



# CSR NOW

Annual Report 2008

CSR

**CONTENTS**

- 1 Chairman's message
- 2 Managing Director's review
- 3 Directors
- 4 Corporate governance
- 8 Remuneration report
- 18 Directors' Report
- 19 Financial report
- 48 Share information

**With a history in Australia extending over 150 years, CSR is one of Australia's leading diversified companies, with operations in building products, sugar, aluminium and property.**

**We build shareholder value by investing in and growing these businesses while operating in a sustainable manner across our company.**

# Chairman's message



**During the past year, CSR committed significant new investment in our business which is expected to deliver medium term growth and value creation for our shareholders.**

We also continued the path we have been pursuing for several years, of strengthening the fundamentals and ensuring that all businesses operate as efficiently and productively as possible.

Earnings before interest and tax (EBIT) fell by 5% to \$386.3 million, which was a satisfactory result, given the steep decline in the global raw sugar price and the unprecedented wet weather which affected our businesses. Building Products' underlying earnings improved markedly, overcoming the ongoing flat residential construction market, particularly in NSW.

We undertook a considerable expansion of our Building Products' portfolio with the acquisition of two glass businesses totalling \$865 million. As a result, interest costs were higher during the year which impacted the financial result.

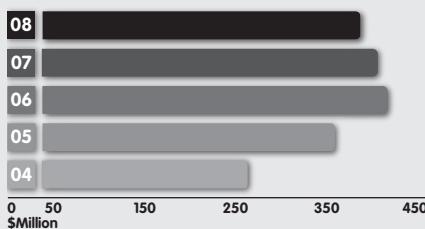
Net profit after tax (before significant items) of \$192.8 million was down 20% due to the lower EBIT result and higher interest expense.

Earnings per share before significant items were 20.9 cents compared with last year's 27.0 cents. CSR's net profit after significant items was \$177.4 million down from \$273.3 million.

The final dividend to be paid on 3 July 2008 will be 9.0 cents a share, bringing total dividends for the year to 15.0 cents, fully franked. This is the same as the previous year, in line with our continuing aim of paying a substantial proportion of sustainable profit as dividends to shareholders.

## Earnings before interest and tax (EBIT)

Year ended 31 March



## CREATING VALUE FOR SHAREHOLDERS

CSR continues to be committed to sustainably growing all its businesses over the longer term to build value for shareholders.

Sustainability, including the issue of climate change, has wide implications for CSR. We are acutely aware of our need to limit our impact on the environment. But sustainability also brings opportunities for CSR. We continue to work on expanding the range of our environmentally responsible products and services, including the production of renewable fuel ethanol and electricity as well as products targeting the improved energy efficiency of residential, commercial and industrial buildings.

Our acquisition of the glass businesses last year, now branded as Viridian™, is a good example of our determination to build our portfolio of energy efficient building products. Construction is underway of a major upgrade of Viridian's Dandenong site which will be one of only five factories globally to produce hard coated, energy efficient glass products.

CSR is giving a full commitment to Greenhouse Challenge Plus – a cooperative partnership between industry and the Australian Government. Later this year, we will publish a Sustainability Report for the year ending 30 June, the Greenhouse Challenge Plus reporting period – a major step in CSR's corporate reporting on meeting our environmental and social responsibilities. Other major initiatives are described in the Shareholder Review.

Your board also remains committed to a high standard of accountability with good corporate governance. We want everyone with a stake in CSR to know what we are doing and why, and how we operate.

This year's Annual Report is in a new format. The Australian Government passed an Act allowing companies to distribute annual reports online via the internet and only provide printed copies on request. Rather than move at this time to a totally internet based Annual Report, CSR is sending the concise Shareholder Review to all shareholders and this Annual Report only to those 10% of shareholders who requested it in response to an offer made to all shareholders in December 2007.

**Markets remain unpredictable, and while they meant that last year was challenging for CSR, we continued to look to the future.**

Both the 2008 concise Shareholder Review and the 2008 Annual Report are available from our internet site, [www csr com au](http://www csr com au), and copies may be requested from our share registry.

We are starting this year in good shape, with clearly developed plans for getting the best from our businesses and retaining talented and motivated staff across the group. Markets will continue to be unpredictable, and our businesses will be tested; however, we are investing for the medium term growth of CSR to continue to deliver value for shareholders.

A handwritten signature in black ink, appearing to read "Ian Blackburn".

IAN BLACKBURNE  
Chairman

# Managing Director's review



**Last year – my first 12 month term leading CSR's management team – was a time of growth, intensifying improvement and change.**

We extensively reviewed CSR's businesses, identifying further opportunities to drive operational performance improvement, higher performance by our people and greater returns from our assets to deliver future growth.

We added a strong new operation to our range of building products, by investing \$865 million to acquire the market-leading Australian and New Zealand Pilkington glass manufacturing operations in June 2007 and the DMS glass value adding and distribution businesses in October 2007. The combined business, rebranded as Viridian™ in March 2008, builds on the considerable resources of the two businesses and adds significant earnings capacity to CSR.

Viridian capitalises on the increasing use of architectural glass in residential and commercial buildings and is a leader in the supply of energy efficient and sustainable glass products, expanding CSR's range of energy efficient building products. The business will also be a leading Australian downstream value added processor and distributor of flat glass.

We have a number of promising growth opportunities under review, including the expansion of our existing operations as well as targeted growth, especially in maximising the supply of environmentally sustainable products and services.

This investment has been funded by a mixture of debt, the issue of 105 million new shares through a placement to institutions, a share purchase plan and a dividend reinvestment plan.

CSR's financial position continues to be strong, although our capital structure has changed following the associated funding for the glass acquisitions last year. Net debt rose to \$1,236.7 million from \$448.6 million. Gearing (net debt/net debt plus equity) at year end was 43% compared to 25% the previous year.

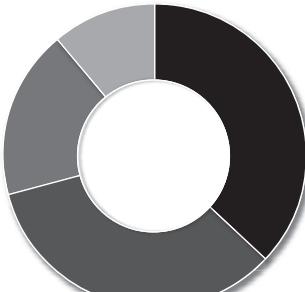
## BUILDING PRODUCTS

Despite CSR's primary markets for our building products being mainly located in Australia's eastern states, where the residential market continues to be flat, earnings before interest and tax (EBIT) rose 75% to \$147.6 million including the part year contribution from the glass business. This is a significant increase from the previous year's \$84.5 million, with growth coming from the commercial market and also from new products and services. EBIT excluding glass on a like for like basis was up 16% to \$98.3 million which was a creditable result in a very difficult external environment.

We are well advanced with an upgrading of Viridian's glass operations and integration is in line with expectations. We are also seeing encouraging demand signals for energy efficient glass which supports our business strategy.

We have commenced a \$140 million program to upgrade the Melbourne Gyproc™ plasterboard factory to improve capacity. We are also investing \$50 million to construct a Bradford™ glasswool insulation manufacturing plant in south east Queensland to increase production capacity by over 30%.

**EBIT by business**  
Year ended 31 March 2008



37% Building Products      18% Sugar  
34% Aluminium      11% Property

## SUGAR

EBIT of \$71.7 million was down from \$130.1 million largely due to a significant drop of A\$54 per tonne in the raw sugar price paid to sugar mills. Unusually heavy rain significantly delayed sugarcane milling, increasing costs and reducing the sugar that could be recovered from cane.

We began a three year program to upgrade milling equipment to reduce costs and increase mill operational efficiency. This program is starting to deliver reliability and unit cost improvements.

Refined Sugar's earnings were up with increased sales volumes and improved profit margins. A \$56 million upgrade of the Yarraville refinery in Melbourne is under way to improve the sustainability of our operations. Ethanol and the renewable electricity businesses' returns also increased.

## ALUMINIUM

Gove Aluminium Finance Limited (70% CSR) EBIT was \$136.7 million, 4% lower than last year, mainly due to higher input costs and lower sales volumes.

## PROPERTY

Earnings are based on a limited number of relatively large transactions, resulting in the potential for significant swings from year to year. Last year was no exception with EBIT of \$45.4 million, down from \$69.7 million.

We consolidated our market position this year and maintained a capital expenditure program investing across our businesses. Next year will see the conclusion of most of that program, from which we expect to yield a significant improvement in our medium term earnings outlook.

**JERRY MAYCOCK**  
Managing Director

**We are consolidating our market position with a significant capital expenditure program across our key business assets to improve performance and increase our medium term earnings.**

# Directors



CSR directors (top, from left) Ian Blackburne, Jerry Maycock, Kathleen Conlon.  
(Below, from left) Ray Horsburgh, Richard Lee and John Story.

## CSR DIRECTORS AS AT 14 MAY 2008.

### IAN BLACKBURNE

BSC (HONS), PHD, MBA, age 62.

Chairman, chairs the Remuneration and Nominations Committee and is a member of the Audit Committee and the Safety, Health and Environment Committee. He joined the board in 1999 and was last re-elected in 2007. An independent director, Ian is a former managing director of Caltex Australia Limited, with 25 years' experience in petroleum refining, distribution and marketing. He has been a director of Suncorp-Metway Limited and Teekay Corporation for seven years. In April 2008, he ceased to be a director of Symbion Health Limited after three years. Resides in Sydney.

### JERRY MAYCOCK

BENG (MECH) (HONS), age 56.

Appointed as an executive director on 13 February 2007 and as managing director on 1 April 2007, Jerry has extensive experience in manufacturing businesses and a strong global perspective. From early 2004, he led the successful restructure and growth of Hastie Group Limited, including its ASX listing in 2005. This followed a 23 year career with Holcim Limited, one of the world's leading construction materials companies, latterly as senior vice president, responsible for operations in a number of South East Asian countries, as well as Australia, New Zealand and the Pacific region. In this role, he also led a number of mergers and acquisitions. Jerry has been a director of AGL Energy Limited since 2006. Resides in Brisbane.

### KATHLEEN CONLON

BA (ECON) (DIST), MBA, age 44.

A member of the Safety, Health and Environment Committee and the Remuneration and Nominations Committee. Kathleen joined the board in 2004 as an independent director after seven years as a partner and director of the Boston Consulting Group (BCG) where she led BCG's Asia Pacific Operational Effectiveness Practice Area and, previously, the Sydney office. Kathleen has over 20 years' experience in professional consulting, having advised many of Australia's leading industrial companies. She is a member of Chief Executive Women, a NSW council member of the Australian Institute of Company Directors and a non-executive director of both DLA Phillips Fox and Real Estate.com.au. Resides in Sydney.

### RAY HORSBURGH AM

BENG (CHEM), age 65.

Chairs the Safety, Health and Environment Committee and is a member of the Remuneration and Nominations Committee. He joined the board in October 2006 as an independent director. Ray has had a distinguished record of managing manufacturing businesses in Australia, Asia, the UK and New Zealand, including leading a number of mergers and acquisitions. He was managing director of Smorgon Steel group Limited for nine years until its merger with OneSteel Limited in August 2007. This followed a 31 year career with the Australian Consolidated Industries group, primarily in senior roles in the glass and packaging businesses. In September 2007, he was appointed chairman of Toll Holdings Limited where he has served as a director for three years. Ray has been a director of Traffic Technologies Limited since 2006. As well, Ray is a member of the Business Council of Australia, a director of Epworth Hospital and chairman of Essendon Football Club. Resides in Melbourne.

### RICHARD LEE

BENG (CHEM) (HONS), MA (OXON), age 58.

A member of the Audit Committee and the Remuneration and Nominations Committee, Richard joined the board in 2005 as an independent director. He has had 19 years' experience in investment banking and the finance industry. Richard is a former chief executive officer of N M Rothschild Australia group. Prior to his investment banking career, he held a number of senior roles in CSR's Sugar division. Richard has been chairman of Salmat Limited for five years and is deputy chairman of Ridley Corporation Limited, where he has been a director for six years. He has been a director of Newcrest Mining Limited since August 2007 and is also a director of Wesfarmers Insurance division and Cash Services Australia Pty Limited. A Rhodes Scholar, he is a fellow and NSW president of the Australian Institute of Company Directors, a founding council member of the Institute of Neuromuscular Research and a director of the Australian Rugby Union. Resides in Sydney.

### JOHN STORY

BA, LLB, age 62.

Chairs the Audit Committee and is a member of the Safety, Health and Environment Committee and the Remuneration and Nominations Committee. John joined the board in 2003. An independent director, he has a great depth of experience as a senior lawyer advising on corporate and commercial law. He recently retired as non-executive chairman of the law firm Corrs Chambers Westgarth, where he was a partner for 36 years until his retirement in 2006. John is chairman of Suncorp-Metway Limited, where he has been a director for 13 years. In November 2007, he was appointed as chairman of Tabcorp Holdings Limited where he has been a director since 2004. Previously, he had been a director of Jupiters Limited. Also, John is national chairman of the Australian Institute of Company Directors, a member of the senate of the University of Queensland and a commissioner of the Service Delivery and Performance Commission (Queensland). Resides in Brisbane.

### Company secretaries

#### CHRIS BERTUCH BA, LLM

CSR's general counsel, Chris was also appointed as company secretary in August 2007 following the retirement of Graham Hughes. He had been the alternative company secretary since 2003. Chris joined CSR as a 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.

#### DARREN TIMMS CA, BCOM, BECON

Darren is CSR's group financial controller and was appointed as alternative company secretary in February 2008. He joined CSR's then Timber division in 1998 where he served for two years before transferring to senior financial roles in the Sugar division for six years. In January 2007, Darren took up his present controllership responsibilities.

# 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 operations, profit performance and growth of the company**
- **the risks of business are identified and managed**
- **CSR's long established values and behaviour underpin the way we do business**

The directors of CSR are committed to ensuring that the company maintains an effective system of corporate governance and that good corporate governance is an integral part of the culture and business practices of the CSR group.

The CSR board fully supports the *Corporate Governance Principles and Recommendations* published by the ASX Corporate Governance Council (ASX CGC).

Throughout the reporting period, the year ended 31 March 2008, CSR complied with the recommendations contained in the *ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations*, dated March 2003.

Further, the company has, where practicable, made an early transition to the council's revised *Corporate Governance Principles and Recommendations*, 2<sup>nd</sup> Edition, published in August 2007, with which our governance practices largely comply.

Charters and policies referred to in this corporate governance statement have been reviewed in light of ASX CGC's revised principles and recommendations and are also available on CSR's internet site in the 'Investors' section under 'corporate governance' at <http://www csr com au/investorcentre/CorpGovernance asp>.

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

This corporate governance statement is organised under headings reflecting the ASX CGC's current principles and recommendations, as updated in August 2007.

## **ROLES AND RESPONSIBILITIES: CSR has established and disclosed the respective roles and responsibilities of the board and management (ASX CGC Principle 1)**

The board strives to create shareholder value and ensure that shareholders' funds are prudently safeguarded.

## **THE ROLES OF BOARD AND MANAGEMENT**

The board has adopted a formal board charter, (available on the company's internet site) which establishes those matters reserved for the board and authority delegated to management. The board's functions, as summarised in the Board Charter, include:

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

Day-to-day management of the company's affairs and the implementation of strategy and policy initiatives are formally delegated by the board to the managing director and senior executives.

## **LETTERS OF APPOINTMENT**

The managing director's responsibilities and terms of employment, including termination entitlements, are set out in a formal executive service agreement. A summary of the main elements and terms of the agreement is available on CSR's internet site.

Letters of appointment are prepared for non-executive directors and senior executives, covering duties, time commitments, induction and company policies and corporate governance.

## **INDUCTION OF SENIOR EXECUTIVES**

New executives undertake a structured induction program when they join the company. This includes comprehensive briefings and information on the company's businesses, and its policies and procedures. Additionally the program includes site visits and meetings with people in key internal and external roles in order to build the relationships necessary to meet the requirements of their role.

As discussed further below and in the Remuneration report, key performance indicators are agreed with each executive to ensure goals and performance measures are fully and accurately understood and disclosed.

## **PERFORMANCE EVALUATION OF SENIOR EXECUTIVES**

CSR's high performance management framework requires the setting for all senior executives of a balanced scorecard of annual key performance indicators (including financial and non-financial measures). Every half year, each senior executive discusses their performance with their manager. At the end of the year, as part of a formal review process, each manager's performance is reviewed against compliance with the performance indicators. Also, each individual's performance and behaviour are compared and measured against the performance of their peers and measures adjusted.

The process for evaluating the performance of senior executives and the remuneration policy for senior executives are discussed in the Remuneration report.

## **BOARD OF DIRECTORS: CSR has a board of effective composition, size and commitment to adequately discharge its responsibilities and duties (ASX CGC Principle 2)**

The 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 currently comprises five non-executive directors and one executive director – the managing director. The chairman is appointed by the board and provides leadership to ensure that a high standard of values, processes and constructive interaction are maintained. The chairman represents the views of the board to shareholders and conducts the annual general meeting to canvass properly the views of stakeholders.

Information about directors is on page 3. The board keeps under review the balance of skills and experience of its members, their independence and access to advice and information.

## **DIRECTORS' INDEPENDENCE**

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. Any past or present relationship with the company is carefully examined to assess the likely impact on a director's ability to be objective and exercise independent judgement.

John Story was, until 21 June 2007, the non-executive chairman of the law firm Corrs Chambers Westgarth, a firm which CSR paid \$1.1 million in legal fees during the year ended 31 March 2008. He ceased to be a partner of Corrs in June 2006. CSR's board believes that John Story's former role at Corrs does not affect his independence as a director as he received a fixed salary for his role as non-executive chairman and was one of seven directors on the Corrs board. CSR's policy is to engage those lawyers most appropriate for a task and CSR uses a number of law firms.

#### **DEALING WITH CONFLICT OF INTEREST**

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.

#### **ELECTION OF DIRECTORS**

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

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

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

Non-executive directors are subject to re-election by rotation at least every three years and, under the company's constitution (except where this requirement is prohibited by law) must retire not later than their 70<sup>th</sup> 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.

#### **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 Remuneration and Nominations Committee meets formally four times each year and when otherwise required.

The Managing Director, Jerry Maycock, 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 of committee meetings 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 are shown in the 'Directors' meetings' table on page 7.

#### **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 usually meet with no managers present at the commencement of board meetings and on occasions meet separately.

Except where the directors need to meet privately, the general counsel and company secretary and, by invitation of the chairman, the chief financial officer, attend all board meetings.

Last year, the directors visited a major CSR PGH™ bricks and pavers selection centre in Queensland, several Australian Building Products' factories, a property development site near Brisbane and the Tomago aluminium smelter, near Newcastle, to understand better the issues facing each of the businesses and their people.

#### **DIRECTORS' ACCESS TO INFORMATION**

The board strives to ensure that directors and key executives have the knowledge and information needed to operate effectively.

The chairman briefs new directors on their roles and responsibilities. They receive a comprehensive information pack and special briefings from management and visit key operating sites to assist them to understand rapidly CSR's businesses and issues.

Time is allocated at board and committee meetings for continuing education on significant issues facing the company and changes to the regulatory environment.

To help directors maintain their understanding of the businesses and to assess the people managing them, directors are briefed regularly by each member of the senior management 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 people with a stake in the company.

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 that all directors be provided with a copy of such advice and be notified if the chairman's approval is withheld.

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

#### **BOARD EVALUATION**

The performance of the board is regularly reviewed: the board undertakes an annual self assessment of both its collective performance and that of individual directors and seeks specific feedback from the senior management team on particular aspects of its performance. The Remuneration and Nomination Committee establishes procedures and oversees this annual performance assessment program. The process may be assisted by an independent third party facilitator. The results and any action plans flowing from this annual assessment are documented, together with specific performance goals that are agreed for the coming year.

In addition, each board committee undertakes an annual self assessment on the performance of the committee and achievement of committee objectives.

The performance of the managing director is reviewed at least annually, through a formal performance appraisal process conducted by the board.

In early 2008, the Remuneration and Nominations Committee engaged an independent consultant to review the performance of the board, its committees and each director. At that time, the committee put into practice actions to improve further the effectiveness of the board and its committees. These recent improvements followed an internal review by the board in 2007, which also took account of interviews and progress against recommendations made following the previous board review by an external consultant, in 2006.

#### **CODE OF CONDUCT: CSR actively promotes ethical and responsible decision making (ASX CGC Principle 3)**

Ethical behaviour is required of directors, executives and all other employees, as well as advisers, consultants and contractors.

#### **CODE OF BUSINESS CONDUCT AND ETHICS**

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

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

# Corporate governance continued

In addition, the board has adopted specific 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 of Business Conduct and Ethics.

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.

## TRADING IN CSR SHARES

CSR directors are required to hold a minimum of 2,000 company shares under the company's constitution, and have agreed to forego a minimum of 25% of their directors' fees to buy CSR shares until they hold a beneficial interest in CSR shares equivalent in value to 12 months directors' fees. Directors' shareholdings at 14 May 2008 are shown in the table 'Directors' interests in CSR shares' on page 7.

Under the company's share trading policy (available on CSR's internet site), directors and senior managers 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 24 hours after the date of the yearly and half yearly results announcements and the annual general meeting. Also, they are prohibited from dealing in any financial products relating to CSR securities or entering into hedging arrangements in respect of CSR securities they hold, or which are held on their behalf. Under the policy, all directors and employees 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 notified to the ASX within the required time.

## AUDIT: CSR has a structure to independently verify and safeguard the integrity of the company's financial reporting (ASX CGC Principle 4)

### AUDIT COMMITTEE

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

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

The committee's specific responsibilities include:

- review of the scope of the annual audit plans of the external auditor and internal auditor and oversight of the work performed by the auditors throughout the year
- consideration and recommendations to the board on significant accounting policies and material estimates and judgments in financial reports
- reviewing and monitoring internal controls and risk management across the group
- review and recommendations to the board for the adoption of the company's half year and annual financial statements
- reviewing the effectiveness and performance of internal and external auditors.

The committee is a direct link for providing the views of internal and external auditors to the board, when necessary, independently of management influence. Time is allocated for detailed questioning of the material presented and separate sessions with each of the external auditor, internal auditor and chief financial officer.

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

### FINANCIAL REPORT ACCOUNTABILITY

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.

## DISCLOSURE: CSR promotes timely and balanced disclosure of all material matters concerning the company (ASX CGC 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 ASX of the relevant results.

CSR's management Corporate Governance and Disclosure Committee meets as required to ensure compliance with disclosure requirements. Members of this committee are the chief financial officer, the general counsel and company secretary, and the general manager investor relations and corporate communications.

The company secretary is responsible for communications with the ASX. All announcements lodged with ASX are published on the CSR internet site.

### COMMENTARY ON FINANCIAL RESULTS

CSR provides a review of operations and financial performance in the 2008 Shareholder Review and this Annual Report includes the company's financial report. Results announcements to the ASX, analyst presentations and the full text of the chairman's and managing director's addresses at the company's annual general meeting are made available on the company's internet site.

## SHAREHOLDERS: CSR respects the rights of shareholders and facilitates the effective exercise of those rights (ASX CGC Principle 6)

CSR strives to communicate effectively with shareholders about the company's performance, presenting the 2008 Shareholder Review and this Annual Report and other corporate information in clear language, supported by descriptive graphics and tables.

Where practicable, the company uses the latest widely available electronic technology to communicate openly and continually with shareholders – and the share 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.

The company's policy on shareholder communication is available on the company's internet site.

## AUDITOR ATTENDANCE AT 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.

## RISK MANAGEMENT: CSR has a sound system of risk oversight and management and internal control (ASX CGC Principle 7)

CSR strives to balance the risks and rewards in conducting business to optimise returns – in accordance with our goals of delivering shareholder value, and our commitments to customers, employees, the community and other people and organisations with an interest in CSR. The risk framework is:

- **Business risks** The board requires managers of CSR's businesses to identify and quantify business risks and to adopt cost effective strategies to manage CSR's exposure. Risk management is a key element of CSR's strategic planning, decision making and execution of strategies.

- **Financial risks** The board has approved principles and policies to manage financial risks of exposures to foreign currencies, commodity prices and interest rates. CSR's policies prohibit speculative transactions, restrict hedging to pre-set limits and require senior management approval of hedging instruments. The policies specify who may authorise transactions and segregates duties of those carrying them out.

