

worldwide market




James Hardie

growth through technology

ANNUAL REPORT 2001

james hardie

growth through innovation



new frontiers

research

accelerate growth

The worldwide market for fibre cement is large and growing rapidly. We have a leading position in this industry, which we can further strengthen using our proprietary technology. Our objective is to accelerate growth for our fibre cement products and secure high shares of new markets while vigorously defending our well established markets.

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Our leading position in the USA gypsum wallboard industry enables us to produce above average returns which will provide attractive earnings over the business cycle. By pursuing the growth opportunities in fibre cement, and continuing to develop our gypsum business, we can sustain above average returns for shareholders over the long term.

growth through technology

strong growth potential

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Manufacturing Operations
Growth Potential

James Hardie has started the new millennium as a reinvigorated company, focussed on fibre cement. Our transformation started in the 1980s when we pioneered the development of cellulose fibre reinforced cement as an attractive alternative to traditional building materials.

Today, fibre cement is one of the fastest growing building materials in the world. Fibre cement is a composite building and construction material made from sand, cement and cellulose fibre. It is used extensively as a cladding and lining material in residential, commercial and industrial construction and is also used to make drainage pipes.

Much of the product and process technology we have today is unique to James Hardie.

James Hardie also has a highly attractive position in the USA gypsum wallboard market. We have some of the largest and most modern plants in the world, and produce industry leading returns.

Market Growth

We believe that the global market potential for fibre cement products is about 15 times larger than our current sales. Our belief is that it is possible to grow our share of the current worldwide market and at the same time, expand the size of that market.

We have many competitive advantages that will help us achieve this goal. These advantages include proprietary product and process technology and expertise in the manufacturing and marketing of fibre cement products. We also have leading market positions and one of the strongest brands in building materials. Our competitive advantages mean:

- We have the widest and most differentiated product range of any fibre cement manufacturer
- Our products look and perform better than competitors' products
- We have the lowest operating costs of any fibre cement manufacturer.

Economies of scale provide operating leverage in purchasing, manufacturing, distribution, sales, marketing and research and development. James Hardie is able to make and sell its differentiated products at significantly lower costs and generate higher returns than its competitors.

Growth Through Technology

Our industry leadership is based on a strong commitment to research and development. We have the largest and most advanced fibre cement research and development capability in the world. This enables us to pioneer advances in material science, product formulation and process control.

Since 1993, we have been able to reduce the capital cost for each unit of production capacity in new plants by 75%. Today, we build new plants significantly faster and at lower cost than competitors.

Product innovation has enabled us to defend market share from competitors and expand the market as we find new ways for fibre cement to replace traditional materials.

An Exciting Future

Our products have exciting growth potential around the world. Our proven capabilities to enter diverse markets, operate effectively across international boundaries and maintain our high performance, team-based culture will ensure we achieve continued strong growth rates in the future.

financial and operational highlights

Revenue from the US Fibre Cement business grew 39% despite the downturn in the housing market.

Financial Highlights

	A\$ Million		% Change
	Year Ended March 2001	Year Ended March 2000	
Sales Revenue	1,548.6	1,602.9	(3)
Cost of Goods Sold	(1,115.3)	(1,055.7)	(6)
Gross Profit	433.3	547.2	(21)
SG&A and Other	(290.7)	(279.1)	(4)
Earnings Before Interest and Tax	142.6	268.1	(47)
Net Interest	(23.8)	(31.8)	25
Profit Before Tax	118.8	236.3	(50)
Tax	(26.8)	(85.7)	69
Operating Profit	92.0	150.6	(39)
Abnormal Items After Tax	(53.6)	7.9	-
Extraordinary Items After Tax	(237.9)	-	-
Operating Profit After Abnormal and Extraordinary Items	(199.5)	158.5	-
Earnings per Share Before Abnormals (cents)	22.5	37.0	(39)
Dividend per Share Before Abnormals (cents)	19.0	18.0	6
Gross Cash Flow per Share (cents)	38.6	69.4	(44)
Net Tangible Assets per Share (cents)	120.0	147.0	(18)
Return on Shareholders' Funds (%)	14.7	24.3	(40)
Return on Gross Capital Employed (%)	9.3	21.6	(57)
EBIT/Revenue (%)	9.2	16.7	(45)
Gearing (%)	55.9	36.5	53
Interest Cover (times)	6.0	8.4	(29)
Total Assets (A\$ Million)	1,929.9	1,697.5	14

US Fibre Cement – Strong growth continues in a year of significant expansion.

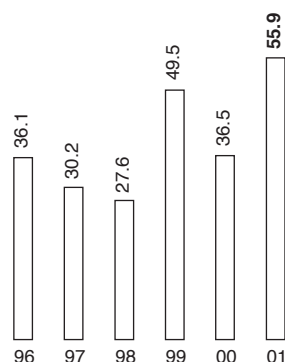
- > Sales revenue up 39% to A\$669.3 million.
- > Sales volumes rose 17% to 850.1 million square feet.
- > Selling price up 2% to US\$438 per thousand square feet.
- > EBIT increased 15% to A\$122.9 million.

The Australian Fibre Cement business delivered strong results despite the building market downturn.

New Zealand performed satisfactorily despite a significant decline in housing starts.

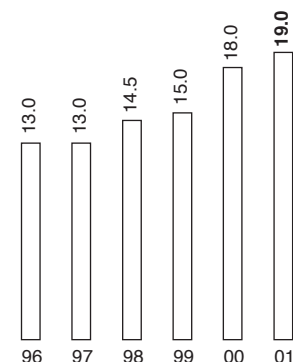
US Gypsum was severely affected by a 30% drop in wallboard prices as new industry capacity came on-line.

Gearing (%)



Gearing increased due to the large capital expenditure on growth projects.

Dividend per Share (cents)



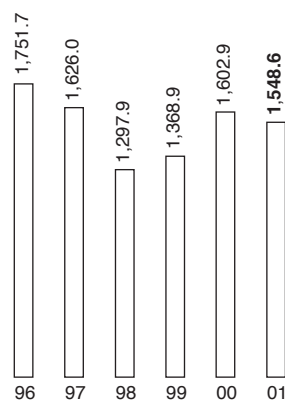
The dividend increased 6% for the year.

