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16 May 2007

Manager Companies
Company Announcements Office
Australian Stock Exchange Limited
Level 4 Stock Exchange Centre
20 Bridge Street
Sydney NSW 2000

Preliminary final report for the year ended 31 March 2007

Attached is CSR Limited's full year results information required by ASX Listing Rule 4.3A. The slides for CSR's results presentation will be filed separately. The results presentation will be available via an audio webcast from CSR's website www.csr.com.au, commencing at 10am today.

The attachments comprise:

Yours sincerely

Graham Hughes
Company Secretary

CSR

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Preliminary final report 2007

CSR Limited

ABN 90 000 001 276

For the year ended 31 March 2007

This preliminary final report is provided to the ASX under ASX Listing Rule 4.3A.

CSR's annual general meeting will be held on 5 July 2007.

Results for announcement to the market

				$ million
Revenues from ordinary activities	up	8.6%	to	3,320.3
Net profit for the period attributable to members (excluding significant items)	down	3.7%	to	240.5
Net profit for the period attributable to members (including significant items)	down	10.4%	to	273.3

Dividends	**Amount per security**	**Franking**	**Franked amount per security at 30% tax**
Final dividend	9 cents	100%	9 cents
Previous corresponding period	9 cents	100%	9 cents

Record date for determining entitlements to final dividend 12 June 2007

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CSR full year net profit of $240.5 million

CSR Limited (CSR) today announced a net profit before significant items of $240.5 million, down 3.7% for the year ended 31 March 2007.

Earnings per share before significant items were steady at 27.4 cents benefiting from the share buyback during the year.

CSR's total net profit after significant items was down 10.4% to $273.3 million. The significant item of $32.8 million ($55.2 million in the year ended 31 March 2006) comprised a $102.9 million net settlement of longstanding insurance litigation, offset by a $49.1 million after tax charge from restructuring the brick and roofing operations and a $21.0 million after tax increase in the product liability provision.

Profits fell due to adverse external market conditions for some of CSR's businesses. In Sugar, profits rose although the milling season was interrupted by wet weather which reduced sugar production and yields and increased milling costs, offsetting some of the benefits of higher prices.

Building Products continued to be impacted by the ongoing slowdown in the residential housing market, particularly in New South Wales.

Aluminium's results were down due to lower hedged prices and higher costs. Property produced another solid result, slightly below last year.

CSR continues to pay a significant proportion of sustainable profit as dividends. The final dividend to be paid on 3 July 2007 will be 9 cents a share, bringing total dividends for the year to 15 cents, fully franked.

Financial results summary

Full year ended 31 March [$ million unless stated]	**2007**	2006	% change
Trading revenue	**3,111.0**	2,866.9	8.5
Earnings before interest and tax – EBIT	**406.1**	416.8	-2.6
Net profit before significant items	**240.5**	249.8	-3.7
Earnings per share before significant items [a] [cents]	**27.4**	27.4	---
Return on shareholders' funds [b] [%] (net profit before significant items/shareholders' funds)	**20.1**	21.8	
As at 31 March	**2007**	2006	
Gearing – net debt / net debt + equity [b] [%]	**25.3**	30.5	

[a] Based on shares on issue as at 31 March.
[b] Restated to exclude the fair value of hedges from equity.

CSR's new managing director, Jerry Maycock joined the company as an executive director in February 2007 and became managing director on 1 April 2007. He is undertaking a detailed review of the company's businesses to identify opportunities to increase growth, reduce costs and drive greater returns from its assets.

"CSR is actively investing in its businesses with $450 million in development and acquisition capital expenditure (excluding Property) spent in the last three years," Mr Maycock said.

“We are committed to further investment in our current operations to improve efficiency and future financial results, particularly as there are factors influencing our businesses in the medium-term which provide a better outlook for the company.

“Two new projects in Melbourne include the $140 million investment to rebuild and expand our Gyprock™ plasterboard plant and the $56 million upgrade of a Sugar Australia refinery.

“We will continue to take opportunities to invest in products that improve energy efficiency and environmental sustainability. Recent projects include the expansion of CSR’s capacity to produce renewable fuel ethanol and Bradford™ glasswool insulation which reduces heating and cooling energy use by up to 40%. A feasibility study for another major project is nearing completion,” Mr Maycock said.

Financial review

CSR continued to generate cash strongly with cash flow from operating activities of $380.1 million, excluding the $196 million from settlements from insurance litigation, up 20% from $317.1 million,

In July 2006, CSR announced a 12 month on-market buyback of up to 5% of its shares. To date, $114.5 million has been invested to buyback 4% of the company’s shares at an average price of $3.06 per share. Further opportunities for capital management are under review.

CSR’s financial position is strong, with gearing (measured as net debt/net debt plus equity) of 25.3%, and net debt of $448.6 million. The company’s strong cash flow underpins its flexibility for growth.

Significant items

In December 2006, CSR Limited reached a settlement of longstanding litigation with certain members of the ACE Insurance Group (ACE). ACE was among a number of insurers sued by CSR in New Jersey in 1995. CSR sought indemnity for US asbestos claims under policies issued to CSR from approximately 1978 to 1989, together with other damages and relief. The settlement with ACE of $102.9 million (net of litigation costs) is recorded as a significant item.

This settlement concludes claims against all defendants in the New Jersey litigation, other than those few defendants that CSR believes to be insolvent.

CSR's provision for product liability is determined using reports provided by independent experts in each of the United States and Australia. CSR has included within the provision an appropriate prudential margin. The company has increased its product liability provision by $30.0 million to $388.0 million to take account of developments in asbestos litigation in each of the United States and Australia, advice received from independent experts and the release of certain insurance policies which CSR believes provided coverage for asbestos-related claims.

PGH™ Bricks and Monier™ and Wunderlich™ Roofing operations have been restructured as one business unit to streamline overhead costs with the permanent closure of two brick factories. An after tax provision of $49.1 million was recorded in the results as a significant item relating to the write-down of affected assets and associated closure and support costs. This restructure is expected to produce potential cost savings of up to $20 million per year on a continuing basis.

Review of results by segment

Earnings before interest and tax (EBIT) by segment – excluding significant items

Year ended 31 March [$ million unless stated]	**2007**	2006	**% change**
Sugar	**130.1**	123.7	5.2
Building Products	**84.5**	101.5	-16.7
Less plant closure costs	**--**	20.6	---
	84.5	80.9	4.4
Aluminium	**141.9**	156.1	-9.1
Property	**69.7**	75.6	-7.8
Business segment total	**426.2**	436.3	-2.3
Corporate costs	**-20.3**	-18.9	
Restructure and provisions	**0.2**	-0.6	
Total EBIT	**406.1**	416.8	-2.6

Sugar

Earnings before interest and tax (EBIT) rose 5.2% to $130.1 million.