## ● Financial integrity and reporting risks

Management has put into practice policies, procedures and controls to ensure the integrity of its accounting and financial reporting to stakeholders. Internal audit provides independent assurance of the effectiveness of these processes to manage internal control and risk, in accordance with an annual plan agreed and monitored by the Audit Committee.

## ● Legal compliance risks

The board maintains policies and procedures to ensure compliance with all major legal requirements in the conduct of CSR's business.

The board oversees and reviews the effectiveness of the risk management systems implemented by management. Limits of authority and a process for obtaining relevant sign-offs apply to material commitments. The board has assigned responsibility to:

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

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

An independent external audit is performed on the annual financial report of CSR.

## ● Safety, Health and Environment Committee

reviews and reports to the board on the management of the company's safety, health and environment liabilities and legal responsibilities.

- **Management** – manages and reports to the board on business and financial risks and compliance with other legal obligations.

- **Internal audit** – provides independent assurance in relation to the effectiveness of processes to manage internal control and risk in accordance with an agreed annual plan, which may be refined as necessary.

## RISK MANAGEMENT ACCOUNTABILITY

As part of the process of approving the financial statements, at each reporting date the Managing Director and other responsible senior executives provide statements in writing to the board on the quality and effectiveness of the company's risk management and internal compliance and control systems. The statements are substantiated in part by an annual review using applicable elements of the frameworks provided by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control and Enterprise Risk Management.

The board has also received statements from the Managing Director and the Chief Financial Officer certifying that, having made all reasonable enquiries and to the best of their knowledge and belief:

- the statements made in relation to the financial integrity of the group financial reports are founded on a sound system of risk management and internal compliance and control
- the system of risk management in operation at 31 March 2008 implements the policies adopted and delegated by the board and of the other decision making bodies operating within the CSR group and was operating effectively
- the systems relating to financial reporting were operating effectively in all material respects.

Further, the board received the relevant declarations required under section 295A of the Corporations Act 2001 and the relevant assurances required under recommendation 7.3 of the revised ASX CGC principles.

## REMUNERATION: CSR ensures that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear (ASX CGC Principle 8)

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 can they review that of their direct subordinates without their manager's approval.

## REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee, comprising all non-executive directors, is chaired by the board chairman.

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

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

## DIRECTORS' INTERESTS IN CSR SHARES

AS AT 14 MAY	TOTAL 2008	TOTAL 2007
Ian Blackburne	<b>181,467</b>	146,301
Jerry Maycock	<b>310,917</b>	2,000
Kathleen Conlon	<b>37,957</b>	14,808
Ray Horsburgh	<b>11,523</b>	2,000
Richard Lee	<b>71,794</b>	65,000
John Story	<b>98,587</b>	57,851

## DIRECTORS' MEETINGS

YEAR ENDED 31 MARCH 2008	CSR BOARD		AUDIT COMMITTEE		SAFETY, HEALTH AND ENVIRONMENT COMMITTEE		REMUNERATION AND NOMINATIONS COMMITTEE	
	HELD <sup>a</sup>	ATTENDED <sup>b</sup>	HELD <sup>a</sup>	ATTENDED <sup>b</sup>	HELD <sup>a</sup>	ATTENDED <sup>b</sup>	HELD <sup>a</sup>	ATTENDED <sup>b</sup>
Ian Blackburne	17	17	5	5	4	3	6	6
Jerry Maycock	17	17	–	–	–	–	–	–
Kathleen Conlon	17	17	–	–	4	4	6	6
Ray Horsburgh	17	15	–	–	4	3	6	6
Richard Lee	17	17	5	5	–	–	6	6
John Story	17	17	5	5	4	4	6	6

a Meetings held while a member.

b Meetings attended.

The Remuneration report includes further details on CSR's remuneration policy and its relationship to the company's performance last year (pages 8 to 17). It also includes details of the remuneration of directors and key managers last year. Shareholders are invited to vote on the adoption of the report at the company's annual general meeting.

## EQUITY BASED EXECUTIVE REMUNERATION

Key features of the three employee share plans now used by CSR, the company's policy on share ownership and details of CSR shares beneficially owned by directors and key managers appear in the remuneration report on pages 8 to 17.

## SAFETY, HEALTH AND ENVIRONMENT RESPONSIBILITIES

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

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

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

## CORPORATE GOVERNANCE AND DISCLOSURE

CSR considers that the above corporate governance practices comply with the ASX CGC'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 by the company secretary at least annually, recommending any improvements necessary to respond to changes to the company's business or applicable legislation and standards.

Statement as at 14 May 2008.

# Remuneration report

This report forms part of the Directors' report for the year ended 31 March 2008

## REMUNERATION AT A GLANCE

Key highlights of the CSR approach to executive and non-executive director remuneration are as follows:

- Executive fixed remuneration is targeted to be competitive at around the market median. Remuneration is benchmarked against the Hay Group Industrial & Services Index for roles of comparative size. At senior level, specific roles are benchmarked against their counterparts in related industries. Variable remuneration provides the opportunity to earn upper quartile total remuneration (fixed remuneration plus variable remuneration).
- The executive reward framework focuses on performance and alignment with shareholder interests through:
  - a short term incentive plan that incorporates a variety of both financial and non-financial measures critical to both the short term and longer term success of CSR,
  - a long term incentive plan with performance hurdles based on total shareholder return (TSR) relative to the S&P/ASX 200 Accumulation Index,
  - an employee share plan which encourages employees to sacrifice fixed remuneration and incentives into CSR shares, and
  - a minimum shareholding requirement equivalent in value to 12 months' base salary for senior executives participating in the Senior Executive Short Term Incentive Plan (see below section C2 – Short term incentive plans)

- Non-executive directors are encouraged to hold shares in CSR by sacrificing fees to acquire shares through the Employee Share Acquisition Plan (ESAP). Directors are expected to build their shareholdings to a minimum shareholding with a value equal to 12 months' fees, and are required to sacrifice part of their fees to receive shares through ESAP until this requirement is met.
- Directors and designated senior executives are not permitted to deal in financial products issued over CSR's securities by third parties or enter into transactions in products associated with CSR's securities which operate to limit the economic risk of their security holding in CSR (for example, hedging arrangements).

During the year ending 31 March 2009, the company is undertaking a review of the executive remuneration strategy and its underlying components to ensure the approach reflects business needs, shareholder views and contemporary market practice. We expect that any changes resulting from this review will be effective for the following year ending 31 March 2010.

In response to shareholder concerns, the company has revised performance testing for long term incentive grants to be made in the year ending 31 March 2009. Under the revised approach, grants will be subject to a maximum of two further tests after the initial performance test, as discussed below. The board believes, however, that it is appropriate for CSR to continue to allow for some form of retesting during the performance testing period to reduce the impact of business and commodity cycles and capital investment on performance measurement.

## INTRODUCTION

This Remuneration report provides a summary of the board's remuneration policy and practices during the past year as they apply to directors, executives and the company secretaries (including 'key management personnel' as defined by the Accounting Standard AASB 124).

For simplicity and the purposes of this report, the terms 'executives' and 'non-executive directors' are used. In some cases where aspects apply only to senior roles within the executive group, the term 'senior executives' will also be used.

The disclosures set out in this report have been prepared in accordance with the requirements of section 300A of the Corporations Act 2001, the Corporations Regulations 2001 and Accounting Standard AASB 124. As permitted by Corporations Regulation 2M.6.04, the relevant disclosures required by AASB 124 have been transferred from the financial statements to this remuneration report and have, as a consequence, been audited.

The sections covered in this remuneration report are:

- A The Remuneration and Nominations Committee's role
- B Executive remuneration policy
- C Executive remuneration framework
- D Link between remuneration and company performance
- E Executive contracts
- F Non-executive director remuneration
- G Remuneration and shareholdings for the year ended 31 March 2008 (and comparatives).

## A – THE REMUNERATION AND NOMINATIONS COMMITTEE'S ROLE

The composition and functions of the Remuneration and Nominations committee, which oversees remuneration issues, nominations for directors and human resources matters, are set out in the charter available from the CSR internet site at <http://www.csr.com.au/investorcentre/CorpGovernance.asp> (click on CSR Constitution).

As a high level overview, the role of the committee is to review and make recommendations to the board on (but not limited to)

- board composition, fees and performance
- the remuneration of the managing director and CEO and senior executives
- the remuneration incentive policies and guidelines for executives and senior managers
- succession planning.

Members of the committee are the non-executive directors, Ian Blackburne, Kathleen Conlon, Ray Horsburgh, Richard Lee and John Story. Support for the committee is provided through CSR's Executive General Manager – People and Performance, and external advisers.

## B – EXECUTIVE REMUNERATION POLICY

### B1 – Key principles

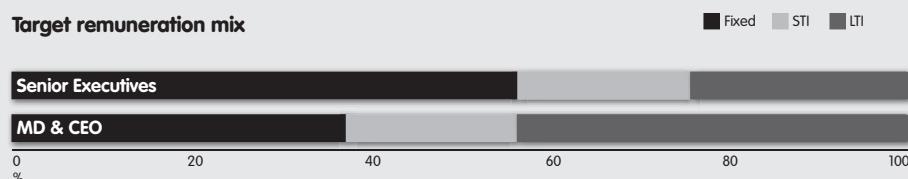
The key principles on which CSR's executive remuneration policy are based are:

Performance driven	→	Remuneration should reward executives for achieving or exceeding the business plan and increasing shareholder value. A significant proportion of executive remuneration should be 'at risk' and performance dependent.
Alignment with shareholder interests	→	Incentive plans and performance measures aligned with CSR's short and long term success. Employee ownership of CSR shares is encouraged through: – the ability to sacrifice fixed remuneration and short term incentives into shares, and – a minimum shareholding requirement for senior executives.
Market competitive remuneration opportunities	→	Remuneration opportunities, which can be earned subject to performance, are set at competitive levels that will attract, motivate and retain high quality executives.

### B2 – Ensuring executive remuneration is performance driven

The variable components of remuneration (short term and long term) are driven by challenging targets focused on both external and internal measures of financial and non-financial performance. Detail of the performance measures used are set out in sections C2 – Short term incentive (STI) plan and C3 – Long term incentives (LTI) plan. Further detail on the link between performance and remuneration is set out in section D.

A significant proportion of executive remuneration is 'at risk'. The following Target remuneration mix chart sets out the remuneration mix (fixed remuneration, short term incentive and long term incentive) for the managing director and other senior executives:



### B3 – Aligning with shareholder interests

Executives' remuneration is aligned with shareholder interests via a significant emphasis on variable (incentive) remuneration. These awards are linked to short term and long term performance benchmarks that support CSR's business strategy and future success.

In order to encourage executive share ownership and further increase the alignment with shareholder interests, executives can sacrifice salary or part or all of their short term incentive payment to acquire shares in CSR.

Additionally, the company requires all senior executives to acquire a beneficial interest in CSR shares equivalent in value to 12 months' base salary. Until that goal is achieved, these executives are expected to forgo at least 25% of any short term incentive payment and apply it to the purchase of CSR shares.

The original grant of shares acquired by executives under the LTI plan, once vested, must remain in the Cash Award Share Plan (CASP) and any additional shares acquired for top quartile performance must be sacrificed in ESAP (see section C3 below) and may only be withdrawn on the 10 year anniversary of the original grant, on termination of employment, or with the board's approval.

### B4 – Ensuring market competitive remuneration

Executive remuneration is reviewed annually. CSR aims to provide market competitive remuneration against jobs of comparable size and responsibility (as measured by the Hay Group job evaluation system) as follows:

- fixed remuneration for executives is targeted at market median
- variable remuneration (through short term and long term incentives) provides the opportunity to earn total remuneration (fixed remuneration plus variable remuneration) for outstanding performance that reaches the top quartile of the market.

## C – EXECUTIVE REMUNERATION FRAMEWORK

The executive remuneration framework consists of:

Fixed remuneration	Base salary Superannuation Other short terms benefits
Variable remuneration	Short term incentive (STI) Long term incentive (LTI)
Other components	Universal Share/Option Plan (USOP) Employee Share Acquisition Plan (ESAP)

### C1 – Fixed remuneration

Fixed remuneration comprises salary, superannuation and other benefits provided by the company.

As discussed above, fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. In some cases, superior performance or strong market demand for specific job categories may justify above median fixed remuneration.

Employees may forgo part of their fixed remuneration to acquire CSR shares under the ESAP discussed in section C4 – Other equity incentive plans.

## Remuneration report continued

### C2 – Short term incentive plans

CSR's executives participate in a short term incentive STI plan. The plan is broadly the same for all executives, although there are some differences within levels in the executive group. Features of all executives' STI plans are as follows:

#### Short term incentive plans – summary

Purpose of the plans	To drive individual and team performance to deliver annual business plans and increase shareholder value.
Frequency and timing	Participation is on an annual basis with performance measured over the year to 31 March. Payment is normally made in July following the end of the performance year.
Financial measures used (and rationale)	A principal focus of the organisation is economic profit, which assesses the profitability of the company while taking into account the cost of capital employed in the business. The measures used in the STI plans are: – for corporate roles: economic profit of CSR – for profit centre managers: EBIT and working capital (the most relevant and controllable components of economic profit) – for managers with narrower responsibilities: sub-components of the profit centre managers' measures may be used as appropriate. The financial targets are set each year by the Managing Director, in consultation with the business unit and corporate leaders, and approved by the board.
Balanced scorecard measures used (and rationale)	Individual scorecards are constructed for each executive which are chosen because they are critical to CSR's short term and long term success, and are aligned to the business plan. These cover areas including: – safety, health and environment – meeting customer needs and becoming supplier of choice – leadership and development of people – personal sales targets – operational improvement – restructuring and rationalisation – production targets – growth – other personally attributed budget goals.
Assessment of performance against measures	At the end of the CSR year, each executive's performance is assessed based on financial performance results for CSR and the respective businesses and based on 360 degree feedback (that is, feedback provided by the executive's immediate manager, peers and employees reporting to the executive). STI assessments and recommendations are made by an executive's immediate manager, as he or she is best placed to assess the individual's performance. The recommendations are then approved by the committee so as to ensure group wide consistency. Payment for the balanced scorecard component is normally independent of the business financial result. However, if the business financial result is below expectations there is discretion to reduce the payout for performance against non-financial measures.
Discretionary override	The board and the managing director have discretion to alter payments having regard to: – CSR's overall financial performance – individual performance and remuneration, relative to peers and the market – occurrence of a fatality, regardless of fault – leadership or performance improvement – maintenance and preservation of the company's assets – development and attention to customer relationships – any short term action which causes market share loss or other damage to CSR, and – other special circumstances (for example, acquisitions and divestments).
Service condition	New starters with CSR or people promoted into eligible roles can participate with pro-rata entitlements if they have been in the role for more than three months of the year. For staff who retire, die or are retrenched during the performance period, the Managing Director and the board have discretion in awarding a payment. No payment will be made to participants who cease employment, or have their employment terminated for inadequate performance or misconduct, before the end of the performance year.
Voluntary election into shares	Participants can elect to forgo all or part of the cash payment in favour of either purchasing CSR shares (held in ESAP – see section C4 – Other equity incentive plans) or funding additional superannuation contributions.

Further detail regarding the Managing Director's STI is set out in section E2 – Managing director.

Although sharing these common features, the STI opportunity and the application of performance measures varies by level within the executive group. The differences are summarised as follows:

#### **Executives' short term incentives by level of responsibility**

	<b>Senior executive STI plan</b> Senior members of the executive team as nominated by the managing director	<b>Executive STI plan</b>	
		Executives	Senior management
Maximum STI opportunity (% of base salary)	100%	50%	35%
Financial vs balanced scorecard	Financial – threshold: 0% – maximum: 60%  Balanced scorecard – maximum: 40%	Financial – threshold: 0% – maximum: 30%  Balanced scorecard – maximum: 20%	Financial – threshold: 0% – maximum: 20%  Balanced scorecard – maximum: 15%
Minimum shareholding requirement and mandatory STI deferral election	Participants are required to forgo at least 25% of their STI payment to acquire CSR shares until their vested holdings of shares equal the value of 12 months' base salary.	Not applicable	Not applicable

#### **C3 – Long term incentive plan**

Eligible executives may also be invited to participate in CSR's LTI plan, which aims to:

- provide executives with a financial interest in CSR shares, thus aligning their interests more closely with those of CSR shareholders
- attract, retain and motivate the necessary executive talent to deliver and sustain business performance and increase returns to shareholders, and
- provide greater incentive for relevant employees to focus on the company's longer term goals

The LTI plan is currently administered under a combination of the company's Cash Award Share Plan (CASP) and the ESAP (discussed below).

LTI grants are made to executives who are able to directly influence the generation of shareholder value. The amount of a grant made to each eligible executive depends on their level within the organisation and has regard to the desired mix between fixed compensation, short term and long term incentives as well as the performance and potential of the individual executive.

The initial LTI grant comprises a specified value of shares to be held in CASP and which vest only if pre determined performance and other qualifying criteria are met.

No shares will vest to a participating executive unless the percentage increase in CSR's total shareholder return exceeds the S&P/ASX 200 Accumulation Index over a three to five year period from the date of grant. If this threshold is reached the shares in the CASP, representing 50% of the maximum potential LTI grant, vest.

Additional shares will be purchased and held in the ESAP if a second performance condition is met. An additional number of shares equal to the original LTI grant will be awarded if the company's TSR ranks at or above the 75<sup>th</sup> percentile against the companies in the S&P/ASX 200 Index (at the date of grant), with a pro-rata number of shares granted for TSR ranking between median and 75<sup>th</sup> percentile.

As a result, participating executives can only achieve 100% of their LTI grant if this second performance hurdle is met in full.

The original grant of shares acquired by executives under the LTI plan, once vested, must remain in CASP and any shares acquired for top quartile performance must be sacrificed in ESAP and may only be withdrawn on the 10 year anniversary of the original grant, on termination of employment, or with the board's approval. The board has adopted a policy that prohibits participants hedging their exposure to unvested shares or reducing the risk associated with the performance hurdles applicable to those shares in any way. Under the policy, participants are required to forfeit their interest in unvested shares (that is, shares that have not met the performance hurdles) if they enter any hedging transaction in relation to those shares.

The operation of the plan is described in more detail on the next page.

## Remuneration report continued

### Operation of the executive's long term incentive plan

Participation	Executives are eligible subject to approval by the board.									
Grant frequency	Grants are typically made on an annual basis.									
Type of award	Awards are grants of shares held in trust subject to service duration requirements and performance vesting criteria. If a further performance condition is met, additional shares will be purchased and held on trust in ESAP (described below). See 'Performance conditions' below for more detail.									
Timing	Awards are subject to a three year minimum holding period. Immediately following the completion of the minimum holding period, from the third anniversary of grant to the fifth anniversary of grant, the performance conditions (detailed below) will be tested to determine whether, and to what extent, awards vest.									
Performance conditions	Performance measure and rationale for selection	<p>The performance conditions for the plan are based on CSR's total shareholder return relative to the S&amp;P/ASX 200 Accumulation Index over a three to five year period from the date of grant ("performance period"). TSR is the percentage growth in shareholder value, taking into account share price growth, dividends and capital returns.</p> <p>The performance conditions for each grant under the LTI plan were chosen to align the long term incentive component of executive remuneration with the relative returns generated for shareholders.</p>								
	Performance period and testing approach	<p>CSR's TSR performance is measured from the dates specified in the table below up to the relevant testing date. The testing dates fall within a two year period starting from the third anniversary of grant and ending on the fifth anniversary of grant ("performance testing period").</p> <p>CSR's TSR is measured over this period to ensure that the long term measurement of performance under the plan is not distorted by business and commodity cycles or capital investment decisions.</p> <p>The performance conditions for the 2005, 2006 and 2007 grants are tested in six consecutive four month blocks during the performance testing period.</p>								
	Performance condition 1	<p>If CSR's TSR exceeds the S&amp;P/ASX 200 Accumulation Index for a minimum of 20 trading days within any of the 6 four month blocks the shares will vest at the end of the four month block in which the performance condition is met.</p> <p>If the performance condition is not met by the fifth anniversary of the date of grant, participants will forfeit their interests in the unvested shares (and the opportunity to be granted additional shares).</p>								
	Performance condition 2	<p>Based on CSR's performance against a second TSR hurdle, measured over the same 4 month block as Performance Condition 1, an additional grant of shares may be purchased and held in ESAP. CSR's TSR is ranked against the companies in the S&amp;P/ASX 200 index and, subject to performance, an additional grant of shares will be made as follows:</p> <table border="1"> <tr> <td>TSR ranking.</td> <td>Additional shares granted.</td> </tr> <tr> <td>CSR's TSR ranks equal to or above the 75th percentile of the peer group.</td> <td>An additional number of shares equal to the initial grant.</td> </tr> <tr> <td>CSR's TSR ranks between median and the 75th percentile of the peer group.</td> <td>A pro-rata number of shares between 0% and 100% of the initial grant.</td> </tr> <tr> <td>CSR's TSR ranks below the median of the peer group.</td> <td>No additional shares.</td> </tr> </table>	TSR ranking.	Additional shares granted.	CSR's TSR ranks equal to or above the 75th percentile of the peer group.	An additional number of shares equal to the initial grant.	CSR's TSR ranks between median and the 75th percentile of the peer group.	A pro-rata number of shares between 0% and 100% of the initial grant.	CSR's TSR ranks below the median of the peer group.	No additional shares.
TSR ranking.	Additional shares granted.									
CSR's TSR ranks equal to or above the 75th percentile of the peer group.	An additional number of shares equal to the initial grant.									
CSR's TSR ranks between median and the 75th percentile of the peer group.	A pro-rata number of shares between 0% and 100% of the initial grant.									
CSR's TSR ranks below the median of the peer group.	No additional shares.									
		<p>The 75<sup>th</sup> percentile and median are adjusted to take into account the market capitalisation weighting of the ranked companies.</p> <p>The constituents of the S&amp;P/ASX 200 Accumulation Index at the date of grant are used as the peer group. Any companies that are no longer in the ASX 200 at the date of testing are removed from the peer group.</p>								
	How is performance assessed and why is it assessed that way?	<p>Performance against the performance conditions is assessed by CSR based on publicly available data. TSR performance compared to the S&amp;P/ASX 200 is considered appropriate given CSR's size and mix of businesses. This measure is also capable of objective assessment and independent audit.</p>								
Treatment of dividends	As shares are held on trust for participants during the vesting period, participants are entitled to dividends paid on these shares. The value of such payments expected to be received on unvested shares is taken into account when setting individuals' remuneration levels.									
Sales restrictions post vesting	Shares which satisfy the performance conditions remain in CASP/ESAP for the balance of a period of 10 years from grant date or until the earlier cessation of the participant's employment, unless a notice of withdrawal is submitted by a participant and approved by the board.									
Treatment of vested and unvested awards on cessation of employment	Unvested awards	<p>Generally, a participant who ceases to be employed prior to the performance conditions being met will forfeit their interests in the unvested shares.</p> <p>However, if the cessation of employment is the result of retirement, redundancy, permanent disablement, death or any other special circumstances at the board's discretion, then the board can apply its discretion to enable awards to vest. Board policy is to consider the time elapsed and performance up to the date of cessation in determining the proportion (if any) of awards that vest.</p>								
	Vested awards	Awards that have vested to participants and are held in CASP/ESAP will be released to participants upon cessation of employment.								
Treatment of vested and unvested awards on a change of control	Unvested awards	The board has discretion to allow awards to vest on a change of control of CSR (for example, a takeover or merger).								
	Vested awards	Awards that have vested to participants and are being held in CASP/ESAP will be released to participants on a change of control of CSR.								
Prohibition of hedging arrangements	Participants will forfeit their interest in unvested shares if they enter any hedging transaction in relation to those shares in breach of the board's policy outlined above. At 31 March 2008, relevant executives confirmed in writing their beneficial interest in CSR shares, including confirming that they had not entered into any hedging arrangements over vested or unvested CSR shares.									

