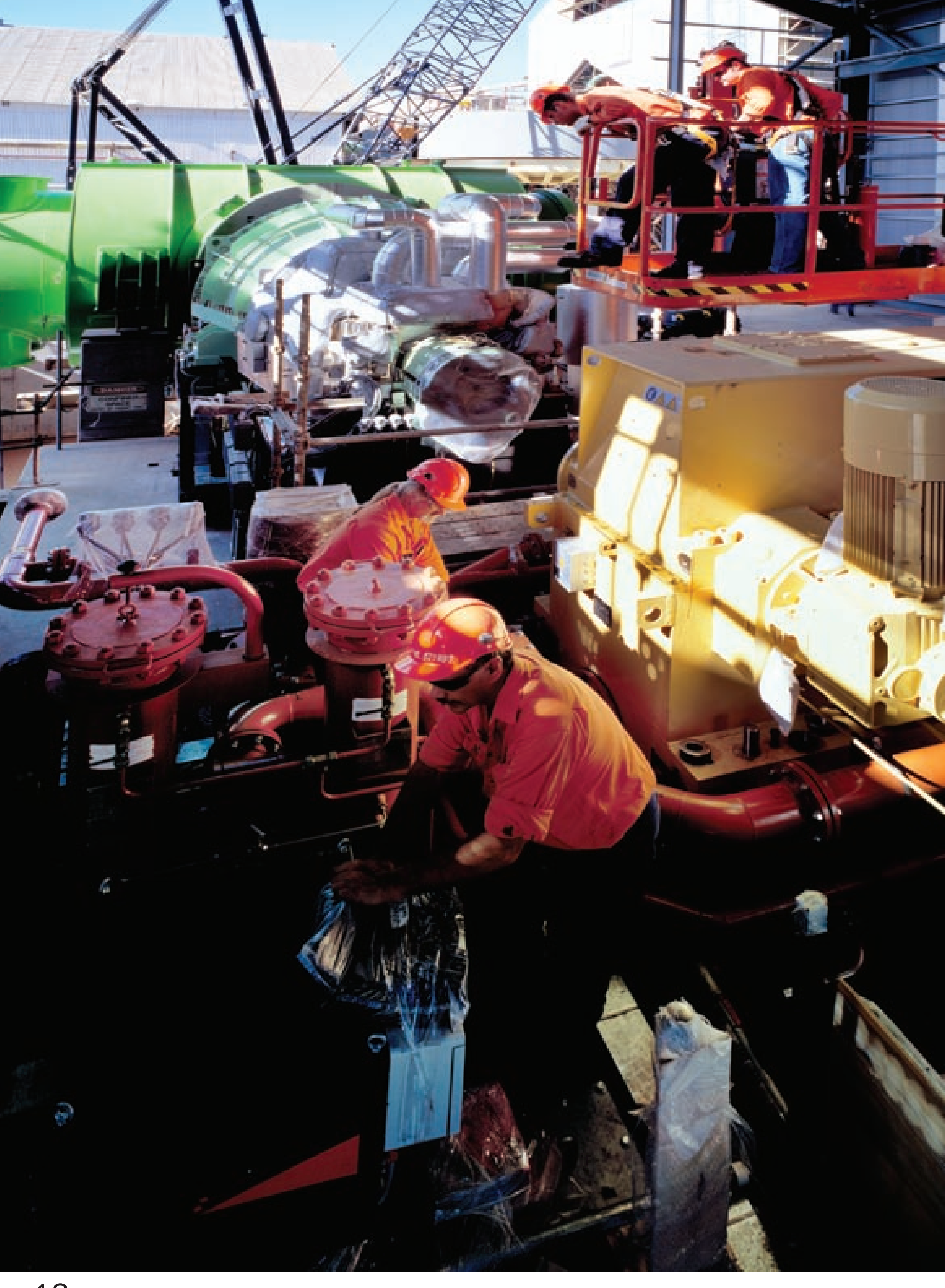
We will continue to:

- take advantage of opportunities to hedge GAF's exposures to movements in the aluminium price and the A$/US$ exchange rate
- develop sales of value added billet and slab aluminium products
- maximise value from the efficient operation of the expanded Tomago smelter.

SENIOR MANAGEMENT

JOHN DAVIES
General Manager Gove Aluminium Finance

Photo We are benefiting from the expansion of capacity of Tomago smelter's potlines.



Returns lifted by improved prices, and sugar industry restructuring is well under way

1


2


Main photo The plant at Pioneer raw sugar mill, Queensland, to expand CSR's generating of renewable electricity, will be operational in the coming milling season.

1 CSR is actively supporting the sugar industry's Cane Productivity Initiative to assist farmers to increase sugarcane crop yield.

2 New products from Sugar Australia include CSR Smart packs which provide sugar blended with low kilojoule sweeteners.

TRADING REVENUE ROSE 60.0% TO $960.5 MILLION. EARNINGS BEFORE INTEREST AND TAX (EBIT) WERE $89.8 MILLION, COMPARED WITH $37.6 MILLION THE PREVIOUS YEAR.

Raw sugar milled and the price for raw sugar and molasses all rose significantly. Total returns benefited from an increased share of the refined sugar businesses. Operational improvements cut costs by $4.8 million.

Also contributing was the Australian Government's payment to CSR of $10 million as the first part of the sustainability grant under the government's sugar reform program announced in April 2004.

The reform program is supporting restructuring at all levels of the sugar industry – critically important to improve international competitiveness. With our industry partners, we are playing a leading role in the industry's successful productivity initiative to increase farm crop yields.

INVESTING IN WAYS TO BUILD A SUSTAINABLE FUTURE IN SUGAR

CSR continues to build its portfolio of less volatile sugar related businesses.

In April 2004, CSR increased its stake in the Sugar Australia joint venture and New Zealand Sugar Company Limited by 25% to 75% with the acquisition of Man Group plc's interest.

Commissioning has commenced on the 63 megawatt renewable electricity plant under construction at the Pioneer raw sugar mill, North Queensland. The plant, which will be operational in the coming milling season, will expand CSR's generation of renewable electricity – fuelled by sugarcane fibre – earning tradeable renewable energy certificates under the Australian Government's Mandatory Renewable Energy Target legislation.

The project is expected to produce returns above the cost of capital even though the project will now cost $140 million, up from the first estimate of $100 million. The increase was due to changes in the scope of the project and increased costs.

CSR is also investing in a research project with the University of Queensland which is focusing on ways to increase substantially the sugar content of sugarcane plants.

RAW SUGAR

EBIT of $55.0 million was up from $15.6 million last year.

Raw sugar produced rose 4.6% to 2.2 million tonnes. Productivity initiatives and improved growing conditions helped lift the 2004 sugarcane crop in our milling areas to 14.95 million tonnes.

World market raw sugar prices rose, resulting in an estimated price paid to millers of $255 a tonne, a significant improvement from $229 a tonne the previous year.

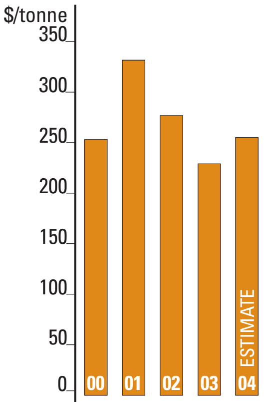
REFINED SUGAR

EBIT of $37.0 million was up from $17.1 million, reflecting consolidation of results following the purchase of the additional 25% share in the refined sugar businesses and increased sales to food and beverage producers. Sugar Australia is improving profit margins in highly competitive refined sugar industrial markets.

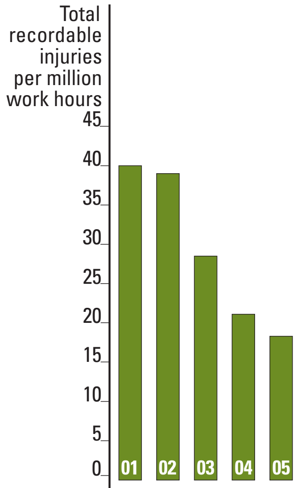
ETHANOL

EBIT reduced from $9.1 million to $4.5 million, resulting from the higher cost of molasses (ethanol's raw material) and lower prices in both Australian and export markets due to increased competition. We are vigorously defending our market position and seeking higher value export markets.

CSR has been offered a grant of $4.2 million by the Australian Government and another of $250,000 by the Queensland Government, to support installation of additional manufacturing facilities to increase supply of ethanol from our Sarina, Queensland, distillery for the fuel market.



QUEENSLAND SUGAR POOL PRICE UP 11%
Milling season



THE RATE OF RECORDABLE INJURIES FELL 13%
Year ended 31 March


3


4

3 Sugar Australia's (CSR 75%) food grade ship, MV *Pioneer*, transports bulk refined sugar from Mackay, Queensland, to domestic depots and export customers.

4 CSR Ethanol's liquid fertiliser experts demonstrate to sugarcane farmers the application of fertiliser to match soil nutrient needs.

THE YEAR AHEAD

With continued reasonably good growing conditions, our Queensland mills expect this season's sugarcane crop to be slightly below that of last season. In the longer term, while raw sugar prices will remain volatile, we expect average levels similar to current prices.

We will continue to develop the sugar business by:

- actively supporting industry restructure and deregulation
- seeking to improve industry performance through all stages of the sugar production process
- growing in stable and profitable areas including sugar refining, renewable energy production and ethanol.

SENIOR MANAGEMENT

IAN McMASTER
Chief Executive CSR Sugar

MARK DAY
General Manager Burdekin Region

BERNARD DUIGNAN
General Manager New Zealand Sugar Company

TIM HART
Chief Executive Officer Sugar Australia

GAVIN HUGHES
General Manager Herbert Region

MARTIN JONES
General Manager Ethanol

GREG LIVINGSTONE
Chief Financial Officer

JOHN PRATT
General Manager Plane Creek Region

SUGAR

YEAR ENDED 31 MARCH – $ MILLION UNLESS STATED	**2005**	2004	2003	2002	2001	2000
KEY FACTS						
Trading revenue	**960.5**	600.2	708.2	693.7	529.3	643.0
Earnings before interest, tax, depreciation, amortisation and significant items (EBITDA)	**132.4**	72.8	106.9	110.1	53.5	83.2
Depreciation and amortisation	**42.6**	35.2	36.1	36.3	37.0	38.5
Earnings before interest, tax and significant items (EBIT)	**89.8**	37.6	70.8	73.8	16.5	44.7
Net profit before finance and significant items	**58.3**	28.5	53.1	57.3	12.5	31.1
Business cash flow[a]	**96.3**	72.3	114.9	99.2	6.3	90.9
Funds employed at 31 March	**877.3**	655.1	655.8	697.7	757.0	755.3
Capital investment	**157.6**	38.9	21.1	23.0	21.7	16.8
Profit margin (EBIT : trading revenue) [%]	**9.3**	6.3	10.0	10.6	3.1	7.0
Return on funds employed (ROFE) [%]	**10.2**	5.7	10.8	10.6	2.2	5.9
Average working capital : trading revenue [%]	**8.20**	9.70	8.30	9.20	9.80	7.30
Number of people employed[b]	**1,730**	1,317				

a Business cash flow: net cash from operating activities adjusted for tax paid and operating capital expenditure.
b Includes Sugar Australia and New Zealand Sugar Company employees in 2005 only. CSR increased its stake in the two refined sugar businesses from 50% to 75% in April 2004.

PROPERTY
REVIEW OF OPERATIONS

Property activities continue to grow

PROPERTY

YEAR ENDED 31 MARCH – $ MILLION	**2005**	2004	2003	2002	2001
KEY FACTS					
Total revenue	**45.8**	17.6	31.4	7.5	2.0
Earnings before interest, tax and significant items (EBIT)	**28.6**	15.9	28.8	9.2	6.2
Capital investment	**14.0**	15.3	–	–	–

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, rezoning, and managing land rehabilitation and construction of infrastructure.

Revenue rose to $45.8 million from $17.6 million. Earnings before interest and tax (EBIT) were $28.6 million, up from $15.9 million.

MAJOR PROJECTS UNDER WAY

WOODCROFT, SYDNEY The sale to Mirvac of the 20 hectare site of a former brick plant for up to 400 houses generated most of the year's profit. The marketing of home and land packages is now adding returns to CSR.

ERSKINE PARK, SYDNEY We are developing 100 hectares around a former quarry as industrially zoned land with fully serviced lots for sale or leasing over the next two or three years. The conditional sale of 17 hectares to BlueScope Steel in July 2004 accelerated the infrastructure development of the site. The sale is expected to become unconditional by late 2005.

FERNTREE GULLY, MELBOURNE Sales of the 75 residential lots at this former quarry will begin in mid 2005.

PENRITH LAKES, WEST OF SYDNEY (CSR 20%) This quarry site development is expected to result in the sale of 5,000 homesites.

OTHER SITES A number of industrial sites are under review for sale or development opportunities. Land at Narangba, Brisbane, has recently been designated as surplus, and may be subject to sale or development. Potentially this property would support 400 residential lots.

JOINT VENTURES (CSR 50%) We are looking to expand Enviroguard beyond its current two landfills. Envirogreen expanded its range of home garden products sold under the Amgrow and Garden King brands.

THE YEAR AHEAD

CSR is well placed to service the demand for industrial land in western Sydney.

We are working to:

- advance sale or development of Erskine Park and Ferntree Gully
- expand land holdings around key existing sites.

SENIOR MANAGEMENT

ANDREW MACKENZIE
General Manager Property

Photo The Penrith Lakes site offers potential for developing 5,000 homesites. The quarry at the site is being progressively rehabilitated.

CSR SUSTAINABILITY REPORT

ENVIRONMENT AND COMMUNITY

We have been a valued part of the Australian community for 150 years, but we are striving to keep doing better

Main photo Once a CSR quarry, our Ferntree Gully housing development in Melbourne has been restored to provide a suitable living environment for 75 households.

1 and **2** The aerator sprays at Pioneer mill, North Queensland, are part of the mill's water purifying system.

CSR HAS BEEN CONTRIBUTING TO THE AUSTRALIAN COMMUNITY FOR A CENTURY AND A HALF. BUT WE KNOW THAT WE MUST CONTINUALLY IMPROVE OUR PERFORMANCE AS A CORPORATE CITIZEN.

CSR's policy is 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 community responsibilities.

CSR was awarded the industry run Case Earth Award in June 2004 for rehabilitation of 15 hectares of woodlands and waterways at our former brickworks site at Woodcroft near Blacktown in Sydney, for the benefit of residents.

ENVIRONMENTAL MANAGEMENT

We are striving to improve the environmental performance of our sites. The main focus of our environmental management initiatives is the control of process water, stormwater, solid wastes, boiler stack emissions, dust, smell and noise.

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

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

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

TIGHTER FOCUSED ENVIRONMENTAL PROTECTION CSR took a significant step to improve our environmental performance last year with the development of separate, extensive environmental protection plans for each business unit.

Underlying each plan is a commitment by local managers to:

- achieve 100% compliance with the many environmental laws and regulations and licence requirements to which the company's over 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 and the amount of waste.

ENVIRONMENTAL PERFORMANCE MEASURES

As part of the renewed thrust to improve environmental performance, each CSR business unit reviewed and updated their environmental goals. They are now focusing on progressively improving, over a five year period, performance measured by key indicators in aspects of environmental protection that are most appropriate for their individual operations, shown in the table below.

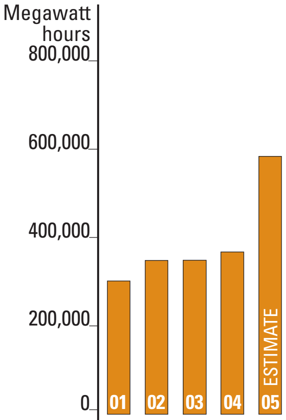
CSR'S AREAS OF FOCUS IN IMPROVING ENVIRONMENTAL PERFORMANCE

CSR FACTORIES	PRIME ENVIRONMENTAL PROTECTION FOCUS
BUILDING PRODUCTS	TO MINIMISE
Plasterboard and fibre cement	• waste, water, electricity and gas use
Concrete roof tiles	• waste
Terracotta roof tiles	• waste and energy use
Bricks and pavers	• waste, water and energy use
Insulation	• waste
SUGAR	
Raw sugar	• water use, solid waste and boiler stack emissions
Ethanol – Sarina	• water and energy use
– Yarraville	• waste, water and energy use

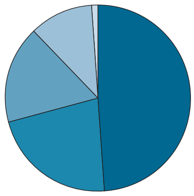
Progress towards achieving these goals is regularly reported in detail to senior managers and the board's SHE Committee.

Changes were made last year to improve the accuracy and timeliness of the environmental data.

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



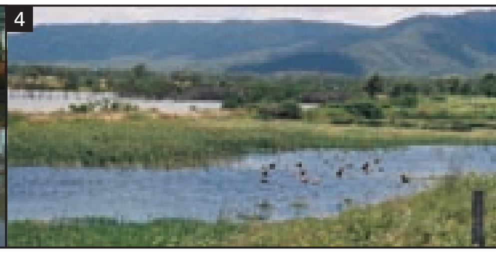
RENEWABLE ENERGY PRODUCTION
Year ended 31 December



VALUE ADDED TO THE COMMUNITY
Year ended 31 March 2005

3 CSR PGH Bricks is developing a sediment settlement reservoir as part of treating stormwater runoff at its Cecil Park site.

4 CSR Ethanol's pastoral property, Oonooie – being extensively rehabilitated – adjoins an environmentally important estuary which connects to the coastal section of the Coral Sea inshore of the Great Barrier Reef.



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 106 recorded environmental incidents reported last year, 36 more incidents than the prior year. The incidents were all level 1 and 2 and the increase was due, in large part, to a greater focus on accurate reporting. There were no level 3, 4 or 5 incidents.

CSR incurred an environmental penalty of $5,113 for the escape of dust when discharging bulk gypsum in high winds from a ship at our Gyprock plant in Melbourne in January 2005. Action has been taken to minimise the possibility of a repeat of the problem.