Highlights

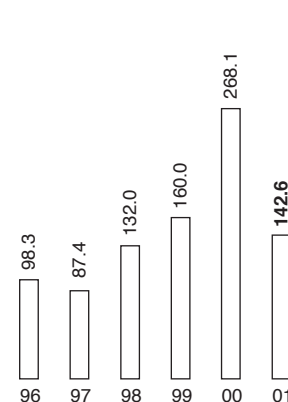
- We unveiled a number of new developments aimed at accelerating the growth of the company's fibre cement businesses. Specifically we:
 - > Entered the US\$2.0 billion USA market for large diameter drainage pipes with a new plant in Florida which began manufacturing fibre reinforced concrete pipes in March 2001
 - > Entered the growing South American fibre cement market with the US\$6.9 million acquisition of a plant in Chile which began operating in March 2001
 - > Developed a new breakthrough fibre cement production technology which will expand the company's range of fibre cement products. The first production line utilising this new technology is in commissioning at the Cleburne, Texas plant
 - > Strengthened our position in Australia, New Zealand and the Philippines with the creation of a unified Asia Pacific division
 - > Expanded our research and development program. This included the recruitment of additional scientists and engineers, combined with upgrades to facilities in Sydney and California.
- We launched a number of new, differentiated products for major market segments. These included Hardibacker 500®, a lightweight 1/2-inch ceramic tile backerboard using our new G2 technology.
- We invested over A\$190 million in the largest-ever expansion and upgrade of capacity. Among the major projects we:
 - > Commissioned our fifth USA fibre cement plant, in Illinois
 - > Started construction on a second line at the Illinois plant which will double its capacity
 - > Commissioned the first line at our sixth USA fibre cement plant, in Waxahachie, Texas, and began construction on a second line which will more than double the plant's capacity
 - > Increased capacity by 30% at the fibre cement pipes and columns plant in Brisbane, Australia.

Results reflect significantly lower gypsum prices in the USA.

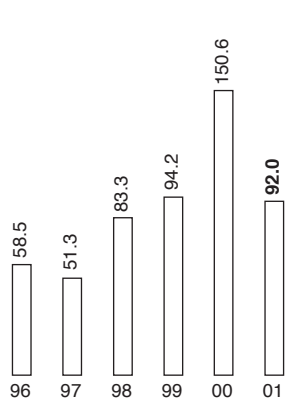
Revenue (A\$ Million)



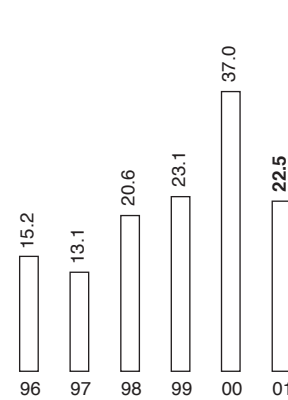
EBIT (A\$ Million)



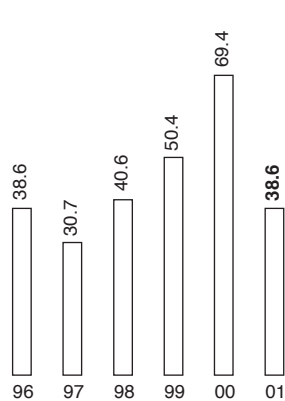
Operating Profit (A\$ Million)



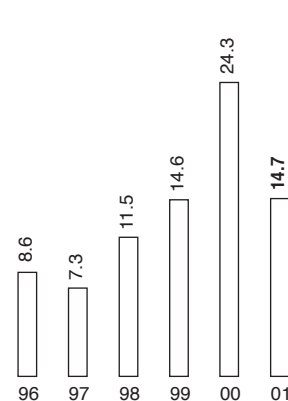
Earnings per Share (cents)



Gross Cash Flow per Share (cents)



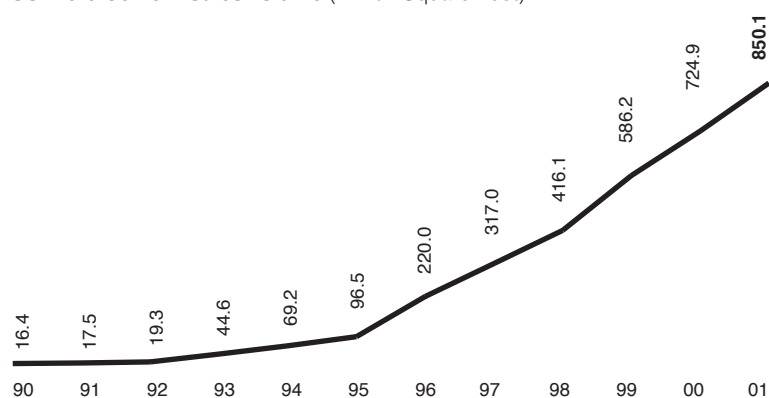
Return on Shareholders' Funds (%)



chairman's report

“Our objective is to sustain profitable growth and attractive returns for shareholders over the long term. We believe this can be achieved by capitalising on the unique advantages of the company's proprietary fibre cement technology.” ALAN MCGREGOR AO, CHAIRMAN

US Fibre Cement Sales Volume (Million Square Feet)



During the past year the company has experienced mixed trading conditions. The US Fibre Cement business strengthened its position as an industry leader, entered the large pipe market in that country and expanded the fibre cement business into South America. The gypsum industry suffered from excess capacity and a reduction in demand, leading to a sharp price decline.

The full year operating profit of A\$92 million was achieved against the backdrop of this fall in gypsum wallboard prices in the United States, and a downturn in the building industry in all major markets.

The company also incurred large abnormal and extraordinary items in the past year. The major items were related to:

- Our intention to sell our Australian Windows business
- The establishment of the Medical Research and Compensation Foundation which resolves the company's future asbestos liabilities for the mutual benefit of claimants and shareholders. The Foundation took over the management and settlement of the group's future asbestos liabilities and it is completely independent of James Hardie
- The creation of a new division for our fibre cement businesses in the Asia Pacific region. This is designed to improve the competitiveness of the fibre cement operations in Australia, New Zealand and the Philippines.

These initiatives should enable James Hardie to further concentrate on exploiting the significant growth opportunities we see for fibre cement around the world, and optimise the value which can be created for shareholders.

An important aspect of this growth is the increasing importance of the company's proprietary fibre cement technology and its commercial potential around the world.

Growth Through Leadership in Technology

The company believes it has a sustainable competitive advantage in fibre cement based on its technology and the continued development and commercialisation of genuinely differentiated products. These offer customers better performance and value than competing products.

In the past year the company launched a number of new products in the United States, Australia, New Zealand, the Philippines and Chile. These products are designed to accelerate demand for fibre cement at the expense of traditional building materials.

One of the major product breakthroughs was Hardibacker 500®, based on a new, proprietary technology we call G2. This second generation technology has made possible the production of thicker and lighter weight products which are used in interior wall applications, previously unsuitable for fibre cement.



We also developed a new production technology. The first production line using this technology is being commissioned in Texas. It is proprietary to James Hardie and includes new production processes, specially engineered raw materials and new formulations. The first product to be produced with this new technology will be Harditrim™. It will be thicker, lighter and easier to cut and nail than its predecessor. The new technology also has the potential to create a wide range of durable, lightweight fibre cement building materials which could have numerous applications in different countries.