The following table summarises the key dates and current status of the current outstanding LTI awards:

**Status and key dates – outstanding long term incentive awards**

Grant date	Measurement period commences	Performance testing window (performance test starts from date of grant)	Expiry date (if hurdle not met)	Date at which sales restriction lifted	Performance status
26 July 2004	14 July 2004	26 July 2007 to 25 July 2009	26 July 2009	26 July 2014	CSR's TSR exceeded the median of the S&P/ASX 200 Accumulation Index on 1 August 2007 at which time the shares vested.
25 July 2005	21 July 2005	25 July 2008 to 24 July 2010	25 July 2010	25 July 2015	Performance testing window not yet commenced.
24 July 2006	20 July 2006	24 July 2009 to 23 July 2011	24 July 2011	24 July 2016	Performance testing window not yet commenced.
16 July 2007	12 July 2007	16 July 2010 to 15 July 2012	16 July 2012	16 July 2017	Performance testing window not yet commenced.

**Change to LTI plan for grants to be made in the financial year 2009**

In response to feedback from shareholders, the company has revised the approach to testing TSR performance for LTI grants to be made in the year ending March 2009. Under the revised approach, performance will be tested against the volume weighted average share price for the 20 trading days up to and including the last day of the three year performance period and, to the extent the grant has not vested, the fourth and fifth anniversaries of the date of grant.

The board believes it is appropriate for CSR to test performance on more than one occasion during the vesting period in order to:

- reduce the impact of business and commodity cycles on performance measurement; and
- reflect CSR's capital intensive nature, which may cause significant capital investment to impact results in any given year.

As mentioned earlier, a full review of the executive reward strategy and all underlying plans will take place during the year ending 31 March 2009.

**C4 – Other equity incentive plans**

**Employee Share Acquisition Plan (ESAP)**

ESAP serves three primary purposes:

- **Salary sacrifice to purchase equity:** ESAP allows directors and employees to forgo part of their cash remuneration to acquire shares in the company. The shares are purchased on-market by the ESAP trustee, who acts on instructions given in accordance with the plan rules and the company's share trading policy. Participants are entitled to dividends and other distributions on shares held by the trustee on their behalf and can instruct the trustee how to vote their shares at company annual general meetings. As participants forgo part of their salary to acquire the shares, no performance conditions apply to shares acquired under this part of ESAP.

The shares are held in trust while the participant is employed by CSR, unless company approval is granted to sell or transfer shares. Under current Australian tax law, the maximum period of income tax deferral on the shares purchased is 10 years from the date of purchase.

- **Election of STI payments into equity:** As discussed in section C2 – Short term incentive plans, executives may elect to forgo, or be required to forgo, part of their STI to purchase shares. These shares are held under ESAP. As the participants have already earned the STI forgone to acquire ESAP shares, no performance conditions apply to these shares.

- **Holding of any additional shares granted under the company's LTI plan:** As discussed above, if the second TSR hurdle in the LTI plan is achieved, an additional grant of shares is made and held in ESAP until released in accordance with the LTI plan rules.

**Universal Share/Option Plan (USOP)**

USOP provides all CSR employees with the opportunity to link their interests more closely with those of other shareholders by buying company shares and working to improve their value. The plan is summarised in the following USOP table:

**Universal Share/Option Plan**

Purpose of the plan	To encourage share ownership through enabling executives and employees to benefit from a favourable Australian tax treatment (\$1,000 tax exemption).
Participation	All executives and employees (except executive directors), who have the equivalent of at least one year's service.
Form and quantum of award	Each year, the board sets a maximum number of shares that can be issued to each eligible participant, up to a maximum of \$1,000 (being the limit of the tax exemption).  The award is structured such that participants buy shares which are then matched one for one by the company at no additional cost to participants.  In August 2007, eligible participants were each offered 300 shares, on payment of market value, plus an equivalent number of additional shares at no additional cost to participants.
Vesting period	Shares vest immediately upon acquisition by participants. The shares can only be sold three years after the date of grant, unless the participant's employment ceases before then.
Absence of a performance condition	The USOP grants are designed to encourage share ownership among the broad employee population and therefore do not have any performance conditions attached.
Dividends and voting rights	Participants are entitled to dividends and have full voting rights during the three year holding period.

## Remuneration report continued

### D – LINK BETWEEN REMUNERATION AND COMPANY PERFORMANCE

As discussed earlier, a key underlying principle of the executive reward strategy is that remuneration should be linked to performance.

#### D1 – CSR's performance over the past five years

STI payments are based on a variety of performance conditions, both financial and non-financial. The key financial measure, depending on role and seniority, being economic profit or its underlying components.

The following table shows earnings performance measured by earnings before interest, tax depreciation and amortisation over the past five years .

#### KEY FINANCIALS

YEAR ENDED 31 MARCH	2008	2007	2006	2005	2004
Earnings before interest and tax (EBIT) (\$million)	<b>386.3</b>	406.1	416.8	358.6	262.7
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$million)	<b>536.5</b>	531.9	533.1	462.1	369.6
Shareholders funds (\$million)	<b>1,590.7</b>	1,264.2	1,075.4	1,256.1	1,144.9
Return on shareholders' funds (ROSF%)	<b>12.7</b>	20.1	21.8	18.9	14.9
Net profit before significant items (\$million)	<b>192.8</b>	240.5	249.8	214.0	160.2
Net profit after significant items (\$million)	<b>177.4</b>	273.3	305.0	318.9	160.2
Basic EPS before significant items (cents)	<b>20.9</b>	27.0	27.4	23.4	17.1
Dividend per share (cents)	<b>15.0</b>	15.0	15.0	12.0	11.0

The main financial performance measure for STI was economic profit with the key components being EBIT and the capital employed in the business. Other performance measures include working capital, safety health and environment and other measures aligned to the relevant business plans. CSR's earnings and other performance measures are affected by external economic factors, including Sugar and Aluminium prices and foreign exchange rates.

#### D2 – Long term incentives

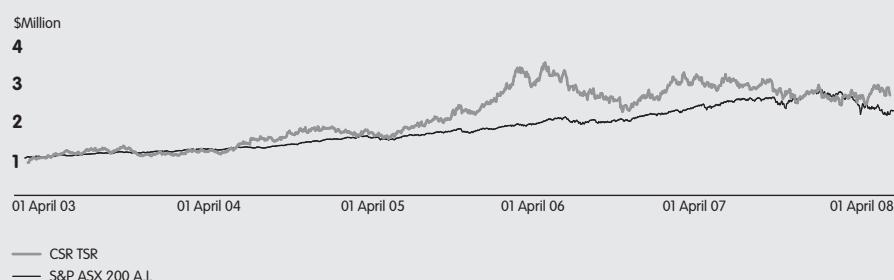
Long term incentives are linked to company performance as follows:

- Awards comprise shares whose value ultimately depends on share price performance
- Awards vest subject to CSR's relative TSR performance compared against the S&P/ASX 200 Accumulation Index.

The chart below shows CSR's TSR performance over the past five years against the S&P/ASX 200 Accumulation Index and demonstrates continuing strong returns for CSR shareholders (both absolute and relative to the S&P/ASX 200 Index).

**Since 1 Apr 2003 CSR's total shareholder return was 18.9% greater than that of the ASX 200. Over the last four years CSR's total shareholder return was 10.1% greater than that of the ASX200**

#### CSR total shareholder return over five years



### E – EXECUTIVE CONTRACTS

#### E1 – Executives

The details of the contracts of CSR's senior executives named in the remuneration tables (excluding the Managing Director) can be summarised as:

- All executives have ongoing contracts of no fixed term
- The contracts may be terminated by the individual giving four months notice or the company giving 12 months' notice or payment in lieu of that notice
- Upon termination, executives are entitled to
  - payment of annual and long service leave
  - LTI awards that have vested, as discussed under section C3 on page 11
- If an executive is retrenched, the executive will receive the greater of the entitlement to severance pay plus notice under the CSR Redundancy & Retrenchment Agreement or payment in lieu of 12 months' notice.

#### E2 – Managing Director

Jerry Maycock was appointed as an executive director on 13 February 2007 and as managing director on 1 April 2007. Detail of his contract is available on CSR's internet site.

The managing director's remuneration package is summarised on the following page.

### The Managing Director's remuneration package – outline

Fixed remuneration	The Managing Director receives an annual fixed remuneration of \$1,225,000 inclusive of superannuation contributions. Fixed remuneration will be reviewed annually.
STI	An annual maximum STI opportunity of 100% of fixed remuneration. Achievement of target performance will result in 60% of the maximum STI being paid. If the targets are significantly outperformed or the Managing Director stretch targets set by the board, the managing director can earn up to his maximum opportunity. The STI is weighted 40% on financial performance by reference to financial measures, 40% on achievement of specific pre-agreed non-financial goals and 20% on an assessment of the general state of the company at the board's discretion. The performance of the Managing Director against these measures is assessed and the payment determined by the board, as the board is best placed to assess this performance.
LTI	An annual grant of CSR shares equivalent to a maximum of 120% of fixed remuneration subject to annual Board approval and any required shareholder approval. Shares granted to the managing director are awarded at the beginning of the performance period. The vesting of these shares is based 50% each on the two performance conditions detailed in section C3.
Sign-on incentive	The Managing Director's contract provides for a sign-on benefit of \$350,000 to be paid in cash or provided as shares in ESAP in two equal instalments on 1 April 2008 and 1 April 2009 (if he is still in CSR's employ at that time). He has elected to salary sacrifice the first instalment of the sign-on benefit into shares.
Minimum shareholding requirement	The Managing Director is required to maintain vested holdings of CSR shares equal to the value of 12 months base salary. The Managing Director is required to forgo at least 25% of his STI payment into shares under ESAP until his vested holdings meets this requirement.

The contract is for an indefinite duration. The managing director's employment can be terminated by:

- the company giving him 12 months' notice of termination
- the Managing Director giving six months' notice of resignation

The Managing Director's incentives will be treated on termination and a change of control of CSR as follows:

#### Treatment of the Managing Director's incentives on termination

Circumstance	Sign-on incentive	STI	LTI	
			Unvested shares	Vested shares that remain held in ESAP
Cessation of employment	Notice by company	Any unvested tranche will lapse	STI will be paid on a pro-rata basis	Board discretion to allow awards to vest
	Death or permanent disability		STI will be paid on a pro-rata basis	Board discretion to release shares in special circumstances
Change of control		Not affected	STI not affected by change of control	Board discretion to allow awards to vest
				Released on change of control

If the Managing Director resigned because a material change in the Managing Director's status occurs (including the company undergoing a change of control) he would be entitled to a payment equivalent to:

- one year's fixed remuneration, and
- 100% of fixed remuneration as the STI for the year.

### F – NON-EXECUTIVE DIRECTOR (NED) REMUNERATION

#### F1 – Approach to setting NED Fees

In setting NED fees, the committee considers the level of remuneration required to attract and retain NEDs with the necessary skills and experience for the board. This involves taking into account advice from independent external remuneration consultants who have regard to market data on the level of fees being paid to NEDs in companies of comparable size and complexity to CSR.

#### F2 – Aggregate cap on NED fees

The maximum aggregate sum (or cap), approved by CSR shareholders in 2005, for the remuneration of NEDs is \$1,150,000 per annum. This cap covers NED fees, superannuation contributions and retirement benefits.

#### F3 – Base and committee fee policy

For the year ended 31 March 2008, fees payable to board members were as follows:

#### Non-executive directors' fees – outline

Role	Fee
Chairman base fees	\$312,500
Non-executive director base fees (including committee memberships)	\$125,000
Chairman of the Audit Committee	An additional \$17,000
Chairman of the Safety, Health & Environment Committee	An additional \$8,000
Chairman of the Remuneration and Nominations Committee	No additional fee (committee is chaired by the chairman of the board)

#### F4 – Equity participation and share ownership guidelines

NEDs do not participate in the company's STI or LTI plans or receive any variable remuneration, but may sacrifice fees into CSR shares under ESAP.

To further align NED interests with those of shareholders, the company expects all NEDs to acquire a beneficial interest in CSR shares equivalent in value to 12 months' fees. Until that goal is achieved, NEDs have agreed to forgo a minimum of 25% of their fees to buy CSR shares under ESAP.

#### F5 – Retirement allowances

No retirement allowances are payable to NEDs appointed after 1 April 2003.

The Chairman, Ian Blackburne, who joined the board before this date, remains entitled to a retirement allowance of \$211,306, frozen as at 31 March 2004.

## Remuneration report continued

### F6 – Changes to fees since year end

With effect from 1 April 2008, board fees for non-executive directors have increased as follows:

- base director's fees increase from \$125,000 to \$127,000 per annum
- board chairman's fee to increase from \$312,500 to \$317,500 per annum

The board also proposes to introduce committee fees for members of the Audit and Safety, Health and Environment committees to reflect the significant additional workload and responsibilities of those committees.

Non-executive directors are paid a director's fee from the maximum amount approved by shareholders and receive no additional remuneration, other than the company's contribution to superannuation, which is included in the maximum aggregate amount.

### G – REMUNERATION AND SHAREHOLDINGS FOR YEAR ENDED 31 MARCH 2008 (AND COMPARATIVES)

#### MANAGING DIRECTOR AND KEY MANAGERS' LONG TERM INCENTIVES

#### UNVESTED SHARES HELD IN TRUST UNDER THE CASH AWARD SHARE PLAN

		NUMBER OF CASP SHARES					
		OPENING BALANCE	PURCHASED <sup>a</sup>	VESTED <sup>b</sup>	LAPSED	BALANCE AT 31 MARCH <sup>c</sup>	INCLUDED IN REMUNERATION YEAR ENDED 31 MARCH <sup>d</sup>
<b>Managing Director</b>							
Jerry Maycock (Executive Director from 13 February 2007; Managing Director from 1 April 2007)	2007	–	–	–	–	–	–
	<b>2008</b>	<b>406,010</b>	–	–	–	<b>406,010</b>	<b>135,337</b>
<b>Key Managers</b>							
Chris Bertuch	2007	110,327	30,736	(42,301)	–	98,762	32,921
	<b>2008</b>	<b>98,762</b>	<b>49,716</b>	<b>(30,223)</b>	–	<b>118,255</b>	<b>39,418</b>
Anne Brennan <sup>e</sup>	2007	–	107,576	–	–	107,576	35,859
	<b>2008</b>	<b>107,576</b>	<b>96,669</b>	–	–	<b>204,245</b>	<b>68,082</b>
Neill Evans	2007	102,024	30,736	(26,438)	–	106,322	35,441
	<b>2008</b>	<b>106,322</b>	<b>38,668</b>	<b>(30,223)</b>	–	<b>114,767</b>	<b>38,256</b>
Ian Glasson	2007	–	107,576	–	–	107,576	35,859
	<b>2008</b>	<b>107,576</b>	<b>96,669</b>	–	–	<b>204,245</b>	<b>68,082</b>
John Hodgkinson	2007	129,765	43,030	(42,301)	–	130,494	43,498
	<b>2008</b>	<b>130,494</b>	<b>49,716</b>	<b>(34,540)</b>	–	<b>145,670</b>	<b>48,557</b>
Gregory Rough	2007	52,924	43,030	–	–	95,954	31,985
	<b>2008</b>	<b>95,954</b>	<b>38,668</b>	–	–	<b>134,622</b>	<b>44,874</b>

a Total of 148 executives participated in CASP in the year ended 31 March 2008, with 1,694,073 shares purchased at a price of \$3.62 per share.

b The CASP shares issued in July 2004 vested on 1 August 2007. The volume weighted average price of CSR shares on that day was \$3.2989. These shares will remain in the plan until 26 July 2014, or until the participant ceases to be an employee of any CSR group company, unless board approval is granted to sell or transfer them.

c It is not possible to estimate the fair market value of these shares. The maximum value will be the market value of the shares at the date on which these shares vest, if at all.

d One third of the CASP shares purchased during the year and each of the two previous years.

e Anne Brennan left CSR on 4 April 2008 and all her CASP shares lapsed at that time.

#### DIRECTORS' AND KEY MANAGERS' SHAREHOLDINGS<sup>a</sup>

		NUMBER OF CSR SHARES					
		OPENING BALANCE 1 APRIL	INCLUDED IN REMUNERATION YEAR ENDED 31 MARCH	ACQUIRED YEAR ENDED 31 MARCH	SOLD YEAR ENDED 31 MARCH	BALANCE AT 31 MARCH	
<b>Directors</b>							
Ian Blackburne (Chairman)	2007	134,456	–	11,845	–	146,301	
	<b>2008</b>	<b>146,301</b>	–	<b>35,166</b>	–	<b>181,467</b>	
Alec Brennan (retired as Managing Director 31 March 2007)	2007	3,318,552	771,720	289,953	(500,000)	3,880,225	
Jerry Maycock (Executive Director from 13 February 2007; 2007)	2007	–	–	2,000	–	2,000	
Managing Director from 1 April 2007)	<b>2008</b>	<b>2,000</b>	–	<b>308,917</b>	–	<b>310,917</b>	
Kathleen Conlon	2007	9,359	–	5,449	–	14,808	
	<b>2008</b>	<b>14,808</b>	–	<b>23,149</b>	–	<b>37,957</b>	
Ray Horsburgh (joined board 1 October 2006)	2007	–	–	2,000	–	2,000	
	<b>2008</b>	<b>2,000</b>	–	<b>9,523</b>	–	<b>11,523</b>	
Richard Lee	2007	23,000	–	42,000	–	65,000	
	<b>2008</b>	<b>65,000</b>	–	<b>6,794</b>	–	<b>71,794</b>	
John Story	2007	53,114	–	4,737	–	57,851	
	<b>2008</b>	<b>57,851</b>	–	<b>40,736</b>	–	<b>98,587</b>	
<b>Key Managers</b>							
Chris Bertuch	2007	217,386	–	42,801	–	260,187	
	<b>2008</b>	<b>260,187</b>	–	<b>30,223</b>	–	<b>290,410</b>	
Anne Brennan	2007	–	64,000 <sup>b</sup>	–	–	64,000	
	<b>2008</b>	<b>64,000</b>	–	<b>82,228</b>	–	<b>146,228</b>	
Neill Evans	2007	65,141	–	41,725	–	106,866	
	<b>2008</b>	<b>106,866</b>	–	<b>60,299</b>	<b>(14,000)</b>	<b>153,165</b>	
Ian Glasson	2007	–	–	1,182	–	1,182	
	<b>2008</b>	<b>1,182</b>	–	<b>23,071</b>	–	<b>24,253</b>	
John Hodgkinson	2007	98,216	–	42,801	(40,000)	101,017	
	<b>2008</b>	<b>101,017</b>	–	<b>34,540</b>	<b>(28,000)</b>	<b>107,557</b>	
Gregory Rough	2007	–	–	29,725	–	29,725	
	<b>2008</b>	<b>29,725</b>	–	<b>13,890</b>	–	<b>43,615</b>	

a CSR shares in which the director or key manager has a beneficial interest, including shares held under ESAP and CASP or via their related parties, but excluding shares held under CASP which have not vested. Shares held under CASP which have not vested are disclosed in the table "MANAGING DIRECTORS AND KEY MANAGERS' LONG TERM INCENTIVES" above.

b 2007 Shares purchased as a recruitment premium for Anne Brennan and held under ESAP.

## EXECUTIVE DIRECTORS' AND KEY MANAGERS' REMUNERATION

(\$) YEAR ENDED 31 MARCH	FIXED REMUNERATION <sup>a</sup>	SHORT TERM INCENTIVE <sup>b</sup>	RETIREMENT	USOP <sup>c</sup>	LONG TERM INCENTIVE <sup>d</sup>	OTHER <sup>e</sup>	TOTAL	AT RISK <sup>f</sup>
<b>Executive Director</b>								
Jerry Maycock (Executive Director from 13 February 2007; Managing Director from 1 April 2007)								
2007 142,917	-	-	-	-	286	143,203	0%	
<b>2008 1,225,000</b>	<b>796,250</b>		-	-	<b>490,000</b>	<b>11,520</b>	<b>2,522,770</b>	<b>51%</b>
<b>Key Managers</b>								
Chris Bertuch (General Counsel & Company Secretary )								
2007 364,500	557,000	-	820	89,999	7,290	1,019,609	63%	
<b>2008 424,383</b>	<b>230,000</b>		-	<b>126,667</b>	<b>8,488</b>	<b>789,538</b>	<b>45%</b>	
Anne Brennan (Chief Financial Officer) <sup>g</sup>								
2007 700,000	410,000	-	-	116,667	240,873	1,467,540	36%	
<b>2008 737,386</b>	<b>331,000</b>		-	-	-	<b>1,068,386</b>	<b>31%</b>	
Neill Evans (Executive General Manager Bricks and Roofing)								
2007 380,167	150,000	-	820	96,665	10,865	638,517	39%	
<b>2008 435,750</b>	<b>223,000</b>		-	<b>1,005</b>	<b>120,000</b>	<b>12,407</b>	<b>792,162</b>	<b>43%</b>
Ian Glasson (Chief Executive Officer Sugar)								
2007 750,000	305,000	-	-	116,667	3,000	1,174,667	36%	
<b>2008 772,500</b>	<b>390,000</b>		-	<b>1,005</b>	<b>233,333</b>	<b>4,707</b>	<b>1,401,545</b>	<b>44%</b>
John Hodgkinson (Executive General Manager Performance Systems)								
2007 442,500	300,000	-	820	119,998	7,108	870,426	48%	
<b>2008 548,750</b>	<b>370,000</b>		-	-	<b>153,333</b>	<b>6,585</b>	<b>1,078,668</b>	<b>49%</b>
Gregory Rough (Executive General Manager Lightweight Systems)								
2007 442,500	100,000	-	-	93,332	2,851	638,683	30%	
<b>2008 458,080</b>	<b>104,000</b>		-	-	<b>140,000</b>	<b>199</b>	<b>702,279</b>	<b>35%</b>
Total key managers (excluding the executive director)								
2007 3,079,667	1,822,000	-	2,460	633,328	271,987	5,809,442	42%	
<b>2008 3,376,849</b>	<b>1,648,000</b>		-	<b>2,010</b>	<b>773,333</b>	<b>32,386</b>	<b>5,832,578</b>	<b>42%</b>

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

b The minimum entitlement to a STI is zero and the maximum entitlement as a % of fixed remuneration for the year ended 31 March 2008 was 100% for the managing director and Ian Glasson, 90% for Anne Brennan, 80% for John Hodgkinson and 75% for other key managers. STI may be allocated at the executive's discretion to cash, the purchase of shares under ESAP or additional superannuation contributions.

c Value of 300 free shares issued under USOP at \$3.35 per share (2007: 250 shares at \$3.28 per share). This plan is available to all eligible employees and is not subject to performance conditions.

d For key managers, one third of CASP shares purchased on 16 July 2007 at \$3.62 per share, one third of CASP shares purchased on 24 July 2006 at \$3.25 per share and one third of shares purchased on 25 July 2005 at \$2.64 per share. These shares vest if CSR TSR exceeds the percentage increase in the S&P/ASX 200 Accumulation Index during one of six specified periods between the third and fifth anniversary after purchase of the shares.

e In the years ended 31 March 2007 and 2008, other benefits included an allowance for long service leave. Other benefits for year ended 31 March 2007 also included a recruitment premium for Anne Brennan. Other benefits for the year ended 31 March 2008 also included: for Jerry Maycock, airfares; for Neill Evans, accommodation, airfares and corporate hospitality; for Ian Glasson, airfares; for Greg Rough, corporate hospitality.

f STI plus LTI, as a percentage of total remuneration.

g Anne Brennan resigned on 4 April 2008 and her fixed remuneration figure covers the period from 1 April 2007 to 4 April 2008. As her CASP shares lapsed on termination her LTI is zero.