BUILDING PRODUCTS' ENVIRONMENTAL INITIATIVES

INSULATION AND ENERGY EFFICIENCY
By reducing energy needs, insulation is an important part of the way Australia will achieve its environmental goals.

Effective use of insulation is a major way of reducing greenhouse gas emissions. A primary function of insulation is to conserve energy in buildings and in many other residential, commercial and industrial applications.

Although manufacture of insulation is a high consumer of energy per tonne produced, relative to our other building products, it can – over the lifetime of a building – typically, save over 200 tonnes of CO_2 emissions for every tonne of insulation installed.

The energy used in manufacturing glasswool insulation for a typical two storey house is paid back less than two months after installation, through energy savings.

The community expects buildings to be more environmentally friendly and the right choice of insulation products is an essential element of good environmental building design.

CSR Insulation Systems is participating in an investigation to provide quantifiable data to help architects design energy efficient residential and commercial buildings.

CSR is working with governments on improving energy efficiency through regulations advocating the introduction of incentives for insulation of existing homes, including rental properties.

INSULATION RECYCLING To reduce waste rockwool insulation, CSR Insulation Systems (with the help of the CSIRO) is investing in a major scrap product recycling project. By compressing the light but bulky waste into dense briquettes which are readily used in the furnace, up to 85% of previously waste product will be recycled back into the production process. When completed, the project should benefit our Clayton, Victoria, plant and three rockwool insulation plants in Asia.

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

TREATING STORMWATER In consultation with the local council and environmental authorities, PGH Bricks' Cecil Park, Sydney, brick factory has constructed a stormwater management system to capture and treat sediment laden stormwater before it is discharged from the site.

ETHANOL ENVIRONMENTAL INITIATIVES

WETLANDS PROJECT An artificial wetland – with a *fish ladder* to allow native fish to move upstream to a dam to breed – is being established at the CSR Ethanol Sarina distillery's Oonooie pastoral property, south of Mackay, North Queensland. The project is a joint effort involving the Department of Primary Industries and Fisheries, Sarina's Landcare Catchment Management Association and the Sarina Green Corps.

LAND REHABILITATION CSR Ethanol continued a rehabilitation program at the Oonooie site in partnership with the Sarina Green Corps and students from Sarina High School. Over 3,000 native trees were planted to stabilise a creek bank. Weeds were eradicated from over 200 hectares.

The Green Corps planted over 200 trees, shrubs and palms to upgrade the Mackay ethanol terminal.

5 and **6** In Queensland, our people at Victoria mill join in local Herbert River community festivals, providing train rides. The 1917 steam loco, *Homebush*, once hauled freshly harvested sugarcane from farms to Homebush mill, closed 1921, then Victoria mill.

5

6

NUTRIENT APPLICATION CSR Ethanol, which produces nutrient rich fertilisers from by-products of distilling sugarcane molasses, is leading the way in fertiliser management and productivity improvement. A program, which started in 2004 and is to be continued in the coming 2005 season, maps soil composition of sugarcane land using a combination of soil electrical conductivity technology and satellite global positioning to make possible testing and recording of soil types by location.

The project is to enable CSR Ethanol's liquid fertiliser business to apply fertiliser at rates which closely match soil nutrient needs. Expected outcomes include cost effectively maximising farm crop yields while reducing risk of fertiliser runoff into waterways.

RAW SUGAR ENVIRONMENTAL INITIATIVES

WASTE WATER MANAGEMENT Recycling process water at Plane Creek mill, Sarina, has more than halved the mill's intake of fresh water from local waterways and reduced the discharge of treated water to zero.

INITIATIVES WITH SUGARCANE GROWERS CSR is supporting the adoption of sustainable farming by growers in the Plane Creek mill district, including improved crop rotation and other farming practices including reducing machinery operating costs.

REDUCING GREENHOUSE GAS EMISSIONS Our participation in Australia's renewable energy industry is taking a significant step with the commissioning of CSR's renewable energy project at Pioneer mill in the Burdekin district, North Queensland. The mill's generators will be fuelled by sugarcane fibre produced in large quantities by milling.

CSR will become one of Australia's largest producers of *new* renewable energy and of eligible renewable energy certificates – which can be traded under the Australian Government's Mandatory Renewable Energy Target scheme.

The project will reduce Queensland's reliance on electricity generated from fossil fuels, reducing greenhouse gas emissions.

In total, CSR's sugar mills currently generate 370,000 megawatt hours of *green* electricity a year, or 8% of the total Australian target for new renewable electricity. Following commissioning of the energy project at Pioneer mill, CSR's renewable energy production is expected to increase by almost 60% to 580,000 megawatt hours a year. This will power approximately 117,000 homes. The reduced carbon dioxide emission will be equivalent to taking 146,000 motor cars off the road.

CSR AND THE COMMUNITY

COMMUNITY SUPPORT We are linking the CSR Community Support Program in 2005 to our 150th anniversary. The program makes it possible for CSR employees to donate a portion of their salary to 13 Australian charities selected by employees.

In 2005, CSR is boosting the program by making a 150% contribution (up from matching employee donations dollar for dollar). That is, for every $1.00 employees donate through this program, CSR will match the donation with $1.50.

Also, CSR made a donation of $50,000 to the Red Cross Asia quake and tsunami appeal in support of the company's employees in Malaysia and Thailand. Added to the donations by employees that CSR has matched, this has raised over $88,000 since the Boxing Day tsunami.

CSR made donations to political parties totalling $90,000.

VALUE ADDED CSR's main contributions to society – payments to employees, taxes, dividends and interest paid – are shown in the pie chart on the page opposite describing the $882 million of value added to the products and services bought from suppliers.

A constant in CSR's history has been the integrity and commitment of its people

Photo We recruit recent graduates with high managerial potential and provide them with on-the-job training to help meet our need for future senior managers. Last year, 12 graduates joined our graduate development program. From left, Matthew Ridderhof, Matthew Wormald and Henry Elbourne-Binns.

THE AVERAGE LIFE SPAN OF A CORPORATION IS SURPRISINGLY SHORT – EIGHT OUT OF EVERY 10 COMPANIES DISAPPEAR WITHIN 25 YEARS.

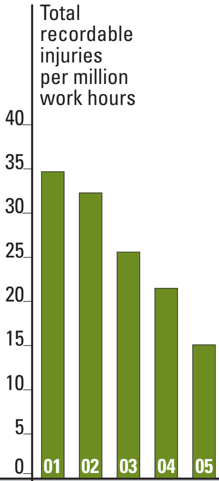
CSR has continued to succeed because our people have met the needs of our customers, shareholders and communities.

Today, we reinforce the values, knowledge and skills our people need for the company to prosper and grow.

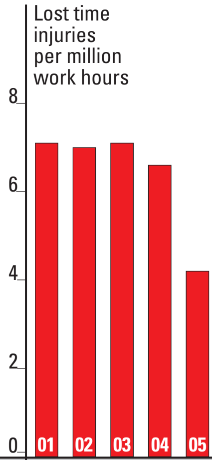
CSR CHAMPIONS 150 AWARDS PROGRAM is helping celebrate the contribution of our people to the company as well as reinforcing important values. This year, 32 people from across CSR will be honoured for making significant contributions to areas we see as key to our continuing success – safety and the environment, improvement, innovation, customer service and getting results.

ENSURING WE HAVE GOOD MANAGERS The executive general managers of our businesses regularly meet to identify people with potential to fill CSR's most important positions and to plan for them to be provided with the necessary experience, support and training. As part of the review, the executive general managers also meet and assess younger employees.

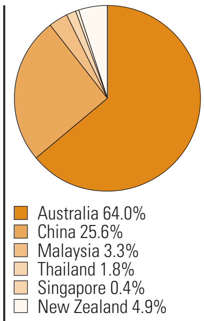
We appointed a training and development manager to support our businesses in identifying development needs and to reinvigorate our training programs.



THE RATE OF RECORDABLE INJURIES FELL 30%
Year ended 31 March



LOST TIME INJURY FREQUENCY RATE FELL 41%
Year ended 31 March



PEOPLE ACROSS CSR
Year ended 31 March 2005

Some 3,463 people undertook 14,555 training programs, including in-house and CSR sponsored external programs, and shorter, customised courses. This is equivalent to 12 hours training a year per employee; we are working to increase this to 40 hours.

MOTIVATING OUR PEOPLE Processes we use to boost our people's performance include providing market-competitive salaries and benefits, short-term and long-term incentives, and employee share purchase plans. As well, we ensure fair policies, challenging and satisfying work, and quality leadership.

To help align employees' interests with those of other shareholders, a share plan encourages our people to own shares – 2,407 employees, 58% of those eligible, took part.

A TARGETED SAFETY PROGRAM

A prime value of CSR is for people to go home uninjured every day. Following an analysis of our safest sites – which operate as safely as any similar factories in the world – we have applied lessons learnt to those of our sites with relatively poorer performance.

CSR's systematic management of safety, health and environmental (SHE) risks has been based on measuring performance against CSR's SHE standards. Company wide standards are now being supplemented with controls based on an assessment of operational risks at individual sites.

These initiatives are part of an integrated approach to changing the way we think about preventing injuries. Such cultural change starts with front line supervisors.

We have investigated how to support our line managers better, so that they are able to effectively maximise safety at their sites. We are working to ensure that they, and their leaders, are clear about CSR's standards and their personal responsibility for safety – and have the skills and support to meet these needs.

Manual handling remains our most frequent cause of injuries (sprains and strains and other injuries from lifting, pulling and pushing). Some 35 people were trained in advanced techniques for assessing and eliminating such risks.

To reduce the risk of severe injuries or fatalities, we are standardising safety procedures in two potentially hazardous areas: for isolation of plant and equipment and for people around mobile equipment.

SAFETY PERFORMANCE The total recordable injury frequency rate fell to 15.1 medical treatment, lost time and restricted work injuries per million hours worked – a 30% improvement. The lost time injury frequency rate fell by 41% to 4.2 and the injury severity rate 70%.

PEOPLE IN CSR

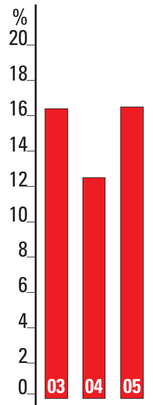
AS AT 31 MARCH	2005	2004	% CHANGE
Number of people employed[a]	**5,973**	4,535	31.7
Building Products	**4,062**	3,044	33.4
Sugar[b]	**1,730**	1,317	31.4
Australian shared services, Property	**135**	124	8.9
Executive support team, Aluminium	**46**	50	-8.0
Number of people employed by geographic grouping			
Australia	**3,821**	3,588	6.5
China	**1,529**	500	205.8
Malaysia	**196**	215	-8.8
New Zealand	**294**	92	219.6
Singapore	**27**	30	-10.0
Thailand	**106**	110	-3.6

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

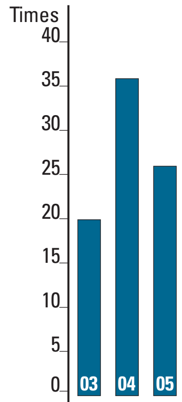
b Includes Sugar Australia and New Zealand Sugar Company employees in 2005 only. CSR increased its stake in the refined sugar businesses from 50% to 75% in April 2004.

Financial performance per employee

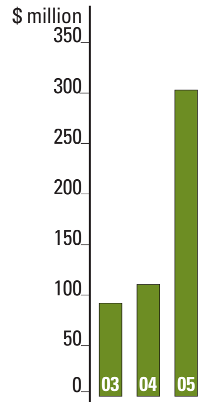
AS AT 31 MARCH	2005	2004	% CHANGE
Trading revenue [$000]	**396.4**	434.6	-8.8
Net profit before significant items [$000]	**33.6**	35.3	-4.8
Profit before finance and tax : labour cost [%]	**76.1**	64.5	18.0



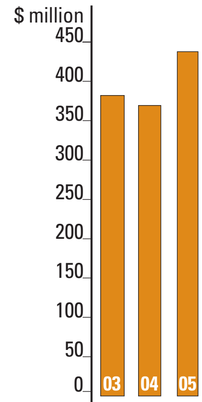
GEARING
Year ended 31 March



INTEREST COVER
Year ended 31 March



CASH CAPITAL INVESTMENT
Year ended 31 March



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

Strong balance sheet supports $303 million of capital investment

CSR'S NET PROFIT BEFORE SIGNIFICANT ITEMS ROSE 25.3% TO $200.8 MILLION FOR THE YEAR ENDED 31 MARCH 2005. SUGAR AND PROPERTY OPERATIONS IMPROVED STRONGLY WHILE BUILDING PRODUCTS AND ALUMINIUM WERE DOWN ON THE PREVIOUS YEAR.

Earnings per share before significant items rose from 17.1 cents to 21.9 cents with higher earnings and the share buyback.

CSR's total net profit after tax was $287.1 million which included significant items relating to settlements paid to CSR following resolution of some long standing litigation issues and the one-off tax benefit of $55.0 million as a result of our entry during the year into tax consolidation.

Trading revenue rose 20.1% to $2,367.5 million due principally to the inclusion of $261.8 million in revenue from sugar refineries following full consolidation from 1 October 2004. Earnings before interest, tax and significant items (EBIT) were up 22.6% to $322.0 million. Profitability improved with the EBIT margin (EBIT / trading revenue) increasing to 13.6% from 13.3%. Return on shareholders' funds lifted to 16.2% – the highest level in three years.

CASH FLOW AND CAPITAL EXPENDITURE

Cash from operating activities of $320.7 million continued to demonstrate the strong cash flows generated from our businesses.

Cash from operations was directed to development capital expenditure of $233.3 million, primarily for constructing the plant to expand generation of renewable electricity at Pioneer sugar mill, the expansion of the Tomago aluminium smelter, acquisition of Man Group's 25% interest in the sugar refining joint ventures, acquisition of the Karreman roof tile business, and for property development. Operating capital expenditure was $69.7 million – equivalent to 66% of depreciation.

Internally generated cash was used to fund dividends and interest of $167.8 million and a share buyback of $9.8 million.

CSR's strong financial position enabled the company to fund the capital expenditure while maintaining a relatively low gearing (net debt / net debt + equity) of 16.5% with net debt rising to $270.1 million.

CAPITAL MANAGEMENT AND FUNDING

The company proposes to make a cash payment to shareholders of 20 cents per share or $182 million in total as a return of capital. The purpose of the return of capital is to achieve a one-off structural alteration to the company's gearing and share capital which was established on the demerger of Rinker in March 2003.

Directors believe that the return of capital will give the company a more efficient capital structure appropriate to CSR's range of businesses and liabilities, and provides adequate flexibility for future growth. By drawing down existing borrowing facilities to return capital to shareholders, gearing will increase to a sustainable level in the range of 30% to 40%, which the directors believe is a more acceptable level of gearing for the company.

As announced in May 2004, the on-market buyback that commenced in 2003 was extended for a further 12 months ending on 10 June 2005. During the year ended 31 March 2005, 4.8 million shares were purchased at an average price of $2.03 a share.

Total dividends for the year were increased to 12 cents a share, representing a payout ratio of 55% of net profit before significant items – with franking lifted to 100%, compared with 70% in the previous year.

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. Following a review of CSR's requirements for credit ratings, the company has decided to cease rating services from Fitch and Moody's.

CSR has adopted International Financial Reporting Standards from 1 April 2005. The impact of IFRS is summarised in note 39 to the financial report. The CSR group's first financial reports prepared under A-IFRS (the Australian equivalents to IFRS) will be for the half year ending 30 September 2005. Although wide ranging, the impact of the new accounting standards is not expected to be material in the CSR financial statements.

The directors have not approved a final position but believe that the effect on reported profit after tax for the year ending 31 March 2006 will be an estimated increase of 3% to 5%. The effect on the net assets of the group will be a reduction of about 5%.

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 reduce volatility in earnings if forward prices allow an acceptable level of return to the business.

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 page 34).

SIGNIFICANT ITEMS

CSR settled litigation relating to the sale of CSR's interest in Gove Aluminium Limited to Alcan Northern Territory Alumina Pty Limited in January 2001. The CSR group received a net payment of $21.6 million. Following the settlement, we released provisions of $3.8 million held in relation to the dispute.

CSR reached settlements with various insurers under which CSR was paid $45.3 million. As a result of the settlement, $39.4 million of deferred legal costs were written off.

CSR, including its wholly owned Australian resident companies, elected to be taxed as a single entity from 1 April 2004 under tax consolidation legislation. The effect of consolidation was a tax benefit of $55.0 million.