The aim of our product and process development activities is to expand the range of products and thereby the market for fibre cement.

Further Growth Opportunities

Today, the company has attractive positions in its major markets. However, significant further growth in these and new markets is possible in the long term. This is evident by the following factors:

- Research undertaken by James Hardie shows that the total worldwide market potential for fibre cement is 10-15 times larger than its current sales of fibre cement
- Construction trends in different parts of the world are also helping to grow the potential market for fibre cement in the long term. For example, lightweight framed construction, which utilises the company's products well, is growing in popularity in major markets such as South America, Europe and Asia
- There is increasing evidence that products containing asbestos will be banned around the world over the next few years. James Hardie's fibre cement products are a safe, suitable substitute for many building materials containing asbestos.

Board of Directors

The composition of the Board has changed during the year. Sir Llewellyn Edwards retired from the Board in February 2001 to take up his new appointment as Chairman of the Medical Research and Compensation Foundation. The Directors wish him well in his new role and acknowledge his valued contribution to the Company's affairs during the past decade.

Sir Selwyn Cushing resigned from the Board on 3 April 2001. Mr Dan O'Brien replaced him, having served as Sir Selwyn's alternate from 13 July 2000.

On May 21 2001, Brierley Investments Limited sold all of its shares in James Hardie and Messrs Greg Terry and Dan O'Brien have subsequently resigned from the Board. I also express our appreciation for their contribution during their terms as Board members.

This sale has increased the liquidity in the company's shares as it was made to a wide range of institutional and individual investors in Australia and overseas.

Priorities for the Current Year

We will continue to capitalise on product leadership in fibre cement, underpinned by a low-cost manufacturing position and continual investment in research, development and technology.

In particular, the priorities in the year ahead will include:

- Increasing market share by developing new differentiated products for the United States, Australia, New Zealand, the Philippines and Chile
- Developing new products which will enable us to enter new markets around the world.

The company's management has established a systematic approach to developing intellectual property to capitalise on the value attached to our patents, trade secrets and know-how. This emerging technology contains significant intellectual capital which the company aims to protect in order to sustain and strengthen its competitive advantage.

Summary

The Board believes that growth will continue in the year ahead. In recent years James Hardie has been transformed. The company has a clear and coherent growth strategy for fibre cement and its capital is deployed in businesses which have the potential to perform well through the business cycle. There are also numerous opportunities for future growth and development.

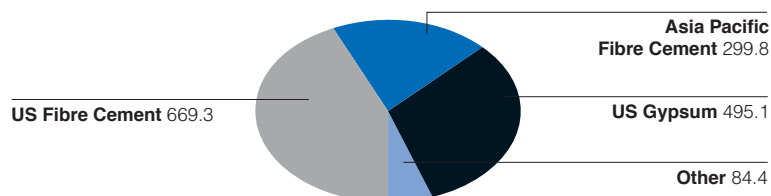
In the short term, we expect that competitive pressures will continue to increase and trading conditions may well deteriorate in some areas. Much depends on economic conditions in our main USA markets. However, the Board is confident that the company will be able to implement strategies to increase total sales. At the same time these strategies will help reduce the effects of economic cyclicality so that shareholders can look forward to increasing returns in the years to come.

Alan McGregor AO
Chairman

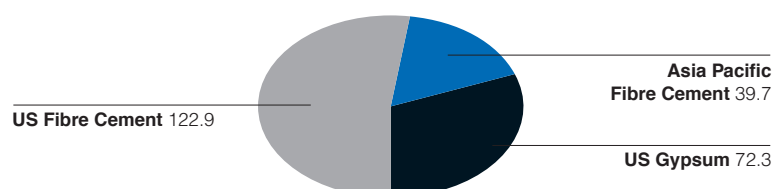
chief executive's report

“We are confident of continued growth in the year ahead despite some uncertainty about the economic outlook in our major markets. In particular, the US Fibre Cement business is well positioned to achieve its growth targets.” PETER MACDONALD, CHIEF EXECUTIVE OFFICER

Revenue by Segment (A\$ Million)

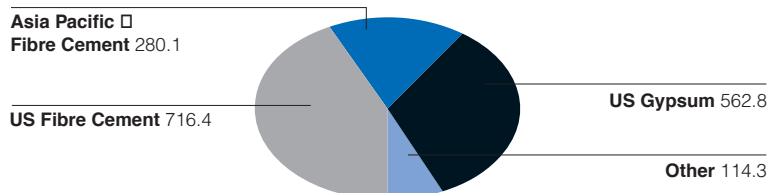


EBIT by Segment (A\$ Million)



Operational EBIT of R&D and Other was a loss of A\$20.5 million

Assets by Segment (A\$ Million)



The performance of our businesses, particularly our fibre cement businesses, in the past year was largely positive.

We implemented a number of product and production capacity initiatives to enable us to continue to generate strong sales growth in our fibre cement businesses, in the USA and elsewhere.

Key Points

- Our US Fibre Cement business again delivered strong gains despite the 4% downturn in the USA housing market.
- The results of the past year demonstrate the strong growth potential of the US Fibre Cement business and its resilience to weaker demand for housing.
- Our Australian Fibre Cement business delivered a good result, despite the significant contraction in demand for new housing.
- We established a new fibre cement pipe business in the United States and a new fibre cement flat sheet business in Chile.
- Results from the US Gypsum business were down significantly. This was due almost entirely to a 30% drop in wallboard prices. The decline is consistent with the trend experienced by all producers in the USA wallboard industry. However, our performance versus competitors improved.

Growth Continues in the US Fibre Cement Business

Our US Fibre Cement business continued to expand in the past year. We implemented the largest-ever expansion of capacity to meet growing demand and we launched more new products. These initiatives are designed to enable the business to sustain high rates of growth in the long term.

Sales revenue increased 39% to A\$669.3 million. Sales volume increased 17% to 850.1 million square feet.

We introduced new and differentiated products which helped to generate higher demand and led to consecutive price increases in each quarter. The average prices for the year were 2% higher. At the same time, sales of Harditrim™ increased 90% and sales of Hardibacker™ were up 40%. The new half-inch backer product launched during the year secured a 5% share of its market segment within the first six months of its launch.



Asia Pacific Fibre Cement

We created a new fibre cement division in the Asia Pacific region during the year. The new division is designed to further improve the operating performance and competitive positions of our operations in Australia, New Zealand and the Philippines.

In Australia our fibre cement business generated higher profits on lower sales.

Sales revenue fell 9% to A\$199.9 million due to the sharp fall in housing construction activity. However, EBIT increased 16% as we benefited from lower manufacturing and selling costs.