## DIRECTORS' REMUNERATION

YEAR ENDED 31 MARCH	DIRECTORS' FEES <sup>a</sup>	SUPERANNUATION	TOTAL
<b>Non-executive Directors</b>			
Ian Blackburne <sup>b</sup> (Chairman)	2007 290,000	26,100	316,100
	<b>2008 312,500</b>	<b>28,125</b>	<b>340,625</b>
Kathleen Conlon	2007 116,000	10,440	126,440
	<b>2008 125,000</b>	<b>11,250</b>	<b>136,250</b>
Ray Horsburgh (Appointed 1 October 2006)	2007 58,000	5,220	63,220
	<b>2008 133,000</b>	<b>11,970</b>	<b>144,970</b>
Barry Jackson (Retired 27 March 2007)	2007 120,613	10,855	131,468
Richard Lee	2007 116,000	10,440	126,440
	<b>2008 125,000</b>	<b>11,250</b>	<b>136,250</b>
John Story	2007 133,000	11,970	144,970
	<b>2008 142,000</b>	<b>12,780</b>	<b>154,780</b>
Total non-executive directors	2007 833,613	75,025	908,638
	<b>2008 837,500</b>	<b>75,375</b>	<b>912,875</b>
<b>Executive Directors</b>			
(Details are in the executive director's and key managers' remuneration table on above)			
Jerry Maycock (appointed Executive Director from 13 February 2007)	2007 -	-	143,203
	<b>2008 -</b>	<b>-</b>	<b>2,522,770</b>
Total directors	2007 833,613	75,025	1,051,841
	<b>2008 837,500</b>	<b>75,375</b>	<b>3,435,645</b>

a Includes committee fees. Directors' fees may be allocated at the director's discretion to cash, the purchase of shares under ESAP or additional superannuation contributions.

b Details of shares acquired by directors during the year are on page 16.

b Non-executive directors' retirement allowances were frozen at 31 March 2004. The retirement allowance accrual as at 31 March 2008 for Ian Blackburne was \$211,306.

# Directors' report

The directors of CSR Limited (CSR) present their report for the year ended 31 March 2008.

## REVIEW OF OPERATIONS AND RESULTS

A review of CSR group operations and the results for the year ended 31 March 2008 are set out on pages 1 and 2 and 19 to 47. This includes information on the financial position, strategies and prospects of the group for future years. This report omits information about strategies and prospects for future years that would unreasonably prejudice CSR.

## SIGNIFICANT CHANGES

Significant changes in the state of affairs of the CSR group during the year were the acquisitions of Pilkington Australasia's Australian and New Zealand glass manufacturing and distribution operations for \$690 million in June 2007 and the Don Mathieson & Staff Glass Pty Ltd (DMS glass) Australian value adding and distribution glass businesses for \$175 million in October 2007.

## PRINCIPAL ACTIVITIES

The principal activities of entities in the CSR group during the year included the manufacture and supply of building products in Australia, China, Malaysia, New Zealand, Singapore and Thailand. The group mills raw sugar from sugarcane as well as producing renewable electricity and ethanol in Australia, and manufactures and distributes refined sugar products in Australia and New Zealand. In Australia, the group has an interest in the smelting of aluminium. Also, in Australia CSR maximises returns from the sale of industrial land by advancing sites through stages of the development process.

## EVENTS AFTER BALANCE DATE

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

## LIKELY DEVELOPMENTS

Likely developments in the operations of the CSR group in the future and the expected results are referred to on pages 1 and 2. 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 10 July 2008 will be reported to the meeting.

## PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATION

An extensive review into a spill of a resin-like substance into the Parramatta River, Sydney, on 15 July 2006, could not identify the cause. However, recognising that the company may have been responsible, CSR Building Products pleaded guilty to environmental charges. There was no long term damage to the river and the company has reinforced containment procedures.

CSR is not aware of any other pending prosecutions relating to environmental issues last year. Nor are we aware of any environmental issues, not provided for, which would materially affect our business as a whole.

CSR is participating in Greenhouse Challenge Plus – a cooperative partnership between industry and the Australian Government. Later

this year, we will publish on our internet site a full sustainability report for the year ending 30 June 2008, the Greenhouse Challenge reporting period.

## POLITICAL DONATIONS

CSR contributed \$79,975 in direct and indirect donations to political parties in the year ended 31 March 2008. Our businesses are often involved in a degree of interaction with all levels of government. We assist all sides of politics in the development of policy in fields where CSR has specific expertise. All donations are disclosed in accordance with our obligations to the Australian Electoral Commission.

## DIVIDENDS

A final dividend for the year ended 31 March 2008 of 9.0 cents per ordinary share, fully franked, will be paid on 3 July 2008. Dividends paid and declared during the year are in note 26 to the financial statements on page 36.

## DIRECTORS, SECRETARIES, DIRECTORS' MEETINGS AND DIRECTORS' SHAREHOLDINGS

The names of the directors who held office between 1 April 2007 and the date of this report and details about current directors' qualifications, age, experience, special responsibilities and directorships of listed companies are on pages 3 to 7. The qualifications and experience of each company secretary at 31 March 2008 are on page 3. Details about meetings of the board and of board committees, including attendance, are on page 7 and the directors' interests in CSR shares are on page 7. No company in the CSR group made available to any director any interest in a registered scheme.

## AUDITOR INDEPENDENCE

There is no former partner or director of Deloitte Touche Tohmatsu, CSR's auditor, who is or was at any time during the year ended 31 March 2008 an officer of the CSR group. No auditor played a significant role in the CSR group audit for the year ended 31 March 2008 in reliance on a declaration made under section 342A of the Corporations Act 2001 (that is, the 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 47 and forms part of this report.

## OPTIONS OVER SHARE CAPITAL

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

## INDEMNITIES AND INSURANCE

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, each 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 their 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.

No indemnities were paid to current or former officers or auditors during or since the end of the year.

## 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 35. 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 established to monitor the independence of the auditors.

## PROCEEDINGS ON BEHALF OF CSR

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

## REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The remuneration report on pages 8 to 17, which forms part of this directors' report, provides a summary of the board's remuneration policy and practices during the past year as they apply to directors, executives and the company secretaries (including 'key management personnel' as defined by the Accounting Standard AASB 124); the relationship between remuneration policy and the company's performance; a detailed summary of performance conditions, why they were chosen and how performance is measured against them; and the remuneration details for each director and key manager.

## ROUNDING OF AMOUNTS

CSR is a company of the kind referred to in ASIC Class Order 98/100, dated 9 July 1998, and in accordance with that class order, amounts included in this directors' report and in the financial report are rounded to the nearest million dollars unless otherwise indicated.

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



IAN BLACKBURNE Chairman



JERRY MAYCOCK Managing Director  
14 May 2008

# Financial report

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

<b>Income statement</b>	<b>20</b>
<b>Balance sheet</b>	<b>21</b>
<b>Recognised income and expense statement</b>	<b>22</b>
<b>Cash flow statement</b>	<b>23</b>
<b>Significant accounting policies</b>	<b>24</b>
<b>Notes to the financial statements</b>	<b>27</b>
1 Segment information	27
2 Other income and expenses from ordinary activities	28
3 Significant items	28
4 Net finance cost	28
5 Depreciation and amortisation	29
6 Interest income	29
7 Net cash	29
8 Income taxes	29
9 Inventories	30
10 Receivables	31
11 Other financial assets	31
12 Other assets	31
13 Property, plant and equipment	32
14 Movements in property, plant and equipment	32
15 Goodwill	32
16 Other intangible assets	32
17 Payables and other liabilities	33
18 Borrowings	33
19 Other financial liabilities	33
20 Credit facilities and maturity profile	34
21 Provisions	34
22 Issued capital	35
23 Reserves	35
24 Minority interests in controlled entities	35
25 Auditors' remuneration	35
26 Dividends and franking credits	36
27 Related party information	36
28 Interest in joint venture operation	36
29 Superannuation commitments	37
30 Financial risk management	39
31 Equity accounting information	43
32 Particulars relating to controlled entities	44
33 Contracted lease and hire expenditure	44
34 Contracted capital expenditure	45
35 Contingent liabilities	45
36 Acquisitions and disposals of controlled entities and businesses	46
37 Subsequent events	46
<b>Directors' declaration</b>	<b>46</b>
<b>Independent auditor's report to the members of CSR Limited</b>	<b>47</b>
<b>Auditor's independence declaration to the directors of CSR Limited</b>	<b>47</b>

# Income statement

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	NOTE	CSR GROUP		CSR LIMITED	
		2008	2007	2008	2007
Trading revenue – sale of goods		<b>3,231.3</b>	3,111.0	<b>22.3</b>	21.4
Cost of sales		(2,420.1)	(2,394.7)	(0.1)	(0.1)
Gross margin		<b>811.2</b>	716.3	<b>22.2</b>	21.3
Warehouse and distribution costs		(207.2)	(166.3)	–	–
Selling costs		(174.2)	(147.1)	–	–
Administration and other operating costs		(116.4)	(97.4)	(20.2)	(23.6)
Share of profit of associates		<b>16.6</b>	22.7	–	–
Operating profit (loss)		<b>330.0</b>	328.2	<b>2.0</b>	(2.3)
Other income from ordinary activities	2	<b>55.7</b>	200.2	<b>8.2</b>	191.1
Other expenses from ordinary activities	2	(25.9)	(121.4)	(10.2)	(50.4)
Dividend income from controlled entities				<b>12.6</b>	8.0
Dividend income		<b>4.5</b>	4.5	<b>4.4</b>	4.5
Profit from ordinary activities before finance and income tax		<b>364.3</b>	411.5	<b>17.0</b>	150.9
Interest income	6	<b>3.6</b>	4.6	<b>54.0</b>	12.7
Finance cost	4	(97.3)	(61.5)	(97.1)	(62.5)
<b>Profit (loss) from ordinary activities before income tax</b>		<b>270.6</b>	354.6	(26.1)	101.1
Income tax (expense) benefit relating to ordinary activities	8	(56.8)	(46.6)	<b>8.8</b>	20.9
<b>Net profit (loss)</b>		<b>213.8</b>	308.0	(17.3)	122.0
Net profit attributable to minority interests		<b>36.4</b>	34.7		
<b>Net profit (loss) attributable to shareholders of CSR Limited</b>		<b>177.4</b>	273.3	(17.3)	122.0
Net profit (loss) before significant items attributable to shareholders of CSR Limited		<b>192.8</b>	240.5	(17.3)	40.1
<b>Reconciliation of retained profits</b>					
Retained profits at the beginning of the financial year		<b>630.7</b>	470.2	<b>553.1</b>	543.9
Net profit (loss) attributable to shareholders of CSR Limited		<b>177.4</b>	273.3	(17.3)	122.0
Net income recognised directly in retained profits		(35.0)	21.9	(30.8)	21.9
<b>Total available for appropriation</b>		<b>773.1</b>	765.4	<b>505.0</b>	687.8
Dividends provided for or paid	26	(136.7)	(134.7)	(136.7)	(134.7)
<b>Retained profits at the end of the financial year</b>		<b>636.4</b>	630.7	<b>368.3</b>	553.1
(CENTS)					
Basic earnings per share based on net profit attributable to shareholders of CSR Limited <sup>a</sup>		<b>19.2</b>	30.6		
Diluted earnings per share based on net profit attributable to shareholders of CSR Limited <sup>a</sup>		<b>19.2</b>	30.6		

a Weighted number of ordinary shares on issue used in the calculation of earnings per share is 923.9 million (2007: 891.8 million).  
Notes to the financial statements are annexed.

# Balance sheet

AS AT 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	NOTE	CSR GROUP		CSR LIMITED	
		2008	2007	2008	2007
<b>Current assets</b>					
Cash and cash equivalents	7	<b>24.9</b>	53.2	<b>1.7</b>	16.1
Receivables	10	<b>555.5</b>	541.9	<b>1,068.9</b>	648.9
Inventories	9	<b>377.4</b>	278.1	—	—
Other financial assets	11	<b>85.6</b>	79.4	<b>3.5</b>	1.0
Other current assets	12	<b>67.5</b>	28.2	<b>4.8</b>	3.4
<b>Total current assets</b>		<b>1,110.9</b>	980.8	<b>1,078.9</b>	669.4
<b>Non-current assets</b>					
Receivables	10	<b>20.0</b>	34.8	<b>2,706.6</b>	1,672.9
Inventories	9	<b>29.8</b>	27.3	<b>14.9</b>	13.7
Investments accounted for using the equity method	31	<b>27.9</b>	33.0	—	—
Other financial assets	11	<b>99.9</b>	88.8	<b>1,076.1</b>	1,060.9
Property, plant and equipment	13	<b>2,040.1</b>	1,564.1	<b>18.5</b>	19.0
Goodwill	15	<b>585.0</b>	15.5	—	—
Other intangible assets	16	<b>49.8</b>	50.3	<b>0.9</b>	1.1
Deferred income tax assets	8	<b>105.9</b>	79.2	<b>152.2</b>	135.6
Other non-current assets	12	<b>29.9</b>	64.2	<b>16.5</b>	50.8
<b>Total non-current assets</b>		<b>2,988.3</b>	1,957.2	<b>3,985.7</b>	2,954.0
<b>Total assets</b>		<b>4,099.2</b>	2,938.0	<b>5,064.6</b>	3,623.4
<b>Current liabilities</b>					
Payables and other current liabilities	17	<b>389.0</b>	361.9	<b>413.3</b>	117.9
Borrowings	18	<b>482.8</b>	4.1	<b>474.8</b>	5.1
Other financial liabilities	19	<b>118.3</b>	129.1	—	—
Tax payable	8	<b>6.4</b>	8.0	—	—
Provisions	21	<b>226.8</b>	191.5	<b>135.9</b>	123.5
<b>Total current liabilities</b>		<b>1,223.3</b>	694.6	<b>1,024.0</b>	246.5
<b>Non-current liabilities</b>					
Payables and other non-current liabilities	17	<b>11.4</b>	1.3	—	—
Borrowings	18	<b>778.8</b>	497.7	<b>2,395.4</b>	1,852.8
Other financial liabilities	19	<b>95.1</b>	76.9	—	—
Provisions	21	<b>399.9</b>	403.3	<b>383.4</b>	402.3
<b>Total non-current liabilities</b>		<b>1,285.2</b>	979.2	<b>2,778.8</b>	2,255.1
<b>Total liabilities</b>		<b>2,508.5</b>	1,673.8	<b>3,802.8</b>	2,501.6
<b>Net assets</b>		<b>1,590.7</b>	1,264.2	<b>1,261.8</b>	1,121.8
<b>Equity</b>					
Issued capital	22	<b>879.2</b>	559.5	<b>879.2</b>	559.5
Reserves	23	<b>(30.8)</b>	(30.7)	<b>14.3</b>	9.2
Retained profits		<b>636.4</b>	630.7	<b>368.3</b>	553.1
<b>Equity attributable to shareholders of CSR Limited</b>		<b>1,484.8</b>	1,159.5	<b>1,261.8</b>	1,121.8
Minority interests in controlled entities	24	<b>105.9</b>	104.7		
<b>Total equity</b>		<b>1,590.7</b>	1,264.2	<b>1,261.8</b>	1,121.8

Notes to the financial statements are annexed.

# Recognised income and expense statement

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
Actuarial (loss) profit on defined benefit plans	(49.9)	23.6	(43.9)	23.6
Income tax benefit (expense) on actuarial profit	14.9	(7.1)	13.1	(7.1)
Fair value adjustment for Sugar Terminals Limited	–	5.4	–	5.4
<b>Net income recognised directly in retained profits</b>	<b>(35.0)</b>	21.9	<b>(30.8)</b>	21.9
Hedge gain taken to other equity	14.8	198.7	3.6	3.9
Income tax expense on cash flow hedges	(4.6)	(59.6)	(1.1)	(1.2)
Translation of foreign operations taken to other equity	(9.0)	(0.7)	–	–
<b>Net income recognised directly in other equity</b>	<b>1.2</b>	138.4	<b>2.5</b>	2.7
<b>Total income recognised directly in equity</b>	<b>(33.8)</b>	160.3	<b>(28.3)</b>	24.6
Net profit (loss) for the financial year	<b>213.8</b>	308.0	<b>(17.3)</b>	122.0
<b>Total recognised income and expense for the financial year</b>	<b>180.0</b>	468.3	<b>(45.6)</b>	146.6
Attributable to:				
CSR Limited shareholders	139.7	427.5	(45.6)	146.6
Minority interests	40.3	40.8		
<b>Total recognised income and expense for the financial year</b>	<b>180.0</b>	468.3	<b>(45.6)</b>	146.6

Notes to the financial statements are annexed.

# Cash flow statement

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	NOTE	CSR GROUP		CSR LIMITED	
		2008	2007	2008	2007
<b>Cash flows from operating activities</b>					
Receipts from customers		<b>3,568.7</b>	3,415.8	<b>28.5</b>	33.6
Payments to suppliers and employees		(3,175.1)	(3,014.5)	(38.0)	(46.3)
Dividends and distributions received		<b>19.8</b>	23.3	<b>4.4</b>	4.4
Interest received		<b>2.0</b>	5.2	<b>52.5</b>	13.1
Income tax paid		(63.0)	(69.3)	(11.3)	(18.7)
<b>Net cash from operating activities before derivative margin calls and insurance settlements</b>		<b>352.4</b>	360.5	<b>36.1</b>	(13.9)
Proceeds from legal settlement with insurers		–	225.3	–	225.3
Legal costs associated with legal settlement with insurers		–	(28.0)	–	(28.0)
Derivative margin calls (paid) refunded		(26.0)	19.6	–	–
<b>Net cash from operating activities</b>		<b>326.4</b>	577.4	<b>36.1</b>	183.4
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment and other non-current assets		(379.6)	(241.1)	(41.5)	(49.3)
Proceeds from sale of property, plant and equipment and other non-current assets		<b>73.5</b>	110.7	<b>0.9</b>	100.9
Purchase of controlled entities and businesses, net of cash acquired	36	(890.9)	(7.7)	–	–
Loans and receivables advanced		–	(3.4)	–	(3.4)
Loans and receivables repaid		<b>0.3</b>	–	<b>0.3</b>	–
<b>Net cash (used in) from investing activities</b>		<b>(1,196.7)</b>	(141.5)	<b>(40.3)</b>	48.2
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares to CSR shareholders		<b>262.2</b>	2.1	<b>262.2</b>	2.1
Share buyback		–	(114.5)	–	(114.5)
Net proceeds from (repayment of) borrowings		<b>761.6</b>	(116.3)	<b>769.2</b>	(109.7)
Net financing (of) by controlled entities		–	–	(893.3)	172.9
Dividends paid		(111.8)	(170.6)	(78.9)	(134.3)
Interest and other finance costs paid		(65.7)	(40.3)	(66.0)	(41.4)
<b>Net cash from (used in) financing activities</b>		<b>846.3</b>	(439.6)	<b>(6.8)</b>	(224.9)
<b>Net (decrease) increase in cash held</b>		<b>(24.0)</b>	(3.7)	<b>(11.0)</b>	6.7
Net cash at beginning of the financial year		<b>51.3</b>	57.4	<b>11.0</b>	4.3
Effects of exchange rate changes		(3.0)	(2.4)	–	–
Net cash at the end of the financial year	7	<b>24.3</b>	51.3	–	11.0
<b>Reconciliation of net profit attributable to shareholders of CSR Limited to net cash from operating activities</b>					
Net profit (loss) attributable to shareholders of CSR Limited		<b>177.4</b>	273.3	(17.3)	122.0
Significant asset write downs		–	49.1	–	–
Insurance settlement net of costs		–	94.5	–	94.5
Depreciation and amortisation	5	<b>150.2</b>	125.8	<b>4.5</b>	4.4
Net change in provisions		(49.2)	22.8	(24.4)	23.3
Interest expense	4	<b>76.3</b>	39.2	<b>76.3</b>	40.1
Profit on disposal of assets, asset write downs and associated costs	2	(45.2)	(64.6)	(5.1)	(61.5)
Net profit attributable to minority interests		<b>36.4</b>	34.7	–	–
Net change in trade receivables and other current assets		<b>72.4</b>	42.2	–	–
Net change in current inventories		(38.5)	1.5	–	–
Net change in trade payables		(20.0)	(41.9)	–	–
Derivative margin calls (paid) refunded		(26.0)	19.6	–	–
Other		(7.4)	(18.8)	<b>2.1</b>	(39.4)
<b>Net cash from operating activities</b>		<b>326.4</b>	577.4	<b>36.1</b>	183.4

Credit facilities are shown in note 20.

Notes to the financial statements are annexed.

# Significant accounting policies

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

## BASIS OF ACCOUNTING

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

The financial report includes the separate financial statements of the company and the consolidated financial statements of the CSR group. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the CSR group comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

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

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

## CASH FLOW STATEMENT

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

## ACQUISITION OF ASSETS

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

## LEASES

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the CSR group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

## PAYABLES

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

## CURRENCY

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

## DEPRECIATION

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

## RENEWABLE ENERGY CERTIFICATES

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

## INTANGIBLE ASSETS

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

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

## BORROWINGS

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

## CAPITALISATION OF INTEREST

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

## INVENTORIES

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

## SIGNIFICANT ITEMS

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

## REVENUE RECOGNITION

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

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

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

#### **PROVISION FOR REHABILITATION**

The net present value of estimated costs of environmental rehabilitation of commercial sites which require remediation of existing conditions resulting from present and past operations is taken up as a provision.

The liability is immediately recognised when the environmental exposure is identified and the rehabilitation costs can be reliably estimated. The estimate is revised annually and the provision is adjusted accordingly.

#### **EMPLOYEE BENEFITS**

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

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

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

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

Contributions to defined contribution superannuation plans are expensed when incurred and the CSR group's legal or constructive obligation is limited to these contributions.

#### **CAPITAL GAINS TAX**

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

#### **TAX CONSOLIDATION**

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

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

Prior to the adoption of the tax consolidation system, CSR Limited, as the head entity in the tax consolidation group, has agreed to compensate or be compensated by its wholly owned controlled entities for the carrying amount of their deferred tax balances. Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by CSR Limited and each member of the group in relation to the tax contribution amounts paid or payable between CSR Limited and the other members of the tax consolidated group in accordance with the arrangement.

#### **INCOME TAX**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable income for the financial year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax assets or liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. A deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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

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

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

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

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

#### **COMPARATIVE FIGURES**

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

#### **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.

#### **JOINT VENTURE AND ASSOCIATE ENTITIES**

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

#### **JOINT VENTURE OPERATIONS**

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

#### **SHARE BASED PAYMENTS**

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

## Significant accounting policies (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

### FOREIGN CURRENCY

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

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

### FINANCIAL INSTRUMENTS

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

### Fair value hedges

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

### Cash flow hedges

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

### Embedded derivatives

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

### TRADE RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. An allowance for doubtful debts is raised based on a review of outstanding balances at balance date. Bad debts are written off against the allowance account and any other change in the allowance account is recognised in the income statement.

### BORROWING COSTS

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

### ROUNDING

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

### ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following Australian accounting standards and interpretations have not yet been adopted by the CSR group:

- AASB 101 (revised) "Presentation of Financial Statements" applicable to the CSR group for the financial year ending 31 March 2010
- AASB 8 "Operating Segments" applicable to the CSR group for the financial year ending 31 March 2010
- AASB 3 (revised) "Business Combinations" applicable to the CSR group for the financial year ending 31 March 2010
- AASB 123 "Borrowing Costs" applicable to the CSR group for the financial year ending 31 March 2010
- AASB2007-3 "Amendments to Australian Accounting Standards arising from AASB 8" applicable to the CSR group for the financial year ending 31 March 2010
- AASB2007-6 "Amendments to Australian Accounting Standards arising from AASB 123" applicable to the CSR group for the financial year ending 31 March 2010
- AASB2007-8 "Amendments to Australian Accounting Standards arising from AASB 101" applicable to the CSR group for the financial year ending 31 March 2010

The CSR group does not anticipate that the adoption of these standards will have a material effect on its financial statements. There will be no effect on reported income or net assets, however presentation of financial statements and notes may be different when the accounting standards are adopted.

### FINANCIAL ASSETS

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

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

### IMPAIRMENT OF ASSETS

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are reviewed for impairment at each reporting date 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.