PROFITABILITY – BEFORE SIGNIFICANT ITEMS

	TOTAL REVENUE		PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		INCOME TAX		OUTSIDE EQUITY INTERESTS		NET PROFIT	
YEAR ENDED 31 MARCH – $ MILLION	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Building Products	**948.5**	924.8	**108.0**	112.6	**27.2**	30.8	**0.5**	0.5	**80.3**	81.3
Aluminium	**476.3**	451.7	**141.9**	144.2	**42.6**	43.5	**29.0**	28.5	**70.3**	72.2
Sugar	**963.3**	602.8	**89.8**	37.6	**26.9**	9.1	**4.6**	–	**58.3**	28.5
Property	**45.8**	17.6	**28.6**	15.9	**(6.7)**	0.3	**–**	–	**35.3**	15.6
Corporate	**2.2**	45.7	**(16.9)**	(18.6)	**(5.1)**	(5.6)	**–**	–	**(11.8)**	(13.0)
Restructuring and provisions	**–**	–	**(29.4)**	(29.0)	**(10.5)**	(13.2)	**–**	–	**(18.9)**	(15.8)
Segment total	**2,436.1**	2,042.6	**322.0**	262.7	**74.4**	64.9	**34.1**	29.0	**213.5**	168.8
Net finance	**4.1**	5.8	**(18.9)**	(13.0)	**(5.6)**	(4.3)	**(0.6)**	(0.1)	**(12.7)**	(8.6)
GROUP TOTAL	**2,440.2**	2,048.4	**303.1**	249.7	**68.8**	60.6	**33.5**	28.9	**200.8**	160.2

CASH FLOW

YEAR ENDED 31 MARCH – $ MILLION	**2005**	2004
Operating profit before finance and income tax	**322.0**	262.7
Depreciation, amortisation and provisions	**113.0**	59.8
Net income tax paid	**(52.4)**	(45.7)
Change in working capital	**(41.5)**	6.9
Profit on asset sales	**(30.9)**	1.8
Other	**10.5**	4.6
Cash flow from operating activities	**320.7**	290.1
Capital investment	**(303.0)**	(110.7)
Divestment proceeds	**59.2**	64.1
Other	**2.5**	16.0
Cash flow applied to investment activities	**(241.3)**	(30.6)
Internal cash flow	**79.4**	259.5

FINANCIAL POSITION

AS AT 31 MARCH – $ MILLION	**2005**	2004
Total assets	**2,655.2**	2,349.9
Total liabilities	**1,287.3**	1,205.0
Total shareholders' equity	**1,367.9**	1,144.9
Net debt	**270.1**	164.1
Gearing [%]		
Net debt : net debt + equity	**16.5**	12.5
Net debt : equity	**19.7**	14.3
Interest cover (EBITDA : net interest expense) [times]	**25.8**	35.9

DIRECTORS
CORPORATE GOVERNANCE

The CSR board of directors at the March 2005 dinner they hosted for major customers. From left, John Story, Alec Brennan, Ian Blackburne, Kathleen Conlon, Carolyn Hewson and Barry Jackson. Richard Lee was appointed on 17 May 2005.

CSR DIRECTORS AS AT 18 MAY 2005

Ian Blackburne
BSc(Hons), PhD, MBA, age 59.
Chairman.
Joined the board in 1999. 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 four years and a director since September 2004 of Mayne Group Limited; and a member of the Australian Graduate School of Management Advisory Council. Resides in Sydney.

Alec Brennan
BSc(Hons), MBA(Dist), age 58.
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 is a director of the Garvan Research Foundation. Resides in Sydney.

Kathleen Conlon
BA(Econ)(Dist), MBA, age 41.
Joined the board in December 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. Resides in Sydney.

Carolyn Hewson
BEc(Hons), MA(Econ), age 49.
Joined the board in 1995. An independent director, Carolyn's directorships include the Australian Gas Light Company for eight years and Westpac Banking Corporation for two years. A former executive director of Schroders Australia Limited, she has had substantial experience in the finance industry. Carolyn is a member of the Advisory board of the YWCA of Sydney. Resides in Sydney. She will retire from the board on 14 July 2005.

Barry Jackson
BCom(Hons), age 60.
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 five 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 55.
Joined the board in May 2005. An independent director, Richard has 19 years' experience in investment banking and the finance industry. He is a former chief executive officer of the N M Rothschild Australia Group where he developed the bank's metal financing activities and broadened the business into new growth sectors and services. 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 59.
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 10 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 directorships of Breakwater Island Limited after nine years and Ruralco Holdings Limited after 15 years. In May 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, president of the Queensland Council of the Australian Institute of Company Directors and a member of its national board. Resides in Brisbane.

RETIREMENTS FROM THE BOARD
John Wylie retired from the board in March 2005 after four years' service. Carolyn Hewson is retiring at the conclusion of the company's annual general meeting in July 2005 after serving for 10 years. The chairman and other directors appreciate the contributions of these valued colleagues, especially with respect to the demerger in 2003 of Rinker Group Limited – a time of critical importance in CSR's history.

COMPANY SECRETARY
Graham Hughes
BCom, FCIS, CPA, age 53.
Since joining CSR in 1970, Graham has held a variety of senior finance and other positions, most recently as senior manager corporate development. Graham coordinated the team that managed the demerger of Rinker Group Limited. He was appointed company secretary in April 2003.

GENERAL COUNSEL AND ALTERNATIVE COMPANY SECRETARY
Chris Bertuch
BEc, LLM, age 43.
Chris 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. He was appointed as alternative company secretary in April 2003.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE

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 performance of the company
- the company's goals to drive profit and growth are set, promoted and achieved
- 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.

THE BOARD IS ACCOUNTABLE TO SHAREHOLDERS FOR THE PERFORMANCE OF CSR

CSR's shareholders appoint the company's directors and hold them accountable for the performance of the company.

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 (when the changes to the board are completed in July 2005) and one executive director – the managing director. Information about directors is on page 30.

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.

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.

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 54 (note 26 to the financial statements), 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 contract of employment and the shareholder approved Employee Share Acquisition Plan.

Last year, CSR paid $274,000 in legal fees to Corrs Chambers Westgarth Lawyers, a firm from which John Story received a fixed salary for his role as non-executive chairman. He is one of eight directors on the Corrs' board and one of over 100 partners in the firm.

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 35.

ELECTION OF DIRECTORS

The Remuneration and Nominations Committee makes recommendations to the board on the appointment of new directors and criteria for new appointees, focusing on the particular skills and experience most appropriate to the company's objectives.

The company aims to have on its board individuals with sound commercial judgment and inquiring minds, 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.

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 frequently meet with no managers present prior to the commencement of board meetings.

Last year, the directors visited the company's sugar operations in North Queensland and Melbourne and a number of Building Products' factories to understand better the issues facing each of the businesses and their people.

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 to operate effectively. The performance of the board is regularly reviewed.

ACCESS TO INFORMATION

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. This year, Australia's Prime Minister, John Howard, attended the major customer dinner in March to help celebrate CSR's 150th anniversary.

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.

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

PERFORMANCE REVIEW

In early 2005, the Remuneration and Nominations Committee reviewed 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 in 2004 by an external consultant.

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. Details of major announcements provided to the ASX last year are set out on page 4 as 'The year in brief'.

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.

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.

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.

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.

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
- 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 from time to time.

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 employment 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.

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, 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 36 and 37). Details of the remuneration of directors and key senior executives last year are set out on pages 54 to 56.

EQUITY BASED EXECUTIVE REMUNERATION

No shares or options were issued during the year under the Executive Share Option Plan for which amendments were last approved by shareholders in 2000.

The Cash Award Share Plan (described to shareholders in the notice of meeting for the 2002 annual general meeting) is now used as the vehicle for long-term incentives. The shares purchased during the year on behalf of participating executives are shown on page 55. Use of this plan does not dilute the holdings of other shareholders because shares are acquired on-market.

Shares issued under the Universal Share/Option Plan, available to all employees and for which amendments were last approved by shareholders in 2000, are disclosed on page 53. Senior executives were among the 2,407 employees who participated in this plan last year.

Directors and employees may forgo part of their cash remuneration and acquire shares under the Employee Share Acquisition Plan approved by shareholders in 1998. Last year, non-executive directors acquired over 88,000 shares under the plan.

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. The board has agreed that each non-executive director will sacrifice a minimum of 25% of their directors' fees to buy CSR shares until that goal is achieved. CSR directors' and specified executives' relevant interests in shares are listed on pages 54 and 55.

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.

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 Carolyn Hewson, the other members being Ian Blackburne, Richard Lee and John Story, all of whom are independent directors. John Story will become chairman of the Audit Committee upon Carolyn Hewson's retirement in July. 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, if 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 long standing 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.

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 comprises:

- **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 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
- 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.

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.

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. A review using the framework provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) is conducted to provide a reasonable assurance that these systems are effective in all material respects.

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.

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 long standing 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 18 May 2005 are shown on page 35.

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.

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 fellow 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 SHE Committee oversees CSR's management 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.

DIRECTORS' INTERESTS IN CSR SHARES

AS AT 18 MAY	BENEFICIAL	NON BENEFICIAL	TOTAL 2005	TOTAL 2004
Ian Blackburne	103,458	–	103,458	76,977
Alec Brennan	2,218,508	–	2,218,508	1,245,938
Kathleen Conlon[a]	2,000	–	2,000	
Carolyn Hewson	50,800	–	50,800	37,217
Barry Jackson	57,903	–	57,903	44,268
Richard Lee[b]	23,000	–	23,000	
John Story	46,715	–	46,715	42,706

a Appointed 14 December 2004.
b Appointed 17 May 2005.

DIRECTORS' MEETINGS

YEAR ENDED 31 MARCH 2005	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	10	10	4	4	4	4	4	4
Alec Brennan	10	10						
Kathleen Conlon[c]	3	3			1	1	1	1
Carolyn Hewson	10	10	4	4			4	4
Barry Jackson	10	10			4	4	4	4
John Story	10	10	1	1	4	4	4	4
John Wylie	10	10	4	4			4	4

a Meetings held while a member.
b Meetings attended.
c Appointed 14 December 2004.

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 18 May 2005

REMUNERATION REPORT

CORPORATE GOVERNANCE

THIS REPORT FORMS PART OF THE DIRECTORS' STATUTORY REPORT FOR THE YEAR ENDED 31 MARCH 2005.

REMUNERATION AND NOMINATIONS COMMITTEE

The composition and functions of this committee, which oversees remuneration issues, are set out on page 33. Support for the committee, including the services of external advisers, is provided through CSR's general manager human resources.

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

REMUNERATION POLICY

The key principles of CSR's executive remuneration policy are:

- Remuneration is set at levels that will attract and retain good performers and motivate and reward them to continually improve business results.
- Remuneration is structured to reward employees for increasing shareholder value.
- Rewards are linked to the achievement of business strategies and goals.

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) 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 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 which is 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 a limited number of cases, superior performance or strong market demand (for specific job categories) justify above median fixed remuneration.

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

THE SHORT-TERM INCENTIVE PLAN Short-term incentives are used to differentiate rewards based on performance on a year by year basis. 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, 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 both business and/or group financial performance and individual achievement of specified goals, for example achieving progress with growth initiatives.
- At senior executive levels, 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 (balanced scorecard measures), including safety performance. These are drivers of 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.
- Participants in the senior executive plan are expected to forgo at least 50% of their short-term incentive and apply it to the purchase of CSR shares through ESAP until their holdings of CSR shares equal the value of 12 months' base salary. CSR is a market leader in this respect. Hay Group advises that less than 10% of companies surveyed require executives to forgo part of their short-term incentive to acquire shares in their employer.
- 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 their 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 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 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.

The shares are held in trust for participating executives. Dividend payments and returns of capital on these shares vest immediately.

The shares will vest if CSR's total return to shareholders (TSR), including share price growth and dividends, exceeds the percentage increase in the S&P/ASX 200 Accumulation Index (index) in the period between the third and fifth anniversary after purchase, otherwise the opportunity to earn the shares will be forfeited. A graph of CSR's TSR performance compared to the index is shown on page 5.

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 executive'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. 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.

The details of shares purchased under the long-term incentive plan for the managing director and specified senior executives are shown on page 55.

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 competencies 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 adjustments 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 above.

RETIREMENT BENEFITS FOR EMPLOYEES

CSR's Australian based employees participate in the Harwood Superannuation Fund (CSR Super Plan). Most employees (3,873) participate in cash accumulation divisions, their retirement benefit being the company's and their own contributions plus investment earnings.

A small number (19) of current employees are members of a division of the fund that provides a defined benefit pension or lump sum on retirement. A further 45 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.

CSR continues to operate the Monier PGH Superannuation Fund, a legacy from the acquisition of these companies, which has been closed to new members since 1996. This fund has a defined benefit division with 400 employees and an accumulation division with 33 employees. New Zealand employees (238) 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.

INDUSTRIAL AWARDS AND AGREEMENTS – AUSTRALIAN BASED EMPLOYEES

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.

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.

REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR MANAGERS

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 has an employment contract which will terminate on 31 March 2007, unless terminated earlier or renewed. A copy of his 2003 contract is available on CSR's website, www.csr.com.au.

Alec Brennan's remuneration comprises fixed remuneration; an annual short-term incentive of up to 100% of fixed remuneration; and the opportunity to earn a maximum of 750,000 shares for each of the four years of his contract, subject to exceeding performance hurdles.

In May 2005, if CSR's TSR exceeds the index over the period since 1 April 2003, 475,000 shares will be purchased and will vest immediately. This hurdle can be met at any time until 25 July 2005 (for 200,000 shares) or until 31 May 2007 (for 275,000 shares). An additional 275,000 shares will be purchased and vest immediately if CSR's TSR exceeds the TSR of the 75th percentile company in the index by weight. This hurdle can be met at any time until 31 May 2007. 750,000 shares were purchased between May and July 2004 and vested immediately because the corresponding hurdles were met.

The remuneration details for the managing director and specified senior executives during the year appear on pages 55 and 56.

TERMINATION ARRANGEMENTS If CSR terminates Managing Director Alec Brennan's appointment without cause, in addition to his statutory entitlements, he will be paid the lesser of an amount equal to 1.5 times the value of his fixed annual remuneration or the balance of the fixed remuneration to the end of his contract, 31 March 2007; the pro rata short-term incentive earned for the then current year; and as part of the payment in lieu of notice, an amount equal to half of his short-term incentive for the then current year, being 45% of his then current fixed remuneration, or if cessation occurs between 1 April 2006 and 31 March 2007, a proportionate part of that amount.

Other senior executives have no fixed term of employment.

In the event of retrenchment, senior executives are entitled to payments in accordance with the terms of the CSR Staff (Consolidated) Award, 2000, which provides for a period of notice or pay in lieu of notice (one month or, if over 45 years of age, five weeks) plus three months' salary plus 0.7 months' salary per year of completed service (up to a maximum of two years' salary), plus statutory entitlements.

Should any of the specified executives listed in the tables on pages 55 and 56 be retrenched or have their employment contracts terminated by CSR, they are entitled to the greater of the payment prescribed by the CSR award or 12 months' notice or payment in lieu of that notice, except for Ian McMaster (two years) and Warren Saxelby (18 months). Pro rata short-term incentive payments are payable to these executives for the period of notice.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Fees for non-executive directors are based on the scope of director responsibilities and on the 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 and the fact that no further retirement allowances will be paid.

No equity incentives are offered to non-executive directors. No retirement allowances are payable to non-executive directors appointed after 1 April 2003. The two non-executive directors who joined the board before then remain entitled to a retirement allowance frozen as at 31 March 2004 and totalling $0.4 million.

The remuneration details for non-executive directors during the year are set out on page 54.

The maximum aggregate sum (or cap) for the remuneration of non-executive directors was set at $750,000 a year, approved by shareholders in 1999. This cap covered directors' fees but not retirement benefits.

At the 2005 annual general meeting, the board will seek shareholder approval of a new cap of $1,150,000 a year to accommodate:

- a new fee structure for a full year
- flexibility in making changes to the board
- allowance for reasonable increases in fees over the next few years
- the inclusion of superannuation contributions under the cap.

The current directors' fees have been unchanged for two years.

Subject to shareholder approval of the proposed increase in cap and backdated to 1 April 2005, the base directors' fee per year, including committee work, will be increased to $110,000 (from $97,000 including committee fee) and the chairman's fee will be increased to $275,000 (from $227,500). The chair of the Audit Committee will be paid an additional $15,000 (previously $6,000) a year and the chair of the Safety, Health and Environment Committee $6,000 (no change) a year.

DIRECTORS' STATUTORY REPORT

CORPORATE GOVERNANCE

THE DIRECTORS OF CSR LIMITED (CSR) PRESENT THEIR REPORT FOR THE YEAR ENDED 31 MARCH 2005.

REVIEW OF OPERATIONS AND RESULTS

A review of CSR group operations and the results for the year ended 31 March 2005 are set out on pages 4 to 9, 12 to 21 and 28 and 29.

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 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

A return of capital of 20 cents per share will be paid on 4 August 2005, subject to shareholders' approval at the annual general meeting on 14 July 2005. No other 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 6, 9, 12, 13, 16, 17, 20 and 21. 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 14 July 2005 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 23 to 25.

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 4 to 21, 28 and 29, and 39 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 2005 of 6 cents per ordinary share, fully franked, will be paid on 4 July 2005. Dividends paid and declared during the year are in note 21 to the financial statements on page 52.

DIRECTORS, SECRETARIES, DIRECTORS' MEETINGS AND DIRECTORS' SHAREHOLDINGS

The names of the directors who held office between 1 April 2004 and the date of this report and details about current directors' qualifications, age, experience and special responsibilities are on pages 30 to 35. The qualifications and experience of each company secretary at 31 March 2005 are on page 30. Details about meetings of the board and of board committees, including attendance are on page 35 and the directors' interests in CSR shares are also on page 35. 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 auditors, who is or was at any time during the year ended 31 March 2005 an officer of CSR group. No auditor played a significant role in the CSR group audit for the year to 31 March 2005 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 GRANTED TO DIRECTORS AND SENIOR EXECUTIVES

No CSR options were granted to executives or non-executive directors during the year.

OPTIONS OVER SHARE CAPITAL

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 31, 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 25 to the financial statements on page 53. 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 POLICY FOR DIRECTORS, SECRETARIES AND SENIOR EXECUTIVES

The policy for determining the nature and amount of remuneration for directors, secretaries and senior executives of the group is described in the remuneration report on pages 36 and 37, which forms part of this directors' report. Part of the role of the board's Remuneration and Nominations Committee is to advise the board on remuneration policies and practices for executives (page 33).

DIRECTORS' AND SENIOR EXECUTIVES' BENEFITS

Details of the benefits paid or provided to directors and specified senior executives are included in note 26 to the financial statements on pages 54 to 56.