Raw Sugar's revenue significantly increased with generally higher – but still highly volatile – world sugar prices. However, the benefits were largely offset by lower sugarcane crop volumes, higher maintenance expenses and increased costs resulting from the extended milling season due to unseasonable wet weather.

Refined Sugar's earnings fell slightly with reduced demand by industrial sugar customers in response to higher prices, despite improved retail market share and tight cost control. However, sugar prices have since fallen from their peak in February 2006 and margins are now improving.

In March 2007, Sugar Australia (CSR 75%) launched a $56 million major upgrade of the Yarraville refinery, Melbourne which will upgrade equipment to improve efficiency, reduce costs and improve environmental protection.

Ethanol's returns improved with stronger demand even though costs were driven up by the increased price of the raw material, molasses. Increased demand for renewable fuel ethanol improved sales volumes and prices.

Last year's difficult milling season revealed shortcomings in equipment reliability in several of CSR's raw sugar mills. The company has commenced a three year capital expenditure program to restore the efficiency of our operations and ensure that the mills remain competitive in the global market. The scope and timing of this renewal program will be adjusted each year, based on the profitability level of the business and medium-term outlook for sugar prices to ensure that returns on the funds invested are optimised.

Outlook: Based on current price forecasts, Sugar's total result is likely to be materially below last year, although better returns are expected from Refined Sugar and Ethanol.

Raw sugar production should be broadly in line with last year, even though this year's sugarcane crop is expected to be lower due to the impact of the unseasonably wet weather experienced last year. However, assuming there is no repeat of abnormal weather during the impending harvesting season, sugar recovery in the milling process will be higher.

The world raw sugar price is likely to continue to be volatile, with supply outgrowing demand in the short term. Hedging completed in previous years (over 60% has been hedged at approximately $350 per tonne) will help underpin a sugar price to CSR in a range of about $300 to $330 per tonne.

As part of the mills' renewal program CSR will incur around $10 million of additional operating costs.

Building Products

With CSR's main markets for its building products mainly located in Australia's eastern states, returns have been significantly affected by the downturn in the residential housing market.

EBIT of $84.5 million was up from the previous year's $80.9 million, although the latter included $20.6 million of one-off costs associated with closing two plants. Excluding these costs, EBIT was down 16.7%. Higher operating costs, due to reduced factory utilisation and increased fuel and energy costs, were partly offset by operational improvements.

Work continues to ensure that CSR is prepared to maximise returns when the residential building market begins to turn around in response to the pressure of underlying demand for new dwellings.

Performance Systems' markets for Bradford™ insulation, Edmonds™ ventilation products and Bradcore™ panel systems continued to expand both in Australia and Asia. To meet growing demand across the region, a new production line was completed at the Bradford™ glasswool insulation factory in Sydney and a Rokcore™ non-combustible commercial panels plant in China.

A $140 million program is underway to upgrade the Melbourne Gyprock™ plasterboard factory to a larger capacity, environmentally sustainable plant that will deliver the industry's lowest through-the-cycle delivered cost.

PGH™ bricks and Monier™ and Wunderlich™ roofing operations have been restructured as one business unit to streamline overhead costs and to better service the market. In Brisbane, the expansion of a low cost brick plant was completed to allow for the closure of an older, less efficient operation at Strathpine. Development options are under review for the 140 hectare Strathpine site in the rapidly growing region north of Brisbane.

To contain costs further, six brick kilns have been mothballed, product lines rationalised and the small brick factory in Bathurst, NSW has closed. This restructure is expected to produce potential cost savings of up to $20 million per year on a continuing basis.

Outlook: The residential construction market is forecast to remain relatively flat in the eastern states, although the Queensland market may show some signs of recovery later this year. EBIT should be higher than last year, with sales growth in the commercial sector as well as stronger growth from some products and further cost reductions.

Aluminium

CSR's 70% share of Gove Aluminium Finance Limited's (GAF) net profit before finance costs fell 9.0% on the prior year's record to $70.0 million. The average realised aluminium price after settlement of hedges was A$3,028 per tonne, up 7.4%, as a result of improved world prices.

Profit was below the previous year's record reflecting lower prices for aluminium hedged in previous years and higher production costs

Outlook: GAF's earnings are expected to rise as a result of higher hedged prices while sales tonnage will be similar to last year. Hedging completed in previous years will increase A$ returns above last year although US$ aluminium prices are likely to decrease as the global supply of aluminium grows to exceed demand. An active hedging program continues, with a substantial portion of net aluminium exposure hedged for this year, locking in an attractive level of returns.

Property

Property's earnings are predominantly based on a limited number of relatively large transactions. Last year, the main contribution was the sale of 38 hectares of land in the Erskine Park industrial development site in western Sydney.

Earnings before interest and tax (EBIT) were $69.7 million, down from $75.6 million which included two large property transactions.

Outlook: This year, Property's results are expected to return to a more sustainable level in the range of $30 to $40 million per annum.

The year ahead

Mr Maycock commented that his early priorities for the year ahead will be to assess further opportunities for growth, while focusing on a number of initiatives in each business to enhance performance and reduce costs.

“CSR has a great brand and an exciting future, albeit with shorter term challenges. At this early stage in the year, we expect the overall EBIT result is unlikely to reach last year,” Mr Maycock said.

“The medium term outlook for our businesses is positive as we will begin to benefit from recent investments to improve performance and we have a number of interesting growth opportunities under review both in our current operations and by external acquisitions.”

16 May 2007

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CSR Group

Summary of operations by business

Results for the year ended 31 March 2007

Sugar

Year ended 31 March [$ million unless stated]	**2007**	2006	% change
Trading revenue	**1,544.7**	1,367.8	12.9
EBIT	**130.1**	123.7	5.2
Funds employed	**975.8**	931.3	4.8
EBIT/trading revenue [%]	**8.4**	9.0	
Return on funds employed [%]	**13.3**	13.3	

Higher raw sugar prices largely offset by lower crop and increased milling costs

Trading revenue rose 12.9% to $1,544.7 million. Earnings before interest and tax (EBIT) increased 5.2% to $130.1 million.

Raw Sugar EBIT of $96.8 million increased by 4.6% over the previous year. Significantly higher raw sugar prices were largely offset by lower sugarcane crop volumes and increased total production costs caused by unseasonably wet weather, which extended the milling season and increased operating costs.

The previous year’s EBIT included a $10 million sustainability grant from the Australian Government as part of its sugar reform program (announced in April 2004).

Crop volumes fell to 14.3 million tonnes, 7.1% below the previous year’s record. The amount of raw sugar produced fell by 4.5% to 2.1 million tonnes.

The milling season was extended by 26 days in the Herbert region and 14 days in the Burdekin region due to the unusually wet weather.

The world sugar price reached its highest level for some years in February 2006 as consumption outstripped supply of raw sugar due to reduced production in Thailand, India and the US. Since then, mainly because of growth in global sugar production, the price has fallen by 50% reaching the lowest level in two years.