# Notes to the financial statements

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		INCOME TAX		MINORITY INTERESTS		NET PROFIT	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>1 SEGMENT INFORMATION</b>								
<b>Business segments</b>								
Sugar	<b>71.7</b>	130.1	<b>17.6</b>	34.8	<b>8.2</b>	5.1	<b>45.9</b>	90.2
Building Products	<b>147.6</b>	84.5	<b>39.6</b>	22.7	<b>1.0</b>	1.4	<b>107.0</b>	60.4
Aluminium	<b>136.7</b>	141.9	<b>40.8</b>	42.9	<b>28.2</b>	29.0	<b>67.7</b>	70.0
Property <sup>a</sup>	<b>45.4</b>	69.7	(0.2)	1.4	—	—	<b>45.6</b>	68.3
<b>Segment total</b>	<b>401.4</b>	426.2	<b>97.8</b>	101.8	<b>37.4</b>	35.5	<b>266.2</b>	288.9
Corporate <sup>b</sup>	(18.4)	(20.3)	(5.5)	(6.1)	—	—	(12.9)	(14.2)
Restructuring and provisions <sup>c</sup>	<b>3.3</b>	0.2	(0.5)	(4.2)	—	—	<b>3.8</b>	4.4
	<b>386.3</b>	406.1	<b>91.8</b>	91.5	<b>37.4</b>	35.5	<b>257.1</b>	279.1
Net finance cost	(93.7)	(56.9)	(28.4)	(17.5)	(1.0)	(0.8)	(64.3)	(38.6)
<b>Group total before significant items</b>	<b>292.6</b>	349.2	<b>63.4</b>	74.0	<b>36.4</b>	34.7	<b>192.8</b>	240.5
Significant items (note 3)	(22.0)	5.4	(6.6)	(27.4)	—	—	(15.4)	32.8
<b>Group total after significant items</b>	<b>270.6</b>	354.6	<b>56.8</b>	46.6	<b>36.4</b>	34.7	<b>177.4</b>	273.3

## Products and services

Sugar: raw sugar and renewable electricity; ethanol and refined sugar

Building Products: glasswool and rockwool insulation, plasterboard, fibre cement, clay bricks and pavers, concrete and terracotta roof tiles, lightweight concrete products and glass

Aluminium: aluminium ingots, billets and slabs

Property: property and waste management

	TOTAL REVENUE <sup>d</sup>		SHARE OF ASSOCIATES' NET PROFIT		DEPRECIATION AND AMORTISATION <sup>e</sup>		CAPITAL EXPENDITURE	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>Business segments</b>								
Sugar	<b>1,280.5</b>	1,550.6	<b>2.8</b>	6.1	<b>51.8</b>	47.6	<b>134.3</b>	88.4
Building Products	<b>1,399.5</b>	1,004.0	<b>10.6</b>	11.4	<b>63.5</b>	44.2	<b>1,121.3</b>	87.0
Aluminium	<b>561.8</b>	567.6	—	—	<b>30.7</b>	29.9	<b>12.4</b>	15.3
Property	<b>45.7</b>	67.0	<b>3.2</b>	5.2	<b>0.4</b>	0.3	<b>8.9</b>	59.1
<b>Segment total</b>	<b>3,287.5</b>	3,189.2	<b>16.6</b>	22.7	<b>146.4</b>	122.0	<b>1,276.9</b>	249.8
Corporate <sup>b</sup>	<b>4.0</b>	6.2	—	—	<b>3.8</b>	3.8	<b>3.0</b>	6.2
Interest revenue	<b>3.6</b>	4.6	—	—	—	—	—	—
<b>Group total before significant items</b>	<b>3,295.1</b>	3,200.0	<b>16.6</b>	22.7	<b>150.2</b>	125.8	<b>1,279.9</b>	256.0
Significant items (note 3)	—	120.3	—	—	—	—	—	—
<b>Group total after significant items</b>	<b>3,295.1</b>	3,320.3	<b>16.6</b>	22.7	<b>150.2</b>	125.8	<b>1,279.9</b>	256.0

	ASSETS <sup>f</sup>		LIABILITIES		INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	
	2008	2007	2008	2007	2008	2007
<b>Business segments</b>						
Sugar	<b>1,255.2</b>	1,255.7	<b>207.8</b>	250.1	<b>17.9</b>	18.0
Building Products	<b>2,018.8</b>	851.7	<b>314.1</b>	179.7	<b>10.0</b>	9.0
Aluminium	<b>486.5</b>	457.4	<b>233.8</b>	223.9	—	—
Property	<b>157.9</b>	168.0	<b>9.2</b>	32.5	—	6.0
<b>Segment total</b>	<b>3,918.4</b>	2,732.8	<b>764.9</b>	686.2	<b>27.9</b>	33.0
Unallocated <sup>c</sup>	<b>50.0</b>	72.8	<b>475.6</b>	477.8	—	—
	<b>3,968.4</b>	2,805.6	<b>1,240.5</b>	1,164.0	<b>27.9</b>	33.0
Finance assets/liabilities	<b>24.9</b>	53.2	<b>1,261.6</b>	501.8	—	—
Tax assets/liabilities	<b>105.9</b>	79.2	<b>6.4</b>	8.0	—	—
<b>Group total</b>	<b>4,099.2</b>	2,938.0	<b>2,508.5</b>	1,673.8	<b>27.9</b>	33.0

a The 2008 amount includes \$17.8 million net profit relating to sale of the investment in Enviroguard Pty Ltd.

b Represents unallocated overhead and other revenues.

c Includes certain defined benefit superannuation expense and other non-operating revenue and costs.

d Intersegment sales are negligible. Excludes net profit from associates.

e Total depreciation and amortisation includes \$13.4 million (2007: \$11.8 million) amortisation of intangible assets.

f All acquisitions of controlled entities and businesses in 2008 were in the Building Products segment.

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	PROFIT FROM ORDINARY ACTIVITIES BEFORE FINANCE, INCOME TAX AND SIGNIFICANT ITEMS				TOTAL REVENUE <sup>a</sup>		SEGMENT ASSETS		CAPITAL EXPENDITURE	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>1 SEGMENT INFORMATION (CONTINUED)</b>										
Geographic segments										
Australia	<b>362.9</b>	386.2	<b>2,951.7</b>	3,021.1	<b>3,806.9</b>	2,706.5	<b>1,245.5</b>	228.2		
New Zealand	<b>20.0</b>	12.8	<b>252.9</b>	206.7	<b>166.7</b>	120.2	<b>5.4</b>	4.2		
Asia	<b>3.4</b>	7.1	<b>90.5</b>	92.5	<b>125.6</b>	111.3	<b>29.0</b>	23.6		
<b>Group total</b>	<b>386.3</b>	406.1	<b>3,295.1</b>	3,320.3	<b>4,099.2</b>	2,938.0	<b>1,279.9</b>	256.0		

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

(\$ MILLION)	NOTE	CSR GROUP		CSR LIMITED	
		2008	2007	2008	2007
<b>2 OTHER INCOME AND EXPENSES FROM ORDINARY ACTIVITIES</b>					
<b>Income</b>					
Significant items	3	–	120.3	–	120.3
Profit on disposal of property, plant and equipment and other assets		<b>45.8</b>	66.5	<b>5.1</b>	61.5
Write back of allowance for controlled entities' doubtful debts			–	–	2.9
Other		<b>9.9</b>	13.4	<b>3.1</b>	6.4
Total other income from ordinary activities		<b>55.7</b>	200.2	<b>8.2</b>	191.1
<b>Expenses</b>					
Significant items	3	<b>(22.0)</b>	(114.9)	–	(47.5)
Asset write downs		<b>(0.6)</b>	(1.9)	–	–
Increased allowance for controlled entities' doubtful debts			–	<b>(9.2)</b>	–
Other		<b>(3.3)</b>	(4.6)	<b>(1.0)</b>	(2.9)
Total other expenses from ordinary activities		<b>(25.9)</b>	(121.4)	<b>(10.2)</b>	(50.4)
<b>3 SIGNIFICANT ITEMS</b>					
<b>Pilkington Australia and DMS glass acquisition</b>					
Integration costs		<b>(22.0)</b>	–	–	–
Income tax benefit		<b>6.6</b>	–	–	–
		<b>(15.4)</b>	–	–	–
<b>Insurance litigation settlement</b>					
Receipt from certain insurers		–	120.3	–	120.3
Associated legal expenses		–	(17.5)	–	(17.5)
Income tax benefit		–	0.1	–	0.1
		–	102.9	–	102.9
<b>Shutdown or closure of Building Products' factories</b>					
Asset write downs, retrenchments and other rationalisation costs		–	(67.4)	–	–
Income tax benefit		–	<b>18.3</b>	–	–
		–	(49.1)	–	–
<b>Increase in product liability provision</b>					
Increase in provision		–	(30.0)	–	(30.0)
Income tax benefit		–	9.0	–	9.0
		–	(21.0)	–	(21.0)
<b>Total significant items</b>					
Significant items before income tax		<b>(22.0)</b>	5.4	–	72.8
Income tax benefit on significant items		<b>6.6</b>	27.4	–	9.1
<b>Total significant items after income tax</b>		<b>(15.4)</b>	32.8	–	81.9
<b>4 NET FINANCE COST</b>					
<b>Interest paid or payable on</b>					
Short term debt to controlled entities				<b>1.1</b>	1.6
Long term debt to controlled entities				<b>0.2</b>	0.3
Short term debt to others		<b>17.9</b>	1.5	<b>16.9</b>	0.8
Long term debt to others		<b>58.4</b>	37.7	<b>58.1</b>	37.4
Total interest expense		<b>76.3</b>	39.2	<b>76.3</b>	40.1
Unwinding discount on non-current provisions and debtors		<b>17.9</b>	21.2	<b>17.8</b>	21.2
Funding costs		<b>2.0</b>	1.4	<b>2.0</b>	1.3
Foreign exchange loss (gain)		<b>1.1</b>	(0.3)	<b>1.0</b>	(0.1)
<b>Finance cost</b>		<b>97.3</b>	61.5	<b>97.1</b>	62.5
Interest income	6	<b>(3.6)</b>	(4.6)	<b>(54.0)</b>	(12.7)
<b>Net finance cost</b>		<b>93.7</b>	56.9	<b>43.1</b>	49.8

(\$ MILLION)	NOTE	CSR GROUP		CSR LIMITED	
		2008	2007	2008	2007
<b>5 DEPRECIATION AND AMORTISATION</b>					
<b>Amounts incurred for depreciation, amortisation and depletion of</b>					
Property, plant and equipment		<b>136.8</b>	114.0	<b>4.3</b>	4.1
Intangible assets		<b>13.4</b>	11.8	<b>0.2</b>	0.3
Other		–	–	–	–
<b>Total depreciation and amortisation</b>		<b>150.2</b>	125.8	<b>4.5</b>	4.4
<b>6 INTEREST INCOME</b>					
<b>Interest income from</b>					
Short term debt to controlled entities				<b>5.3</b>	5.2
Long term debt to controlled entities				<b>46.8</b>	4.8
Short term debt to others		<b>3.5</b>	4.5	<b>1.9</b>	2.7
Long term debt to others		<b>0.1</b>	0.1	–	–
<b>Total interest income</b>		<b>3.6</b>	4.6	<b>54.0</b>	12.7
<b>7 NET CASH</b>					
Cash at banks and on hand		<b>24.9</b>	40.9	<b>1.7</b>	5.0
Short term loans and deposits		–	12.3	–	11.1
<b>Total cash</b>		<b>24.9</b>	53.2	<b>1.7</b>	16.1
Bank overdraft	18	<b>(0.6)</b>	(1.9)	<b>(1.7)</b>	(5.1)
<b>Net cash</b>		<b>24.3</b>	51.3	–	11.0
<b>8 INCOME TAXES <sup>a</sup></b>					
Reconciliation of income tax expense (benefit) charged to the income statement with income tax calculated on profit from ordinary activities before income tax:					
<b>Profit from ordinary activities before income tax</b>		<b>270.6</b>	354.6	<b>(26.1)</b>	101.1
<b>Income tax expense calculated at 30%</b>		<b>81.2</b>	106.4	<b>(7.8)</b>	30.3
<b>Increase (decrease) in income tax expense (benefit) due to</b>					
Utilisation of losses in asset disposals		<b>(13.7)</b>	(15.3)	<b>(1.6)</b>	(17.8)
Asian trading profits tax rate differential		<b>(0.3)</b>	(0.5)	–	–
Equity accounted associates' net profit and rebates on dividends received		<b>(6.3)</b>	(8.2)	<b>(1.3)</b>	(1.3)
Research and development		<b>(0.2)</b>	(0.8)	–	–
Income tax (over) under provided in prior years		<b>(1.8)</b>	0.8	–	1.1
Utilisation of losses against significant items		–	(32.7)	–	(32.7)
Other items		<b>(2.1)</b>	(3.1)	<b>1.9</b>	(0.5)
<b>Total income tax expense (benefit) on profit from ordinary activities</b>		<b>56.8</b>	46.6	<b>(8.8)</b>	(20.9)
<b>Total income tax expense (benefit) comprises</b>					
Current tax expense (income)		<b>53.0</b>	65.3	<b>(4.2)</b>	(6.3)
Deferred tax expense (income) relating to the origination and reversal of temporary differences		<b>3.8</b>	(18.7)	<b>(4.6)</b>	(14.6)
<b>Total income tax expense (benefit) on profit from ordinary activities</b>		<b>56.8</b>	46.6	<b>(8.8)</b>	(20.9)
<b>Current income tax payable attributable to</b>					
Entities in the tax consolidated group		–	–	–	–
Other entities		<b>6.4</b>	8.0	–	–
<b>Total current income tax payable</b>		<b>6.4</b>	8.0	–	–
<b>Deferred income tax assets and liabilities comprise</b>					
Tax losses – revenue recorded as asset		<b>1.5</b>	–	–	–
Temporary differences recorded as net asset		<b>104.4</b>	79.2	<b>152.2</b>	135.6
<b>Net deferred income tax assets and liabilities</b>		<b>105.9</b>	79.2	<b>152.2</b>	135.6

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

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	CSR GROUP				CSR LIMITED					
	OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	OTHER	CLOSING BALANCE	OPENING BALANCE	CHARGED TO INCOME	CHARGED TO EQUITY	OTHER	CLOSING BALANCE
<b>8 INCOME TAXES (CONTINUED)</b>										
<b>2008</b>										
<b>Movement in net deferred income tax assets/liabilities attributable to temporary differences</b>										
Fair value of hedges	<b>22.1</b>	<b>3.2</b>	<b>(4.6)</b>	–	<b>20.7</b>	<b>(1.0)</b>	–	<b>(1.1)</b>	–	<b>(2.1)</b>
Property, plant and equipment	(85.9)	(0.2)	–	–	(86.1)	(6.8)	0.7	–	–	(6.1)
Intangible assets	(8.1)	0.2	–	–	(7.9)	–	–	–	–	–
Defined benefit superannuation	(14.8)	(2.6)	<b>14.9</b>	(0.8)	(3.3)	(14.8)	(2.5)	<b>13.1</b>	–	(4.2)
Prepayments	(3.3)	–	–	–	(3.3)	–	–	–	–	–
Product liability provision	<b>116.4</b>	<b>(4.9)</b>	–	–	<b>111.5</b>	<b>116.4</b>	<b>(4.9)</b>	–	–	<b>111.5</b>
Employee benefits provisions	<b>29.8</b>	<b>(1.2)</b>	–	<b>11.2</b>	<b>39.8</b>	<b>24.4</b>	<b>(0.7)</b>	–	–	<b>23.7</b>
Other provisions	<b>20.5</b>	<b>(6.1)</b>	–	<b>8.2</b>	<b>22.6</b>	<b>5.9</b>	<b>0.7</b>	–	–	<b>6.6</b>
Foreign currency monetary items	<b>1.2</b>	<b>0.2</b>	–	–	<b>1.4</b>	<b>1.8</b>	–	–	–	<b>1.8</b>
Other	<b>1.3</b>	<b>7.6</b>	–	<b>0.1</b>	<b>9.0</b>	<b>9.7</b>	<b>11.3</b>	–	–	<b>21.0</b>
	<b>79.2</b>	<b>(3.8)</b>	<b>10.3</b>	<b>18.7</b>	<b>104.4</b>	<b>135.6</b>	<b>4.6</b>	<b>12.0</b>	–	<b>152.2</b>
<b>2007</b>										
<b>Movement in net deferred income tax assets/liabilities attributable to temporary differences</b>										
Fair value of hedges	84.5	(2.8)	(59.6)	–	22.1	0.2	–	(1.2)	–	(1.0)
Property, plant and equipment	(97.8)	11.9	–	–	(85.9)	(7.9)	1.1	–	–	(6.8)
Intangible assets	(9.1)	1.0	–	–	(8.1)	–	–	–	–	–
Defined benefit superannuation	(5.4)	(2.3)	(7.1)	–	(14.8)	(5.4)	(2.3)	(7.1)	–	(14.8)
Prepayments	(3.3)	–	–	–	(3.3)	–	–	–	–	–
Product liability provision	109.7	6.7	–	–	116.4	109.7	6.7	–	–	116.4
Employee benefits provisions	29.9	(0.1)	–	–	29.8	25.0	(0.6)	–	–	24.4
Other provisions	11.3	9.2	–	–	20.5	6.2	(0.3)	–	–	5.9
Foreign currency monetary items	1.4	(0.2)	–	–	1.2	1.9	(0.1)	–	–	1.8
Other	6.0	(4.7)	–	–	1.3	(0.4)	10.1	–	–	9.7
	127.2	18.7	(66.7)	–	79.2	129.3	14.6	(8.3)	–	135.6
(\$ MILLION)										
CSR GROUP										
2008				CSR LIMITED				2008		
2007				2007				2007		
<b>Deferred income tax assets not taken to account<sup>c</sup></b>										
Balance at the beginning of the financial year					<b>15.0</b>	64.2	<b>7.4</b>	53.1		
Assets now taken to account					(7.8)	(50.0)	(7.2)	(45.7)		
Assets not recognised					<b>13.6</b>	0.8	<b>12.4</b>	–		
Assets now expired					–	–	–	–		
<b>Balance at the end of the financial year<sup>d</sup></b>					<b>20.8</b>	15.0	<b>12.6</b>	7.4		
c Includes capital tax losses – CSR group \$12.6 million (2007: \$7.4 million).										
d 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 relevant income tax legislation.										
<b>9 INVENTORIES</b>										
<b>Current</b>										
Raw and process materials and stores					<b>100.9</b>	67.9	–	–		
Work in progress					<b>19.0</b>	17.0	–	–		
Finished goods					<b>257.5</b>	193.2	–	–		
<b>Total current inventories</b>					<b>377.4</b>	278.1	–	–		
<b>Non-current</b>										
Raw and process materials and stores					<b>7.5</b>	5.3	–	–		
Land held for sale at cost					<b>22.3</b>	22.0	<b>14.9</b>	13.7		
<b>Total non-current inventories</b>					<b>29.8</b>	27.3	<b>14.9</b>	13.7		

c Includes capital tax losses – CSR group \$12.6 million (2007: \$7.4 million).

d 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 relevant income tax legislation.

## 9 INVENTORIES

### Current

Raw and process materials and stores	<b>100.9</b>	67.9	–	–
Work in progress	<b>19.0</b>	17.0	–	–
Finished goods	<b>257.5</b>	193.2	–	–
<b>Total current inventories</b>	<b>377.4</b>	278.1	–	–

### Non-current

Raw and process materials and stores	<b>7.5</b>	5.3	–	–
Land held for sale at cost	<b>22.3</b>	22.0	<b>14.9</b>	13.7
<b>Total non-current inventories</b>	<b>29.8</b>	27.3	<b>14.9</b>	13.7

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>10 RECEIVABLES</b>				
<b>Current</b>				
Trade receivables <sup>a</sup>	<b>398.6</b>	396.1	<b>0.1</b>	0.1
Allowance for doubtful debts	<b>(6.5)</b>	(5.5)	—	—
	<b>392.1</b>	390.6	<b>0.1</b>	0.1
Amounts owing by controlled entities			<b>955.7</b>	545.7
Allowance for doubtful debts			<b>(26.2)</b>	(17.0)
			<b>929.5</b>	528.7
Loans to and receivables from associate entities <sup>b</sup>	<b>9.8</b>	10.4	<b>9.8</b>	10.4
Divestment debtors <sup>b</sup>	<b>125.9</b>	116.5	<b>125.7</b>	103.0
Insurance settlements receivable <sup>b</sup>	—	4.0	—	4.0
Other loans and receivables	<b>57.7</b>	50.4	<b>33.8</b>	32.7
Allowance for doubtful debts <sup>c</sup>	<b>(30.0)</b>	(30.0)	<b>(30.0)</b>	(30.0)
	<b>163.4</b>	151.3	<b>139.3</b>	120.1
<b>Total current receivables</b>	<b>555.5</b>	541.9	<b>1,068.9</b>	648.9
Trade receivables – Past due 0-60 days	<b>16.8</b>	25.3	—	—
Trade receivables – Past due >60 days	<b>12.3</b>	7.4	—	—
<b>Movement in allowance for doubtful debts – Trade receivables</b>				
Opening balance allowance for doubtful debts	(5.5)	(5.3)	—	—
Trade debts written off	<b>1.5</b>	1.7	—	—
Trade debts provided	<b>(2.0)</b>	(1.9)	—	—
Other	<b>(0.5)</b>	—	—	—
Closing balance allowance for doubtful debts	<b>(6.5)</b>	(5.5)	—	—
<b>Movement in allowance for doubtful debts – Amounts owing by controlled entities</b>				
Opening balance allowance for doubtful debts			<b>(17.0)</b>	(19.9)
Controlled entities debts (provided) written back			<b>(9.2)</b>	2.9
Other			—	—
Closing balance allowance for doubtful debts			<b>(26.2)</b>	(17.0)
<b>Movement in allowance for doubtful debts – Other loans and receivables</b>				
Opening balance allowance for doubtful debts	<b>(30.0)</b>	(30.0)	<b>(30.0)</b>	(30.0)
Other loans and receivables written off	—	—	—	—
Other loans and receivables provided	—	—	—	—
Closing balance allowance for doubtful debts	<b>(30.0)</b>	(30.0)	<b>(30.0)</b>	(30.0)
<b>Non-current</b>				
Amounts owing by controlled entities			<b>2,697.4</b>	1,649.5
Loans to associate entities	<b>17.5</b>	18.2	<b>7.2</b>	7.2
Other loans and receivables	<b>2.5</b>	16.6	<b>2.0</b>	16.2
<b>Total non-current receivables</b>	<b>20.0</b>	34.8	<b>2,706.6</b>	1,672.9
a CSR's policy requires all customers to pay in accordance with agreed payment terms. As at 31 March 2008 current trade receivables of \$6.5 million (2007: \$5.5 million) were impaired, all were past due >60 days and they do not include any individually significant debtors.				
b Balance does not include any past due amounts.				
c Balance relates to Other loans and receivables.				
<b>11 OTHER FINANCIAL ASSETS</b>				
<b>Current</b>				
Fair value of derivatives recognised in equity	<b>85.6</b>	79.4	<b>3.5</b>	1.0
<b>Total current financial assets</b>	<b>85.6</b>	79.4	<b>3.5</b>	1.0
<b>Non-current</b>				
Investment in controlled entities at cost			<b>1,026.9</b>	1,022.6
Available for sale: shares at fair value <sup>a,b</sup>	<b>45.7</b>	36.1	<b>45.7</b>	36.1
Fair value of derivatives recognised in equity	<b>54.2</b>	52.7	<b>3.5</b>	2.2
<b>Total non-current other financial assets</b>	<b>99.9</b>	88.8	<b>1,076.1</b>	1,060.9
a Not quoted on stock exchanges.				
b The CSR group holds 16.9% (2007: 13.7%) of the share capital of Sugar Terminals Limited, a company involved in storage of raw sugar. The CSR group does not believe that it is able to exert significant influence over Sugar Terminals Limited as it has only one director on the board comprised of a minimum of five directors.				
<b>12 OTHER ASSETS</b>				
<b>Current</b>				
Prepayments (including derivative margin calls)	<b>61.3</b>	23.1	<b>2.7</b>	2.1
Renewable Energy Certificates at net fair value	<b>2.9</b>	3.0	—	—
Deferred costs	<b>3.3</b>	2.1	<b>2.1</b>	1.3
<b>Total other current assets</b>	<b>67.5</b>	28.2	<b>4.8</b>	3.4
<b>Non-current</b>				
Prepayments	<b>12.7</b>	12.7	—	—
Superannuation defined benefit plans – fair value of surplus	<b>14.1</b>	49.4	<b>14.1</b>	49.4
Deferred costs	<b>3.1</b>	2.1	<b>2.4</b>	1.4
<b>Total other non-current assets</b>	<b>29.9</b>	64.2	<b>16.5</b>	50.8

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	CSR GROUP 2008	CSR LIMITED 2007	CSR LIMITED 2008	CSR LIMITED 2007
<b>13 PROPERTY, PLANT AND EQUIPMENT<sup>a</sup></b>				
<b>Land and buildings</b>				
At cost	<b>671.6</b>	446.9	<b>7.1</b>	7.0
Accumulated depreciation	<b>(92.8)</b>	(78.5)	<b>(0.6)</b>	(0.3)
<b>Total land and buildings</b>	<b>578.8</b>	368.4	<b>6.5</b>	6.7
<b>Plant and equipment</b>				
At cost	<b>2,884.9</b>	2,509.5	<b>26.2</b>	25.6
Accumulated depreciation	<b>(1,423.6)</b>	(1,313.8)	<b>(14.2)</b>	(13.3)
<b>Total plant and equipment</b>	<b>1,461.3</b>	1,195.7	<b>12.0</b>	12.3
<b>Total property, plant and equipment</b>	<b>2,040.1</b>	1,564.1	<b>18.5</b>	19.0

a The economic life over which assets are depreciated is buildings – 10 to 40 years; and plant and equipment – 2 to 40 years. The weighted average life of buildings – 20 years; and plant and equipment – 11 years.