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

Ian Blackburne

IAN BLACKBURNE
Chairman

Alec Brennan

ALEC BRENNAN
Managing Director

18 May 2005

FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2005

CSR LIMITED AND ITS CONTROLLED ENTITIES (CSR GROUP)

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 31 MARCH

($ MILLION)	NOTE	CSR GROUP 2005	2004	CSR LIMITED 2005	2004
Trading revenue – sale of goods		**2,367.5**	1,970.8	**20.7**	38.0
Cost of sales		**(1,734.7)**	(1,401.3)	**–**	(2.9)
Warehouse and distribution costs		**(135.1)**	(123.0)	**–**	–
Selling costs		**(140.5)**	(137.3)	**–**	–
Administration and other operating costs		**(74.9)**	(72.5)	**(29.9)**	(39.9)
Share of associate entities' net profit		**28.6**	28.8	**9.9**	10.1
Operating profit		**310.9**	265.5	**0.7**	5.3
Other revenue from ordinary activities	2	**138.3**	69.9	**52.4**	719.9
Other expenses from ordinary activities	2	**(96.9)**	(74.6)	**(63.2)**	(419.8)
Dividend income from controlled entities				**1.3**	72.3
Dividend income from others		**1.0**	1.9	**1.0**	1.9
Profit from ordinary activities before finance and income tax		**353.3**	262.7	**(7.8)**	379.6
Interest income	7	**4.1**	5.8	**7.5**	86.6
Borrowing costs	4	**(23.0)**	(18.8)	**(20.3)**	(23.8)
Profit (loss) from ordinary activities before income tax		**334.4**	249.7	**(20.6)**	442.4
Income tax (expense) benefit relating to ordinary activities	5	**(13.8)**	(60.6)	**10.2**	(14.9)
Net profit (loss)		**320.6**	189.1	**(10.4)**	427.5
Net profit attributable to outside equity interests		**33.5**	28.9		
Net profit (loss) attributable to members of CSR Limited		**287.1**	160.2	**(10.4)**	427.5
Decrease in foreign currency translation reserve arising on translation of self-sustaining foreign operations	23	**(0.2)**	(13.1)	**–**	–
Adjustment to opening retained profits on adoption of revised AASB 1028		**–**	(2.3)	**–**	(2.2)
Total revenue, expense and valuation adjustments attributable to members of CSR Limited recognised directly in equity		**(0.2)**	(15.4)	**–**	(2.2)
Total changes in equity not resulting from transactions with owners as owners		**286.9**	144.8	**(10.4)**	425.3
Reconciliation of retained profits					
Retained profits at the beginning of the financial year		**202.0**	147.3	**506.6**	184.3
Net profit (loss) attributable to members of CSR Limited		**287.1**	160.2	**(10.4)**	427.5
Adjustment to opening retained profits on adoption of revised AASB 1028		**–**	(2.3)	**–**	(2.2)
Aggregate of amounts transferred from reserves	23	**–**	0.7	**–**	0.9
Total available for appropriation		**489.1**	305.9	**496.2**	610.5
Dividends provided for or paid	21	**109.9**	103.9	**109.9**	103.9
Retained profits at the end of the financial year		**379.2**	202.0	**386.3**	506.6

(CENTS)					
Basic earnings per share based on net profit attributable to members of CSR Limited[a]		**31.3**	17.1		
Diluted earnings per share based on net profit attributable to members of CSR Limited[a]		**31.3**	17.1		

a Weighted number of ordinary shares on issue used in the calculation of earnings per share is 916.1 million (2004: 938.4 million).

Notes to the financial statements are annexed.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH

($ MILLION)	NOTE	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Current assets					
Cash	8	53.0	60.3	0.1	30.4
Receivables	9	391.3	253.6	474.8	216.9
Inventories	10	257.2	164.5	13.7	13.1
Other current assets	11	18.6	2.9	13.0	0.3
Current assets		720.1	481.3	501.6	260.7
Non-current assets					
Receivables	9	37.1	31.4	1,488.6	1,996.7
Inventories	10	25.9	40.6	17.8	15.6
Investments accounted for using the equity method	12	25.0	139.0	–	96.1
Other financial assets	13	22.4	22.4	1,038.7	895.8
Property, plant and equipment	14	1,567.9	1,340.1	14.6	5.4
Intangibles	16	38.0	34.7	–	–
Deferred income tax assets		178.6	195.0	167.7	150.7
Other non-current assets	11	40.2	65.4	2.6	20.5
Non-current assets		1,935.1	1,868.6	2,730.0	3,180.8
Total assets		2,655.2	2,349.9	3,231.6	3,441.5
Current liabilities					
Payables	17	293.0	261.3	135.9	114.3
Interest-bearing liabilities	18	10.2	24.3	19.6	11.9
Income tax liabilities		12.5	17.0	–	–
Provisions	20	105.5	107.9	81.7	85.5
Current liabilities		421.2	410.5	237.2	211.7
Non-current liabilities					
Payables	18	7.0	3.9	5.9	3.9
Interest-bearing liabilities	18	312.9	200.1	1,284.3	1,460.5
Deferred income tax liabilities		168.5	214.6	83.0	15.5
Provisions	20	377.7	375.9	371.2	372.0
Non-current liabilities		866.1	794.5	1,744.4	1,851.9
Total liabilities		1,287.3	1,205.0	1,981.6	2,063.6
Net assets		1,367.9	1,144.9	1,250.0	1,377.9
Equity					
Contributed equity	22	863.7	871.3	863.7	871.3
Reserves	23	(1.4)	(1.2)	–	–
Retained profits		379.2	202.0	386.3	506.6
Equity attributable to members of CSR Limited		1,241.5	1,072.1	1,250.0	1,377.9
Outside equity interests in controlled entities	24	126.4	72.8		
Total equity		1,367.9	1,144.9	1,250.0	1,377.9

Notes to the financial statements are annexed.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH

($ MILLION)	NOTE	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Cash flows from operating activities					
Receipts from customers		**2,537.2**	2,206.0	**24.8**	153.1
Payments to suppliers and employees		**(2,200.9)**	(1,905.8)	**(34.0)**	(197.3)
Dividends and distributions from associate entities and controlled entities		**32.6**	30.6	**16.5**	85.2
Interest received		**4.2**	5.0	**7.5**	85.4
Income tax (paid) refunded		**(52.4)**	(45.7)	**4.2**	(3.0)
Net cash from operating activities		**320.7**	290.1	**19.0**	123.4
Cash flows from investing activities					
Purchase of property, plant and equipment and other non-current assets		**(228.6)**	(110.7)	**(9.2)**	(11.7)
Proceeds from sale of property, plant and equipment and other non-current assets		**59.2**	64.1	**11.7**	40.9
Purchase of controlled entities and businesses net of cash acquired	34	**(74.4)**	–	**–**	–
Loans and receivables advanced		**–**	(0.1)	**–**	(0.1)
Loans and receivables repaid		**2.5**	16.1	**0.2**	16.1
Net cash (used in) from investing activities		**(241.3)**	(30.6)	**2.7**	45.2
Cash flows from financing activities					
Proceeds from issue of shares – CSR Limited shareholders		**2.2**	1.7	**2.2**	1.7
Share buyback		**(9.8)**	(50.1)	**(9.8)**	(50.1)
Cash paid to Rinker group as a consequence of the demerger[a]		**–**	(315.5)	**–**	(315.5)
Net proceeds from (repayment of) borrowings		**94.7**	(53.6)	**(3.4)**	213.7
Net financing by (of) controlled entities				**76.7**	(197.3)
Dividends paid		**(148.5)**	(131.0)	**(109.6)**	(103.6)
Interest and other finance costs paid		**(19.3)**	(16.5)	**(19.6)**	(21.4)
Net cash used in financing activities		**(80.7)**	(565.0)	**(63.5)**	(472.5)
Net decrease in cash held		**(1.3)**	(305.5)	**(41.8)**	(303.9)
Cash at the beginning of the financial year		**57.2**	50.6	**30.3**	18.7
Cash held at the beginning of the financial year to settle Rinker group debt[a]		**–**	315.5	**–**	315.5
Effects of exchange rate changes		**(2.9)**	(3.4)	**0.2**	–
Net cash at the end of the financial year	8	**53.0**	57.2	**(11.3)**	30.3
Reconciliation of net profit attributable to members of CSR Limited to net cash from operating activities					
Net profit (loss) attributable to members of CSR Limited		**287.1**	160.2	**(10.4)**	427.5
Significant item – Gove Aluminium litigation	3	**(25.4)**	–	**–**	–
Significant item – tax consolidation	3	**(55.0)**	–	**–**	–
Depreciation and amortisation	6	**116.0**	106.9	**4.2**	6.2
Transfer from provisions		**(3.0)**	(47.1)	**4.3**	(41.0)
Interest expensed	4	**18.7**	15.7	**19.9**	20.7
(Profit) loss on asset sales and write downs	2	**(30.9)**	1.8	**(1.9)**	(286.4)
Net profit attributable to outside equity interests		**33.5**	28.9		
Net change in trade receivables and other current assets		**(49.4)**	34.4	**(0.7)**	49.6
Net change in current inventories		**(48.4)**	(9.1)	**(57.6)**	5.2
Net change in trade payables		**56.3**	(18.4)	**52.6**	(29.6)
Net change in tax balances		**15.7**	14.9	**(8.0)**	11.9
Other		**5.5**	1.9	**16.6**	(40.7)
Net cash from operating activities		**320.7**	290.1	**19.0**	123.4

a Rinker group was demerged from the CSR group in March 2003.

Credit facilities are shown in note 19.
Non-cash financing and investing activities are shown in note 31.

Notes to the financial statements are annexed.

SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

This general purpose financial report is prepared in accordance with the Corporations Act 2001, applicable accounting standards and urgent issues group consensus views, 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. The accounting policies adopted are consistent with those of the previous year, unless otherwise stated. Details of the significant accounting policies adopted by the CSR group are given below.

PRINCIPLES OF CONSOLIDATION

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

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

RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

Non-current assets are reviewed annually to ensure the carrying values are not in excess of recoverable amounts. Recoverable amounts are determined as the present value of the net cash inflows from the continued use and subsequent disposal of the non-current asset.

INTANGIBLES

Goodwill acquired or arising on consolidation is amortised over the period in which the benefits are expected to arise, to a maximum of 20 years. Patents, trademarks and other intellectual property acquired are valued at the lower of cost or recoverable amount and are amortised over the period in which the benefits are expected to arise varying from five to 40 years.

STATEMENT OF CASH FLOWS

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.

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 project.

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 present 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.

INTEREST-BEARING LIABILITIES

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

RESEARCH AND DEVELOPMENT

All expenditure on research and development is expensed in the financial year in which it is incurred except where future benefits can be assured beyond reasonable doubt. Projects are continually under review.

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 14.

INVENTORIES

Inventories, including work in progress and land held for sale 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.

RENEWABLE ENERGY CERTIFICATES

The accounting policies adopted are consistent to those used in previous financial years except for the policy on the recognition of revenue from Renewable Energy Certificates (RECs). Previously the CSR group recognised revenue in relation to RECs when the RECs were sold. This year, the policy was changed to recognition when the RECs are generated. In the year ended 31 March 2005, this change in policy increased net profit by $5.0 million.

PRODUCT LIABILITY

Details of the CSR group's product liability exposure are given in note 38. The provision is made for the present value, using a risk free discount rate, of the best estimate of the consideration required to settle the present obligation at reporting date. The provision includes an appropriate prudential margin, which varies year to year within a specific range developed based on advice from independent experts, reflecting the uncertainty of the liability.

REVENUE RECOGNITION

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

- Persuasive evidence of an arrangement exists, which is usually in the form of a contractual arrangement.
- Control of the product has transferred 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.

TAX EFFECT ACCOUNTING

The liability method of tax effect accounting is applied in the calculation of provisions for current and future tax.

Tax expense for the financial year is based on pre-tax accounting profit (loss) adjusted for items which, as a result of treatment under income tax legislation, create permanent differences between pre-tax accounting profit (loss) and taxable income.

To arrive at tax payable, adjustments to income tax are made for items which have been included in periods for accounting purposes which differ from those specified by income tax legislation. The extent to which these timing differences give rise to income tax becoming payable earlier or later than is indicated by accounting treatment is recorded in the statement of financial position as a deferred income tax asset or a deferred income tax liability.

Deferred income tax assets arising from timing differences and tax losses are not recognised as an asset if there is uncertainty as to whether income will be derived of a nature and an amount sufficient to ensure their realisation.

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

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. Such liability is provided at the time of disposal of assets. Where assets were revalued, no provision for potential capital gains tax has been made.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 directors have 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 has been recognised in the financial statements as a significant item.

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.

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 ventures in their respective categories.

JOINT VENTURE AND ASSOCIATE ENTITIES
Investments in joint venture and associate entities have been accounted for under the equity method in the consolidated financial statements.

ENVIRONMENTAL REHABILITATION
Provision is made for the expected cost of environmental rehabilitation of commercial sites which require remediation of existing conditions resulting from present and past operations. The liability is immediately recognised when the environmental exposure is identified and the rehabilitation costs can be reliably estimated.

SOFTWARE AND SYSTEM DEVELOPMENT
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.

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.

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

DEFERRED COSTS
Deferred costs are capitalised to the extent that they provide future economic benefits and are amortised over the period those benefits are expected to arise.

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 the statement of financial performance in the period in which they arise except if designated as hedges. Financial statements of self-sustaining foreign controlled entities are translated at reporting date using the current rate method and exchange differences are brought to account by entries made directly to the foreign currency translation reserve.

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.

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

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

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 profit and loss 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 the profit and loss. 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 profit and loss until the derivative matures or is sold or terminated. Option premiums are deferred and amortised over the term of the option.

NOTES TO THE FINANCIAL STATEMENTS

($ MILLION)	PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX 2005	2004	INCOME TAX 2005	2004	OUTSIDE EQUITY INTERESTS 2005	2004	NET PROFIT 2005	2004
1 SEGMENT INFORMATION								
Business segments								
Building Products	**108.0**	112.6	**27.2**	30.8	**0.5**	0.5	**80.3**	81.3
Aluminium	**141.9**	144.2	**42.6**	43.5	**29.0**	28.5	**70.3**	72.2
Sugar – milling	**55.0**	15.6	**19.0**	4.7	**–**	–	**36.0**	10.9
Sugar – ethanol and refining	**34.8**	22.0	**7.9**	4.4	**4.6**	–	**22.3**	17.6
Property	**28.6**	15.9	**(6.7)**	0.3	**–**	–	**35.3**	15.6
Segment total	**368.3**	310.3	**90.0**	83.7	**34.1**	29.0	**244.2**	197.6
Corporate[a]	**(16.9)**	(18.6)	**(5.1)**	(5.6)	**–**	–	**(11.8)**	(13.0)
Restructuring and provisions[b]	**(29.4)**	(29.0)	**(10.5)**	(13.2)	**–**	–	**(18.9)**	(15.8)
	322.0	262.7	**74.4**	64.9	**34.1**	29.0	**213.5**	168.8
Net finance continuing operations	**(18.9)**	(13.0)	**(5.6)**	(4.3)	**(0.6)**	(0.1)	**(12.7)**	(8.6)
Group total before significant items	**303.1**	249.7	**68.8**	60.6	**33.5**	28.9	**200.8**	160.2
Significant items (note 3)	**31.3**	–	**(55.0)**	–	**–**	–	**86.3**	–
Group total after significant items	**334.4**	249.7	**13.8**	60.6	**33.5**	28.9	**287.1**	160.2

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] 2005	2004	SHARE OF ASSOCIATE ENTITIES' NET PROFIT 2005	2004	DEPRECIATION AND AMORTISATION[d] 2005	2004	CAPITAL EXPENDITURE 2005	2004
Business segments								
Building Products	**948.5**	924.8	**8.2**	5.6	**42.4**	42.9	**64.5**	38.8
Aluminium	**476.3**	451.7	**–**	–	**27.2**	23.1	**22.0**	69.7
Sugar – milling	**637.2**	538.3	**–**	–	**33.5**	33.5	**87.8**	36.7
Sugar – ethanol and refining	**326.1**	64.5	**15.6**	18.8	**9.1**	1.7	**69.8**	2.2
Property	**45.8**	17.6	**4.8**	4.4	**–**	–	**14.0**	15.3
Segment total	**2,433.9**	1,996.9	**28.6**	28.8	**112.2**	101.2	**258.1**	162.7
Corporate[a]	**2.2**	45.7	**–**	–	**3.8**	5.7	**2.9**	7.1
Interest revenue	**4.1**	5.8						
Group total before significant items	**2,440.2**	2,048.4	**28.6**	28.8	**116.0**	106.9	**261.0**	169.8
Significant items (note 3)	**70.7**	–	**–**	–	**–**	–	**–**	–
Group total after significant items	**2,510.9**	2,048.4	**28.6**	28.8	**116.0**	106.9	**261.0**	169.8

	ASSETS 2005	2004	LIABILITIES 2005	2004	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD 2005	2004
Business segments						
Building Products	**778.9**	738.4	**128.7**	139.1	**7.1**	5.7
Aluminium	**407.6**	404.4	**59.7**	113.4	**–**	–
Sugar – milling	**791.8**	670.7	**121.1**	73.9	**–**	–
Sugar – ethanol and refining	**350.1**	166.4	**62.2**	8.2	**11.9**	127.8
Property	**59.2**	44.3	**5.9**	3.5	**6.0**	5.5
Segment total	**2,387.6**	2,024.2	**377.6**	338.1	**25.0**	139.0
Unallocated[b]	**36.0**	70.4	**405.6**	410.9	**–**	–
	2,423.6	2,094.6	**783.2**	749.0	**25.0**	139.0
Finance assets/liabilities	**53.0**	60.3	**323.1**	224.4		
Tax assets/liabilities	**178.6**	195.0	**181.0**	231.6		
Group total	**2,655.2**	2,349.9	**1,287.3**	1,205.0	**25.0**	139.0

a Represents unallocated overhead costs and other revenues.

b Includes product liability, defined benefit superannuation top up payments and certain rationalisation costs.

c Intersegment sales are negligible. Excludes net profit from associate entities.

d Total depreciation and amortisation includes $2.9 million (2004: $2.6 million) amortisation of intangibles. Other than an asset write down in 2004 for Building Products ($8.0 million), non-cash expenses are immaterial.