There are indications of an earlier than expected recovery in housing construction, although housing starts could still fall by 10-15%. Nevertheless, the introduction of new products and cost savings arising from the recent restructuring should enable the business to produce a satisfactory result in the year ahead.

Our New Zealand Fibre Cement business faced tough economic conditions in the past year. Sales volumes fell 11%, which was a good result considering the 25% drop in housing construction. The lower volumes, combined with significantly higher raw material costs and the loss of income from a business divested last year, saw EBIT decline 38%.

The year ahead in New Zealand will be challenging, with housing construction forecast to remain flat. However, we are targeting strong profit improvement from the introduction of new products and a further reduction in costs.

Despite political instability, poor economic conditions and a depressed housing market, our Philippines Fibre Cement business achieved a 47% lift in sales revenue for the year. This was due to higher volumes and prices, and a further increase in market share to 17% as our products continued to win market share against competing products, principally plywood. We also grew exports to other countries within Asia.

The strong growth in volumes and prices was offset by a number of costs. These were incurred to implement various growth initiatives which have already started to repay this investment. These included:

- A 33% increase in production capacity at the Texas and Washington plants
- The start-up of the fifth plant – in Illinois – to service the mid-west and north-east regions of the USA
- The start-up of the sixth plant – in Texas – after the company took over this plant on an operating lease
- The commissioning of a new, breakthrough production technology on a new line in Texas
- The recruitment of more staff – in sales, marketing, production and product development – to support the continuing growth of the business.

EBIT increased 15% to A\$122.9 million for the year.

Our aim is to aggressively expand into new market segments and maintain our strong position in existing market segments. More new products will be launched and capacity will be expanded further during the year.

Housing construction is expected to decline slightly but remain at high levels. We are targeting strong growth in volume, revenue and EBIT in the year ahead.

In the past year, the US Fibre Cement business was also closely involved in the establishment and start-up of the new FRC™ Pipes business in the USA and the new fibre cement business in Chile. Both businesses began operating early in 2001 and are targeting strong sales growth in the year ahead.

We expect housing construction to remain depressed this year but are targeting further reductions in manufacturing costs, higher export sales and further growth in our domestic market share. Prospects for an economic recovery and political stability in the Philippines remain in doubt.

Wallboard Prices Drive Earnings Down in Gypsum

Results from our US Gypsum business reflect the 30% decline in wallboard prices. This was due to the increase in industry production capacity in the USA which resulted in a significant surplus as demand remained flat.

Despite this, we achieved our stated objective of generating the highest returns in the USA wallboard industry. We were one of the few businesses in the industry to make a profit in the second half. In addition, we reduced SG&A costs 20% during the year.

The sharp decline in product prices, combined with higher energy and freight costs, led to a 60% decline in EBIT to A\$72.3 million for the full year.

The near term outlook for the entire USA gypsum industry remains uncertain. Wallboard prices have continued to trend down in recent months. The extent to which prices will stabilise or increase will continue to be heavily influenced by the rate at which surplus industry capacity is curtailed.

Longer term, we believe our gypsum business can create further significant value for shareholders, given our low-cost position and the potential for new products to generate additional profits.

Summary

Overall we are confident we have the strategies to exploit opportunities in order to grow, while minimising the impact of increased competition and unfavourable trading conditions in our markets. Initiatives we have implemented over the past year will help to ensure that our businesses are better placed to capitalise on the growth potential we see in our existing markets as well as opportunities to expand into new markets.

Peter Macdonald
Chief Executive Officer



frontiers of competition

long term demand

construction trends

Our primary focus in the near term is on accelerating growth in our existing markets, particularly the United States. Here, we have an established business, with strong brand and market positions, which are capable of rapidly growing demand for fibre cement and generating higher returns. At the same time, we will continue to evaluate opportunities to develop fibre cement businesses in South America, Asia and Europe.

Although the company has strong positions in its major markets, there are still significant opportunities for further growth.

For example, while we sell more than 85% of the fibre cement produced in the United States, we still only have a 12% share of the total market for siding products. Our share of other market segments, such as interior products, is smaller but growing rapidly. In roofing and pipes, our current share of these large markets is even smaller.

The company estimates that potential long term sales of fibre cement products in the United States could be worth around A\$5 billion annually – in areas such as siding, roofing, interior and trim products. In other parts of the world the long term demand for fibre cement could be worth around A\$11 billion in annual sales.

By comparison, the company's worldwide sales of fibre cement in the past year were just A\$970 million.

We aim to strongly increase our sales in established markets such as North America. Near term opportunities exist for the company to expand its presence in the mid-west and north-east regions of the United States, where the siding market is currently dominated by vinyl.

Our Asia Pacific markets also offer significant growth potential as do new markets in South America. We are also actively researching opportunities for our fibre cement technology in Europe.

Construction Trends

Construction trends worldwide are moving away from traditional building systems such as masonry and towards lightweight framed construction. Framed construction consists of a light steel or timber frame clad with products such as fibre cement. Issues such as speed of construction, quality of finish and the availability of skilled labour at competitive rates have all contributed to the growth in this type of construction.

These systems, using fibre cement, can be easier, faster and cheaper to erect than, for example traditional masonry. As a result, most commercial construction has converted, or is in the process of converting, to lightweight wall systems. Residential construction is also increasing its use of framed construction.

The company's lightweight, cost effective products are therefore highly suited to these systems. Fibre cement cladding is also more durable than traditional materials such as timber and plywood.

Energy conservation is also leading to greater use of products which require less energy in their production and are more efficient once installed. In this respect, fibre cement is an attractive alternative to solid masonry building systems.

At the same time, the use of asbestos-based products – which still command more than 70% of the current worldwide market for cementitious board – continues to decline in major markets such as Asia, South America and Europe.

When we combine the ability for fibre cement products to substitute for existing building materials and the growing popularity of lightweight construction, with the potential to replace asbestos products, we believe that the long term potential demand for fibre cement worldwide is substantial.

In these respects, Europe, Asia and South America all offer future growth potential. We will continue to explore opportunities to establish a significant presence in these large and expanding markets. This will allow the company to further grow its share of the large and rapidly growing worldwide market for fibre cement in the long term.

Growth Opportunities for Fibre Cement are Significant over the Long Term

Region	Existing Demand for Asbestos Cement and Fibre Cement (bsf*)	% Asbestos Cement
Asia	5.0	91
Asian Sub-continent (including India)	2.0	95
North America (including Canada)	1.0	0
South America (including Chile, Argentina and Brazil)	2.0	80
Europe	3.1	35
Australasia	0.3	0
Total	13.4	–

* Billion Square Feet

Source: Management Estimates

“As we make further progress in research and development we have become increasingly confident that our proprietary technology will provide a sustainable competitive advantage which will enable continuing profitable growth.” DON MERKLEY, MANAGER, FIBRE CEMENT RESEARCH & DEVELOPMENT

technology and innovation

unique technology

expanded facilities

technological breakthroughs

new products



Realising the Value of Technology

James Hardie became the first company in the world to commercialise cellulose reinforced fibre cement in the 1980s. Since then, its success as an alternative to traditional building materials has resulted in fibre cement becoming one of the world's fastest growing building products.