(\$ MILLION)	LAND AND BUILDINGS CSR GROUP	PLANT AND EQUIPMENT CSR GROUP	LAND AND BUILDINGS CSR LIMITED	PLANT AND EQUIPMENT CSR LIMITED
<b>14 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT</b>				
Balance at 1 April 2007	<b>368.4</b>	6.7	<b>1,195.7</b>	12.3
Capital expenditure	<b>227.2</b>	–	<b>393.7</b>	3.8
Disposed	<b>(0.1)</b>	–	<b>(6.7)</b>	–
Depreciation and amortisation	<b>(14.5)</b>	<b>(0.2)</b>	<b>(122.3)</b>	(4.1)
Reversal previous write down	–	–	0.5	–
Foreign currency translation	<b>(2.2)</b>	–	<b>(1.6)</b>	–
Transferred from inventories	–	–	<b>2.0</b>	–
<b>Balance at 31 March 2008</b>	<b>578.8</b>	<b>6.5</b>	<b>1,461.3</b>	<b>12.0</b>
Balance at 1 April 2006	358.1	7.0	1,171.0	9.8
Capital expenditure	33.6	–	149.4	6.3
Disposed	–	–	(1.6)	–
Depreciation and amortisation	(11.6)	(0.3)	(102.4)	(3.8)
Write downs	(11.5)	–	(18.4)	–
Foreign currency translation	(0.2)	–	(0.3)	–
Transferred to inventory	–	–	(2.0)	–
<b>Balance at 31 March 2007</b>	<b>368.4</b>	<b>6.7</b>	<b>1,195.7</b>	<b>12.3</b>

(\$ MILLION)	CSR GROUP 2008	CSR LIMITED 2007	CSR GROUP 2008	CSR LIMITED 2007
<b>15 GOODWILL<sup>a</sup></b>				
<b>Carrying amount</b>				
Balance at the beginning of the financial year	<b>15.5</b>	14.6	–	–
Acquisitions	<b>571.2</b>	0.7	–	–
Write downs	<b>(0.2)</b>	–	–	–
Foreign currency translation	<b>(1.5)</b>	0.2	–	–
<b>Balance at the end of the financial year</b>	<b>585.0</b>	15.5	–	–

a The carrying amount of goodwill is: Building Products (2008: \$576.7 million, 2007: \$7.0 million), Sugar (2008: \$8.3 million, 2007: \$8.5 million). The recoverable amounts of the cash generating units that include goodwill are determined using discounted cash flow projections based on financial budgets approved by management covering a five year period. Terminal values are used into the future from year six onwards. The discount rate used is between 8-13% per annum depending on the cash generating unit.

16 OTHER INTANGIBLE ASSETS	CSR GROUP 2008	CSR LIMITED 2007	CSR GROUP 2008	CSR LIMITED 2007
<b>Systems software</b>				
Software and systems development	<b>71.7</b>	61.0	<b>2.0</b>	2.0
Accumulated amortisation	<b>(47.5)</b>	(36.3)	<b>(1.1)</b>	(0.9)
<b>Total systems software</b>	<b>24.2</b>	24.7	<b>0.9</b>	1.1
<b>Movements in systems software</b>				
Net book value at the beginning of the financial year	<b>24.7</b>	29.6	<b>1.1</b>	9.3
Capital expenditure	<b>10.7</b>	6.2	–	2.1
Transfer to subsidiaries	–	–	–	(10.0)
Amortisation	<b>(11.2)</b>	(11.1)	<b>(0.2)</b>	(0.3)
Net book value at the end of the financial year	<b>24.2</b>	24.7	<b>0.9</b>	1.1

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>16 OTHER INTANGIBLE ASSETS (CONTINUED)</b>				
<b>Trade names and non-competition agreements<sup>a</sup></b>				
At cost	<b>38.1</b>	35.9	-	-
Accumulated amortisation	<b>(12.5)</b>	(10.3)	-	-
<b>Total trade names and non-competition agreements</b>	<b>25.6</b>	25.6	-	-
<b>Movements in trade names and non-competition agreements</b>				
Net book value at the beginning of the financial year	<b>25.6</b>	21.5	-	-
Capital expenditure	<b>2.2</b>	6.7	-	-
Write downs	<b>-</b>	(1.9)	-	-
Amortisation	<b>(2.2)</b>	(0.7)	-	-
Net book value at the end of the financial year	<b>25.6</b>	25.6	-	-
<b>Total other intangible assets</b>	<b>49.8</b>	50.3	<b>0.9</b>	1.1
a Includes indefinite life Building Products trade names (2008: \$17.0 million and 2007: \$17.0 million). The recoverable amounts of the cash generating units that include the trade names are determined using discounted cash flow projections based on financial budgets approved by management covering a five year period. Terminal values are used into the future from year six onwards. These trade names currently have an indefinite life as the CSR group is continually spending money on marketing and developing the trade names and there are no contractual or other restrictions on the use of the trade names.				
<b>17 PAYABLES AND OTHER LIABILITIES</b>				
<b>Current</b>				
Trade payables	<b>313.4</b>	288.5	<b>9.4</b>	3.4
Amounts owing to controlled entities			<b>374.3</b>	75.9
<u>Other payables</u>	<b>75.6</b>	73.4	<b>29.6</b>	38.6
<b>Total current payables</b>	<b>389.0</b>	361.9	<b>413.3</b>	117.9
<b>Non-current</b>				
Superannuation defined benefit plan – fair value of deficit	<b>3.1</b>	-	-	-
Other payables	<b>8.3</b>	1.3	-	-
<b>Total non-current payables</b>	<b>11.4</b>	1.3	-	-
<b>18 BORROWINGS</b>				
<b>Current</b>				
Unsecured bank overdraft	<b>0.6</b>	1.9	<b>1.7</b>	5.1
<b>Short term borrowings</b>				
<b>Secured</b>				
Other facilities	<b>-</b>	0.1	-	-
<b>Unsecured</b>				
Bank loans	<b>276.0</b>	0.6	<b>270.0</b>	-
Other facilities	<b>206.2</b>	1.5	<b>203.1</b>	-
	<b>482.2</b>	2.2	<b>473.1</b>	-
<b>Total current borrowings</b>	<b>482.8</b>	4.1	<b>474.8</b>	5.1
<b>Non-current</b>				
<b>Long term borrowings</b>				
<b>Unsecured</b>				
Loans from controlled entities			<b>1,621.6</b>	1,373.4
Bonds	<b>0.1</b>	200.1	-	200.0
Bank loans	<b>778.7</b>	297.6	<b>773.8</b>	279.4
<b>Total non-current borrowings</b>	<b>778.8</b>	497.7	<b>2,395.4</b>	1,852.8
<b>19 OTHER FINANCIAL LIABILITIES</b>				
<b>Current</b>				
Fair value of derivatives	<b>118.3</b>	129.1	-	-
<b>Total current other financial liabilities</b>	<b>118.3</b>	129.1	-	-
<b>Non-current</b>				
Fair value of derivatives	<b>95.1</b>	76.9	-	-
<b>Total non-current other financial liabilities</b>	<b>95.1</b>	76.9	-	-

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	CSR GROUP 2008	2007	2008			
			AVERAGE RATE % PA	YEAR OF MATURITY		
<b>20 CREDIT FACILITIES AND MATURITY PROFILE</b>						
<b>Long term maturities of borrowings</b>						
<b>United States dollar debt</b>						
Bonds	<b>0.1</b>	0.1	<b>7.7</b>	<b>2025</b>		
<b>Australian dollar debt</b>						
Bank loans	<b>760.0</b>	260.0	<b>8.0</b>	<b>2009-2012</b>		
Bonds	—	200.0	<b>6.1</b>	<b>2009</b>		
<b>New Zealand dollar debt</b>						
Bank loans	<b>13.8</b>	19.5	<b>9.1</b>	<b>2010</b>		
<b>Thai baht debt</b>						
Bank loans	<b>4.9</b>	7.5	<b>5.3</b>	<b>2010</b>		
<b>Malaysian ringgit debt</b>						
Bank loans	—	10.6		<b>2008</b>		
<b>Total non-current borrowings and payables</b>	<b>778.8</b>	497.7				

### Credit standby facilities

The CSR group has a total of \$1,435 million (2007: \$600 million) committed standby facilities. These facilities have fixed maturity dates ranging from September 2008 to September 2012. As at 31 March 2008, \$391 million of the standby facilities were undrawn.

(\$ MILLION)	31 MARCH 2007	RECOGNISED/ REMEASURED	SETTLED/ TRANSFERRED	ACQUIRED	UNWINDING OF DISCOUNT	DISPOSED/ OTHER	31 MARCH 2008						
<b>21 PROVISIONS</b>													
<b>CSR group</b>													
<b>Current</b>													
Employee benefits	99.5	46.4	(50.6)	37.2	—	—	<b>132.5</b>						
Fringe benefits tax	0.6	5.4	(4.6)	0.2	—	—	<b>1.6</b>						
Restructure and rationalisation	39.0	0.7	(24.1)	—	—	—	<b>15.6</b>						
Product liability <sup>a</sup>	22.4	37.5	(32.7)	—	—	—	<b>27.2</b>						
Restoration and environmental rehabilitation	4.9	3.0	(0.3)	0.7	—	—	<b>8.3</b>						
Uninsured losses and future claims <sup>b</sup>	8.3	9.3	(10.8)	—	—	—	<b>6.8</b>						
Other <sup>c</sup>	16.8	9.0	(2.0)	11.0	—	—	<b>34.8</b>						
<b>Total CSR group current provisions</b>	<b>191.5</b>	<b>111.3</b>	<b>(125.1)</b>	<b>49.1</b>	—	—	<b>226.8</b>						
<b>Non-current</b>													
Product liability <sup>a</sup>	365.6	(37.5)	—	—	16.2	—	<b>344.3</b>						
Restoration and environmental rehabilitation	1.4	—	—	15.5	—	—	<b>16.9</b>						
Uninsured losses and future claims <sup>b</sup>	35.6	—	—	—	2.4	—	<b>38.0</b>						
Other	0.7	—	—	—	—	—	<b>0.7</b>						
<b>Total CSR group non-current provisions</b>	<b>403.3</b>	<b>(37.5)</b>	—	<b>15.5</b>	<b>18.6</b>	—	<b>399.9</b>						
<b>CSR Limited</b>													
<b>Current</b>													
Employee benefits	81.4	38.9	(41.7)	—	—	0.5	<b>79.1</b>						
Fringe benefits tax	0.5	3.9	(3.2)	—	—	—	<b>1.2</b>						
Restructure and rationalisation	1.4	10.0	(5.3)	—	—	—	<b>6.1</b>						
Product liability <sup>a</sup>	22.4	37.5	(32.7)	—	—	—	<b>27.2</b>						
Restoration and environmental rehabilitation	4.8	2.9	(0.2)	—	—	—	<b>7.5</b>						
Uninsured losses and future claims <sup>b</sup>	8.3	9.3	(10.8)	—	—	—	<b>6.8</b>						
Other	4.7	3.3	—	—	—	—	<b>8.0</b>						
<b>Total CSR Limited current provisions</b>	<b>123.5</b>	<b>105.8</b>	<b>(93.9)</b>	—	—	0.5	<b>135.9</b>						
<b>Non-current</b>													
Product liability <sup>a</sup>	365.6	(37.5)	—	—	16.2	—	<b>344.3</b>						
Restoration and environmental rehabilitation	0.4	—	—	—	—	—	<b>0.4</b>						
Uninsured losses and future claims <sup>b</sup>	35.6	—	—	—	2.4	—	<b>38.0</b>						
Other	0.7	—	—	—	—	—	<b>0.7</b>						
<b>Total CSR Limited non-current provisions</b>	<b>402.3</b>	<b>(37.5)</b>	—	—	<b>18.6</b>	—	<b>383.4</b>						

a Refer to note 35 and the significant accounting policies note for details of the basis of the product liability provision.

b Uninsured losses and future claims mainly relate to the CSR group's self insurance for workers' compensation program.

c Includes provision for anticipated disposal costs of Tomago smelter's spent pot lining.

	2008			2007		
	ORDINARY SHARES FULLY PAID	PRICE \$	SHARE CAPITAL \$ MILLION	ORDINARY SHARES FULLY PAID	PRICE \$	SHARE CAPITAL \$ MILLION
<b>22 ISSUED CAPITAL<sup>a</sup></b>						
CSR Limited						
On issue at the beginning of the financial year	<b>876,277,500</b>	<b>559.5</b>	912,369,315		671.9	
Share buyback <sup>b</sup>	–	–	(37,374,815)	3.06	(114.5)	
Institutional placement <sup>c</sup>	<b>49,019,608</b>	<b>3.06</b>	<b>148.1</b>	–	–	–
Universal Share/Option Plan <sup>d</sup>	<b>1,536,000</b>	<b>1.68</b>	<b>2.6</b>	1,283,000	1.64	2.1
Share purchase plan <sup>e</sup>	<b>36,586,077</b>	<b>3.06</b>	<b>111.5</b>	–	–	–
Dividend reinvestment plan <sup>f</sup>	<b>19,307,450</b>	<b>3.00</b>	<b>57.5</b>	–	–	–
Total movements during the financial year	<b>106,449,135</b>	<b>319.7</b>	(36,091,815)		(112.4)	
<b>On issue at the end of the financial year</b>	<b>982,726,635</b>	<b>879.2</b>	876,277,500		559.5	

a The shares are fully paid ordinary shares listed on the ASX and carry one vote per ordinary 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 July 2006 to March 2007, 37,374,815 shares were repurchased and cancelled under the buyback. No shares were bought back after 31 March 2007.

c Fully paid ordinary shares were issued on 14 September 2007. The purpose of the institutional placement was to partly fund the acquisition of Pilkington and the acquisition of DMS glass. Proceeds are net of share placement costs of \$1.9 million.

d Fully paid ordinary shares were issued in September 2007 and August and September 2006 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 (2008: 4,098, 2007: 4,170), 2,560 (2007: 2,566) accepted the offer, subscribing for up to 300 shares (2007: 250 shares) at the market price of \$3.35 each (2007: \$3.28) and receiving an equivalent number of shares at no cost. The issue of 768,000 (2007: 641,500) shares purchased by employees was taken to equity. The additional 768,000 (2007: 641,500) shares issued at no cost were recorded as an expense in the financial report with an offsetting entry to the employee share reserve.

e Fully paid ordinary shares were issued on 9 November 2007. Eligible shareholders were able to invest up to \$5,000 in CSR ordinary shares without brokerage or transaction costs.

f Fully paid ordinary shares were issued on 10 December 2007. Eligible shareholders were able to reinvest all or part of their dividends in additional fully paid ordinary shares at a market discount of 2.5 %.

## 23 RESERVES

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>Foreign currency translation reserve</b>				
Value at the beginning of financial year	(3.0)	(1.3)	–	–
Translation of foreign operations	(8.8)	(1.7)	–	–
<b>Value at the end of the financial year</b>	<b>(11.8)</b>	<b>(3.0)</b>	<b>–</b>	<b>–</b>
<b>Employee share reserve</b>				
Value at the beginning of financial year	6.9	4.8	6.9	4.8
CSR Limited free employee shares issued	2.6	2.1	2.6	2.1
<b>Value at the end of the financial year</b>	<b>9.5</b>	<b>6.9</b>	<b>9.5</b>	<b>6.9</b>
<b>Hedge reserve</b>				
Value at the beginning of financial year	(34.6)	(168.5)	2.3	(0.5)
Hedge profit (loss) recognised	(19.9)	111.5	4.6	3.7
Income tax expense	5.9	(33.7)	(1.4)	(1.1)
Transferred to the income statement	20.1	56.1	(0.7)	0.2
<b>Value at the end of the financial year</b>	<b>(28.5)</b>	<b>(34.6)</b>	<b>4.8</b>	<b>2.3</b>
<b>Total reserves</b>	<b>(30.8)</b>	<b>(30.7)</b>	<b>14.3</b>	<b>9.2</b>

Transferred to the income statement in 2008 of \$28.8 million before tax (2007: \$79.7 million), and \$20.1 million after tax (2007: \$56.1 million) was taken to revenue \$18.8 million (2007: \$95.0 million) with the balance mainly taken to cost of sales.

## 24 MINORITY INTERESTS IN CONTROLLED ENTITIES

	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
Issued capital	49.3	49.5		
Hedge reserve	(19.7)	(23.8)		
Other reserves	9.8	15.9		
Retained profits	66.5	63.1		
<b>Total minority interests in controlled entities</b>	<b>105.9</b>	<b>104.7</b>		

	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>25 AUDITORS' REMUNERATION</b>				
<b>Auditing and reviewing the financial report of the CSR group</b>				
Deloitte Touche Tohmatsu in Australia	1,547	1,267	480	467
Deloitte Touche Tohmatsu outside of Australia	159	129	–	–
	1,706	1,396	480	467
<b>Other services</b>				
Deloitte Touche Tohmatsu in Australia	48	17	48	17
Deloitte Touche Tohmatsu outside of Australia	29	30	–	–
	77	47	48	17
<b>Total auditors' remuneration</b>	<b>1,783</b>	<b>1,443</b>	<b>528</b>	<b>484</b>
<b>Other services comprise</b>				
Taxation strategy and compliance	29	30	–	–
Accounting advice	5	13	5	13
Other	43	4	43	4
	77	47	48	17

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

	2008		2007	
	CENTS PER SHARE	TOTAL \$ MILLION	CENTS PER SHARE	TOTAL \$ MILLION
<b>26 DIVIDENDS AND FRANKING CREDITS</b>				
<b>Recognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Prior year final dividend – franked to 100% (2007: 100%)	9.0	78.9	9.0	82.1
Interim dividend – franked to 100% (2007: 100%)	6.0	57.8	6.0	52.6
	<b>15.0</b>	<b>136.7</b>	<b>15.0</b>	<b>134.7</b>
<b>Unrecognised amounts</b>				
<b>Fully paid ordinary shares</b>				
Final dividend – franked to 100% (2007: 100%)	9.0	88.4	9.0	78.9

The final dividend for the financial year ended 31 March 2008 has not been recognised in this financial report because it was declared after 31 March 2008. The amounts disclosed as recognised are the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>Adjusted franking account balance (tax paid basis)</b>	<b>1.1</b>	3.4	<b>1.1</b>	3.4
<b>Impact on franking account balance of dividends not recognised</b>	(37.9)	(33.8)	(37.9)	(33.8)

## 27 RELATED PARTY INFORMATION

### Key management personnel remuneration

During the financial year, total remuneration of \$9,268,223 (2007: \$13,072,242) was paid to directors and key management personnel. Details of the payments, and the CSR Limited equity holdings of director and key management personnel are shown in the remuneration report.

### CSR Limited transactions with controlled entities

During the financial years ended 31 March 2008 and 2007, CSR Limited advanced and repaid loans, sold and purchased goods and services and provided accounting and administrative assistance to its controlled entities.

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

Amounts receivable from and payable to these related parties are disclosed in notes 10, 17 and 18.

All loans advanced to and payable to these related parties are unsecured and subordinate to other liabilities.

Loans between members of the Australian tax consolidation group are not on normal terms and conditions.

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

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

### Other related parties

Other than transactions with associate entities disclosed in note 31, no material amounts were receivable from, or payable to, other related parties as at 31 March 2008 or 2007, and no material transactions with other related parties occurred during those years.

Details of payments to defined benefit superannuation plans are shown in note 29.

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

No new loans, loan repayments or loan balances occurred between the CSR group and key management personnel of the CSR group during the financial year ended 31 March 2008 or 2007.

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

- acquisition of shares in CSR Limited under the employee share plans, share purchase plan and dividend reinvestment plan
- 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.

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>28 INTEREST IN JOINT VENTURE OPERATION</b>				
<b>Interest in the Tomago aluminium smelter joint venture operation<sup>a b</sup></b>				
<b>is included in the financial statements in the following categories</b>				
<b>Current assets</b>				
Cash and receivables	3.3	1.9	–	–
Inventories	30.6	25.8	–	–
Other	0.9	1.0	–	–
	<b>34.8</b>	28.7	–	–
<b>Non-current assets</b>				
Receivables	0.4	0.3	–	–
Property, plant and equipment	281.8	298.6	–	–
Other	16.0	18.0	–	–
	<b>298.2</b>	316.9	–	–
<b>Total assets</b>	<b>333.0</b>	345.6	–	–
<b>Current liabilities</b>	<b>45.2</b>	41.1	–	–
<b>Non-current liabilities</b>	<b>75.0</b>	75.0	–	–
<b>Total liabilities</b>	<b>120.2</b>	116.1	–	–
<b>Net assets</b>	<b>212.8</b>	229.5	–	–
<b>Contracted capital expenditure</b>	<b>15.6</b>	3.8	–	–
<b>Contingent liabilities</b>	–	–	–	–

a The CSR group's joint venture interest of 36.05% (2007: 36.05%) is held through a controlled entity in which the CSR group has a 70% interest.

b Principal activity: aluminium production.

## **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 (and spouses) on retirement, resignation, disablement, or to their dependants on death. Employer contributions are legally enforceable, with the right to terminate, reduce or suspend those contributions upon giving written notice to the trustees. CSR Limited and its Australian controlled entities are required to provide a minimum level of superannuation support for employees under the Australian Superannuation Guarantee legislation.

### **Asset backing**

The assets of the funds at 31 March 2008 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, except for the Pilkington (Australia) Superannuation Scheme (defined benefit division). This fund has obligations \$3.1 million in excess of the fair value of its assets. The CSR group is making contributions to this fund based on 9% of the salary of employees in the fund. This contribution rate will be reviewed after the next actuarial assessment on 30 June 2008.

### **Retirement funds**

The contributions to the funds were: CSR group: \$35.7 million (2007: \$30.8 million); and CSR Limited: \$26.7 million (2007: \$24.8 million).

### **Accumulation funds**

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

### **Defined benefit funds**

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

### **Australian superannuation funds**

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

### **Expected contributions to defined benefit funds**

The CSR group does not expect to make a contribution to the Harwood Superannuation Fund – CSR Super defined benefit division during the next financial year. The CSR group expects to make contributions to the Harwood Superannuation Fund – MonierPGH Super defined benefit division, and the Pilkington (Australia) Superannuation Scheme defined benefit fund based on at least 9% of the salaries of employees in the funds. The aggregate funding method was used to determine the contribution rates for the Harwood Superannuation Fund and the Project Unit Credit Funding method for the Pilkington (Australia) Superannuation Scheme.