NOTES TO THE FINANCIAL STATEMENTS

($ MILLION)	PROFIT FROM ORDINARY ACTIVITIES BEFORE FINANCE, INCOME TAX AND SIGNIFICANT ITEMS[a] 2005	2004	TOTAL REVENUE[b] 2005	2004	SEGMENT ASSETS 2005	2004	CAPITAL EXPENDITURE 2005	2004
1 SEGMENT INFORMATION (CONTINUED)								
Geographic segments								
Australia	**299.6**	239.5	**2,312.1**	1,945.9	**2,449.6**	2,227.5	**218.4**	168.3
New Zealand	**19.5**	13.7	**130.0**	41.3	**127.9**	47.2	**39.3**	–
Asia	**2.9**	9.5	**68.8**	61.2	**77.7**	75.2	**3.3**	1.5
Group total	**322.0**	262.7	**2,510.9**	2,048.4	**2,655.2**	2,349.9	**261.0**	169.8

a Asia result includes non-trading profit of $0.8 million (2004: $5.9 million).
b After significant items. Intersegment sales are negligible. Excludes net profit from associates.

	NOTE	CSR GROUP 2005	2004	CSR LIMITED 2005	2004
2 OTHER REVENUE AND EXPENSES FROM ORDINARY ACTIVITIES					
Revenue					
Significant items	3	**70.7**	–	**45.3**	641.1
Disposal of property, plant and equipment and other assets		**65.3**	42.4	**2.8**	35.1
Write back of allowance for controlled entities doubtful debts				**2.6**	24.5
Other		**2.3**	27.5	**1.7**	19.2
Total other revenue from ordinary activities		**138.3**	69.9	**52.4**	719.9
Expenses					
Significant items	3	**(39.4)**	–	**(39.4)**	(355.8)
Disposal of property, plant and equipment and other assets		**(34.4)**	(36.2)	**(0.9)**	(34.0)
Increase in product liability provision		**(21.7)**	(16.4)	**(21.7)**	(16.4)
Write down of business assets		**–**	(8.0)	**–**	–
Other		**(1.4)**	(14.0)	**(1.2)**	(13.6)
Total other expenses from ordinary activities		**(96.9)**	(74.6)	**(63.2)**	(419.8)

3 SIGNIFICANT ITEMS

	CSR GROUP 2005	2004	CSR LIMITED 2005	2004
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	**45.3**	–	**45.3**	–
Write off of deferred legal costs	**(39.4)**	–	**(39.4)**	–
	5.9	–	**5.9**	–
Tax consolidation				
Restatement of deferred tax balances on adoption of tax consolidation	**55.0**	–	**–**	–
	55.0	–	**–**	–
Intragroup items[a]				
Revenue from sale of controlled entities			**–**	641.1
Book value of controlled entities sold			**–**	(355.8)
			–	285.3

a In 2004, certain CSR Limited businesses were transferred into controlled entities.

($ MILLION)	NOTE	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004

4 NET FINANCE EXPENSE (INCOME)

($ MILLION)	NOTE	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Interest paid or payable on short-term debt to					
– controlled entities				**3.4**	4.6
– others		**2.4**	2.5	**0.6**	0.5
Interest paid or payable on long-term debt to					
– controlled entities				**3.3**	15.1
– others		**18.7**	13.6	**12.6**	0.5
Total interest expense		**21.1**	16.1	**19.9**	20.7
Less capitalised interest		**2.4**	0.4	**–**	–
Add – funding costs		**1.5**	1.7	**0.2**	–
– foreign exchange loss		**2.8**	1.4	**0.2**	3.1
Borrowing costs		**23.0**	18.8	**20.3**	23.8
Less interest income	7	**4.1**	5.8	**7.5**	86.6
Net finance expense (income)		**18.9**	13.0	**12.8**	(62.8)

5 INCOME TAX[a]

Income tax expense (benefit)
Reconciliation of income tax expense (benefit) charged to the statement of financial performance with income tax calculated on profit (loss) from ordinary activities before income tax:

($ MILLION)	NOTE	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Profit (loss) from ordinary activities before income tax		**334.4**	249.7	**(20.6)**	442.4
Income tax expense (benefit) calculated at 30%		**100.3**	74.9	**(6.2)**	132.7
Increase (decrease) in income tax expense (benefit) due to					
Non-tax deductible depreciation and amortisation		**2.1**	2.4	**–**	–
Non-tax deductible other expenditure		**0.7**	0.6	**0.1**	–
Asset disposals and write downs		**(16.4)**	(4.5)	**0.3**	(2.2)
Asian trading profits not recognised		**(0.4)**	(0.8)	**–**	–
Equity accounted associate entities' profit and rebates on dividends received		**(5.9)**	(6.2)	**(0.3)**	(22.3)
Income tax over provided in prior years		**(1.1)**	(1.6)	**(0.3)**	–
Tax impact of tax sharing arrangements/transfer deferred tax balances[b]				**91.2**	–
Consideration from subsidiaries for tax balances transferred[b]				**(91.2)**	–
Significant items – tax consolidation		**(55.0)**	–	**–**	–
Significant items – other		**(9.4)**	–	**(1.8)**	(85.6)
Other items[c]		**(1.1)**	(4.2)	**(2.0)**	(7.7)
Total income tax expense (benefit) on profit from ordinary activities		**13.8**	60.6	**(10.2)**	14.9
Total income tax expense (benefit) comprises					
– additions to (deductions from) current income tax liability		**72.4**	65.4	**(15.0)**	(3.4)
– (deductions from) additions to deferred income tax liability		**(52.3)**	2.7	**1.2**	0.3
– (additions to) deductions from deferred income tax assets		**(6.3)**	(7.5)	**3.6**	18.0
		13.8	60.6	**(10.2)**	14.9
Deferred income tax assets attributable to tax losses carried forward as an asset		**18.3**	34.2	**17.9**	–
Deferred income tax assets not taken to account[d]					
Balance at the beginning of the financial year		**126.6**	139.1	**36.4**	36.9
Assets now taken to account		**(10.7)**	(18.9)	**(3.1)**	(0.5)
Assets not recognised		**29.0**	6.4	**–**	–
Assets now expired		**(2.7)**	–	**–**	–
Balance at the end of the financial year[e]		**142.2**	126.6	**33.3**	36.4

a Refer to significant accounting policies for details of tax consolidation.
b Arising as a result of entry into tax consolidation.
c Includes allowance for research and development (R&D). R&D costs and tax claims were not material in 2005 and 2004.
d Includes capital gains tax losses – CSR group $126.2 million (2004: $108.4 million).
e 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 tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

($ MILLION)	NOTE	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
6 DEPRECIATION AND AMORTISATION					
Amounts incurred for depreciation, amortisation and depletion of					
– property, plant and equipment		**105.3**	95.7	**4.0**	6.2
– deferred costs and systems software		**7.8**	8.6	**0.2**	–
– goodwill		**2.0**	1.6	**–**	–
– other intangibles		**0.9**	1.0	**–**	–
Total depreciation and amortisation		**116.0**	106.9	**4.2**	6.2

7 INTEREST INCOME

Short-term interest income from					
– controlled entities				**2.7**	81.8
– others		**3.7**	5.7	**2.4**	4.7
Long-term interest income from					
– controlled entities				**2.4**	0.1
– others		**0.4**	0.1	**–**	–
Total interest income		**4.1**	5.8	**7.5**	86.6

8 NET CASH

Cash at banks and on hand		**44.7**	30.1	**0.1**	0.4
Short-term loans and deposits		**8.3**	30.2	**–**	30.0
Total cash		**53.0**	60.3	**0.1**	30.4
Bank overdraft	18	**–**	(3.1)	**(11.4)**	(0.1)
Net cash		**53.0**	57.2	**(11.3)**	30.3

9 RECEIVABLES

Current					
Trade receivables		**340.0**	215.5	**128.4**	71.0
Allowance for doubtful debts		**(4.7)**	(5.9)	**(0.1)**	(0.1)
		335.3	209.6	**128.3**	70.9
Amounts owing by controlled entities				**354.6**	157.2
Allowance for doubtful debts				**(18.6)**	(36.8)
				336.0	120.4
Loans to and receivables from associate entities		**8.3**	15.4	**0.8**	7.5
Divestment debtors		**31.1**	17.0	**2.8**	12.0
Other loans and receivables[a c]		**46.6**	41.6	**36.9**	36.1
Allowance for doubtful debts		**(30.0)**	(30.0)	**(30.0)**	(30.0)
		56.0	44.0	**10.5**	25.6
Total current receivables		**391.3**	253.6	**474.8**	216.9
Bad debts written off					
– trade receivables		**1.3**	1.3	**0.2**	0.1
– controlled entities				**15.6**	2.2
Non-current					
Loans to employees[b]		**1.2**	2.1	**1.2**	2.1
Amounts owing by controlled entities				**1,475.8**	1,977.2
Loans to associate entities		**20.7**	14.9	**5.9**	3.5
Other loans and receivables[c]		**15.2**	14.4	**5.7**	13.9
Total non-current receivables		**37.1**	31.4	**1,488.6**	1,996.7

a Includes net hedging gains deferred $nil (2004: $0.3 million).
b There are no outstanding loans to executive or non-executive directors of CSR Limited as at 31 March 2005.
c Includes receivables from Rinker group of $8.6 million (2004: $13.6 million).

($ MILLION)	CSR GROUP 2005	2004	CSR LIMITED 2005	2004

10 INVENTORIES

Current[a]				
Raw and process materials and stores	**81.7**	66.3	**12.4**	11.3
Work in progress	**10.7**	8.3	**–**	–
Finished goods	**164.8**	89.9	**1.3**	1.8
Total current inventories	**257.2**	164.5	**13.7**	13.1
Non-current				
Raw and process materials and stores[a]	**4.4**	4.9	**4.4**	4.9
Land held for sale at cost	**21.5**	35.7	**13.4**	10.7
Total non-current inventories	**25.9**	40.6	**17.8**	15.6

a Valued at the lower of cost and net realisable value.

11 OTHER ASSETS

Current				
Prepayments	**9.7**	2.9	**5.4**	0.3
Renewable Energy Certificates	**7.2**	–	**7.2**	–
Deferred costs	**1.7**	–	**0.4**	–
	18.6	2.9	**13.0**	0.3
Non-current				
Prepayments	**12.7**	12.7	**–**	–
Deferred costs[a]	**15.1**	33.2	**2.1**	20.2
Accumulated amortisation	**(6.4)**	(5.8)	**–**	–
	8.7	27.4	**2.1**	20.2
Software and system development	**37.4**	38.1	**0.9**	1.6
Accumulated amortisation	**(18.6)**	(12.8)	**(0.4)**	(1.3)
	18.8	25.3	**0.5**	0.3
Total other non-current assets	**40.2**	65.4	**2.6**	20.5

a Includes costs associated with insurance litigation described in note 38.

12 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares in associate companies[a b]	**25.0**	42.9	**–**	–
Interest in other associate entity[b]	**–**	96.1	**–**	96.1
Total investments accounted for using the equity method	**25.0**	139.0	**–**	96.1

a Not quoted on stock exchanges.
b Details of investments in associate entities are shown in note 32.

13 OTHER FINANCIAL ASSETS

Investment in controlled entities at cost			**1,016.3**	873.4
Other financial assets at cost[a]	**22.4**	22.4	**22.4**	22.4
Total other financial assets	**22.4**	22.4	**1,038.7**	895.8

a Not quoted on stock exchanges.

NOTES TO THE FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT[a]

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Land and buildings				
At cost	**421.7**	329.3	**4.4**	1.7
Accumulated depreciation	**(59.7)**	(24.2)	**–**	–
Total land and buildings[b]	**362.0**	305.1	**4.4**	1.7
Plant and equipment				
At cost	**2,439.4**	2,083.4	**23.0**	5.9
Accumulated depreciation	**(1,233.5)**	(1,048.4)	**(12.8)**	(2.2)
Total plant and equipment	**1,205.9**	1,035.0	**10.2**	3.7
Total property, plant and equipment	**1,567.9**	1,340.1	**14.6**	5.4

a The economic life over which assets are depreciated is buildings – 10 to 46 years; plant and equipment – three to 50 years. The weighted average life is buildings – 24 years; plant and equipment – 15 years.

b All land and buildings owned by the CSR group, except land held for sale, were valued as at 31 December 2003. All independent valuations were carried out by Jones Lang LaSalle (Advisory Services), with the exception of Aluminium properties which was carried out by Craig Miller Pty Limited and Edward Rushtons Pty Limited. The basis of the independent valuations was existing use, except for the sites that are considered to be surplus to CSR group requirements where an open market value was used. The fair value of the CSR group properties was $389.9 million, $84.3 million above book value.

15 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

($ MILLION)	LAND AND BUILDINGS CSR GROUP	LAND AND BUILDINGS CSR LIMITED	PLANT AND EQUIPMENT CSR GROUP	PLANT AND EQUIPMENT CSR LIMITED
Balance at the beginning of the financial year	305.1	1.7	1,035.0	3.7
Acquired	12.5	2.7	172.9	10.8
Reclassified from associate entities	53.5	–	99.9	–
Disposed	(0.2)	–	(5.4)	(0.3)
Depreciation and amortisation	(9.5)	–	(95.8)	(4.0)
Foreign currency translation	(0.4)	–	(0.7)	–
Transferred from land held for sale	1.0	–	–	–
Balance at the end of the financial year	**362.0**	**4.4**	**1,205.9**	**10.2**

16 INTANGIBLES

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Goodwill				
At cost	**35.6**	29.9	**0.4**	0.4
Accumulated amortisation	**(23.3)**	(21.3)	**(0.4)**	(0.4)
Total goodwill	**12.3**	8.6	**–**	–
Other intangibles				
At cost	**37.0**	36.6	**–**	–
Accumulated amortisation	**(11.3)**	(10.5)	**–**	–
Total other intangibles	**25.7**	26.1	**–**	–
Total intangibles	**38.0**	34.7	**–**	–

17 CURRENT PAYABLES

Trade payables	**236.9**	166.7	**97.3**	56.9
Other payables[a]	**56.1**	94.6	**24.1**	16.0
Amounts owing to controlled entities			**14.5**	41.4
Total current payables	**293.0**	261.3	**135.9**	114.3

a Includes net hedging losses deferred $0.1 million (2004: $nil). 2004 includes development capital expenditure creditors of $64.2 million relating to the expansion of Tomago aluminium smelter paid during 2005.

18 INTEREST-BEARING LIABILITIES AND NON-CURRENT PAYABLES

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Current				
Unsecured bank overdraft	**–**	3.1	**11.4**	0.1
Short-term borrowings				
Secured				
– bank loans	**–**	3.3	**–**	–
– other facilities[a]	**0.6**	–	**–**	–
Unsecured				
– bank loans	**1.4**	6.1	**–**	–
– other facilities	**8.2**	11.8	**8.2**	11.8
	10.2	21.2	**8.2**	11.8
Total current interest-bearing liabilities	**10.2**	24.3	**19.6**	11.9
Non-current				
Long-term borrowings				
Secured				
– other facilities[a]	**6.3**	–	**–**	–
Unsecured				
– loans from controlled entities			**1,084.3**	1,260.5
– bonds	**200.1**	200.1	**200.0**	200.0
– bank loans	**31.5**	–	**–**	–
– other facilities	**75.0**	–	**–**	–
Total non-current interest-bearing liabilities	**312.9**	200.1	**1,284.3**	1,460.5
Non-current payables	**7.0**	3.9	**5.9**	3.9
Total non-current interest-bearing liabilities and payables	**319.9**	204.0	**1,290.2**	1,464.4

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

19 CREDIT FACILITIES AND MATURITY PROFILE

	CSR GROUP 2005	CSR GROUP 2004	2005 AVERAGE RATE % PA	2005 YEAR OF MATURITY
Long-term maturities of borrowings				
United States dollar debt				
– US dollar bonds	**0.1**	0.1	**7.7**	**2025**
Australian dollar debt				
– bank loans	**25.0**	–	**6.0**	**2009**
– bonds	**200.0**	200.0	**6.0**	**2009**
– other loans	**75.0**	–	**6.0**	**2009**
– other	**13.3**	3.9		
Thai baht				
– bank loans	**6.5**	–	**4.1**	**2007**
Total non-current interest-bearing liabilities and payables	**319.9**	204.0		

Commercial paper

The CSR group has a commercial paper program based in Australia. This program, which totals $600 million (2004: $600 million), is an evergreen facility. Drawings on the program are backed by the credit standby facilities referred to below. As at 31 March 2005, no commercial paper was on issue.

Credit standby facilities

The CSR group has a total of $481 million (2004: $481 million) committed standby facilities. These facilities have fixed maturity dates ranging from June 2005 to April 2009. As at 31 March 2005, $456 million of the standby facilities were undrawn.