Today, James Hardie is a global leader in fibre cement – a position the company believes it can strengthen using its unique capabilities in product and process technology. As a result, we will ensure that the advantages conferred by our unique technology are maintained and enhanced by a continuing commitment to research and development (R&D).

This commitment saw the company invest more than A\$26 million in its fibre cement R&D program in the past year. The investment is designed to speed-up the transformation of our technologies into new products and processes. During the year we expanded our R&D facilities in Fontana, California and Sydney, Australia. We also recruited additional scientists and engineers to work on an expanded program of research, engineering and development.

Aligning R&D

Our research program is divided into Core Research, and Product and Process Development. Core Research is responsible for developing new technologies with the potential to become future generations of products.

Our Product Development group is responsible for transforming new technologies into new products for specific market needs. Our process development allows us to generate new and more efficient ways to produce our products.

From Concept to Successful Commercialisation

R&D efforts are directed at developing products for all parts of the building envelope – from external walls, trims, soffits and roofs to internal walls, floors and ceilings. Significant gains in fibre cement research have raised our confidence in the growth prospects for fibre cement worldwide. We also conduct ongoing fibre cement research into other product groupings such as pipes.

For example, in the late 1990s James Hardie pioneered the development of a low density product, known as Harditrim™. It was the first product to emerge from the company's low density technology.

The Harditrim™ formulation made possible the production of cladding products for the exterior of houses which are thicker and more durable than traditional alternatives. The introduction of Harditrim™ has enabled James Hardie to expand its range of products and increase the number of segments in which the business competes. Harditrim™ is now well established and in the last year sales grew more than 90%.

Breaking New Ground

Significant technological breakthroughs by James Hardie during the past year included:

- The development of thicker, lighter boards for internal walls and floors using new G2 technology. The first product to emerge from this new technology platform is Hardibacker 500®. This unique 1/2-inch thick backerboard is an excellent substrate for tiles, providing resistance to moisture in areas such as bathrooms, kitchens and laundries. It is also the lightest 1/2-inch backerboard in the industry and is easier and quicker to cut, nail and install – all the features that builders want. Since its launch, Hardibacker 500® has made rapid inroads into the United States market
- Commercialisation of a new breakthrough fibre cement production technology. This technology includes new production processes, specially engineered raw materials and new formulations. Combined, these elements will enable James Hardie to manufacture new products, which are much thicker and lighter in weight. More importantly, it will spawn the development of a wide range of new products for new segments in existing markets, as well as new geographic markets. The ability to make thicker, lighter products will increase the advantages of fibre cement over other building materials
- The development of a new and improved version of the company's popular Harditrim™, manufactured using the new breakthrough technology. The new Harditrim™ will be thicker, lighter and easier to cut and nail than its predecessor. The new technology will also enable new surface textures and patterns to be applied to the product

- In the USA, a revolutionary new colour treatment for siding, developed using new technology. ColorPlus™ is a collection of siding products pre-finished in a range of these new colour treatments to create the longest lasting and best weathering siding system on the market. Its main advantage is that it eliminates the need for builders to paint over the siding once it is installed, saving time and money
- A unique suspended flooring system known as HardiFloor™, which is ideally suited to houses built on sloping sites, developed in Australia. The main benefits of the system are that it makes installation faster and cheaper for builders. It also enables sloping sites to be used for construction. This is becoming increasingly important as flat land becomes scarce
- The development of a thicker and lighter weatherboard in New Zealand which is more attractive as well as being easier and faster for builders to install. The increased thickness of the weatherboard creates a stronger shadow line which enhances the appeal of the finished house.

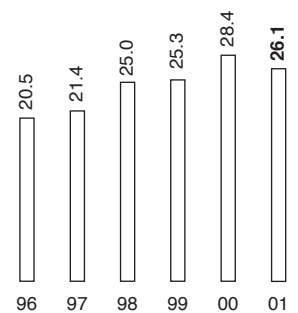
Innovation is our Future

We have also identified a number of new developments which could lead to the commercialisation of a completely new range of products based on fibre cement. Completing this work will be our focus over the next year. These new products will enable James Hardie to compete in new market segments and enter countries in which the company does not yet participate. For builders, such products mean a wider choice of better materials which will make houses more attractive as well as save time and money on the job.

At the same time, we are pioneering new manufacturing processes and engineering developments which will significantly improve the way the company builds plants and manufactures products.

Combined, our research and development will enable James Hardie to accelerate the transition of technologies into products that have strong commercial potential.

Research and Development Expenditure (A\$ Million)

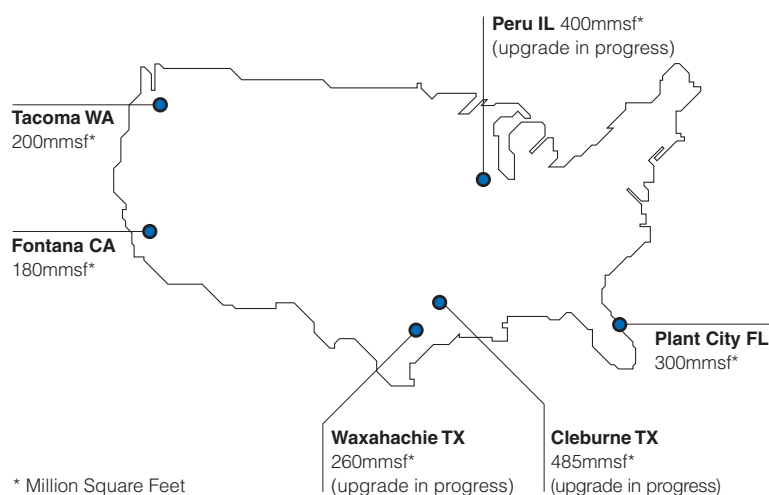


US fibre cement

“Our unique technology will enable us to further diversify the product range, continue to increase share of existing market segments and enter additional segments.” LOUIS GRIES, EXECUTIVE VICE PRESIDENT, BUILDING PRODUCTS USA

Plant Locations and Annual Production Capacities

Total Annual Production Capacity 1.825 Billion Square Feet



Our Business

We are the lowest cost and most profitable producer of fibre cement in the USA. Our growth in recent years has seen us become the leading producer of siding in the country. Our products are primarily used in residential construction for the exterior and interior of a home. They include siding, interior lining and trim products.