### **Expected rate of return on defined benefit fund assets**

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

### **Defined benefit funds sponsored by the CSR group**

(\$ MILLION)		DEFINED BENEFIT OBLIGATION	FAIR VALUE OF FUND ASSETS	ASSET/ (LIABILITY)	CONTRIBUTIONS PAID
Harwood Superannuation Fund	- DBD – CSR <sup>a b</sup> - DBD Monier PGH plan <sup>c</sup>	177.2 56.6	188.7 59.2	11.5 2.6	– 2.3
Pilkington (Australia) Superannuation Scheme	- DBD <sup>d</sup>	78.8	75.7	(3.1)	1.1

a Actuarial liabilities are determined to be past service liabilities based on membership accrued up to 31 March 2008. These amounts are calculated at 31 March 2008 based on the assumptions used for the last actuarial review which was performed on 30 June 2007 by K Knapman FIAA.

b There is an obligation for CSR Limited to contribute such amounts so 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.

c These amounts are calculated at 31 March 2008 based on assumptions used in the last actuarial review performed on 30 June 2007.

d These amounts are calculated at 31 March 2008 based on assumptions used in the last actuarial review performed on 30 June 2005.

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

(\$ MILLION)	CSR GROUP 2008	CSR GROUP 2007	CSR LIMITED 2008	CSR LIMITED 2007
<b>29 SUPERANNUATION COMMITMENTS (CONTINUED)</b>				
<b>Amounts recognised in the income statement (administration costs) in respect of the defined benefit funds</b>				
Current service cost	3.6	3.0	2.0	3.0
Interest cost	13.6	11.3	11.5	11.3
Expected return on assets	(22.7)	(18.5)	(19.8)	(18.5)
<b>Total income included in the income statement</b>	<b>(5.5)</b>	<b>(4.2)</b>	<b>(6.3)</b>	<b>(4.2)</b>
<b>Actuarial (losses) gains incurred during the financial year and recognised in the recognised income and expense statement</b>				
	(49.9)	23.6	(43.9)	23.6
<b>Cumulative actuarial gains and losses recognised in the recognised income and expense statement</b>				
	4.7	54.6	10.7	54.6
<b>Net (asset) liability of defined benefit funds</b>				
Present value of liabilities	312.6	236.3	233.8	236.3
Fair value of assets	(323.6)	(285.7)	(247.9)	(285.7)
<b>Net asset</b>	<b>(11.0)</b>	<b>(49.4)</b>	<b>(14.1)</b>	<b>(49.4)</b>
<b>Included in the balance sheet</b>				
Payables and other non-current liabilities (note 17)	3.1	-	-	-
Other non-current assets (note 12)	(14.1)	(49.4)	(14.1)	(49.4)
<b>Net asset</b>	<b>(11.0)</b>	<b>(49.4)</b>	<b>(14.1)</b>	<b>(49.4)</b>
<b>Movements in the present value of the defined benefit funds liabilities were as follows:</b>				
Liabilities at the beginning of the financial year	236.3	250.5	236.3	250.5
Acquisitions/transfers in	86.9	-	-	-
Current service cost	3.6	3.0	2.0	3.0
Interest cost	13.6	11.3	11.5	11.3
Contributions from participants	1.3	0.7	0.7	0.7
Actuarial losses (gains)	14.4	(11.2)	12.7	(11.2)
Benefits paid	(43.5)	(18.0)	(29.4)	(18.0)
Liabilities at the end of the financial year	312.6	236.3	233.8	236.3
<b>Movements in the present value of the defined benefit funds assets were as follows:</b>				
Assets at the beginning of the financial year	285.7	268.6	285.7	268.6
Acquisitions/transfers in	89.5	-	-	-
Return on fund assets – expected	22.7	18.5	19.8	18.5
Return on fund assets – actuarial	(35.5)	12.4	(31.2)	12.4
Contributions from the employer	3.4	3.5	2.3	3.5
Contributions from participants	1.3	0.7	0.7	0.7
Benefits paid	(43.5)	(18.0)	(29.4)	(18.0)
Assets at the end of the financial year	323.6	285.7	247.9	285.7
The history of experience adjustments is as follows				
Experience (loss) gain on fund liabilities	(22.0)	0.4	(19.9)	0.4
Experience (loss) gain on fund assets	(35.5)	12.4	(31.2)	12.4
CSR GROUP				
(%)	2008	2007		
<b>Key assumptions and parameters (expressed as weighted averages):</b>				
Discount rate (after tax)	6.1	4.9		
Expected return on fund assets (after tax)	7.4	6.9		
Expected salary increase	3.5	3.5		
Asset class allocation	– equity instruments	49.8	53.3	
	– debt instruments	39.6	32.2	
	– property	7.4	9.6	
	– other	3.2	4.9	

### 30 FINANCIAL RISK MANAGEMENT

The CSR group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and commodity risk). The CSR group uses a variety of derivative instruments to manage financial and commodity price risks. The CSR group does not use derivative or financial instruments for speculative or trading purposes.

CSR Treasury provides services to the businesses, coordinates access to financial markets, monitors and manages the financial risks relating to the operations of the CSR group through internal risk reports that analyse exposures by degree and magnitude of risks as detailed further in this note. The use of financial derivatives is governed by the policies approved by the board of directors. The policies provide specific principles in relation to foreign exchange risk, interest rate risk, credit risk, the use of financial and non financial derivatives and the investment of excess liquidity. Compliance with policies and procedures is reviewed by CSR internal audit on a continuous basis.

#### Capital management

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

The capital structure of the CSR group consists of debt which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 7, issued capital and reserves disclosed in notes 22 and 23 and retained profits. The CSR group reviews the capital structure regularly and balances its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt or the redemption of existing debt.

#### Fair value

Certain estimates and judgements were required to develop the fair value amount. 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 fair value:

**Commodity futures:** The 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 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 fair value because of their short maturity.

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

**Interest rate swaps:** The present value of expected cash flows has been used to determine fair value using yield curves derived from market parameters that accurately reflect their term structure. Certain estimates and judgements were required to develop the fair value amounts.

#### Credit risk

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

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

Credit exposure of foreign currency and commodity price derivatives is represented by the 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 2008, 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.

#### Liquidity risk

Liquidity risk management requires maintaining sufficient cash, bank facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Details of credit facilities and the maturity profile are detailed in note 20.

The table below analyses the CSR group's financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to maturity date. The amounts are not discounted.

LIQUIDITY RISK (\$ MILLION)	CSR GROUP MATURITY GROUPING					CSR LIMITED MATURITY GROUPING				
	1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
<b>2008</b>										
Current payables	<b>389.0</b>	—	—	—	<b>389.0</b>	<b>413.3</b>	—	—	—	<b>413.3</b>
Other non-current payables	—	<b>8.3</b>	—	—	<b>8.3</b>	—	—	—	—	—
Borrowings (including interest) <sup>a</sup>	<b>586.1</b>	<b>554.6</b>	<b>337.1</b>	<b>0.1</b>	<b>1,477.9</b>	<b>577.3</b>	<b>549.3</b>	<b>337.1</b>	<b>1,621.6</b>	<b>3,085.3</b>
Commodity financial instruments <sup>b</sup>	<b>107.7</b>	<b>92.3</b>	<b>4.7</b>	—	<b>204.7</b>	—	—	—	—	—
Foreign currency financial instruments <sup>b</sup>	<b>12.5</b>	<b>1.7</b>	<b>0.5</b>	—	<b>14.7</b>	—	—	—	—	—
<b>Total</b>	<b>1,095.3</b>	<b>656.9</b>	<b>342.3</b>	<b>0.1</b>	<b>2,094.6</b>	<b>990.6</b>	<b>549.3</b>	<b>337.1</b>	<b>1,621.6</b>	<b>3,498.6</b>
<b>2007</b>										
Current payables	361.9	—	—	—	361.9	117.9	—	—	—	117.9
Other non-current payables	—	1.3	—	—	1.3	—	—	—	—	—
Borrowings (including interest) <sup>a</sup>	40.8	244.5	289.6	0.1	575.0	33.1	234.3	289.6	1,373.4	1,930.4
Commodity financial instruments <sup>b</sup>	107.1	92.0	1.0	—	200.1	—	—	—	—	—
Foreign currency financial instruments <sup>b</sup>	12.2	3.3	—	—	15.5	—	—	—	—	—
<b>Total</b>	<b>522.0</b>	<b>341.1</b>	<b>290.6</b>	<b>0.1</b>	<b>1,153.8</b>	<b>151.0</b>	<b>234.3</b>	<b>289.6</b>	<b>1,373.4</b>	<b>2,048.3</b>

<sup>a</sup> Over 5 years includes repayment of borrowings in July 2025 CSR group \$0.1 million (2007: \$0.1 million), and CSR Limited \$nil (2007: \$nil).

<sup>b</sup> Settlement of commodity and foreign currency financial instruments will be offset by revenue from the sale of commodities.

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

### 30 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Market risk

##### Commodity price and risk management

The CSR group has exposure to aluminium commodity prices. The aluminium price 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 undertakes longer term pricing in A\$ terms with the sugar and currency exposure closely matched. This pricing may be conducted in declining volumes for up to five years where an acceptable price outcome can be achieved. In addition, CSR undertakes sugar pricing during the season (in season pricing). The remainder of the sugar pricing, excluding CSR's long term and in season pricing, is undertaken by Queensland Sugar Limited (QSL). The CSR group receives its share of the Australian dollar pool price revenue derived by QSL based on QSL's sugar price and foreign exchange pricing activities. Sugar pricing is carried out by QSL for a maximum term usually of 18 months. As at 31 March 2008, approximately 0.4% of the 2007 milling season (year ended 31 March 2008) sugar remained unpriced by QSL. The estimated sugar price for the year ended 31 March 2008 was \$300 per tonne. This sugar price is a weighted average of the expected QSL sugar price and CSR's hedged sugar price. CSR priced approximately 75% of its share of the 2007 milling season's crop (year ended 31 March 2008) with the remainder priced by QSL. The 2007 season sugar price (year ended 31 March 2008) is insensitive to movements in market prices. For the anticipated production of the 2008 milling season (year ending 31 March 2009) and as at 31 March 2008, CSR is approximately 60% priced including longer term pricing, in season pricing and QSL pricing.

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

COMMODITY PRICE RISK EXPOSURE (\$ MILLION)	PRINCIPAL / MATURITIES						FAIR VALUE	
	AVERAGE PRICE <sup>a,b</sup>	1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY
<b>2008</b>								
<b>Aluminium</b>								
London Metal Exchange aluminium futures sell contracts <sup>c</sup>	<b>2,525.2</b>	<b>38.1</b>	<b>29.6</b>	<b>19.2</b>	–	<b>86.9</b>	<b>0.4</b>	<b>17.0</b>
Aluminium commodity swaps <sup>c</sup>	<b>2,276.5</b>	<b>219.5</b>	<b>216.3</b>	<b>22.9</b>	–	<b>458.7</b>	<b>0.5</b>	<b>146.6</b>
<b>Raw sugar</b>								
New York Board of Trade Sugar No 11 futures buy contracts <sup>c</sup>	<b>256.8</b>	<b>48.3</b>	<b>1.2</b>	–	–	<b>49.5</b>	<b>6.6</b>	<b>1.3</b>
New York Board of Trade Sugar No 11 futures sell contracts <sup>c</sup>	<b>264.5</b>	<b>109.8</b>	<b>14.1</b>	–	–	<b>123.9</b>	<b>5.6</b>	<b>8.8</b>
Sugar commodity swaps <sup>c</sup>	<b>273.7</b>	<b>92.5</b>	<b>123.4</b>	<b>25.9</b>	–	<b>241.8</b>	<b>12.1</b>	<b>25.7</b>
<b>Total</b>							<b>25.2</b>	<b>199.4</b>
<b>2007</b>								
<b>Aluminium</b>								
London Metal Exchange aluminium futures sell contracts <sup>c</sup>	2,204.7	42.5	51.7	–		94.2	–	18.5
Aluminium commodity swaps <sup>c</sup>	2,161.6	262.3	396.1	16.3		674.7	–	131.1
<b>Raw sugar</b>								
New York Board of Trade Sugar No 11 futures buy contracts <sup>c</sup>	263.4	132.1	5.0	–		137.1	–	20.7
New York Board of Trade Sugar No 11 futures sell contracts <sup>c</sup>	269.8	108.5	5.0	–		113.5	18.7	–
Sugar commodity swaps <sup>c</sup>	255.3	132.3	176.0	9.4		317.7	28.7	20.8
<b>Total</b>							47.4	191.1

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

b US dollars per metric tonne.

c \$174.2 million of commodity contract losses (2007: \$143.7 million losses) was deferred in 2008 as the losses relate to hedges of highly probable forecast transactions and fair value hedges. The expected timing of recognition based on the fair values at 31 March 2008 is one year or less: \$90.5 million loss (2007: \$69.2 million loss); one to three years: \$82.7 million loss (2007: \$74.6 million loss) and three to five years: \$1.0 million loss (2007: \$1 million gain). \$4.8 million of commodity contract losses relating to fair value hedges was recognised in 2008 (2007: \$9.8 million).

The following table details the CSR group's sensitivity to an increase in the aluminium and sugar prices assuming a constant exchange rate.

A decrease would have the opposite impact to the amounts shown in the table. The sensitivity analysis of the CSR group's exposure to aluminium and sugar price risk at the reporting date has been determined based on the balances as at reporting date.

PRICE CHANGE SENSITIVITY (\$ MILLION)	ALUMINIUM PRICE - 10%				SUGAR PRICE - 30%			
	CSR GROUP 2008	CSR GROUP 2007	CSR LIMITED 2008	CSR LIMITED 2007	CSR GROUP 2008	CSR GROUP 2007	CSR GROUP 2008	CSR LIMITED 2007
Profit or Loss	–	–	–	–	0.2	1.5	–	–
Other Equity	<b>68.8</b>	85.9	–	–	<b>56.1</b>	31.1	–	–

The CSR group's sensitivity to sugar price risk at balance date is not representative of the sensitivity throughout the year as the year end exposure does not reflect the exposure during the year due to in season sugar pricing undertaken.

### 30 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Foreign exchange and risk management

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

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

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

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

FOREIGN EXCHANGE RISK EXPOSURE (\$ MILLION)	AVERAGE EXCHANGE RATE <sup>a</sup>	PRINCIPAL MATURITIES					FAIR VALUE <sup>c</sup>		
		1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY	
<b>2008</b>									
<b>Forward exchange rate agreements<sup>b</sup></b>									
<b>US dollar</b>									
Buy US dollar	0.83	158.2	11.0	—	—	169.2	0.5	12.5	
Sell US dollar	0.76	435.1	422.2	69.0	—	926.3	104.0	1.5	
<b>New Zealand dollar</b>									
Sell New Zealand dollar	1.15	4.7	—	—	—	4.7	—	—	
<b>Euro</b>									
Buy euro	0.61	41.0	—	—	—	41.0	2.5	—	
<b>United Kingdom pound</b>									
Buy United Kingdom pound	0.43	0.3	—	—	—	0.3	—	—	
<b>Japanese yen</b>									
Buy Japanese yen	88.47	1.2	—	—	—	1.2	—	—	
Sell Japanese yen	93.46	0.2	—	—	—	0.2	—	—	
<b>Singaporean dollar</b>									
Buy Singaporean dollar	1.51	0.5	0.3	—	—	0.8	0.2	—	
<b>Total</b>							<b>107.2</b>	<b>14.0</b>	
<b>2007</b>									
<b>Forward exchange rate agreements<sup>b</sup></b>									
<b>US dollar</b>									
Buy US dollar	0.75	199.4	66.4	—	—	265.8	—	14.8	
Sell US dollar	0.72	434.8	549.7	25.7	—	1,010.2	81.1	—	
<b>New Zealand dollar</b>									
Sell New Zealand dollar	1.15	4.1	0.1	—	—	4.2	—	—	
<b>Euro</b>									
Buy euro	0.60	3.0	—	—	—	3.0	—	—	
<b>United Kingdom pound</b>									
Buy United Kingdom pound	0.41	0.5	—	—	—	0.5	—	—	
<b>Japanese yen</b>									
Buy Japanese yen	93.00	0.7	—	—	—	0.7	—	—	
Sell Japanese yen	93.00	0.2	—	—	—	0.2	—	—	
<b>Swedish kronor</b>									
Buy Swedish kronor	5.41	2.1	—	—	—	2.1	—	0.1	
<b>Singaporean dollar</b>									
Buy Singaporean dollar	1.34	0.5	0.7	—	—	1.2	0.1	—	
<b>Total</b>							<b>81.2</b>	<b>14.9</b>	

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

b \$93.2 million of net foreign exchange contract gains (2007: \$66.3 million gain) have been deferred as the gains relate to hedges of highly probable forecast transactions.

The expected timing of recognition based on the fair values at 31 March 2008 are one year or less: \$55.5 million gain (2007: \$30.7 million gain); one to three years: \$37.4 million gain (2007: \$34.3 million gain) and three to five years: \$0.3 million (2007: \$1.3 million).

c As at reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is \$93.2 million (2007: unrealised gains of \$66.3 million). These unrealised gains have been deferred in the hedge reserve to the extent the hedge is effective.

At 31 March 2008, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies with all other variables held constant, the post tax profit would have been materially unchanged mainly as a result of the effectiveness of the hedging in place. Equity would have been \$46.5 million higher/\$38.1 million lower (2007: \$50.4 million higher/\$41.2 million lower) had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies arising mainly from foreign forward exchange contracts designated as cash flow hedges. CSR Limited is not materially different to the CSR group.

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

### 30 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest rate sensitivity and risk management

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

INTEREST RATE RISK EXPOSURE (\$ MILLION)	NOTE	TERM IN YEARS	RATE % PA <sup>a</sup>	WEIGHTED AVERAGE					PRINCIPAL/MATURITIES			CARRYING AMOUNT		FAIR VALUE	
				1 YEAR OR LESS	1 TO 3 YEAR(S)	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY	ASSET	ASSET	LIABILITY	ASSET	LIABILITY
<b>2008</b>															
<b>Long term debt</b>															
Fixed rate US dollar debt	18	17.3	7.7	—	—	—	0.1	0.1	—	0.1	—	0.1	—	0.1	—
Fixed rate Thai baht debt	18	—	5.3	—	4.9	—	—	4.9	—	4.9	—	4.9	—	4.2	—
Floating rate Australian dollar debt <sup>b</sup>	18	2.8	8.0	—	440.0	320.0	—	760.0	—	760.0	—	760.0	—	760.0	—
Floating rate New Zealand dollar debt	18	2.5	9.1	—	13.8	—	—	13.8	—	13.8	—	13.8	—	13.8	—
<b>Short term debt</b>															
Fixed rate Australian dollar debt	18	1.0	6.1	200.0	—	—	—	200.0	—	200.0	—	200.0	—	200.0	—
Fixed rate Thai baht debt	18	0.7	5.3	0.5	—	—	—	0.5	—	0.5	—	0.5	—	0.5	—
Fixed rate Malaysian ringgit debt	18	0.2	4.1	5.5	—	—	—	5.5	—	5.5	—	5.5	—	5.5	—
Floating rate Australian dollar debt <sup>b</sup>	18	0.5	7.4	270.0	—	—	—	270.0	—	270.0	—	270.0	—	270.0	—
Floating rate Australian dollar debt	18	—	7.3	3.2	—	—	—	3.2	—	3.2	—	3.2	—	3.2	—
Floating rate New Zealand dollar debt	18	—	8.8	3.0	—	—	—	3.0	—	3.0	—	3.0	—	3.0	—
Cash at bank and on deposit <sup>c</sup>	7	—	—	24.3	—	—	—	24.3	24.9	0.6	24.3	—	—	—	—
<b>Total</b>					457.9	458.7	320.0	0.1	1,236.7	24.9	1,261.6	24.3	1,260.3	—	—
<b>2007</b>															
<b>Long term debt</b>															
Fixed rate US dollar debt	18	18.3	7.7	—	—	—	0.1	0.1	—	0.1	—	0.1	—	0.1	—
Fixed rate Australian dollar debt	18	2.0	6.0	—	200.0	—	—	200.0	—	200.0	—	200.0	—	197.4	—
Fixed rate Thai baht debt	18	0.7	4.1	7.5	—	—	—	7.5	—	7.5	—	7.5	—	7.5	—
Fixed rate Malaysian ringgit debt	18	1.2	4.1	0.5	10.1	—	—	10.6	—	10.6	—	10.6	—	10.6	—
Floating rate Australian dollar debt <sup>b</sup>	18	4.0	6.6	—	—	260.0	—	260.0	—	260.0	—	260.0	—	260.0	—
Floating rate New Zealand dollar debt	18	4.0	8.0	—	—	19.5	—	19.5	—	19.5	—	19.5	—	19.5	—
<b>Short term debt</b>															
Floating rate Singaporean dollar debt	18	0.1	3.7	0.6	—	—	—	0.6	—	0.6	—	0.6	—	0.6	—
Floating rate New Zealand dollar debt	18	0.1	7.6	1.5	—	—	—	1.5	—	1.5	—	1.5	—	1.5	—
Secured other Australian dollar debt	18	1.0	—	0.1	—	—	—	0.1	—	0.1	—	0.1	—	0.1	—
Cash at bank and on deposit <sup>c</sup>	7	—	—	51.3	—	—	—	51.3	53.2	1.9	51.3	—	—	—	—
<b>Total</b>					(41.1)	210.1	279.5	0.1	448.6	53.2	501.8	51.3	497.3	—	—

a Average rates for the individual periods do not materially differ from the overall average rates disclosed. Other financial assets and liabilities are not exposed to interest rate risk.

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

c Net of overdraft. Interest rates vary from nil to 7.5% per annum (2007: nil to 7.5% per annum).

At 31 March 2008, if interest rates had changed by +/- 1% per annum from the year end rates with all other variables held constant, the post tax profit for the year would have been \$6.6 million higher/lower (2007: \$0.8 million higher/lower) mainly as a result of higher interest cost on borrowings. CSR Limited is not materially different to the CSR group.

INTEREST RATE DERIVATIVES AUSTRALIAN DOLLAR INTEREST RATE SWAPS	TERM IN YEARS	RATE % PA <sup>a</sup>	WEIGHTED AVERAGE					PRINCIPAL/MATURITIES			CARRYING AMOUNT		FAIR VALUE	
			1 YEAR OR LESS	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL	ASSET	LIABILITY	ASSET	ASSET	LIABILITY	ASSET	LIABILITY
<b>2008</b>														
Fixed rate payer against A\$ bank bills	<b>2.9</b>	<b>6.5</b>	<b>—</b>	<b>266.5</b>	<b>100.0</b>	<b>—</b>	<b>366.5</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>7.4</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>2007</b>														
Fixed rate payer against A\$ bank bills	3.5	5.9	—	—	150.0	—	150.0	—	—	—	3.2	—	—	—

At 31 March 2008, if interest rates had changed by +/- 1% from the year end rates with all other variables held constant, reserves for the year would have been \$7.7 million higher/\$7.8 million lower (2007: \$4.6 million higher/\$4.7 million lower) mainly as a result of higher interest cost on borrowings. CSR Limited is not materially different to the CSR Group.