($ MILLION)	31 MARCH 2005	RECOGNISED/ REMEASURED	SETTLED/ TRANSFERRED	ACQUIRED/ RECLASSIFIED	DISPOSED/ OTHER	31 MARCH 2004
20 PROVISIONS						
CSR group						
Current						
Employee benefits[a]	**49.3**	41.9	(42.0)	4.6	–	44.8
Fringe benefits tax	**1.0**	4.4	(4.6)	–	–	1.2
Restructure and rationalisation	**5.6**	1.0	(1.9)	–	–	6.5
Product liability[b]	**21.8**	26.3	(27.3)	–	–	22.8
Restoration and environmental rehabilitation	**5.5**	0.9	(0.8)	–	–	5.4
Uninsured losses and future claims[c]	**9.7**	9.4	(9.7)	–	–	10.0
Other[d]	**12.6**	(0.4)	(4.3)	0.1	–	17.2
Total CSR group current provisions	**105.5**	83.5	(90.6)	4.7	–	107.9
Non-current						
Employee benefits[a]	**40.6**	(1.2)	–	2.7	–	39.1
Product liability[b]	**296.6**	(4.6)	–	–	–	301.2
Restoration and environmental rehabilitation	**0.2**	0.1	–	–	–	0.1
Uninsured losses and future claims[c]	**39.5**	4.8	–	–	–	34.7
Other	**0.8**	–	–	–	–	0.8
Total CSR group non-current provisions	**377.7**	(0.9)	–	2.7	–	375.9
CSR Limited						
Current						
Employee benefits[a]	**40.2**	39.1	(38.4)	–	–	39.5
Fringe benefits tax	**0.9**	3.9	(4.0)	–	–	1.0
Restructure and rationalisation	**4.1**	0.4	(1.9)	–	–	5.6
Product liability[b]	**21.8**	26.3	(27.3)	–	–	22.8
Restoration and environmental rehabilitation	**5.0**	–	(0.3)	–	–	5.3
Uninsured losses and future claims[c]	**9.4**	8.3	(9.7)	–	–	10.8
Other	**0.3**	(0.2)	–	–	–	0.5
Total CSR Limited current provisions	**81.7**	77.8	(81.6)	–	–	85.5
Non-current						
Employee benefits[a]	**34.3**	(1.0)	–	–	–	35.3
Product liability[b]	**296.6**	(4.6)	–	–	–	301.2
Uninsured losses and future claims[c]	**39.5**	4.8	–	–	–	34.7
Other	**0.8**	–	–	–	–	0.8
Total CSR Limited non-current provisions	**371.2**	(0.8)	–	–	–	372.0

a The number of employees as at 31 March 2005 in the CSR group was 5,973 (2004: 4,535).
b Refer to note 38 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 potlining.

	2005		2004	
	CENTS PER SHARE	TOTAL $ MILLION	CENTS PER SHARE	TOTAL $ MILLION
21 DIVIDENDS AND FRANKING CREDITS				
Recognised amounts				
Fully paid ordinary shares				
Prior year final dividend – franked to 70% (2004: 70%)	**6.0**	**54.9**	6.0	56.7
Interim dividend – franked to 100% (2004: 70%)	**6.0**	**55.0**	5.0	47.2
		109.9		103.9
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend – franked to 100% (2004: 70%)	**6.0**	**54.6**	6.0	54.9
		54.6		54.9

The final dividend for the financial year ended 31 March 2005 has not been recognised in this financial report because it was declared after 31 March 2005. 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		CSR LIMITED	
	2005	2004	**2005**	2004
Adjusted franking account balance (tax paid basis) ($ million)	**1.4**	4.9	**1.4**	4.3

22 CONTRIBUTED EQUITY[a]

	ORDINARY SHARES[a] FULLY PAID	PRICE $	SHARE CAPITAL $ MILLION
Particulars of shares issued during the year by CSR Limited			
On issue 31 March 2004	918,508,701		871.3
Share buyback[b]	(4,849,552)	2.03	(9.8)
Universal Share/Option Plan[c]	1,925,600	1.15	2.2
Total movements during the year	(2,923,952)		(7.6)
On issue 31 March 2005	**915,584,749**		**863.7**

a Fully paid ordinary shares are quoted on the Australian Stock Exchange. Fully paid ordinary shares 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 Limited announced a further 12 month share buyback of up to 5% of its fully paid shares would commence from 11 June 2004. 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 Fully paid ordinary shares were issued in 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 CSR group. Offers of fully paid ordinary shares were made to all eligible employees (4,147). 2,407 employees accepted the offer, subscribing for 400 shares at a consideration of $2.30 per share and receiving a further 400 shares at no cost. The issue of 962,800 shares purchased by employees was taken to equity. The issue of a further 962,800 shares at no cost was not recorded as a financial transaction.

23 RESERVES

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Movements in foreign currency translation reserve				
Balance at the beginning of the financial year	**(1.2)**	12.6	**–**	0.9
Exchange differences relating to overseas net assets	**(0.2)**	(13.1)	**–**	–
Transferred to retained profits	**–**	(0.7)	**–**	(0.9)
Balance at the end of the financial year	**(1.4)**	(1.2)	**–**	–

24 OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004
Contributed equity	**49.3**	48.0
Reserves	**15.2**	2.1
Retained profits	**61.9**	22.7
Total outside equity interests in controlled entities	**126.4**	72.8

25 AUDITORS' REMUNERATION

($ THOUSAND)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Auditing and reviewing the financial report of the CSR group				
– Deloitte Touche Tohmatsu in Australia	**1,074**	913	**387**	468
– Deloitte Touche Tohmatsu outside of Australia	**106**	130	–	–
	1,180	1,043	**387**	468
Other services				
– Deloitte Touche Tohmatsu in Australia	**128**	73	**121**	73
– Deloitte Touche Tohmatsu outside of Australia	**54**	59	**–**	–
	182	132	**121**	73
Total auditors' remuneration	**1,362**	1,175	**508**	541
Other services comprise				
– taxation strategy and compliance	**54**	35	**–**	–
– accounting advice[a]	**103**	16	**103**	16
– corporate reorganisation	**15**	25	**15**	25
– other	**10**	56	**3**	32
	182	132	**121**	73

a Includes fees to assist the CSR group with the implementation of International Financial Reporting Standards.

NOTES TO THE FINANCIAL STATEMENTS

26 DIRECTORS' AND EXECUTIVES' REMUNERATION

Directors
The persons who held the position of director of CSR Limited during the financial year are disclosed in the table below.

Executives
The specified executives who held the positions of greatest authority and/or received the highest remuneration during the year are disclosed in the tables on pages 55 and 56.

Principles for determining remuneration
The principles used to determine the nature and amount of remuneration are detailed in the remuneration report which is part of the CSR directors' report 2005 (remuneration report) commencing on page 36. The sections of the remuneration report referred to within this note form part of the financial report. The following are relevant sections of the remuneration report:
– Remuneration structure (page 36)
– Remuneration of executive directors and senior management (page 37)
– Remuneration of non-executive directors (page 37)

Termination arrangements
The details of termination arrangements for directors and specified executives are shown in the remuneration report (page 37).

Loans
No director or specified executive had an outstanding loan from any entity in the CSR group during the financial year ended 31 March 2005.

Directors' remuneration details (dollars)

DIRECTORS 31 MARCH	PRIMARY BENEFITS DIRECTORS' FEES	COMMITTEE FEES	SUPERANNUATION	RETIREMENT ALLOWANCE[a]	TOTAL
Ian Blackburne (Chairman)					
2004	227,500	–	20,475	58,598	306,573
2005	**227,500**	**–**	**20,475**	**–**	**247,975**
Kathleen Conlon (appointed 14 December 2004)					
2004	–	–	–	–	–
2005	**27,366**	**1,804**	**2,625**	**–**	**31,795**
Carolyn Hewson					
2004	91,000	12,000	9,270	(16,270)	96,000
2005	**91,000**	**12,000**	**9,270**	**–**	**112,270**
Barry Jackson					
2004	91,000	12,000	9,270	–	112,270
2005	**91,000**	**12,000**	**9,270**	**–**	**112,270**
John Story					
2004	91,000	6,000	8,730	–	105,730
2005	**91,000**	**7,804**	**8,892**	**–**	**107,696**
John Wylie (retired 31 March 2005)					
2004	91,000	6,000	8,730	(1,924)	103,806
2005	**91,000**	**6,000**	**8,730**	**–**	**105,730**
Total non-executive directors					
2004	591,500	36,000	56,475	40,404	724,379
2005	**618,866**	**39,608**	**59,262**	**–**	**717,736**
Alec Brennan (Managing Director) details in specified executives' table on page 56					
2004					2,857,177
2005					**4,098,053**
Total directors					
2004	591,500	36,000	56,475	40,404	3,581,556
2005	**618,866**	**39,608**	**59,262**	**–**	**4,815,789**

a The increment in retirement allowance net of 9% superannuation contribution. All non-executive directors' retirement allowances were frozen at 31 March 2004. The retirement allowance accruals, net of superannuation benefit, as at 31 March 2005 were Ian Blackburne $211,306, Carolyn Hewson $195,964 and John Wylie $80,248. John Wylie's retirement allowance was paid in April 2005.

Directors' shareholdings

	NUMBER OF CSR LIMITED ORDINARY SHARES 31 MARCH 2004	ACQUIRED	SOLD	31 MARCH 2005
Directors				
Ian Blackburne	75,168	24,126	–	**99,294**
Alec Brennan[a]	1,235,604	1,166,248	(200,000)	**2,201,852**
Kathleen Conlon[b]	–	2,000	–	**2,000**
Carolyn Hewson	36,184	12,451	–	**48,635**
Barry Jackson	42,976	12,845	–	**55,821**
John Story	42,706	2,343	–	**45,049**
John Wylie[c]	79,195	36,395	–	**115,590**

a During the year, 750,000 shares were purchased under the Employee Share Acquisition Plan as a long-term incentive in accordance with the terms of Alec Brennan's contract.
b Appointed 14 December 2004. c Retired 31 March 2005.

26 DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

Managing director and specified executives' short-term incentive details

	MAXIMUM % FIXED REMUNERATION[a]	SHORT-TERM INCENTIVE 2005 ENTITLEMENT $[b c]	SHORT-TERM INCENTIVE 2005 % FIXED REMUNERATION
Alec Brennan	100	715,000	62.5
Chris Bertuch[d]	75	319,555	100.2
Graeme Doyle[e]	75	212,000	62.4
Neill Evans	75	100,000	30.1
Chris Grubb	75	100,000	34.5
John Hodgkinson	75	150,000	38.1
Ian McMaster	75	385,000	50.2
Gregory Rough[f]	75	–	–
Warren Saxelby	75	295,000	47.3

a The minimum entitlement to a short-term incentive for executives is zero, maximum entitlement is as shown.
b The incentive comprises 60% financial and 40% non-financial measures.
c A portion of the short-term incentive may be withheld and paid over the next two years provided the CSR group financial performance in those years is above pre-determined threshold levels.
d Includes additional incentive relating to achievement of multi-year goals.
e Graeme Doyle left the CSR group on 5 November 2004.
f Gregory Rough joined the CSR group on 1 March 2005.

Specified executives' long-term incentive details
Shares held in trust under the Cash Award Share Plan (CASP)[a]

NUMBER SHARES	OPENING BALANCE AT 31 MARCH 2004	PURCHASED[a]	VESTED[b]	LAPSED[b]	**CLOSING BALANCE AT 31 MARCH 2005**	INCLUDED IN REMUNERATION IN 2005[c]
Chris Bertuch	42,301	30,223	–	–	**72,524**	24,175
Graeme Doyle	26,438	30,223	27,700	28,961	**–**	27,700
Neill Evans	26,438	30,223	–	–	**56,661**	18,887
Chris Grubb	21,150	30,223	–	–	**51,373**	17,124
John Hodgkinson	42,301	34,540	–	–	**76,841**	25,614
Ian McMaster	132,191	107,940	–	–	**240,131**	80,044
Gregory Rough	–	–	–	–	**–**	–
Warren Saxelby	105,753	86,352	–	–	**192,105**	64,035

a A total of 110 managers participated in CASP in the year ended 31 March 2005 with 990,179 shares purchased. For CASP shares purchased in the year ended 31 March 2005, the purchase price was $2.32 per share. These shares vest if CSR Limited's total shareholder return exceeds the percentage increase in the S&P/ASX 200 Accumulation Index in the period between the third and fifth anniversary after the purchase of the shares. If the performance hurdles are not met, none will vest.
b Graeme Doyle left the CSR group on 5 November 2004 and was allowed a pro rata vesting of shares. The balance of the shares lapsed on termination.
c One third of shares purchased under CASP on 26 July 2004 and one third of CASP shares purchased on 24 July 2003.

Managing director and specified executives' shareholdings[a]

	NUMBER OF SHARES 31 MARCH 2004	INCLUDED AS REMUNERATION	ACQUIRED	SOLD	**31 MARCH 2005**
Executives					
Alec Brennan[b]	1,235,604	750,000	416,248	(200,000)	**2,201,852**
Chris Bertuch	63,072	–	42,415	(10,800)	**94,687**
Graeme Doyle	247,550	–	160,168	(327,318)	**80,400**
Neill Evans	4,600	–	21,595	–	**26,195**
Chris Grubb	118,406	–	24,828	(100,000)	**43,234**
John Hodgkinson	18,576	–	45,580	–	**64,156**
Ian McMaster	630,080	–	105,775	–	**735,855**
Gregory Rough	–	–	–	–	**–**
Warren Saxelby[c]	405,261	100,000	83,629	(150,000)	**438,890**

a CSR Limited shares in which the executive has a beneficial interest, including shares held under the Employee Share Acquisition Plan (ESAP) but excluding shares held under CASP.
b The 750,000 shares included as remuneration were a long-term incentive purchased in accordance with the terms of Alec Brennan's employment contract.
c The shares purchased under ESAP for Warren Saxelby were the final instalment of a recruitment incentive established when he joined the CSR group in 2001.

NOTES TO THE FINANCIAL STATEMENTS

26 DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

Managing director and specified executives' remuneration details (dollars)

	FIXED REMUNERATION[a]	SHORT-TERM INCENTIVE[b]	RETIREMENT[c]	TERMINATION BENEFITS	USOP[d]	LONG-TERM INCENTIVE[e f]	OTHER[g]	TOTAL
Alec Brennan (Managing Director)[c e]								
2004	1,122,000	600,000	708,353	–	–	393,018	33,806	2,857,177
2005	**1,155,660**	**715,000**	**627,676**	**–**	**–**	**1,557,442**	**42,275**	**4,098,053**
Chris Bertuch (General Counsel)[h]								
2004	295,800	80,000	–	–	796	26,666	–	403,262
2005	**317,985**	**319,555**	**–**	**–**	**920**	**50,000**	**–**	**688,460**
Graeme Doyle (Executive General Manager CSR Gyprock and Fibre Cement until resigned on 5 November 2004)								
2004	325,550	120,000	–	–	796	16,666	1,037	464,049
2005	**204,773**	**212,000**	**–**	**328,498**	**920**	**56,667**	**946**	**803,804**
Neill Evans (Executive General Manager CSR Roofing)								
2004	325,380	80,000	–	–	796	16,666	510	423,352
2005	**336,090**	**100,000**	**–**	**–**	**920**	**40,000**	**3,669**	**480,679**
Chris Grubb (Executive General Manager CSR Bricks and Pavers)								
2004	264,775	93,000	–	–	796	13,333	–	371,904
2005	**291,975**	**100,000**	**–**	**–**	**920**	**36,667**	**–**	**429,562**
John Hodgkinson (Executive General Manager CSR Insulation Systems and Business Development)								
2004	370,515	220,000	–	–	796	26,666	–	617,977
2005	**397,035**	**150,000**	**–**	**–**	**920**	**53,333**	**174**	**601,462**
Ian McMaster (Chief Executive CSR Sugar)								
2004	752,505	200,000	–	–	796	83,333	–	1,036,634
2005	**776,730**	**385,000**	**–**	**–**	**920**	**166,667**	**–**	**1,329,317**
Gregory Rough (Executive General Manager CSR Gyprock and Fibre Cement from 1 March 2005)								
2004	–	–	–	–	–	–	–	–
2005	**34,850**	**–**	**–**	**–**	**–**	**–**	**–**	**34,850**
Warren Saxelby (Chief Financial Officer)								
2004	606,135	160,000	–	–	–	257,400	–	1,023,535
2005	**630,360**	**295,000**	**–**	**–**	**920**	**322,963**	**54**	**1,249,297**
Total specified executives (excluding managing director)								
2004	2,940,660	953,000	–	–	4,776	440,730	1,547	4,340,713
2005	**2,989,798**	**1,561,555**	**–**	**328,498**	**6,440**	**726,297**	**4,843**	**5,617,431**

a Cost to company of fixed remuneration package which can be allocated at the executive's discretion to cash, superannuation contributions (subject to legislative minimums), motor vehicle and certain other benefits.

b Short-term incentives can 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 2005 less the equivalent figure at 31 March 2004. If he were to retire and take a pension this would be $556,368 per annum at 31 March 2005 ($493,248 at 31 March 2004)

d Value of 400 free shares issued under Universal Share/Option Plan at $2.30 per share (2004: $1.99 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 in ESAP in accordance with his contract.

f For executives (excluding Alec Brennan) one third of shares purchased under the Cash Award Share Plan (CASP) on 26 July 2004 at $2.32 per share and one third of the CASP shares purchased on 24 July 2003 at $1.89 per share. These shares vest if CSR Limited's total shareholder return exceeds the percentage increase in the S&P/ASX 200 Accumulation Index in the period between the third and fifth anniversary after purchase of the shares.

g In 2004, this represents Alec Brennan's spouse travel expenses and customer entertainment tickets purchased for Graeme Doyle and Neill Evans. In 2005 this represents Alec Brennan's spouse travel expenses, accommodation and corporate hospitality. In 2005 for Warren Saxelby, Graeme Doyle and John Hodgkinson, this represents corporate hospitality. For Neill Evans in 2005, this represents spouse travel and accommodation, and corporate hospitality.

h Includes additional incentive relating to achievement of multi-year goals.

27 RELATED PARTY INFORMATION

Transactions within the wholly-owned group
During the year ended 31 March 2004, CSR Limited sold certain businesses to other entities within the wholly owned group.

During the financial years ended 31 March 2004 and 2005, CSR Limited advanced and repaid loans, sold and purchased goods and services and provided accounting and administrative assistance to its wholly-owned controlled entities.

Other related parties
Other than transactions with associate entities disclosed in note 32, no material amounts were receivable from, or payable to, related parties as at 31 March 2005, and no material transactions with related parties occurred during the year.

Employee share plan interest free loans to specified executives or directors
Aggregate repayments of $0.001 million were received from CSR group specified executives (Neill Evans) during the 2004 financial year.