The estimated average price for the 2006 season was $354 per tonne of sugar produced, a significant improvement on the previous year’s $316 per tonne.

Raw sugar prices are likely to continue at around current levels of US9-10 cents per pound in the short-term as global production and stocks of sugar are projected to exceed demand. In the medium to longer term, we expect sugar prices to be underpinned by the marginal cost of expansion of the Brazilian sugar industry (the world’s largest producer) which we believe to be currently in the range of US10-13 cents per pound.

We are actively investigating international expansion opportunities, although recent sugar price movements and increased global interest in ethanol have made potential acquisitions more expensive.

Work continues by CSR with other members of the sugar industry to increase farm yield as part of the industry’s successful productivity program.

Last year’s difficult milling season also revealed shortcomings in equipment reliability in several of CSR’s raw sugar mills. We have commenced a three year capital expenditure program to upgrade critically important equipment. The program will ensure that we maintain our competitive position in the global market and will boost mill equipment reliability and sugar recovery from cane.

The renewal program also includes upgrading the mills' IT systems, improving maintenance processes, upgrading sugarcane transportation networks and adding to skills and capabilities through recruitment and training.

To ensure that we optimise the return on the invested capital, the renewal program will be reviewed each year taking into account crop size, profitability levels of raw sugar milling and the medium-term outlook for sugar prices.

Safety performance in parts of our raw sugar milling operations was disappointing, for the second successive year. We are refocusing our efforts to improve this critically important aspect of our operations

Refined Sugar EBIT of $31.5 million was down 2.4%. Demand from food and beverage and other manufacturers fell in the earlier part of the year due to the increase in raw sugar prices. However, more recently the lower sugar prices have seen a recovery in market activity.

In New Zealand, the recent lower raw sugar prices have also stimulated a recovery in market activity, although earnings have been impacted by movements in the A$/$NZ exchange rates.

As part of Sugar Australia's strategy to be a leading provider of sweetening solutions, it entered into an agreement with Merisant in January 2007 for the Australian and New Zealand distribution rights for the Equal® brand of sweeteners in retail and food service markets. Equal® is the leading brand of tabletop sweeteners in Australia and New Zealand.

Sugar Australia is continuing to extend its range of retail sugar products, recently launching innovative new products such as CSR Jams and CSR Marmalade setting sugars, gluten free icing sugars and a convenient golden syrup squeeze pack. In addition, a new range of specialised icing sugar shakers was introduced for the café and commercial baking sectors.

Sugar Australia has steadily improved refining margins over time which has allowed the business to commit to further investment. In March 2007, Sugar Australia launched a $56 million major upgrade of its Yarraville refinery, Melbourne, which will include replacing old equipment with efficient, low operating cost plant, improving working conditions, safety, and environmental protection.

Ethanol Overall, returns improved with stronger demand, despite the high cost of molasses, ethanol's main raw material. EBIT increased from $5.1 million to $7.4 million driven by improved sales volumes and prices – especially in the Australian vehicle fuel market. Stronger focus on the Agricultural Services business (which supplies a range of fertiliser by-products to sugarcane farmers) also resulted in improved sales and profitability.

In collaboration with the University of Queensland, we are continuing to invest in research to develop high yielding sugarcane varieties. In July 2006, CSR received a $5 million Australian Government research grant (to be received over three years) as part of the Renewable Energy Development Initiative funding program. The grant will help support a research program to develop significantly improved feedstock for the production of environmentally and economically sustainable sugar and ethanol.

CSR, Australia's second largest ethanol producer, distils the product from the renewable resource, molasses – a by-product of sugarcane milling. In August 2006, CSR completed a $15 million project to expand production of fuel grade ethanol at our Sarina distillery, North Queensland, bringing capacity to 32 million litres per year.

We are actively exploring further options to expand capacity to build on our strong position in the renewable fuel market. As part of this, we are investigating grain based ethanol developments within Australia, although increases in feedstock prices are impacting the viability of some of these projects.

Building Products

Year ended 31 March [$ million unless stated]	2007	2006	% change
Trading revenue	**1004.0**	974.2	3.1
EBIT	**84.5**	101.5	-16.7
Less one-off plant closure costs	**--**	-20.6	--
EBIT (after one-off costs)	**84.5**	80.9	4.4
Funds employed	**688.5**	680.7	1.2
EBIT/trading revenue [%]	**8.4**	8.3	
Return on funds employed [%]	**12.3**	11.9	

Slowdown in residential construction impacted returns

Trading revenue of $1,004.0 million increased by 3.1%, primarily due to growth in CSR Performance Systems as well as higher sales volume from new products and services introduced over the past couple of years.

EBIT of $84.5 million was up from $80.9 million the previous year, which included $20.6 million of one-off costs associated with closing two manufacturing plants. Excluding these costs, underlying EBIT was down 16.7%. Higher operating costs, due to lower factory utilisation and increasing fuel and energy costs, were partly offset by operational improvement savings.

Australian residential building continued to be weak in the east coast markets, with housing commencements in the year to December 2006 down 5% in New South Wales (where the rate of detached housing construction was at a 35 year low), Victoria down 3% and Queensland down 1%. The overall Australian market was flat, with reduced activity in the eastern states balanced by 9% growth in Western Australia.

In other market segments, alterations and additions to dwellings rose 4% (measured by the value of work done) and commercial building activity was up 11%.

Preparing for the residential building market turnaround

The medium-term outlook for the residential building market is positive, with indications of a recovery in the Queensland market later this year.

We are continuing an intensive production and distribution network improvement program to ensure that we optimise the efficiency of our businesses to improve profitability and to be ready for a market upturn. We are rationalising product lines, streamlining the use of locations where products are manufactured and simplifying supply chains, while also ensuring capacity is available for growth.

CSR is growing in new products and services in existing and adjacent markets. We are increasingly developing our range of product systems that generate substantial benefits in improving the energy efficiency of buildings.

We are supporting our powerful building product brands and the CSR master brand. Targeted marketing programs are reinforcing messages about the company's key strengths of reliability of service, quality and certainty.

Performance Systems (including Bradford™ insulation, Bradcore™ panels, Edmonds™ ventilation systems and Hebel™ lightweight concrete products) Revenue increased by 13.3% to $279.9 million.

In Australia, we expect demand for insulation and ventilation systems to grow strongly. Legislative changes requiring improved energy efficiency in new dwellings, commercial buildings and industrial projects are set to drive strong growth in markets for improved insulation and ventilation systems. This trend is accelerating also in our large Asian markets.

In April 2006, we completed a $27 million expansion of the Bradford™ insulation factory at Ingleburn, Sydney, increasing capacity 50% to 30,000 tonnes per year. This, with the installation of new packaging equipment, has allowed the business to meet customer demand more efficiently and has materially reduced unit costs.

The Asian regional insulation business continued to grow strongly in domestic and export markets. In October 2006, we successfully commissioned the new $20 million Rokcore™ non-combustible wall and ceiling panels plant in Guangzhou, southern China, which has capacity to produce 500,000 square metres per year.