Strategy

- Pursue rapid growth by taking market share from wood-based and vinyl siding, and fibre glass-mesh backerboards.
- Secure target share in new segments and defend share in existing segments.
- Offer differentiated products with superior value which provide high returns and competitive advantage.

Results

- Sales revenue increased 39% to A\$669 million.
- Sales volumes increased 17% to 850 million square feet.
- Selling price increased 2% to US\$438 per thousand square feet.
- Gross profit increased 25%.
- EBIT increased 15% to A\$123 million.

Trading Conditions

- Housing starts declined 4%.
- Home finance and building approval figures were erratic.
- There was downward pressure on product prices in the siding market.
- Higher pulp and energy costs affected product unit costs.

Highlights

- Implemented the largest-ever expansion of capacity to meet growing demand in key USA markets. During the year we commenced work on increasing our fibre cement capacity by over 760 million square feet. The major projects were:

> Start-up of our fifth plant at Peru, Illinois, with a capacity of 200 mmsf to service the mid-west and north-east regions of the USA

> Commencement of work on a second line at Peru which will double capacity to 400 mmsf during 2001

> Taking over a fibre cement plant in Waxahachie, Texas, on a long term lease. Start-up of the first line with a capacity of 60 mmsf

> Commencement of work on the second line at Waxahachie for another 200 mmsf; making a total of 260 mmsf by the end of 2001

> Commissioning of a new, breakthrough fibre cement production technology on a new line in Cleburne, Texas. This line will provide an additional 100 mmsf of capacity to manufacture Harditrim™.

- Sales of Hardibacker™ interior products significantly increased.
- Sales of Harditrim™ grew dramatically, reflecting the product's advantages over traditional wood-based alternatives.



– Several new products were launched during the year including:

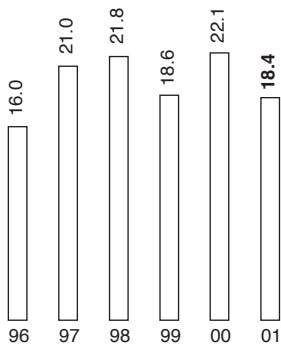
- > Hardibacker 500® – a lightweight 1/2-inch ceramic tile backerboard, developed using G2 technology
- > ColorPlus™ Siding – a range of pre-finished siding products
- > EZ Line™ – a unique alignment system which makes installation of siding products easier.

– Research and development together with sales and marketing were significantly expanded to exploit new growth opportunities.

Outlook

- Housing starts forecast to decline 6%.
- Expenditure on renovations is expected to grow 4%.
- Sales volume and share in our various markets are expected to grow strongly as we expand our product ranges and geographic coverage.

EBIT to Sales (%)

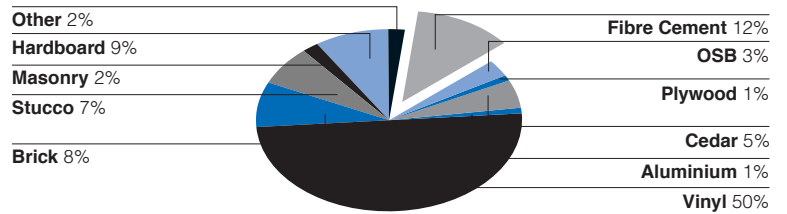


US Fibre Cement (A\$ Million)

	1996	1997	1998	1999	2000	2001
Sales Revenue	134.9	188.1	251.4	395.3	481.8	669.3
EBIT	21.6	39.5	54.7	73.7	106.7	122.9
Assets	127.6	232.4	314.5	404.9	465.0	716.4
Sales Volume (mmsf*)	220.0	317.0	416.1	586.2	724.9	850.1
EBIT/Sales (%)	16.0	21.0	21.8	18.6	22.1	18.4
Employees	375	598	540	826	858	1,140

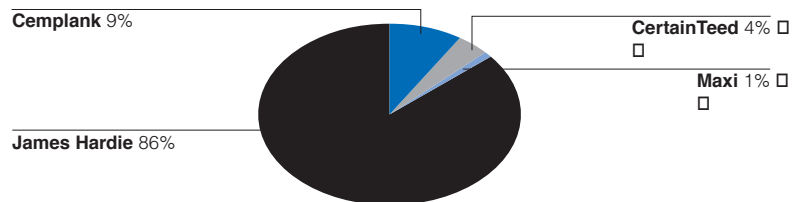
* Million Square Feet

USA Siding Demand



Fibre cement category share up – significant growth opportunity in hardboard, wood and vinyl categories.

USA Share of Fibre Cement Sales

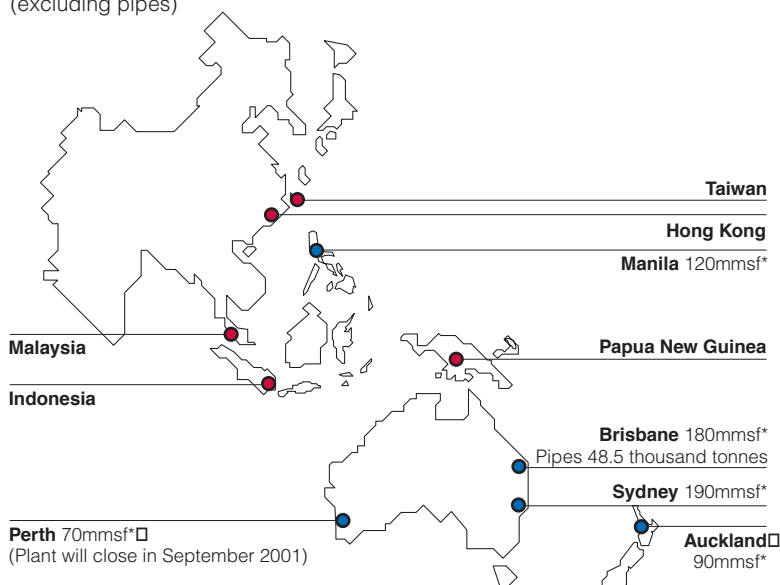


Asia Pacific fibre cement

“Our new Asia Pacific division will enable us to create a unified business in the region. It will eliminate duplication and improve the coordination and management of key functions such as manufacturing, sales and marketing. This will improve the operating performance of our three operations in the Asia Pacific region and their competitive position in both domestic and export markets.” JOHN MOLLER, EXECUTIVE VICE PRESIDENT, ASIA PACIFIC

Plant Locations and Annual Production Capacities

Total Annual Production Capacity 650 Million Square Feet (excluding pipes)



- Plant
- Sales Office

Annual production capacity is based on management's historical experience with the company's product process and is calculated assuming a 24 hour day continuous operation, producing 5/16" thick siding at a target operating speed.