No new loans, loan repayments or loan balances occurred between the CSR group and any specified executives of the CSR group during the financial year ended 31 March 2005.

No new loans, loan repayments or loan balances occurred between the CSR group and the directors of CSR Limited or any specified executives of the CSR group during the 2005 and 2004 financial years.

Transactions entered into during the financial year with directors of CSR Limited and specified executives of the CSR group and with their personally 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 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.

28 INTEREST IN JOINT VENTURE OPERATION

Interest in the Tomago aluminium smelter joint venture operation[a b] is included in the financial statements in the following categories

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Current assets				
cash and receivables	**3.3**	2.1	**–**	–
inventories	**25.2**	20.6	**–**	–
others	**0.8**	0.9	**–**	–
	29.3	23.6	**–**	–
Non-current assets				
receivables	**0.3**	0.2	**–**	–
property, plant and equipment	**330.1**	335.7	**–**	–
other	**12.7**	13.1	**–**	–
	343.1	349.0	**–**	–
Total assets	**372.4**	372.6	**–**	–
Current liabilities	**37.4**	101.1	**–**	–
Non-current liabilities	**4.1**	3.8	**–**	–
Total liabilities	**41.5**	104.9	**–**	–
Net assets	**330.9**	267.7	**–**	–
Contracted capital expenditure	**3.5**	9.8	**–**	–
Contingent liabilities	**1.1**	1.1	**–**	–

a The CSR group's joint venture interest of 36.1% (2004: 36.1%) is held through a controlled entity in which the CSR group has a 70% interest.
b Principal activity: Aluminium.

NOTES TO THE FINANCIAL STATEMENTS

29 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 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. However, 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 2005 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: $25.7 million (2004: $37.6 million); and CSR Limited: $24.9 million (2004: $36.5 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. Company 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. These contributions are expensed in the period they are incurred.

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.

Defined benefit funds sponsored by the CSR group

($ MILLION)		ACCRUED BENEFITS	MARKET VALUE OF ASSETS	SURPLUS	VESTED BENEFITS	CONTRIBUTIONS PAID	CONTRIBUTIONS PAYABLE
Harwood Superannuation Fund	– DBD – pre-demerger[a b]	164.6	193.9	29.3	164.2	2.3	–
	– DBD – post-demerger CSR plan[a c]	2.4	4.6	2.2	2.4	2.2	–
Monier PGH Superannuation Fund	– DBD[d]	47.9	54.0	6.1	53.9	2.4	0.2

a Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2005, or in the case of the pre-demerger liabilities to 28 March 2003. These amounts are calculated at 31 March 2005 based on the assumptions used for the last actuarial review which was performed on 30 June 2004 by R Paton FIA 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 As at 31 March 2005, the assets of the Harwood Superannuation Fund attributable to the pre-demerger DBD were 118% of the corresponding actuarial liabilities. 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. CSR Limited has made available to the trustee of the fund a bank guarantee to satisfy the balance of its commitment.

c As at 31 March 2005, the assets of the post-demerger CSR plan attributable to the post-demerger CSR plan DBD were 196% of the corresponding actuarial liabilities. There is an obligation for CSR Limited to contribute such amounts 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 if assets fall below 120%.

d Accrued benefits, market value of assets and surplus relate to the last actuarial review performed on 1 July 2002. Vested benefits are at the fund's last reporting date of 30 June 2004, and contributions are for the year ended 31 March 2005.

30 FINANCIAL INSTRUMENTS

The CSR group uses a variety of derivative instruments to manage financial and commodity price risks. The CSR group does not use or issue 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 A2 or A respectively.

The CSR group controls risk through the use of credit ratings, 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 2005, 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 able to undertake additional hedging in declining volumes for up to 5 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 the food and beverage market, thus locking in a refining margin. In this way, exposure risk on the underlying commodity is minimised.

Commodity price risk exposures

		PRINCIPAL / MATURITIES				NET FAIR VALUE	
($ MILLION)	AVERAGE PRICE[a b]	1 YEAR OR LESS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY
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		**382.7**	**214.4**	**–**	**597.1**	**16.9**	**80.5**
2004							
Aluminium							
London Metal Exchange aluminium futures sell contracts[c]	1,466.5	55.1	23.6	–	78.7	–	11.6
Aluminium commodity swaps[c]	1,454.4	118.1	159.2	–	277.3	–	39.5
Total		173.2	182.8	–	356.0	–	51.1

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

b US dollars per metric tonne.

c $63.6 million of commodity contract losses (2004: $51.1 million losses) have been deferred or not recognised as the losses relate to hedges of anticipated transactions. The expected timing of recognition based on the fair values at 31 March 2005 are one year or less: $48.0 million and one to five years: $15.6 million.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange sensitivity and risk management
The CSR group uses a variety of foreign exchange risk management instruments including currency swaps, forward contracts and currency options, to hedge foreign currency denominated receipts resulting from revenue denominated in foreign currencies, 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 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. Any sugar price hedging undertaken directly by the CSR group (noted previously) is also matched with currency hedging.

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 exposures.

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 ASSET	LIABILITY
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**
NZ dollar							
Forward exchange rate agreements[b]							
Pay NZ 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**	**–**
Singapore dollar							
Forward exchange rate agreements[b]							
Receive Singapore dollar	**1.29**	**0.6**	**1.4**	**–**	**2.0**	**0.1**	**–**
Total		**480.6**	**220.3**	**–**	**700.9**	**113.0**	**7.0**
2004							
US dollar							
Forward exchange rate agreements[b]							
Receive US dollar	0.74	4.4	–	–	4.4	–	0.1
Pay US dollar	0.56	286.5	355.3	–	641.8	145.3	–
NZ dollar							
Forward exchange rate agreements[b]							
Pay NZ dollar	1.15	7.0	–	–	7.0	–	–
Euro							
Forward exchange rate agreements[b]							
Receive euro	0.59	7.8	1.4	–	9.2	–	0.3
Total		305.7	356.7	–	662.4	145.3	0.4

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

b $106.0 million of net foreign exchange contract gains (2004: $144.9 million gains) have been deferred or not recognised as the gains relate to hedges of anticipated transactions. The expected timing of recognition based on the fair values at 31 March 2005 are one year or less: $69.4 million and one to five years: $36.6 million.

Net fair values

	CARRYING AMOUNT				NET FAIR VALUE			
	ASSET		LIABILITY		ASSET		LIABILITY	
($ MILLION)	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Other financial assets	**22.4**	22.4			**25.9**	26.8		
Current receivables	**340.0**	215.5			**340.0**	215.5		
Current payables			**293.0**	261.3			**293.0**	261.3
Non-current payables			**7.0**	3.9			**7.0**	3.9
Total	**362.4**	237.9	**300.0**	265.2	**365.9**	242.3	**300.0**	265.2

30 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 policy allows interest rate swaps and options to be entered into to maintain the mix of fixed and variable rate debt, but no such derivatives were in place for the past two financial years. 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

	WEIGHTED AVERAGE		PRINCIPAL/MATURITIES				CARRYING AMOUNT		NET FAIR VALUE	
($ MILLION)	TERM IN YEARS	RATE % PA[a]	1 YEAR OR LESS	1 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY	ASSET	LIABILITY
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 Thailand 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**
Unsecured other Australian dollar debt	**24.3**	**–**	**–**	**–**	**8.5**	**8.5**	**8.5**	**–**	**8.5**	**–**
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 Singapore 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	**–**	**–**	**–**	**7.0**	**–**	**7.0**	**–**	**7.0**	**–**	**7.0**
Cash at bank and on deposit (net of overdraft)[c]	**–**	**–**	**53.0**	**–**	**–**	**53.0**	**53.0**	**–**	**53.0**	**–**
Total			**63.2**	**319.8**	**8.6**	**391.6**	**61.5**	**330.1**	**61.5**	**322.3**
2004										
Long-term debt										
Fixed rate US dollar debt	21.3	7.7	–	–	0.1	0.1	–	0.1	–	0.1
Fixed rate Australian dollar debt	5.0	6.0	–	200.0	–	200.0	–	200.0	–	197.2
Unsecured other Australian dollar debt	25.3	–	–	–	13.6	13.6	13.6	–	13.6	–
Short-term debt										
Floating rate Australian dollar debt	0.1	5.3	11.8	–	–	11.8	–	11.8	–	11.8
Floating rate NZ dollar debt	0.1	–	4.7	–	–	4.7	–	4.7	–	4.7
Floating rate Singapore dollar debt	0.1	1.2	1.4	–	–	1.4	–	1.4	–	1.4
Floating rate Thailand baht debt	0.1	–	3.3	–	–	3.3	–	3.3	–	3.3
Term payables and other	–	–	–	3.9	–	3.9	–	3.9	–	3.9
Cash at bank and on deposit (net of overdraft)[c]	–	–	57.2	–	–	57.2	60.3	3.1	57.2	–
Total			78.4	203.9	13.7	296.0	73.9	228.3	70.8	222.4

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

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

c Interest rates vary from nil to 5.4% per annum (2004: nil to 5.3% per annum).

31 NON-CASH FINANCING AND INVESTING ACTIVITIES

During the financial year ended 31 March 2005, CSR Limited issued 1,925,600 shares to employees of the CSR group under the terms of the Universal Share/Option Plan (2004: 1,696,000 shares).

During the financial year ended 31 March 2004, CSR Limited sold certain businesses to other entities within the wholly owned group. These transactions were settled by way of intercompany loans.

During the financial year ended 31 March 2004, the CSR group invested $64.2 million in the Aluminium smelter at Tomago, however, the cash contribution in relation to this expenditure was not paid until 30 November 2004.

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

		OWNERSHIP INTEREST %		CARRYING AMOUNT ($ MILLION)	
		2005	2004	**2005**	2004
32 EQUITY ACCOUNTING INFORMATION					
Name of entity	**Principal activity**				
C Czarnikow Limited[a]	Sugar brokering	**43**	43	**11.9**	11.4
Enviroguard Pty Limited	Waste management	**50**	50	**6.0**	5.5
New Zealand Sugar Company Limited[b]	Sugar refining	**75**	50	**–**	20.2
Rondo Pty Limited	Building products	**50**	50	**6.5**	5.2
Other non-material associates				**0.6**	0.6
Associate companies				**25.0**	42.9
Sugar Australia Joint Venture[b c]	Sugar refining	**75**	50	**–**	96.1
Total investments accounted for using the equity method				**25.0**	139.0

($ MILLION)	CSR GROUP **2005**	2004
Equity accounted amount of investments at the beginning of the financial year	**139.0**	138.4
Share of associate entities' profit from ordinary activities before income tax	**37.2**	40.0
Share of income tax	**(8.6)**	(11.2)
Dividends and distributions received	**(34.8)**	(28.7)
Associate entities now controlled entities	**(177.9)**	–
Acquisitions	**70.0**	–
Foreign currency translation and other	**0.1**	0.5
Equity accounted amount of investments at the end of the financial year	**25.0**	139.0
Share of reserves attributable to associate entities		
Retained profits[d]	**18.2**	30.4
Asset revaluation reserves[d]	**0.7**	1.1
Other reserves	**9.1**	9.2
Summarised financial position of associate entities		
Assets		
– cash	**72.6**	45.9
– other current assets	**224.8**	275.0
– property, plant and equipment	**23.2**	187.9
– other non-current assets	**17.1**	33.0
Liabilities		
– current payables	**131.0**	94.6
– current borrowings and other liabilities	**113.3**	114.4
– non-current liabilities	**34.0**	39.1
Net assets	**59.4**	293.7

a The reporting date is 31 December.
b The CSR group increased its interest in these associate entities on 2 April 2004 to 75%. The CSR group fully consolidated them from 1 October 2004 when control was achieved. The associate data excludes transactions from that later date.
c The CSR group's share of revenue from Sugar Australia was $84.9 million (2004: $176.1 million) and share of expenses was $71.6 million (2004: $166.1 million) excluding revenue and expenses included in the CSR group results from 1 October 2004.
d The opening balances as at 1 April 2003 were retained profits $37.7 million, asset revaluation reserves $0.5 million and other reserves $0.5 million.

($ MILLION)	CSR GROUP **2005**	2004	CSR LIMITED **2005**	2004
Balances and transactions with associate entities[a b]				
Current loans and receivables	**8.3**	15.4	**0.8**	7.5
Non-current loans and receivables	**20.7**	14.9	**5.9**	3.5
New loans and receivables	**12.3**	22.7	**5.3**	10.9
Loans and receivables repaid	**13.6**	19.3	**9.6**	8.2
Current payables	**2.8**	2.9	**–**	–
Purchases of goods and services	**32.6**	29.9	**–**	–
Sales of goods and services	**3.8**	4.3	**–**	–
Dividends and distributions received and receivable	**34.8**	28.7	**19.4**	11.0

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

33 SUBSEQUENT EVENTS

There have been no changes in events since 31 March 2005 that would materially impact any information disclosed in this financial report except for the capital return announced on 18 May 2005. The effect of the capital return of 20 cents per share, to be paid on 4 August 2005 if approved by the shareholders at the annual general meeting, would be a reduction of shareholders' funds and an increase in net debt of $182 million. The financial effect of this transaction has not been reflected in this financial report.

34 ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

($ MILLION)	DATE ACQUIRED	CONSIDERATION	NET TANGIBLE ASSETS
Controlled entities acquired during the financial year[a]			
E D & F Man Australia Pty Limited	2 April 2004	25.8	25.8
E D & F Man New Zealand Limited	2 April 2004	37.1	37.1
Businesses acquired during the financial year		13.7	12.7
		76.6	**75.6**

Value of net assets of controlled entities and businesses demerged, acquired, disposed

	CSR GROUP ACQUISITIONS 2005	CSR GROUP ACQUISITIONS 2004	CSR GROUP DISPOSALS 2005	CSR GROUP DISPOSALS 2004
Cash	**2.2**	–	**–**	0.2
Receivables	**1.0**	–	**–**	1.0
Inventories	**1.3**	–	**–**	–
Other current assets	**0.1**	–	**–**	–
Investments	**70.0**	–	**–**	–
Property, plant and equipment	**11.7**	–	**–**	0.3
Intangibles	**1.0**	–	**–**	–
Other non-current assets	**2.9**	–	**–**	–
Payables	**(1.2)**	–	**–**	(0.5)
Interest-bearing liabilities	**–**	–	**–**	(0.5)
Provisions and tax liabilities	**(12.4)**	–	**–**	(0.2)
Outside equity interests in controlled entities	**–**	–	**–**	(0.1)
	76.6	–	**–**	0.2
Goodwill acquired/disposed	**–**	–	**–**	0.5
	76.6	–	**–**	0.7
Profit on disposal	**–**	–	**–**	–
Total consideration	**76.6**	–	**–**	0.7
Cash balances acquired/disposed	**(2.2)**	–	**–**	(0.2)
Transfer to investment in associate entity	**–**	–	**–**	(0.5)
Total flow of cash	**74.4**	–	**–**	–

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

35 CONTRACTED LEASE AND HIRE EXPENDITURE[a]

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
Contracted lease and hire expenditure commitments not otherwise provided for in the financial statements				
Land and buildings	**22.2**	33.0	**6.7**	12.8
Plant and equipment	**72.9**	14.7	**0.5**	0.3
	95.1	47.7	**7.2**	13.1
Contracted lease and hire expenditure comprises				
Operating leases				
Non-cancellable payable				
within one year	**9.2**	17.8	**3.3**	4.2
between one and two years	**10.9**	15.4	**3.1**	4.4
between two and five years	**16.7**	13.4	**–**	4.1
after five years	**0.6**	0.2	**–**	–
	37.4	46.8	**6.4**	12.7
Other payable				
within one year	**7.6**	0.3	**0.2**	0.1
between one and two years	**7.6**	0.2	**0.3**	0.1
between two and five years	**22.8**	0.4	**0.3**	0.2
after five years	**19.7**	–	**–**	–
	57.7	0.9	**0.8**	0.4
Total operating lease and hire expenditure	**95.1**	47.7	**7.2**	13.1

a The operating lease and rental payments were CSR group $27.0 million (2004: $27.1 million), and CSR Limited $4.3 million (2004: $6.2 million). The total of minimum rentals to be received in the future under non-cancellable sub leases as at 31 March 2005 is not material. Contingent rentals for 2004 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.