In China, CSR is investing $43 million to build a 45,000 tonne per year capacity rockwool insulation factory, adjacent to the new panels plant. To come on stream in March 2008, the rockwool plant will supply both the insulation core for Rokcore™ panels and the growing market for industrial and commercial insulation in the Asian region and beyond. The new rockwool factory will replace CSR's less efficient Dongguan plant.

In April 2007, we acquired Phoenix Insulation, a rockwool manufacturer in southern China, to help meet domestic and export demand until the new Guangzhou rockwool plant begins production in a year's time.

Hebel™ aerated lightweight concrete products' returns increased following success in entering new markets (including the new detached housing and low rise residential segments), significant factory improvements and tight cost control.

Gyprock™ **Plasterboard and Cemintel**™ **Fibre Cement** Revenue was flat at $395.0 million. In a very competitive plasterboard market, Gyprock™ is working to maintain profit by achieving operational improvement targets and providing new building system solutions with improved functionality and lower installation costs.

We are investing $140 million over three years to replace and expand capacity at the Gyprock™ plasterboard plant in Yarraville, Melbourne, and rationalise local warehousing and distribution facilities. As well as operating in an environmentally sustainable way, the world class new plant will provide capacity to ensure CSR has the lowest through-the-cycle delivered cost for plasterboard products in our major markets.

Our Cemintel™ Fibre Cement operation continued to broaden its product lines and now offers a full range of products in the cladding market.

In December 2006, we acquired Fricker Ceiling Systems, a leading supplier of suspended ceilings to the Sydney commercial building market. This supplements our Celotex™ and Ecophon™ ceiling tiles which are supplied to this market segment – as well as our 50% investment in Rondo Building Services Pty Limited suspended ceiling systems and wall partition products.

PGH™ Bricks and Monier™ and Wunderlich™ Roofing Revenue was steady at $317.9 million. Growth in new products and services offset the impact of slow residential building activity.

CSR has restructured its brick and paver and roofing operations into one business unit. Targeting similar markets, the combined business is expected to satisfy customer requirements more efficiently. Manufacturing and logistics have been reconfigured to improve customer service and product ranges rationalised to meet market needs with simpler supply chains.

In July 2006, CSR's PGH™ brick operation completed the expansion of a low operating cost plant in Oxley, Brisbane, which boosted capacity by 35 million bricks per year. This is enabling us to close the older, less efficient Strathpine brick and paver operation north of Brisbane. Strathpine's paver production is being consolidated at our nearby Cooroy factory. To contain costs further during the dip in building activity, we have mothballed six of our 14 brick kilns at multi-kiln plants in NSW and Queensland and closed the small brick plant in Bathurst, NSW.

We expect that this restructure will produce potential cost savings of up to $20 million per year. An after tax provision of $49.1 million was recorded in the results as a significant item relating to the write-down of affected assets and associated closure and support costs.

Development options are under review for the 140 hectare Strathpine site in the rapidly growing region north of Brisbane.

CSR's roofing operations' sales revenue increased, with contributions from new products and services, including those supplied by MySteel™ Roofing Solutions and TopCat™ Safety Rail.

At Darra, near Brisbane, Monier™ concrete roof tile production has been consolidated at a new low cost plant with increased capacity constructed on a smaller site (acquired January 2005), adjacent to the existing roof tile plant. The 21 hectare site of the old plant has been released for industrial development.

A $9 million upgrade program launched in April 2007 at our Springvale, Melbourne, concrete roof tile plant will significantly improve product quality and increase capacity. The upgrade includes the construction of new curing and packaging systems to reduce operating and logistics costs.

Aluminium

Year ended 31 March [$ million unless stated]	**2007**	2006	% change
Trading revenue	**561.4**	523.5	7.2
EBIT	**141.9**	156.1	-9.1
Funds employed	**266.7**	290.2	-8.1
EBIT/trading revenue [%]	**25.3**	29.8	
Return on funds employed [%]	**53.2**	53.8	
Net profit to CSR before finance costs	**70.0**	76.9	-9.0

Profit down 9.0% from previous year's record

CSR's 70% share of Gove Aluminium Finance Limited's (GAF) net profit before finance costs fell 9.0% to $70.0 million. Trading revenue increased 7.2% to $561.4 million.

The average realised aluminium price was A$3,028 a tonne, including settlement of hedging losses, compared with A$2,820 the previous year. The average world aluminium price increased to US$2,670 a tonne, a rise of 30.9%, as higher prices continued through last year.

Profit was below the previous year's record reflecting in part increased prices of Tomago smelter's raw materials. The A$ cost of alumina (based on the world aluminium price) rose by 32.9%.

Tomago smelter sustained aluminium output at near the record level of the previous year, which included some production delayed from the prior year. GAF's sales volume was 185,410 tonnes, down fractionally (0.1%). Sales of value added aluminium billet and slab increased 13% to 37,277 tonnes – 20% of sales volume – following consistent demand from customers in Asia and diversification into a new market.

Global aluminium consumption grew by 8% in the 2006 calendar year, led by continuing strong demand growth in Asia, especially China, where consumption increased by more than 20%.

Prices were also supported by an aluminium supply deficit and increasing fund investment in base metals.

China's aluminium production continued to grow strongly. In 2006, it accounted for around three quarters of the growth in world production.

New alumina plants came into production last year, overcoming the global alumina supply shortage that had previously limited the growth rate of aluminium production.

Property

Year ended 31 March [$ million unless stated]	**2007**	2006	% change
Total revenue	**67.0**	69.7	-3.9
EBIT	**69.7**	75.6	-7.8
Capital investment	**59.1**	54.2	9.0

Property continues to make significant returns

Property's earnings are predominantly based on a relatively limited number of large transactions, with the potential for sizeable swings from year to year.

Net revenue was $67.0 million, down from $69.7 million, while earnings before interest and tax (EBIT) were $69.7 million, down 7.8%. The main contributions to earnings were the sale of two major sites at the Erskine Park industrial development in Sydney's west.

CSR's Property team assists the various operating units to optimise the value of their land assets as part of their overall business strategy. As industrial sites reach the end of their productive life, we manage the development process, selling at the stage most profitable to CSR. The development process includes obtaining site regulatory approvals, rezoning, managing land rehabilitation and construction of infrastructure.

Major projects under way

Erskine Park, western Sydney CSR is well advanced with developing a former quarry as industrially zoned land with fully serviced lots. We have now secured transactions for about 80 hectares of the site. This includes completion of the $95 million sale last year of 38 hectares to the GPT Group. We also sold 4 hectares to another buyer.

CSR will continue to work with local and state development authorities to generate further value for the remaining 20 hectares of land at Erskine Park, subject to regulatory approval.

Ferntree Gully, Melbourne Last year, we sold 60% of the 75 residential lots at Peregrine Heights Estate. There is strong demand for the remaining sites at this rehabilitated quarry site adjacent to Dandenong National Park.