Asia Pacific (A\$ Million)

	1996+	1997+	1998	1999	2000	2001
Sales Revenue	370.1	342.6	312.9	291.8	315.9	299.8
EBIT	96.4	67.7	65.6	33.7	37.4	39.7
Assets	332.3	287.8	375.5	377.8	358.7	280.1
Sales Volume (mmsf*)	347.5	318.4	330.1	314.0	333.8	318.7
EBIT/Sales (%)	26.0	19.8	21.0	11.5	11.8	13.2
Employees	1,739	1,461	1,527	1,497	1,302	1,179

* Million Square Feet + Figures do not include the Philippines

Our Business

We manufacture fibre cement products in Australia, New Zealand and the Philippines which are sold throughout the Asia Pacific region. Our extensive product range is used for internal and external building applications in residential and commercial construction. These include external cladding, internal walls, ceilings, floors, eaves and soffits. In Australia, we also manufacture fibre reinforced concrete pipes for industrial and commercial use and fibre cement columns for residential and commercial use.

AUSTRALIA Strategy

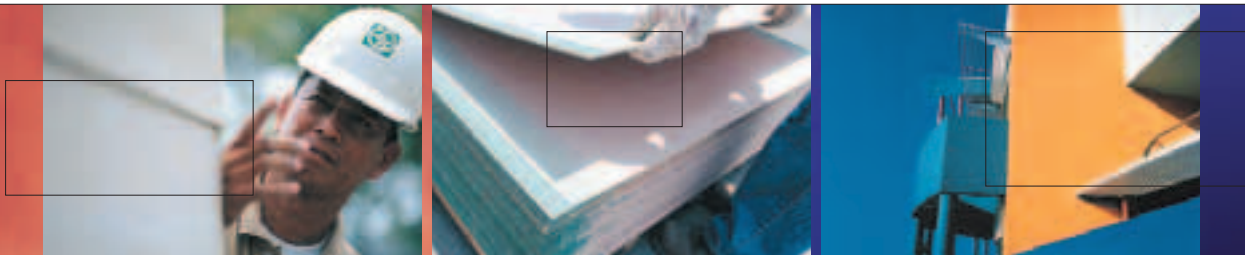
- Defend our market share and improve returns.
- Reduce costs to compete effectively against low-price competition.
- Grow the market for fibre cement products.
- Develop and launch new, differentiated products.

Results

- Sales revenue increased 9% to A\$200 million.
- Sales volumes decreased 11% to 219 million square feet.
- Average product selling price increased 3%.
- EBIT increased 16%.

Trading Conditions

- Housing starts declined 26%.
- Lower priced imports, particularly from Asia, were steady.
- Excess production capacity was created due to manufacturing improvements and declining demand.



NEW ZEALAND Strategy

- Grow the market for fibre cement.
- Defend share by offering differentiated products in new and existing segments.
- Continue to reduce manufacturing costs.
- Retain key distributors.

Results

- Sales revenue decreased 10% to A\$68 million.
- Sales volumes decreased 11% to 37 million square feet.
- Average product selling price increased 3%.
- EBIT decreased 38% mainly due to lower volumes and higher raw material costs.

Trading Conditions

- Residential construction fell 25%.
- Sharp decline reflects low economic and consumer confidence, higher household debt levels and an excess supply of dwellings.
- Significantly higher pulp costs.

Highlights

- All major distributors were retained despite intense competition.
- Market share was maintained despite competition from imports.
- Average product prices rose 3% due to the introduction of new, differentiated products.
- Successfully launched a number of new products including:

> Fire and acoustic wall systems which have the highest fire and acoustic rating on the market
 > Hardigroove™ – for soffits and internal walls.

- Well established products grew strongly, including Villaboard™, used on internal walls and wet areas, and Hardiglaze™, a pre-finished internal lining sheet.

Outlook

- Economy and consumer confidence expected to improve.
- Building and construction is forecast to be flat.
- New, differentiated products will be launched to allow us to increase sales revenue.

Highlights

- Maintained market share despite intense competition.
- Expanded the market for our products with the launch of six new products:
 - > Comtex™ – an external cladding system for commercial buildings
 - > HardiFloor™ – specifically designed for houses built on sloping sites
 - > HPC™ – a high quality facade board
 - > SmartFix™ – a pre-finished facade system
 - > PrimeLine™ Chamfer – a shadow line profile added to our premium weatherboard range
 - > Hardiblade™ – a blade for circular saws, designed to cut fibre cement.
- Implemented a 30% capacity expansion at our fibre cement pipes and columns plant in Brisbane.

Outlook

- Housing starts are expected to decline 12%.
- Renovation segment is expected to decline 11%.
- Competition will continue to threaten market share as domestic and Asian competitors attempt to sell excess capacity.
- Further cost reductions to come.
- More new, differentiated products on the way.

PHILIPPINES Strategy

- Aggressively grow the market for fibre cement.
- Provide products and systems that substitute for masonry, plywood and timber.
- Further reduce costs.

Results

- Sales revenue increased 47% to A\$32 million.
- Sales volumes increased 34% to 63 million square feet.
- Average product selling price increased 11%.
- EBIT loss was reduced by 7%.

Trading Conditions

- Political crisis and a slow economy reduced building construction activity.
- Significantly higher raw material costs.

Highlights

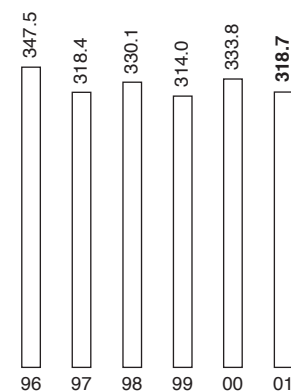
- Strong growth in export sales; commenced exports to Korea.
- Launched a number of new products including:
 - > HardiFlex® Thick – an impact resistant board for fascias and walls
 - > HardiFlex® Pro – a recessed edge board with a smooth finish for commercial construction.

- Market share increased to 17%.

Outlook

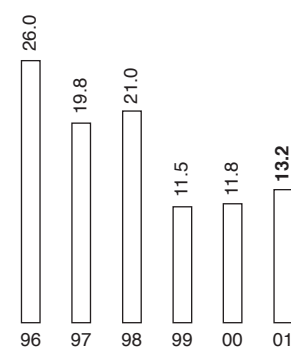
- Slow economic recovery expected.
- Housing construction forecast to remain at low levels.
- Political instability predicted to continue, at least in the short term.
- Market penetration against plywood is targeted to continue.