NOTES TO THE FINANCIAL STATEMENTS

36 PARTICULARS RELATING TO CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	% CSR OWNERSHIP 2005	2004
ACN 009 639 847 Pty Ltd[b]	Australia	**100**	100
ACN 010 462 629 Pty Ltd[c]	Australia	**–**	100
Alstergren Pty Ltd[c]	Australia	**–**	100
Amalgamated Sugar Mills Pty Ltd	Australia	**100**	100
Australian Blue Metal Ltd[c]	Australia	**–**	100
BI (Contracting) Pty Ltd	Australia	**100**	100
Bradford Holdings, Inc[c]	Canada	**–**	100
Bradford Insulation (M) Sdn Bhd	Malaysia	**100**	100
Bradford Insulation Industries Pty Ltd	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-SYC Hebel Taiwan Co, Ltd[c]	Taiwan	**–**	100
CSR Bradford Air (M) Sdn Bhd	Malaysia	**100**	100
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	Malaysia	**70**	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[a]	Australia	**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[b]	UK	**100**	100
CSR Humes Pty Ltd[c]	Australia	**–**	100
CSR Humes (UK) Limited[b]	UK	**100**	100
CSR Industrial Property Master Trust[a]	Australia	**100**	–
CSR Industrial Property Nominees No 1 Pty Ltd[a]	Australia	**100**	–
CSR Industrial Property Nominees No 2 Pty Ltd[a]	Australia	**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[b]	Australia	**100**	100
CSR Refining Investments Pty Ltd[d] formerly E D & F Man Australia Pty Ltd	Australia	**100**	–
CSR Refining Investments (NZ) Ltd[d] formerly E D & F Man New Zealand Ltd	Australia	**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	Taiwan	**100**	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
Havelock Food Products Pty Ltd[c]	Australia	**–**	100
Midalco Pty Ltd	Australia	**100**	100
New Zealand Sugar Company Ltd	New Zealand	**75**	50
PEDF Australia Pty Ltd formerly CSR Hebel Australia Pty Ltd[c]	Australia	**–**	100
Pioneer Sugar Mills Pty Ltd	Australia	**100**	100
Premier Packers Ltd	New Zealand	**75**	50
PT Prima Karya Plasterboard	Indonesia	**100**	100
Pyneboard Pty Ltd[b]	Australia	**100**	100
Queensland Sugar Power Pool Pty Ltd[c]	Australia	**–**	82
Refined Sugar Services Pty Ltd	Australia	**100**	100
Rivarol Pty Ltd	Australia	**100**	100
Seltsam Pty Ltd	Australia	**100**	100
Shelf Drilling Pty Ltd[c]	Australia	**–**	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**	50
Sugar Australia Pty Ltd	Australia	**75**	50
Tatefield Pty Ltd	Australia	**75**	50
The Haughton Sugar Co Pty Ltd	Australia	**100**	100
The Readymix Group (Australia) Ltd[b]	Australia	**100**	100
Thiess Bros Pty Ltd	Australia	**100**	100
Thiess Holdings Pty Ltd	Australia	**100**	100
Timber Holdings Pty Ltd[c]	Australia	**–**	100
Upline Holdings Pty Ltd[c]	Australia	**–**	100
Woodland Pty Ltd[c]	Australia	**–**	100

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

37 CONTRACTED CAPITAL EXPENDITURE

($ MILLION)	CSR GROUP 2005	2004	CSR LIMITED 2005	2004
Estimated capital expenditure contracted for at year end but not provided for				
– payable within one year – CSR group	**78.1**	26.6	**18.7**	–
– payable within one year – associate entities	**–**	0.5	**–**	–
Total contracted capital expenditure	**78.1**	27.1	**18.7**	–

($ MILLION)	CSR GROUP 2005	CSR GROUP 2004	CSR LIMITED 2005	CSR LIMITED 2004
38 CONTINGENT LIABILITIES				
Contingent liabilities, capable of estimation, arise in respect of the following categories				
Performance guarantees provided to third parties and other contingent liabilities	**4.2**	13.1	**0.6**	9.8
Guarantees given by CSR Limited in respect of amounts borrowed by				
– CSR Finance Limited			**0.1**	0.1
– Rinker Materials Corporation[a]	**324.1**	331.0	**324.1**	331.0
Total contingent liabilities	**328.3**	344.1	**324.8**	340.9

a Outstanding pre-demerger guarantees on 2005 Rinker Materials Corporation bonds. Rinker Materials Corporation has obtained bank guarantees for CSR Limited's benefit for any payment obligations that are due under CSR Limited's guarantees.

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, claims for asbestos induced injury 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 2005, there were 684 such claims pending.

In the United States, claims for damages are being 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 2005, there were 3,268 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2005, CSR had resolved 1,577 claims in Australia and approximately 128,000 claims in the United States, including resolution of approximately 103,000 claims in mass settlements in West Virginia, Texas, Mississippi and Ohio.

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 of the US litigation environment of recent asbestos bankruptcies, the possible passage of legislation relating to asbestos claims in the United States legal system, and recent proposed 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 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; (3) punitive damages for defendants' bad faith; and (4) treble damages under US antitrust laws. 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$53 million. That amount includes a settlement with Certain Underwriters at Lloyd's (reinsured by Equitas) in 2004 for A$41 million. CSR asserts that the remaining insurers have the major liability for CSR's claims. CSR is pursuing the litigation against the remaining defendants vigorously, and currently expects trial to commence in or about October 2005, although this timing is uncertain. CSR has incurred legal costs in respect of the litigation of A$39.4 million to 31 March 2005. These costs have been written off during the year. At 31 March 2005 the CSR Group has no deferred legal costs in relation to the insurance litigation. The potential benefit from this litigation is not included in the CSR Group's financial statements as the outcome is uncertain.

At 31 March 2005, a provision of $318.4 million (2004: $324.0 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 included in CSR's financial statements and current claims management experience, the directors are of the opinion that asbestos litigation in the United States and Australia will not have a material adverse impact on CSR's 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.

NOTES TO THE FINANCIAL STATEMENTS

39 IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The current status of the CSR group's review of the effect of the adoption of International Financial Reporting Standards on the CSR group's statements of financial performance and position is discussed below.

In accordance with the Financial Reporting Council's strategic directive, the CSR group will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) for annual reporting periods beginning on or after 1 January 2005. Accordingly, the CSR group's first half year report prepared under A-IFRS will be for the half year reporting period ending 30 September 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 31 March 2006. A-IFRS were issued in final form by the Australian Accounting Standards Board in July 2004.

During 2003, the CSR group established a project team to monitor and plan for the transition to A-IFRS. The project team is managing the transition to A-IFRS in 3 phases. Phase 1 – Scoping and impact analysis was completed in late 2003. Phase 2 – Managing the changes to controls, processes and systems that will enable sufficient information to be collected in order to be A-IFRS compliant is also largely completed. Phase 3 – Implementation and review (including audit of opening balance sheet adjustments) is now progressing. At this time it is expected that financial statements that are fully compliant with A-IFRS will be able to be prepared.

On first-time adoption of A-IFRS, the CSR group will be required to restate its comparative financial statements such that the comparative balances presented comply with the requirements specified in A-IFRS. That is, the balances that will be presented in the financial report for the year ended 31 March 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS. As most adjustments on first-time adoption are to be made against opening retained profits, the amount of retained profits available to be paid out as dividends at 31 March 2004 presented in the 2006 A-IFRS financial report may differ significantly from the amount previously reported under current Australian accounting standards.

Various voluntary and mandatory exemptions are available to the CSR group on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations, expense share based payments granted before 7 November 2002, and permits the identification of a deemed cost for property, plant and equipment. The CSR group has evaluated the effect of the options available on first-time adoption of A-IFRS and determined the best outcome. These decisions are subject to confirmation by the CSR group's external auditors of the financial consequences.

While no final decision has yet been made as to the policy alternatives to be applied the directors have identified the following as being the key accounting policy differences expected to arise on transitioning to A-IFRS. This does not represent an exhaustive list of the differences that will arise.

Deferred costs *Initial decrease in retained profits at 1 April 2004* *Lower amortisation expense* *Volatility in results*	The CSR group currently defers certain legal costs associated with insurance litigation. Under A-IFRS, these costs will be required to be written off against retained profits as at 1 April 2004. In future, it is expected that these costs will be expensed as incurred. Capitalised start up costs of $6.6 million at 31 March 2004 will also be required to be written off against retained profits on adoption of A-IFRS as at 1 April 2004. In future, start up costs will be expensed as incurred.
Goodwill *No amortisation* *Volatility in results in event of impairment*	Goodwill will not be amortised under A-IFRS (CSR group amortisation charge was $2.0 million for the year ended 31 March 2005), but instead the goodwill will be subject to annual impairment testing. If there is any impairment, the goodwill will be written down in the income statement in the period in which the impairment is identified.
Derivative instruments *Initial impact on equity reserves at 1 April 2005* *Volatility in net assets* *New assets/liabilities recognised* *Comparative information not restated as application date is 1 April 2005*	Under A-IFRS, all derivatives contracts will be carried at fair value on CSR group's balance sheet with an offset to shareholder equity when hedge accounting is achieved. The deferred profit and loss on these derivatives may only be carried in equity and ultimately matched to the underlying transactions being hedged provided specific documentation and procedures are maintained and that the derivative is and remains effective in reducing the underlying business risk. The CSR group has implemented such procedures and expects that its derivatives will be effective and hence there will be minimal impact on its net profit. The requirement to fair value the hedges will however result in additional volatility to the CSR group's net assets and shareholders' funds. The fair value of the CSR group's derivative instruments is included in note 30.
Intangible assets *Initial decrease in retained profits at 1 April 2004* *Lower amortisation expense* *Assets reduced*	The CSR group previously capitalised certain internal costs into the value of acquired intangible assets. These costs cannot be capitalised under A-IFRS and consequently the balance remaining at 1 April 2004 ($5.8 million) will be required to be adjusted against the opening retained profits at that date. The derecognition of these costs will reduce future amortisation charges.
Borrowing costs *Higher borrowing costs* *Lower expenses* *No change in net profit*	Unwinding of the interest component of discounted assets and liabilities is treated as interest (borrowing costs) under A-IFRS, rather than as general expense/income under current Australian standards. This is particularly relevant to unwinding the discount in respect of the CSR group's product liability provision which will result in earnings before finance and income tax being approximately $17 million higher under A-IFRS. There will be a corresponding increase in the CSR group's net borrowing costs. Net profit will be unchanged. The CSR group has negotiated appropriate changes to its debt covenants.
Investment in associate entity *Initial reduction in retained profits at 1 April 2004* *Increased future profits* *Assets reduced*	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 CSR group formed the Sugar Australia joint venture by contributing assets and recognised the difference between the book value and the fair value of those assets as a profit. The unamortised balance of this profit at 1 April 2004 will be adjusted against opening retained profits on adoption of A-IFRS. The carrying value of the relevant assets will be reduced and ongoing profit after tax will increase as a result of decreased depreciation.

39 IMPACT OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Post employment benefits *Initial decrease in retained profits at 1 April 2004* *Possible volatility in future actuarial gains/ losses taken to equity*	The CSR group sponsors two defined benefit superannuation plans. Contributions to the plans are expensed when due and payable and no assets or liabilities are recognised in relation to these plans in the financial report of the CSR group. On adoption of A-IFRS, the CSR group will be required to recognise the net position of each plan on the balance sheet, with a corresponding adjustment to retained profits. After the transitional adjustment, it is expected that offsets for the change in liability will be to profit for the regular assumed plan performance and to equity for the more volatile actuarial gains/losses.
Impairment of assets *Initial decrease in retained profits at 1 April 2004* *Lower depreciation*	Under A-IFRS, the CSR group expects that the recoverable amount testing of non-current assets will be carried out at a lower level than required under existing Australian standards. Detailed guidance in relation to the methodology for performing recoverable amounts tests is provided by AASB 136 'Impairment of Assets', consequently the CSR group will be required to change the methodology used to identify asset impairments. As a result of these changes, it is possible that the carrying value of certain businesses' assets may be impaired and will require adjustment against opening retained profits on adoption of A-IFRS. The CSR group has not yet determined the impact of any impairment that may be required, but it is likely that some write down of sugar milling assets will be required. Subsequent to any impairment adjustment there will be a reduced depreciation charge. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.
Share-based payment *Initial increase in retained profits at 1 April 2004* *Impact on share capital* *Higher expenses*	The CSR group currently recognises an expense over three years for the cost of all deferred shares issued as part of long-term incentive arrangements. The shares vest over three to five years, and may be forfeited under certain conditions. The CSR group does not currently recognise an expense for free shares issued under the employee Universal Share/Option Plan. On adoption of A-IFRS, the CSR group will recognise an expense for all share based remuneration, including deferred shares, the expense being recognised over the relevant vesting periods.
Income tax *Initial decrease in retained profits at 1 April 2004* *New liabilities recognised* *Increased future profits*	The CSR group currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to permanent and timing differences. Under A-IFRS deferred taxes are measured by reference to temporary differences determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet. Because A-IFRS has a wider scope than the CSR group's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. In particular, significant increases in deferred tax liabilities are anticipated in relation to deferred taxes associated with fair value adjustments relating to pre-transition business combinations and revaluations of land and buildings. The adoption of A-IFRS will result in an increase in deferred tax liabilities which will be taken to retained profits at 1 April 2004. Subsequent CSR group profits will increase as this liability reverses in the income statement and these assets are depreciated. Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS.

DIRECTORS' DECLARATION

Declaration by directors on the financial statements and notes set out on pages 39 to 67

The directors declare they have been given the declarations made by the Chief Executive Officer and Chief Financial Officer of the company pursuant to section 295A of the Corporations Act 2001 and declare that the financial statements and notes thereto:

(a) comply with Accounting Standards

(b) give a true and fair view of the financial position and performance of the company and consolidated entity

(c) are, in the directors' opinion, in accordance with the Corporations Act 2001.

In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Ian Blackburne

IAN BLACKBURNE
Chairman

Alec Brennan

ALEC BRENNAN
Managing Director

18 May 2005

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CSR LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both CSR Limited (the company) and the consolidated entity, for the financial year ended 31 March 2005 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 directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting 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.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it 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. The nature of an audit is influenced by factors such as the use of professional judgment, 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 the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia 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 and their cash flows.

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.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of CSR Limited is in accordance with:

(a) 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 2005 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

(b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

G COUTTAS
Partner, Chartered Accountants

Sydney, 18 May 2005

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 the financial report of CSR Limited for the financial year ended 31 March 2005, 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, 18 May 2005

Member of
Deloitte Touche Tohmatsu

SHARE INFORMATION

AS AT 18 MAY 2005	ORDINARY SHARES	% OF TOTAL SHARES
20 LARGEST HOLDERS OF ORDINARY FULLY PAID SHARES		
Westpac Custodian Nominees Limited	121,257,326	13.32
J P Morgan Nominees Australia Limited	107,520,284	11.81
National Nominees Limited	106,748,132	11.72
RBC Global Services Australia Nominees Pty Limited	45,149,351	4.96
ANZ Nominees Limited	28,400,620	3.12
Cogent Nominees Pty Limited	21,553,252	2.37
Citicorp Nominees Pty Limited	18,444,823	2.03
RBC Global Services Australia Nominees Pty Limited	17,408,857	1.91
IOOF Investment Management Limited	14,390,860	1.58
Queensland Investment Corporation	9,250,437	1.02
CSR Share Plan Pty Limited	6,991,080	0.77
Australian Foundation Investment Company Limited	6,244,404	0.69
RBC Global Services Australia Nominees Pty Limited	6,212,874	0.68
AMP Life Limited	5,256,449	0.58
Tasman Asset Management Limited	5,088,083	0.56
UBS Nominees Pty Limited	4,229,715	0.45
HSBC Custody Nominees (Australia) Limited	4,216,975	0.46
Citicorp Nominees Pty Limited	3,900,000	0.43
Citicorp Nominees Pty Limited	3,258,913	0.36
Argo Investments Limited	3,095,512	0.34
	538,617,947	59.16
Total issued capital	910,372,515	

SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

Maple-Brown Abbott Limited advised that, as at 17 February 2004, it and its associates had a relevant interest in 98.52 million shares, which represented 10.68% of CSR's total issued capital.

Perpetual Trustees Australia Limited advised that, as at 8 March 2005, it and its associates had a relevant interest in 86.15 million shares, which represented 9.40% of CSR's total issued capital.

Perennial Value Management Limited advised that, as at 4 November 2004, it and its associates had a relevant interest in 53.20 million shares, which represented 5.80% of CSR's total issued capital.

	LISTED FULLY PAID SHARES WITH FULL VOTING RIGHTS			
AS AT 18 MAY 2005	SHAREHOLDERS	%	SHARES	%
DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS				
Registered address				
Australia	84,675	96.13	899,847,607	98.84
New Zealand	2,204	2.50	6,299,780	0.69
UK	479	0.54	1,442,943	0.16
USA	191	0.22	515,126	0.06
Other	540	0.61	2,267,059	0.25
Total	88,089	100.00	910,372,515	100.00
Size of shareholding				
1 – 1,000	29,705	33.72	17,863,869	1.96
1,001 – 5,000	43,145	48.98	108,004,834	11.86
5,001 – 10,000	9,766	11.09	70,505,382	7.75
10,001 – 100,000	5,298	6.01	107,330,595	11.79
100,001 – and over	175	0.20	606,667,835	66.64
Total	88,089	100.00	910,372,515	100.00
Shareholdings of less than a marketable parcel				
Holdings of 209 or less shares	2,064	2.34	293,511	0.03

ON-MARKET BUYBACK

CSR has an on-market buyback which concludes on 10 June 2005. On 18 May 2005, the directors announced that no further shares would be purchased under this buyback. A total of 6,490,234 shares were purchased in the period to 18 May 2005.

RECENT CSR DIVIDENDS

DATE PAID	TYPE OF DIVIDEND	DIVIDEND PER SHARE	FRANKING	FRANKED AMOUNT PER SHARE AT 30% TAX
July 2003	Final	6 cents	70%	4.2 cents
December 2003	Interim	5 cents	70%	3.5 cents
July 2004	Final	6 cents	70%	4.2 cents
December 2004	Interim	6 cents	100%	6 cents

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CSR internet site www.csr.com.au

INFORMATION FOR SHAREHOLDERS

Annual general meeting
10.00 am Thursday 14 July 2005
The Westin Hotel
Martin Place Sydney

SHAREHOLDERS' TIMETABLE[a]

	2005
CSR's 150th anniversary	1 January
CSR year end	31 March
Full year profit and final dividend announced	18 May
Shares begin trading ex dividend	7 June
Record date for final dividend	14 June
Annual report, notice of meeting and proxy form released	15 June
Final dividend paid	4 July
Proxy returns close 10.00 am Sydney	12 July
Annual general meeting 10.00 am Sydney	14 July
Shares begin trading ex return of capital[b]	15 July
Record date for return of capital[b]	21 July
Return of capital of 20 cents per share paid[b]	4 August
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	18 November
Half year dividend paid	9 December

	2006
CSR year end	31 March

a Timing of events is subject to change.
b Subject to shareholder approval at the annual general meeting.

SHAREHOLDER INFORMATION AND INQUIRIES

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

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000 Australia

GPO Box 7045
Sydney NSW 2001 Australia

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Internet site www.computershare.com.au

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INQUIRIES ABOUT CSR

For inquiries about CSR, contact CSR Investor Relations or visit our internet site.

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