Chelsea sugar refinery, New Zealand In December 2005, CSR entered into a conditional agreement for the NZ$20 million sale of 36 hectares of land around New Zealand Sugar Company's sugar refinery in Auckland for use as a public park. The transaction is expected to be completed in the year ending 31 March 2008.

Brisbane sites We are reviewing development options for the:
- 21 hectare site at Darra of a former roof tile factory, with 14 hectares suitable for potential development of about 40 light industrial lots.
- 44 hectare site at Narangba of a former clay quarry, providing around 450 residential lots.
- 140 hectare development site at Strathpine of a former brick and paver factory.

Penrith Lakes, west of Sydney (CSR 20%) Negotiations continue with planning authorities for this major urban development.

Enviroguard (CSR 50%) The landfill waste management business performed well.

16 May 2007

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CSR group income statement

Year ended 31 March	($ million unless indicated)	Note	**2007**	2006
Trading revenue - sale of goods			**3,111.0**	2,866.9
Cost of sales			**(2,394.7)**	(2,138.3)
Gross Margin			**716.3**	728.6
Warehouse and distribution costs			**(166.3)**	(161.8)
Selling costs			**(152.8)**	(148.1)
Administration and other operating costs			**(91.7)**	(81.8)
Share of net profit of associates		13	**22.7**	22.1
Operating profit			**328.2**	359.0
Other income from ordinary activities		7	**200.2**	182.9
Other expenses from ordinary activities		7	**(121.4)**	(89.6)
Dividend income			**4.5**	3.5
Profit from ordinary activities before finance and income tax			**411.5**	455.8
Interest income		3	**4.6**	3.5
Finance costs		3	**(61.5)**	(54.3)
Profit from ordinary activities before income tax			**354.6**	405.0
Income tax expense relating to ordinary activities		4	**(46.6)**	(61.9)
Net profit			**308.0**	343.1
Net profit attributable to minority interests			**34.7**	38.1
Net profit attributable to shareholders of CSR Limited			**273.3**	305.0
Net profit before significant items attributable to shareholders of CSR Limited			**240.5**	249.8
Reconciliation of retained profits				
Retained profits at the beginning of the financial year			**470.2**	267.7
Net profit attributable to shareholders of CSR Limited			**273.3**	305.0
Net income recognised directly in retained profits			**21.9**	6.9
Total available for appropriation			**765.4**	579.6
Dividends provided for or paid		11	**(134.7)**	(109.4)
Retained profits at the end of the financial year			**630.7**	470.2
(cents)				
Basic earnings per share based on net profit attributable to shareholders of CSR Limited[a]			**30.6**	33.5
Diluted earnings per share based on net profit attributable to shareholders of CSR Limited[a]			**30.6**	33.5
Basic earnings per share based on net profit before significant items attributable to shareholders of CSR Limited[a]			**27.0**	27.4
Basic earnings per share based on net profit before significant items attributable to shareholders of CSR Limited and based on shares on issue at 31 March - refer note 5			**27.4**	**27.4**

a Weighted number of ordinary shares on issue used in the calculation of earnings per share is 891.8 million (2006: 911.6 million)

Notes to the financial statements are annexed

CSR group balance sheet

($ million)	Note	As at 31 March 2007	As at 31 March 2006
Current assets			
Cash and cash equivalents		**53.2**	58.3
Receivables		**541.9**	669.0
Inventories		**278.1**	277.0
Other financial assets		**79.4**	92.3
Other current assets		**28.2**	52.5
Total current assets		**980.8**	1,149.1
Non-current assets			
Receivables		**34.8**	37.4
Inventories		**27.3**	37.7
Investments accounted for using the equity method		**33.0**	29.1
Other financial assets		**88.8**	54.5
Property, plant and equipment		**1,564.1**	1,529.1
Goodwill		**15.5**	14.6
Other intangible assets		**50.3**	51.1
Deferred income tax assets		**79.2**	127.2
Other non-current assets		**64.2**	33.4
Total non-current assets		**1,957.2**	1,914.1
Total assets		**2,938.0**	3,063.2
Current liabilities			
Payables		**361.9**	418.9
Borrowings		**4.1**	28.7
Other financial liabilities		**129.1**	197.2
Tax payable		**8.0**	13.4
Provisions		**191.5**	158.2
Total current liabilities		**694.6**	816.4
Non-current liabilities			
Payables		**1.3**	2.1
Borrowings		**497.7**	588.1
Other financial liabilities		**76.9**	200.9
Provisions		**403.3**	380.3
Total non-current liabilities		**979.2**	1,171.4
Total liabilities		**1,673.8**	1,987.8
Net assets		**1,264.2**	1,075.4
Equity			
Issued capital	5	**559.5**	671.9
Reserves	9	**(30.7)**	(165.0)
Retained profits		**630.7**	470.2
Equity attributable to shareholders of CSR Limited		**1,159.5**	977.1
Minority interests		**104.7**	98.3
Total equity		**1,264.2**	1,075.4

Notes to the financial statements are annexed

CSR group recognised income and expense statement

Year ended 31 March	($ million)	Note	**2007**	2006
Actuarial profit on defined benefit plans			**23.6**	3.0
Income tax on actuarial profit			**(7.1)**	(0.8)
Fair value adjustment for Sugar Terminals Limited			**5.4**	4.7
Net income recognised directly in retained earnings			**21.9**	6.9
Hedge gain (loss) taken to other equity			**198.7**	(326.8)
Income tax on hedges			**(59.6)**	98.0
Translation of foreign operations taken to other equity			**(0.7)**	(2.4)
Net income recognised directly in other equity			**138.4**	(231.2)
Total income recognised directly in equity			**160.3**	(224.3)
Net profit for the financial year			**308.0**	343.1
Total recognised income and expense for the financial year			**468.3**	118.8
Attributable to:				
CSR Limited shareholders			**427.5**	120.1
Minority interests			**40.8**	(1.3)
Total recognised income and expense for the financial year			**468.3**	118.8

Notes to the financial statements are annexed.