FAIR VALUES (\$ MILLION)	CARRYING AMOUNT					FAIR VALUE		
	ASSET		LIABILITY		ASSET	LIABILITY		
	2008	2007	2008	2007		2008	2007	2008
Other financial assets	<b>185.5</b>	168.2			<b>185.5</b>	168.2		
Current trade receivables	<b>392.1</b>	390.6			<b>392.1</b>	390.6		
Current payables and financial liabilities			<b>507.3</b>	491.0				<b>507.3</b>
Non-current payables and financial liabilities			<b>106.5</b>	78.2				<b>106.5</b>
<b>Total</b>	<b>577.6</b>	558.8	<b>613.8</b>	569.2	<b>577.6</b>	558.8		<b>613.8</b>
								569.2

	OWNERSHIP INTEREST		CARRYING AMOUNT	
	2008	2007	2008	2007
	%	\$ MILLION		
<b>31 EQUITY ACCOUNTING INFORMATION</b>				
<b>Name of entity</b>	<b>Principal activity</b>			
C. Czarnikow Limited <sup>a</sup>	Sugar brokering	<b>43</b>	43	<b>17.9</b>
Enviroguard Pty Limited <sup>b</sup>	Waste management	—	50	—
Rondo Pty Limited	Building products	<b>50</b>	50	<b>8.9</b>
Other non-material associates				<b>1.1</b>
<b>Total investments accounted for using the equity method</b>				<b>27.9</b>
All incorporated in Australia except C. Czarnikow Limited which is incorporated in England and Wales.				33.0

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

(\$ MILLION)	CSR GROUP	
	2008	2007
<b>Equity accounted amount of investments at the beginning of the financial year</b>	<b>33.0</b>	29.1
Share of associate entities' profit from ordinary activities before income tax	<b>24.7</b>	32.6
Share of income tax	(8.1)	(9.9)
Disposals	(6.4)	—
Dividends and distributions received	(15.3)	(18.8)
Foreign currency translation and other	—	—
<b>Equity accounted amount of investments at the end of the financial year</b>	<b>27.9</b>	33.0

#### Share of revenue and reserves attributable to associate entities

	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
Revenue	<b>143.4</b>	142.0		
Retained profits <sup>c</sup>	<b>19.8</b>	23.2		
Asset revaluation reserves <sup>c</sup>	<b>0.4</b>	1.4		
Other reserves <sup>c</sup>	<b>3.1</b>	8.7		
<b>Summarised balance sheet of associate entities</b>				
Assets				
- Cash	<b>22.2</b>	49.8		
- Other current assets	<b>229.2</b>	442.1		
- Property, plant and equipment	<b>14.9</b>	19.7		
- Other non-current assets	<b>7.0</b>	13.0		
Liabilities				
- Current payables	<b>87.4</b>	163.2		
- Current borrowings and other liabilities	<b>131.7</b>	265.1		
- Non-current liabilities	<b>2.2</b>	8.9		
<b>Net assets</b>	<b>52.0</b>	87.4		

(\$ MILLION)	CSR GROUP		CSR LIMITED	
	2008	2007	2008	2007
<b>Balances and transactions with associate entities<sup>d</sup></b>				
Current loans and receivables	<b>9.8</b>	10.4	<b>9.8</b>	10.4
Non-current loans and receivables	<b>17.5</b>	18.2	<b>7.2</b>	7.2
New loans and receivables	<b>9.6</b>	13.1	<b>9.6</b>	3.0
Loans and receivables repaid	<b>11.0</b>	11.0	<b>10.2</b>	3.2
Current payables	<b>6.4</b>	3.9	—	—
Purchases of goods and services	<b>54.0</b>	44.2	—	—
Sales of goods and services	<b>3.8</b>	4.9	—	—
Dividends and distributions received and receivable	<b>15.3</b>	18.8	—	—

a The reporting date is 31 December.

b The CSR group's share of this entity was sold in 2008 for \$24.5 million resulting in a profit of \$17.8 million.

c The opening balances as at 1 April 2006 were retained profits \$21.9 million, asset revaluation reserves \$0.7 million and other reserves \$8.6 million.

d Purchases and sales of goods and services are on normal terms and conditions.

## Notes to the financial statements (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

	COUNTRY OF INCORPORATION/ FORMATION	% CSR OWNERSHIP 2008	% CSR OWNERSHIP 2007		COUNTRY OF INCORPORATION/ FORMATION	% CSR OWNERSHIP 2008	% CSR OWNERSHIP 2007
<b>32 PARTICULARS RELATING TO CONTROLLED ENTITIES</b>							
BI (Contracting) Pty Ltd	Australia	<b>100</b>	100	CSR Viridian Finance Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
Bradford Insulation Industries Pty Ltd	Australia	<b>100</b>	100	CSR Viridian Holdings Limited <sup>b</sup>	Australia	<b>100</b>	-
Bradford Insulation (SA) Pty Ltd <sup>a</sup>	Australia	<b>100</b>	100	CSR Viridian International Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
Buchanan Borehole Collieries Pty Ltd	Australia	<b>100</b>	100	CSR Viridian Investment Company Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
Chelsea Estates NZ Pty Ltd	Australia	<b>100</b>	100	CSR Viridian Limited <sup>b</sup>	Australia	<b>100</b>	-
Chelsea Nominees Ltd	New Zealand	<b>100</b>	100	CSR Viridian Operations Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Bradford Air (M) Sdn Bhd	Malaysia	<b>70</b>	70	CSR Viridian Properties Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Building Materials (HK) Ltd	Hong Kong	<b>100</b>	100	CSR Viridian (New Zealand) Holdings Limited <sup>b</sup>	New Zealand	<b>100</b>	-
CSR Building Materials (M) Sdn Bhd	Malaysia	<b>70</b>	70	CSR Viridian (New Zealand) Limited <sup>b</sup>	New Zealand	<b>100</b>	-
CSR Building Products (NZ) Ltd	New Zealand	<b>100</b>	100	CSR (Guangzhou) Building Materials Co., Ltd	China	<b>100</b>	100
CSR Building Materials Trading (Shanghai) Co., Ltd	China	<b>100</b>	100	CSR (Guangdong) Rockwool Co., Ltd	China	<b>70</b>	70
CSR Building Products Ltd	Australia	<b>100</b>	100	CSR (Pioneer Sugar) Pty Ltd	Australia	<b>100</b>	100
CSR Climate Control (M) Sdn Bhd	Malaysia	<b>70</b>	70	DMS Security Glass Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Developments Pty Ltd	Australia	<b>100</b>	100	Don Mathieson & Staff Glass Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Distilleries Operations Pty Ltd	Australia	<b>100</b>	100	Farley & Lewers Pty Ltd	Australia	<b>100</b>	100
CSR Erskine Park Trust	Australia	<b>100</b>	100	FEP Concrete Pty Ltd	Australia	<b>100</b>	100
CSR Ethanol Pty Ltd	Australia	<b>100</b>	100	Gove Aluminium Finance Ltd	Australia	<b>70</b>	70
CSR Finance Ltd	Australia	<b>100</b>	100	Gyproc Holdings Pty Ltd	Australia	<b>100</b>	100
CSR Guangdong Glasswool Co., Ltd	China	<b>79</b>	79	Midalco Pty Ltd	Australia	<b>100</b>	100
CSR Industrial Property Trust	Australia	<b>100</b>	100	New Zealand Sugar Company Ltd	New Zealand	<b>75</b>	75
CSR Industrial Property Nominees No 1 Pty Ltd	Australia	<b>100</b>	100	PASS Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Industrial Property Nominees No 2 Pty Ltd	Australia	<b>100</b>	100	Pioneer Sugar Mills Pty Ltd	Australia	<b>100</b>	100
CSR Insulation (Thailand) Limited	Thailand	<b>100</b>	100	Premier Packers Ltd	New Zealand	<b>75</b>	75
CSR Insurance Pte Limited	Singapore	<b>100</b>	100	PT Prima Karya Plasterboard	Indonesia	<b>100</b>	100
CSR International Pty Ltd	Australia	<b>100</b>	100	Refined Sugar Services Pty Ltd	Australia	<b>100</b>	100
CSR Investments Pty Ltd	Australia	<b>100</b>	100	Rivarol Pty Ltd	Australia	<b>100</b>	100
CSR Investments (Asia) Pty Ltd	Australia	<b>100</b>	100	SA Independent Glass Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Investments (Indonesia) Pty Ltd	Australia	<b>100</b>	100	Seltsam Pty Ltd	Australia	<b>100</b>	100
CSR Investments (Thailand) Pty Ltd	Australia	<b>100</b>	100	Softwood Holdings Ltd <sup>a</sup>	Australia	<b>100</b>	100
CSR Plane Creek Pty Ltd	Australia	<b>100</b>	100	Softwood Plantations Pty Ltd <sup>a</sup>	Australia	<b>100</b>	100
CSR Refining Investments Pty Ltd	Australia	<b>100</b>	100	Softwoods Queensland Pty Ltd <sup>a</sup>	Australia	<b>100</b>	100
CSR Refining Investments (NZ) Ltd	New Zealand	<b>100</b>	100	Sugar Australia Joint Venture	Australia	<b>75</b>	75
CSR Share Plan Pty Ltd	Australia	<b>100</b>	100	Sugar Australia Pty Ltd	Australia	<b>75</b>	75
CSR South East Asia Pte Ltd	Singapore	<b>100</b>	100	Tatefield Pty Ltd	Australia	<b>75</b>	75
CSR Sugar Investments Pty Ltd	Australia	<b>100</b>	100	The Haughton Sugar Co Pty Ltd	Australia	<b>100</b>	100
CSR Sugar Pty Ltd	Australia	<b>100</b>	100	Thiess Bros Pty Ltd	Australia	<b>100</b>	100
CSR Sugar (Herbert) Pty Ltd	Australia	<b>100</b>	100	Thiess Holdings Pty Ltd	Australia	<b>100</b>	100
CSR Sugar (Invicta) Pty Ltd	Australia	<b>100</b>	100	VEST Super Pty Limited <sup>b</sup>	Australia	<b>100</b>	-
CSR Sugar (Kalamia) Pty Ltd	Australia	<b>100</b>	100				

a In voluntary liquidation.

b Controlled entity acquired during the financial year.

### 33 CONTRACTED LEASE AND HIRE EXPENDITURE<sup>a</sup>

(\$ MILLION)	CSR GROUP 2008	CSR GROUP 2007	CSR LIMITED 2008	CSR LIMITED 2007
<b>Contracted lease and hire expenditure commitments not otherwise provided for in the financial statements</b>				
Land and buildings	<b>84.5</b>	32.2	<b>7.7</b>	10.7
Plant and equipment	<b>69.8</b>	72.9	<b>0.1</b>	0.1
	<b>154.3</b>	105.1	<b>7.8</b>	10.8
<b>Contracted lease and hire expenditure comprises</b>				
<b>Non-cancellable operating leases payable</b>				
Within one year	<b>34.8</b>	24.5	<b>3.5</b>	3.4
Between one and two years	<b>27.6</b>	21.0	<b>3.6</b>	3.5
Between two and five years	<b>27.9</b>	20.5	—	3.2
After five years	<b>5.4</b>	—	—	—
	<b>95.7</b>	66.0	<b>7.1</b>	10.1
<b>Other payable</b>				
Within one year	<b>16.9</b>	10.8	<b>0.2</b>	0.2
Between one and two years	<b>12.5</b>	9.3	<b>0.2</b>	0.2
Between two and five years	<b>25.8</b>	19.0	<b>0.3</b>	0.3
After five years	<b>3.4</b>	—	—	—
	<b>58.6</b>	39.1	<b>0.7</b>	0.7
<b>Total operating lease and hire expenditure</b>				
	<b>154.3</b>	105.1	<b>7.8</b>	10.8

a The operating lease and rental payments were CSR group \$33.1 million (2007: \$30.8 million) and CSR Limited \$5.9 million (2007: \$4.2 million). The total of minimum rentals to be received in the future under non-cancellable sub-leases as at 31 March 2008 is not material. Contingent rentals for 2008 and 2007 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.

(\$ MILLION)	CSR GROUP 2008	CSR GROUP 2007	CSR LIMITED 2008	CSR LIMITED 2007
<b>34 CONTRACTED CAPITAL EXPENDITURE</b>				
<b>Estimated capital expenditure contracted for at year end but not provided for</b>				
Payable within one year – CSR group	<b>221.7</b>	86.8	<b>2.6</b>	33.0
Payable within one year – associate entities	–	–	–	–
<b>Total contracted capital expenditure</b>	<b>221.7</b>	86.8	<b>2.6</b>	33.0
<b>35 CONTINGENT LIABILITIES</b>				
<b>Contingent liabilities, capable of estimation, arise in respect of the following categories:</b>				
Performance guarantees provided to third parties and other contingent liabilities	<b>10.6</b>	11.3	–	–
Guarantees given by CSR Limited in respect of amounts borrowed by CSR Finance Limited			<b>0.1</b>	0.1
<b>Total contingent liabilities</b>	<b>10.6</b>	11.3	<b>0.1</b>	0.1

#### **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 2008, there were 596 such claims pending.

In the United States, claims are made by people who allege exposure to asbestos fibre used in the manufacture of products containing asbestos or in the installation or use of those products. As at 31 March 2008, there were 2,477 such claims pending.

CSR has been settling claims since 1989. As at 31 March 2008, CSR had resolved 2,334 claims in Australia and approximately 132,000 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 demands on CSR, the amount of those demands, the presence of other defendants in litigation involving CSR, the impact on the United States litigation environment of asbestos related bankruptcies, the passage of certain state based legislation relating to asbestos claims in the United States, and changes to the system for compensating asbestos claims in New South Wales and South Australia impact the numbers and value of claims made against CSR.

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

CSR's provision is reviewed and, if necessary, adjusted at each accounting period. It is possible that, in the future, CSR's anticipated liabilities may change and that exchange rates or interest rates may fluctuate in a way that requires CSR to adjust its asbestos provisions and such events may influence the directors' view of the appropriate prudential margin.

At 31 March 2008, a provision of \$371.5 million (2007: \$388.0 million) has been made for all known claims and probable future claims but not for such claims as cannot presently be reliably measured. CSR cannot determine with certainty the amount of its ultimate liability with respect to asbestos related claims or the future impact on its financial condition. However, taking into account the provision already 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 is a licensed 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 (continued)

YEAR ENDED 31 MARCH CSR Limited and its controlled entities

### 36 ACQUISITIONS AND DISPOSALS OF CONTROLLED ENTITIES AND BUSINESSES

On 29 June 2007 and 8 October 2007, CSR Limited acquired 100% of the issued share capital of Pilkington Australia Finance Pty Ltd (renamed CSR Viridian Finance Pty Ltd) and Don Mathieson & Staff Glass Pty Ltd respectively. The acquired businesses contributed revenues of \$354.9 million, earnings before interest and tax (EBIT) of \$49.3 million and net profit of \$36.4 million for the period from 29 June 2007 to 31 March 2008. The net profit does not include significant items and interest expense associated with the acquisition. If the acquisition had occurred on 1 April 2007, revenues, EBIT and net profit included in the group result for these businesses for the year ended 31 March 2008 would have been approximately \$505.0 million, \$64.3 million and \$45.0 million respectively before significant items and interest expense. These amounts have been estimated using a consistent basis to the period since acquisition.

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

(\$ MILLION)	2008	2007
Purchase consideration (refer below)		
Cash paid – purchase price	<b>865.0</b>	7.7
Cash paid – other – includes working capital and cash adjustments	<b>41.6</b>	–
Direct costs relating to the acquisition	<b>10.4</b>	–
Total purchase consideration	<b>917.0</b>	7.7
Fair value of net identifiable assets acquired (refer below)	<b>345.8</b>	7.0
Goodwill (refer below)	<b>571.2</b>	0.7

VALUE OF NET ASSETS OF CONTROLLED ENTITIES AND BUSINESSES ACQUIRED/DISPOSED	CSR GROUP ACQUISITIONS			CSR GROUP DISPOSALS		
	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE	ACQUIREE'S CARRYING AMOUNT	FAIR VALUE	2008	2007
(\$ MILLION)						
Cash	<b>26.1</b>	<b>26.1</b>	–	–	–	–
Trade receivables	<b>77.4</b>	<b>77.4</b>	–	–	–	–
Inventories	<b>68.2</b>	<b>64.8</b>	–	–	–	–
Other current assets	<b>3.7</b>	<b>3.7</b>	–	–	–	–
Investments accounted for using the equity method	–	–	–	–	<b>6.4</b>	–
Property, plant and equipment	<b>276.1</b>	<b>289.3</b>	0.3	0.3	–	–
Intangible assets	–	–	6.7	6.7	–	–
Deferred income tax asset	<b>12.5</b>	<b>18.7</b>	–	–	–	–
Superannuation defined benefit plans – fair value of surplus	<b>2.6</b>	<b>2.6</b>	–	–	–	–
Trade payables	<b>(39.7)</b>	<b>(39.7)</b>	–	–	–	–
Other creditors	<b>(14.5)</b>	<b>(20.9)</b>	–	–	–	–
Income tax provision	<b>(7.1)</b>	<b>(7.3)</b>	–	–	–	–
Provisions	<b>(35.7)</b>	<b>(64.6)</b>	–	–	–	–
Deferred income	<b>(4.3)</b>	<b>(4.3)</b>	–	–	–	–
Net identifiable assets	<b>365.3</b>	<b>345.8</b>	7.0	7.0	<b>6.4</b>	–
Goodwill acquired <sup>a</sup>		<b>571.2</b>	0.7	0.7	–	–
Divestment/acquisition expenses					<b>0.3</b>	–
Profit on disposal					<b>17.8</b>	–
Total consideration		<b>917.0</b>	7.7	7.7	<b>24.5</b>	–
Cash balances acquired/disposed		<b>(26.1)</b>	–	–	–	–
Total flow of cash		<b>890.9</b>	7.7	7.7	<b>24.5</b>	–

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

a The goodwill is attributable to the workforce and the high profitability of the acquired businesses.

### 37 SUBSEQUENT EVENTS

There have been no changes in events since 31 March 2008 that would materially impact any information disclosed in this financial report.

#### DIRECTORS' DECLARATION

- The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2008.
- In the Directors' opinion:
  - the financial statements and notes, set out on pages 20 to 46 are in accordance with the Corporations Act 2001, including:
    - complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
    - giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
  - there are reasonable grounds to believe that CSR Limited will be able to pay its debts as and when they become due and payable.

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

**Ian Blackburne**

Chairman

**Jerry Maycock**

Managing Director

14 May 2008

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CSR LIMITED

### Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of CSR Limited, which comprises the balance sheet as at 31 March 2008, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 46.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 8 to 17 of the directors' report, and not in the financial report.

### Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

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

The directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes, comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the compensation disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the compensation disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the compensation disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the compensation disclosures contained in the directors' report.

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

### Auditor's Independence Declaration

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

### Auditor's Opinion on the Financial Report

In our opinion:

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

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 March 2008 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

### Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 8 to 17 under the heading "remuneration report" of the directors' report, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures

DELOITTE TOUCHE TOHMATSU

Greg Couttas  
Partner  
Chartered Accountants  
Sydney, 14 May 2008

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CSR LIMITED REPORT TO THE MEMBERS

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

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of CSR Limited. As lead audit partner for the audit of CSR Limited financial statements for the year ended 31 March 2008, 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, 14 May 2008

Liability limited by a scheme approved under Professional Standards Legislation.

# Share information

## 20 LARGEST HOLDERS OF ORDINARY FULLY PAID SHARES

AS AT 14 MAY 2008	ORDINARY SHARES	% OF TOTAL SHARES
National Nominees Limited	131,590,418	13.39
JP Morgan Nominees Australia Limited	113,793,971	11.58
HSBC Custody Nominees (Australia) Limited	99,281,546	10.10
Citicorp Nominees Pty Limited	49,877,448	5.08
ANZ Nominees Limited	40,648,996	4.14
UBS Nominees Pty Limited	30,630,826	3.12
UBS Nominees Pty Limited	26,830,000	2.73
Cogent Nominees Pty Limited	16,234,135	1.65
Citicorp Nominees Pty Limited	9,246,839	0.94
CSR Share Plan Pty Limited	7,482,578	0.76
Citicorp Nominees Pty Limited	6,305,410	0.64
Australian Foundation Investment Company Limited	6,244,404	0.64
Citicorp Nominees Pty Limited	4,329,170	0.44
Queensland Investment Corporation	4,174,305	0.42
GPG Nominees Pty Limited	3,992,810	0.41
Australian Reward Investment Alliance	3,578,789	0.36
The Senior Master of the Supreme Court	3,314,659	0.34
Argo Investments Limited	3,095,512	0.31
Perpetual Trustee Company Limited	2,885,745	0.29
Citicorp Nominees Pty Limited	2,885,181	0.29
	566,422,742	57.63
Total issued capital	982,726,635	

## SUBSTANTIAL SHAREHOLDERS OF CSR LIMITED

Barclays Global Investors Australia Limited advised that, as at 10 April 2008, it and its associates had a relevant interest in 102.45 million shares, which represented 10.46% of CSR's total issued capital.

Guinness Peat Group advised that, as at 3 July 2007, it and its associates had a relevant interest in 52.90 million shares, which represented 6.04% of CSR's total issued capital.

## DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS

AS AT 14 MAY 2008	SHAREHOLDERS	%	SHARES	%
<b>Registered address</b>				
Australia	81,162	96.30%	971,547,039	98.86%
New Zealand	1,955	2.32%	7,201,118	0.73%
UK	423	0.50%	1,310,782	0.13%
US	187	0.22%	311,126	0.03%
Other	554	0.66%	2,356,570	0.24%
Total	84,281	100.00%	982,726,635	100.00%
<b>Size of shareholding</b>				
1 - 1,000	23,960	28.43%	13,385,181	1.36%
1,001 - 5,000	41,139	48.81%	107,865,450	10.98%
5,001 - 10,000	12,045	14.29%	85,327,593	8.68%
10,001 - 100,000	6,931	8.22%	137,980,710	14.04%
100,001 - and over	206	0.24%	638,167,701	64.94%
Total	84,281	100.00%	982,726,635	100.00%
<b>Shareholdings of less than a marketable parcel</b>				
Holdings of 159 or less shares	1,654	1.96%	109,251	0.01%

## INSTITUTIONAL SHARE PLACEMENT, SHARE PURCHASE PLAN AND DIVIDEND REINVESTMENT PLAN

On 18 September 2007 following completion of an institutional equity placement the company issued 49,019,608 fully paid ordinary shares at \$3.06 per share.

On 9 November 2007 under the terms of its Share Purchase Plan the company issued 36,586,077 fully paid ordinary shares at \$3.06 per share.

On 17 December 2007 the company issued 6,124,006 fully paid ordinary shares at \$2.9439 per share to participants in the Dividend Reinvestment Plan and 13,183,444 fully paid ordinary shares at \$3.0194 per share in accordance with the Dividend Reinvestment Plan Underwriting Agreement.

## RECENT CSR DIVIDENDS

DATE PAID	TYPE OF DIVIDEND	DIVIDEND PER SHARE	FRANKING	FRANKED AMOUNT PER SHARE AT 30% TAX
July 2004	Final	6 cents	70%	4.2 cents
December 2004	Interim	6 cents	100%	6 cents
July 2005	Final	6 cents	100%	6 cents
August 2005	Capital return	20 cents		
December 2005	Interim	6 cents	100%	6 cents
July 2006	Final	9 cents	100%	9 cents
December 2006	Interim	6 cents	100%	6 cents
July 2007	Final	9 cents	100%	9 cents
December 2007	Interim	6 cents	100%	6 cents

# Shareholder information

## SHAREHOLDERS' TIMETABLE<sup>a</sup>

	2008
CSR year end	31 March
Full year profit and final dividend announced	14 May
Shares begin trading ex dividend	3 June
Annual Report, notice of meeting and proxy form released	11 June
Record date for final dividend	11 June
Final dividend paid	3 July
Proxy returns close 10.00 am Sydney	8 July
Annual general meeting 10.00 am Sydney	10 July
CSR half year end	30 September
Half year profit and half year dividend announced	5 November
	2009
CSR year end	31 March

a Timing of events is subject to change.

## ANNUAL GENERAL MEETING

Annual general meeting 10.00 am Thursday 10 July 2008  
The Four Seasons Hotel, 199 George Street, Sydney NSW 2000

## 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 2975, Melbourne VIC 3001 Australia  
Telephone within Australia 1800 676 061  
International +61 3 9415 4033  
Facsimile (03) 9473 2500  
International +61 3 9473 2500  
E-mail web.queries@computershare.com.au  
Internet site www.computershare.com.au

## CSR LIMITED

ABN 90 000 001 276  
Level 1, 9 Help Street  
Chatswood NSW 2067 Australia  
Locked Bag 6 Chatswood NSW 2057 Australia  
Telephone (02) 9235 8000  
International +61 2 9235 8000  
Facsimile (02) 9235 8044  
International +61 2 9235 8044  
E-mail investorrelations@csr.com.au  
Internet site www.csr.com.au

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