CSR group cash flow statement

Year ended 31 March ($ million)	Note	**2007**	2006
Cash flows from operating activities			
Receipts from customers		**3,415.8**	2,998.0
Payments to suppliers and employees		**(3,014.5)**	(2,615.1)
Dividends and distributions received		**23.3**	21.4
Interest received		**5.2**	3.2
Income tax paid		**(69.3)**	(54.3)
Net cash from operating activities before derivative margin calls and insurance settlement		**360.5**	353.2
Proceeds from legal settlement with insurers		**225.3**	-
Legal costs associated with legal settlement with insurers		**(28.0)**	-
Derivative margin calls refunded		**19.6**	(36.1)
Net cash from operating activities	2	**577.4**	317.1
Cash flows from investing activities			
Purchase of property, plant and equipment and other non-current assets		**(241.1)**	(274.2)
Proceeds from sale of property, plant and equipment and other non-current assets		**110.7**	45.3
Purchase of controlled entities and businesses net of cash acquired		**(7.7)**	(5.7)
Loans and receivables advanced		**(3.4)**	(0.1)
Loans and receivables repaid		**-**	0.1
Net cash used in investing activities		**(141.5)**	(234.6)
Cash flows from financing activities			
Proceeds from issue of shares to CSR shareholders		**2.1**	2.6
Share buyback		**(114.5)**	(12.3)
Capital return to CSR shareholders		**-**	(181.6)
Net (repayment of) proceeds from borrowings		**(116.3)**	291.7
Dividends paid		**(170.6)**	(144.9)
Interest and other finance costs paid		**(40.3)**	(34.0)
Net cash used in financing activities		**(439.6)**	(78.5)
Net (decrease) increase in cash held		**(3.7)**	4.0
Net cash at beginning of the financial year		**57.4**	53.0
Effects of exchange rate changes		**(2.4)**	0.4
Net cash at the end of the financial year		**51.3**	57.4

Reconciliation of net cash

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

Cash at banks and on hand	**40.9**	55.6
Short-term loans and deposits	**12.3**	2.7
Total cash	**53.2**	58.3
Bank overdraft	**(1.9)**	(0.9)
Net cash at the end of the financial year	**51.3**	57.4

Notes to the financial statements for the year ended 31 March 2007

ADDITIONAL CASH FLOW INFORMATION

Non-cash financing and investing activities. During the financial year ended 31 March 2007, CSR Limited issued 1,283,000 shares to employees of the CSR group under the terms of the Universal Share/Option Plan (2006: 1,996,800 shares).

Credit standby facilities. The CSR group has a total of $600 million (2006: $675 million) committed standby facilities. These facilities have fixed maturity dates ranging from September 2007 to September 2011. As at 31 March 2007, $320 million of the standby facilities were undrawn.

OTHER NOTES

i. Basis of Preparation. This report is prepared in accordance with the ASX listing rule 4.3A, the requirements of the Corporations Act 2001, applicable accounting standards and Urgent Issues Group consensus views, and complies with other requirements of the law and the listing rules of Australian Stock Exchange Limited. The financial report is based on historical cost, except for certain assets which are at deemed cost and the revalued amount of certain assets. It should be read in conjunction with announcements to the market made by the CSR group during the year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and ASX Listing Rule 3.1. This report does not include all the notes of the type normally included in an annual financial report.

ii. Subsequent events. There has been no event since the end of the financial year which has had a material effect on the matters already reported.

iii. Significant accounting policies.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2007, and in the preparation of the comparative income statement and balance sheet for the year ended 31 March 2006.

Deferred costs. Certain legal costs associated with insurance litigation and start up costs are expensed as incurred.

Intangibles. Certain trade names determined as being indefinite life are not amortised.

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

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

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

Embedded derivatives. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in the fair value recognised in income.

iii. Significant accounting policies. (continued)

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

Employee benefits. For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in retained profits, in the period in which they occur, and are presented in the statement of recognised income and expense. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The defined benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value c available refunds and reductions in future contributions to the plan.

Financial assets. Financial assets are classified into the following specified categories: available for sale financial assets and loans and receivables (stated at amortised cost less impairment). The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.
Certain shares held by the CSR group are classified as being available for sale and are stated at fair value less impairment. Fair value is determined in accordance with a discounted cash flow analysis. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in income for the period.

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

Income tax. Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the financial year. It is calculated using tax rates and tax laws that have been enacted or substantially enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred ta assets or liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficien taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to ther are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferre tax liabilities and assets reflects the tax consequences that would follow from the manner in which the CSR group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when they relate to income tax levied by the same taxation authority and when the CSR group intends to settle the tax assets and liabilities on a net basis.
No provision for withholding tax has been made on undistributed earnings of overseas controlled entities where there is no intention to distribute thos earnings.
Current and deferred tax is recognised as an expense in the income statement except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from an initial accounting for a business acquisition, in which case i is taken into account in the determination of goodwill.

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

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

Provision for rehabilitation. The net present value of estimated costs of rehabilitation for land is taken up as a provision. The estimate is revised annually and the provision is adjusted accordingly.

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

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

vi. Significant items.

Insurance litigation. In the financial year ended 31 March 2006 the CSR group reached a settlement with a group of 48 Australia, United Kingdom and European insurers. In December 2006, the CSR group reached a further settlement of this litigation with certain members of the ACE insurance group (ACE). Under the settlement ACE paid CSR $120.3 million. This particular settlement net of litigation costs of $17.5 million was recorded as a significant item in the financial year ended 31 March 2007.

ACE was among a number of insurers sued in New Jersey in 1995 by CSR seeking indemnity for US asbestos claims under policies issued to CSR from approximately 1978 to 1989, together with other damages and relief.

This settlement concludes claims against all defendants in the New Jersey litigation, other than those few defendants that CSR believes to be insolvent. Since commencing this litigation in 1995, settlements have totalled more than $280 million before legal costs.

Shutdown or closure of Building Products' factories. PGH™ Bricks and Monier™ and Wunderlich™ Roofing operations have been restructured as one business unit to streamline overhead costs with the permanent closure of two brick factories. An after tax provision of $49.1 million was recorded in the results as a significant item relating to the write-down of affected assets and associated closure and support costs.

Product liability. The CSR group's provision for product liability is determined using reports provided by independent experts in each of the United States and Australia. The CSR group has included within the provision an appropriate prudential margin. The CSR group has increased its product liability provision by $30.0 million to $388.0 million to take account of developments in asbestos litigation in each of the United States and Australia, advice received from independent experts and the release of certain insurance policies which the CSR group believes provided coverage for asbestos-related claims. This increase has been treated as a significant item in the financial year ended 31 March 2007.

There were no other significant items in the financial years ended 31 March 2007.

1. Segment information

($ million)	Total revenue[a b] 2007	Total revenue[a b] 2006	Depreciation and amortisation[c] 2007	Depreciation and amortisation[c] 2006
Business segments				
Sugar[d]	**1,550.6**	1,371.4	**47.6**	42.8
Building Products	**1,004.0**	978.1	**44.2**	41.7
Aluminium	**567.6**	526.9	**29.9**	27.9
Property	**67.0**	69.7	**0.3**	-
Segment total	**3,189.2**	2,946.1	**122.0**	112.4
Corporate, restructure and provisions[e]	**6.2**	3.9	**3.8**	3.9
Interest revenue	**4.6**	3.5		
Group total before significant items	**3,200.0**	2,953.5	**125.8**	116.3
Significant items (refer note 8)	**120.3**	103.3	**-**	-
Group total after significant items	**3,320.3**	3,056.8	**125.8**	116.3

($ million)	Profit from ordinary activities before income tax 2007	Profit from ordinary activities before income tax 2006	Income tax 2007	Income tax 2006	Minority interests 2007	Minority interests 2006	Net profit 2007	Net profit 2006
Business segments								
Sugar[d]	**130.1**	123.7	**34.8**	35.7	**5.1**	5.9	**90.2**	82.1
Building Products	**84.5**	80.9	**22.7**	19.2	**1.4**	1.2	**60.4**	60.5
Aluminium	**141.9**	156.1	**42.9**	47.1	**29.0**	32.1	**70.0**	76.9
Property	**69.7**	75.6	**1.4**	(1.1)	**-**	-	**68.3**	76.7
Segment total	**426.2**	436.3	**101.8**	100.9	**35.5**	39.2	**288.9**	296.2
Corporate[f]	**(20.3)**	(18.9)	**(6.1)**	(5.5)	**-**	-	**(14.2)**	(13.4)
Restructuring and provisions[e]	**0.2**	(0.6)	**(4.2)**	(1.6)	**-**	-	**4.4**	1.0
	406.1	416.8	**91.5**	93.8	**35.5**	39.2	**279.1**	283.8
Net finance continuing operations	**(56.9)**	(50.8)	**(17.5)**	(15.7)	**(0.8)**	(1.1)	**(38.6)**	(34.0)
Group total before significant items	**349.2**	366.0	**74.0**	78.1	**34.7**	38.1	**240.5**	249.8
Significant items (refer note 8)	**5.4**	39.0	**(27.4)**	(16.2)	**-**	-	**32.8**	55.2
Group total after significant items	**354.6**	405.0	**46.6**	61.9	**34.7**	38.1	**273.3**	305.0

a Excludes net profit from associates.

b Intersegment revenue is negligible.

c Total depreciation and amortisation includes $11.8 million (2006: $8.9 million) amortisation of intangibles. Other than asset write downs and other rationalisation expenses, mainly in significant items in 2007 of $67.4 million and in Building Products in 2006 of $20.6 million, other non-cash expenses are immaterial.

d The 2006 amount includes $10.1 million which is the CSR group's allocation of a sustainability grant provided by the Australian Government to the sugar industry.

e Includes product liability, and certain defined benefit superannuation payments and other non operating costs.

f Represents unallocated overhead costs.

1. Segment information (continued)

($ million)	Assets		Liabilities		Investments accounted for using the equity method	
	2007	2006	**2007**	2006	**2007**	2006
Business segments[a]						
Sugar	**1,255.7**	1,288.2	**250.1**	448.2	**18.0**	14.5
Building Products	**851.7**	826.4	**179.7**	153.8	**9.0**	8.9
Aluminium	**457.4**	468.1	**223.9**	275.7	**-**	-
Property	**168.0**	148.9	**32.5**	20.8	**6.0**	5.7
Segment total	**2,732.8**	2,731.6	**686.2**	898.5	**33.0**	29.1
Unallocated	**72.8**	146.1	**477.8**	459.1	**-**	-
	2,805.6	2,877.7	**1,164.0**	1,357.6	**33.0**	29.1
Finance assets/liabilities	**53.2**	58.3	**501.8**	616.8		
Tax assets/liabilities	**79.2**	127.2	**8.0**	13.4		
Group total	**2,938.0**	3,063.2	**1,673.8**	1,987.8	**33.0**	29.1

Geographic segments	Total revenue		Segment assets		Capital expenditure	
($ million)	**2007**	2006	**2007**	2006	**2007**	2006
Australia	**3,021.1**	2,784.3	**2,706.5**	2,841.4	**228.2**	289.1
New Zealand	**206.7**	187.4	**120.2**	123.8	**4.2**	3.3
Asia	**92.5**	85.1	**111.3**	98.0	**23.6**	7.1
Group total	**3,320.3**	3,056.8	**2,938.0**	3,063.2	**256.0**	299.5

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

2. Cash flow reconciliation

Reconciliation of net profit attributable to shareholders of CSR Limited to net cash from operating activities ($ million)	**2007**	2006
Net profit attributable to shareholders of CSR Limited	**273.3**	305.0
Significant Items - shutdown or closure of Building Products' factories	**49.1**	-
Insurance settlement net of costs	**94.5**	(93.0)
Depreciation and amortisation	**125.8**	116.3
Net change in provisions	**22.8**	53.8
Interest expense	**39.2**	30.2
Profit on disposal of assets, asset write downs and associated costs	**(64.6)**	(55.9)
Net profit attributable to minority interests	**34.7**	38.1
Net change in trade receivables and other current assets	**42.2**	(104.0)
Net change in current inventories	**1.5**	(27.6)
Net change in trade payables	**(41.9)**	100.1
Derivative margin calls	**19.6**	(36.1)
Other	**(18.8)**	(9.8)
Net cash from operating activities	**577.4**	317.1

Year ended 31 March	**2007** **$ million**	2006 $ million

3. Net finance expense

Interest paid or payable on long-term debt	**37.7**	33.0
Interest paid or payable on short-term debt	**1.5**	1.5
Less amounts capitalised	**-**	(4.3)
Total interest expense	**39.2**	30.2
Unwinding discount on non-current provisions and debtors	**21.2**	22.2
Funding costs	**1.4**	1.1
Foreign exchange (gain)/loss	**(0.3)**	0.8
Finance expense	**61.5**	54.3
Interest income	**(4.6)**	(3.5)
Net finance expense	**56.9**	50.8

4. Income tax

Income tax expense

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

Profit from ordinary activities before income tax	**354.6**	405.0
Income tax expense calculated at 30%	**106.4**	121.5
Increase (decrease) in income tax expense due to		
Utilisation of losses in asset disposals	**(15.3)**	(21.5)
Asian trading profits tax rate differential	**(0.5)**	(1.1)
Equity accounted associate entities profit and rebates on dividends received	**(8.2)**	(7.7)
Income tax under (over) provided in prior years	**0.8**	(0.9)
Utilisation of losses against significant items	**(32.7)**	(27.9)
Other items	**(3.9)**	(0.5)
Total income tax expense on profit from ordinary activities	**46.6**	61.9

5. Issued capital

	Ordinary shares[a] fully paid	Price $	Issued capital $ million
Particulars of shares issued during the year by CSR Limited			
On issue 31 March 2006	912,369,315		671.9
Share buyback[b]	(37,374,815)	3.06	(114.5)
Universal Share/Option Plan [c]	1,283,000	1.64	2.1
On issue 31 March 2007	**876,277,500**		**559.5**

a The shares are fully paid ordinary shares listed on the Australian Stock Exchange and carry one vote per share and the right to dividends.

b In July 2006, CSR Limited announced a 12 month on-market share buyback of up to 5% of its fully paid shares. In the period from July 2006 to March 2007, 37,374,815 shares were repurchased and cancelled under the buybacks. During the financial year to 31 March 2006, a total of 5,212,234 shares were repurchased and cancelled.

c Fully paid ordinary shares were issued in August and September 2006 and August, September and November 2005 under the employee Universal Share/Option Plan. For tax reasons, shares cannot be sold by participants within three years of allotment, unless they finish their employment with the CSR group. Offers of fully paid shares were made to all eligible employees (2007: 4,170, 2006: 4,017). 2,566 (2006: 2,497) accepted the offer, subscribing for up to 250 shares (2006: 400 shares) at the market price of $3.28 each (2006: $2.62) and receiving an equivalent number of shares at no cost. The issue of 641,500 (2006: 998,400) shares purchased by employees was taken to equity. The additional 641,500 (2006: 998,400) shares issued at no cost were recorded as an expense in the financial report with an offsetting entry to the employee share reserve.

6. Expenses

Profit from ordinary activities before income tax and significant items includes the following items of expenditure:	**31 March 2007 $ million**	31 March 2006 $ million
Depreciation of non-current assets	**114.0**	107.3
Amortisation of non-current assets	**11.8**	9.0
Write down of property, plant and equipment	**1.9**	20.9
Increase (decrease) in allowance for bad debts	**1.9**	1.2

7. Other income and expenses

Income		
Significant items (refer note 8)	**120.3**	103.3
Profit on disposal of non-current assets	**66.5**	76.8
Other	**13.4**	2.8
Total other income from ordinary activities	**200.2**	182.9
Expenses		
Significant items (refer note 8)	**(114.9)**	(64.3)
Asset write downs and associated costs	**(1.9)**	(20.9)
Other	**(4.6)**	(4.4)
Total other expenses from ordinary activities	**(121.4)**	(89.6)

8. Significant items

Insurance litigation settlement		
Receipts from certain insurers	**120.3**	103.3
Associated legal expenses	**(17.5)**	(10.3)
Tax benefit	**0.1**	-
	102.9	93.0
Shutdown or closure of Building Products' factories		
Asset write downs, retrenchments and other rationalisation costs	**(67.4)**	-
Tax benefit	**18.3**	-
	(49.1)	-
Increase in product liability provision		
Increase in provision	**(30.0)**	(54.0)
Tax benefit	**9.0**	16.2
	(21.0)	(37.8)
Total significant items after tax	**32.8**	55.2

9. Reserves

Foreign currency translation reserve	**(3.0)**	(1.3)
Employee share reserve	**6.9**	4.8
Hedge reserve	**(34.6)**	(168.5)
Total reserves	**(30.7)**	(165.0)

10. Net tangible assets per share[a]

	$	$
Net tangible assets per share	**1.25**	1.00

a Calculated as net assets attributable to CSR Ltd shareholders ($1,159.5 million) less intangible assets ($65.8 million) divided by the number of shares (876.3 million)

11. Details relating to dividends and return of capital

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

The final dividend in respect of ordinary shares for the financial year ended 31 March 2007 has not been recognised in this report because the final dividend was declared subsequent to 31 March 2007.

Dividend reinvestment plans

The dividend reinvestment plan remains suspended until further notice.

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

Control gained over entities

No controlled entities were acquired during the financial year which materially affected net income.

Control lost over entities

No controlled entities were disposed of during the financial year which materially affected net income.

13. Details of associates and joint venture entities

Aggregate share of income of associate entities

	Year ended 31 March	
	2007 $ million	2006 $ million
Profit from ordinary activities before income tax	**32.6**	31.4
Income tax expense	**9.9**	9.3
Profit from ordinary activities after income tax	**22.7**	22.1
Extraordinary items net of tax	**-**	-
Net profit	**22.7**	22.1
Minority interests	**-**	-
Total share of net profit	**22.7**	22.1

	Ownership interest As at 31 March		Contribution to net income Year ended 31 March	
Name of entity	**2007 %**	2006 %	**2007 $ million**	2006 $ million
Associate companies				
C. Czarnikow Limited	**43**	43	**6.1**	3.2
Enviroguard Pty Limited[a]	**50**	50	**5.2**	9.3
Rondo Pty Limited	**50**	50	**11.1**	9.4
Other non-material associates			**0.3**	0.2
Total share of net profit			**22.7**	22.1

a In 2006, this includes profit from the sale of Enviroguard's garden products business.

The CSR group does not have any other material interests.

14. Contingent liabilities and assets

Product liability

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

In Australia, asbestos related personal injury claims have been made by employees and ex-employees of CSR, by others such as contractors and transporters and by users of products containing asbestos. As at 31 March 2007, there were 539 such claims pending.

In the United States, claims are made by people who allege exposure to asbestos fibre liberated either during the manufacture of products containing asbestos or in the installation or use of those products. As at 31 March 2007, there were 2,496 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2007, CSR had resolved 2,138 claims in Australia and approximately 131,000 claims in the United States. There are uncertainties surrounding litigation in each of the United States and Australia. The incidence of asbestos related disease, the propensity of claimants to make formal demands on CSR, the amount of those demands, the presence of other defendants in litigation involving CSR, the impact on the United States litigation environment of recent asbestos bankruptcies, the passage of certain state-based legislation relating to asbestos claims in the United States, and recent changes to the system for compensating asbestos claims in New South Wales impact the numbers and value of claims made against CSR.

CSR has recognised as a provision for product liability costs the best estimate of the consideration required to settle the present obligation for anticipated compensation payments and legal costs as at the reporting date. In determining the provision, CSR has obtained independent expert advice in relation to the future incidence and value of asbestos related claims in each of the United States and Australia. Those assessments have projected CSR’s claims experience into the future using various modelling techniques that take into account a range of possible outcomes. The present value of the liabilities is estimated by discounting the estimated cash flows using the pre-tax rate that reflects the current market assessment of the time value of money and risks specific to those liabilities. The provision includes an appropriate prudential margin.

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

CSR has now resolved the New Jersey litigation against all but a few minor insolvent defendants. Settlements to date with defendants in the litigation have totalled more than A$280 million before litigation costs. Major settlements have included a settlement in 2004 with certain Underwriters at Lloyd’s (reinsured by Equitas) for A$41 million; a settlement in April 2006 with a group of 49 Australian, United Kingdom and European insurers for A$105 million; and a settlement in December 2006 with ACE Insurance Limited and certain of its affiliates for A$120 million. CSR does not anticipate any further material settlements in or developments with respect to the New Jersey litigation.

At 31 March 2007, a provision of $388.0 million (2006: $365.8 million) has been made for all known claims and probable future claims but not for such claims as cannot presently be reliably measured. CSR cannot determine with certainty the amount of its ultimate liability with respect to asbestos related claims or the future impact on its financial condition. However, taking into account the provision already included in CSR’s financial statements and current claims management experience, CSR is of the opinion that asbestos litigation in the United States and Australia will not have a material adverse impact on the CSR group financial condition.

Workers' compensation

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

STATEMENT IN RELATION TO ACCOUNTS AND AUDIT

This report is based on accounts which have been audited.

Jerry Maycock
Managing Director
16 May 2007