Total Volume⁺ (mmsf*)



* Million Square Feet

EBIT to Sales⁺ (%)



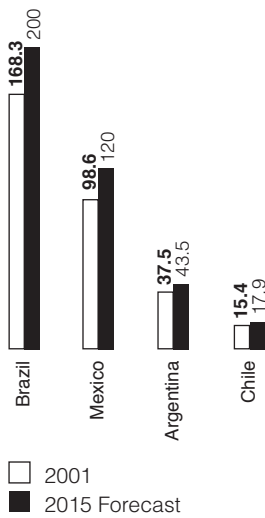
+ 1996 and 1997 figures do not include the Philippines



Chile fibre cement

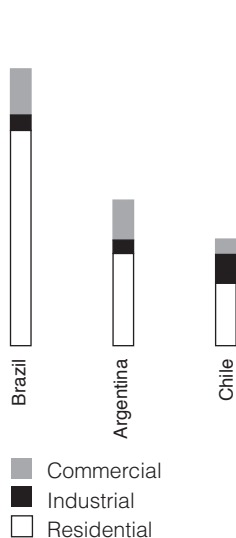
“Our new operation in Santiago, Chile, represents a low-cost, low-risk entry into the growing South American fibre cement market. This region offers significant long term growth potential for the company. Our products will be lower-cost, higher quality alternatives to competing products in our target markets.” STEPHEN BRAGUE, REGIONAL DIRECTOR, SOUTH AMERICA

Population of Key Latin American Markets (Millions)



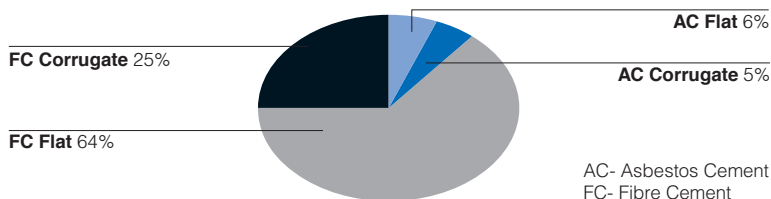
Brazil, Mexico, Argentina and Chile are the four key economies in South America, accounting for over 63% of the region's population and 80% of the region's combined GDP.

Construction Activity by Country (Million Square Feet)



New housing construction and repair and remodelling activities are expected to grow strongly over the next few years.

Chile Flat Sheet Market



Our Business

We manufacture fibre cement products for exterior and interior wall applications, primarily for residential use. Our core products are EconoBoard™ and DuraBoard™.

Strategy

- Aggressively grow the market for James Hardie's fibre cement against competing products in South America.
- Offer higher quality products which provide better value for customers.
- Establish a low-cost position.
- Expand the product range to meet future demand.

Result

- A small EBIT loss reflected costs incurred during the start-up of the business.

Highlights

- Entered the growing South American fibre cement market in December 2000 with the US\$6.9 million acquisition of a fibre cement manufacturing plant in Santiago, Chile.
- Upgraded the plant to increase its efficiency and enable it to manufacture a range of James Hardie's proprietary products.
- Commenced production in March 2001 and achieved our first sales in Chile.
- Launched our first two products, EconoBoard™ and DuraBoard™ which are fibre cement sheets used on external and internal walls in residential construction.

Outlook

- Construction activity forecast to increase 6%.
- Chilean government policies support increased spending on public sector housing and infrastructure. For example, social housing programs in Chile are targeting the construction of 90,000 dwellings a year over the next 10 years.
- The potential for fibre cement has increased with the banning in January 2001 of asbestos on all new construction.
- Tax incentives for new homebuyers are expected to further boost demand.
- Sales to neighbouring countries Brazil and Argentina are planned during 2001.
- Establish agreements with three of Chile's major distributors.

Fast Facts

- South America accounts for 14% of worldwide demand for cementitious building boards.
- South America has large, rapidly developing economies, a growing need for low-cost housing and public infrastructure, and developing retail mortgage systems.
- Chile has a stable economy and is forecast to achieve GDP growth of about 5% a year over the next five years.

US FRC™ pipes

“This new business for James Hardie in the USA has the potential to grow into a large national operation, comparable in size to the US Fibre Cement business we have today. Our fibre reinforced concrete pipes offer a unique combination of benefits – light, long and strong. Combined with the ease of use and the advantages of machined joints, these benefits add up to a lower-installed cost for the contractor.”

DAVE KESSNER, GENERAL MANAGER, HARDIE PIPE

Our Business

In March 2001 we began manufacturing large diameter fibre reinforced concrete pipes (fRCP™) at our new facility in Plant City, Florida. Our pipes are used for drainage in civil and commercial construction and in the development of residential sub-divisions. The pipes are cheaper to make and cheaper to install than conventional steel reinforced concrete pipes.

Strategy

- Aggressively grow the market for James Hardie's fibre reinforced concrete pipe against competing products.
- Position fRCP™ as a lower-installed cost alternative to reinforced concrete pipes.
- Develop a successful national pipe business in the USA.

Result

- A small EBIT loss reflects costs incurred during the start-up of the business.

Highlights

- Entered the US\$2.0 billion civil construction market for large diameter drainage pipes with a new US\$32.5 million plant in Plant City, Florida.
- Obtained regulatory approval for the use of fRCP™ from key USA authorities.

- Commenced production in March 2001 and achieved our first sales.
- Successfully launched our flagship product HardiStorm fRCP™ speed drain, for stormwater drainage applications.
- Established a customer call centre in Tampa, Florida.
- Recruited sales and marketing personnel to cover key south-east markets.
- Received the Governor's New Product Award for innovative excellence from the Florida Engineering Society.

Outlook

- USA pipe market expected to increase 2-3%.
- Continuing demand for infrastructure is creating large demand for pipes.
- USA Government's Transport Equity Act (TEA-21) is expected to inject US\$109 billion into public infrastructure over the next three years. The south-east will account for 25% of all federal highway spending.
- Florida State Mobility 2000 Initiative is expected to inject US\$6 billion into road building over the next 10 years.

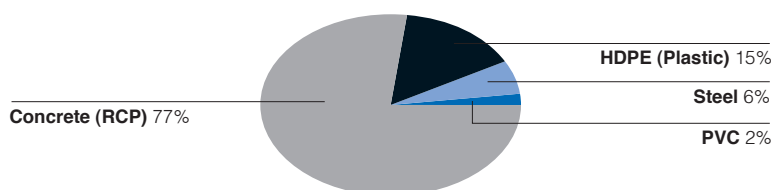
Fast Facts

Our pipes are highly differentiated from products currently available in the USA and have a number of advantages over existing concrete pipes that currently dominate the market. Specifically, fRCP™ are:

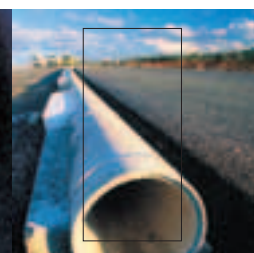
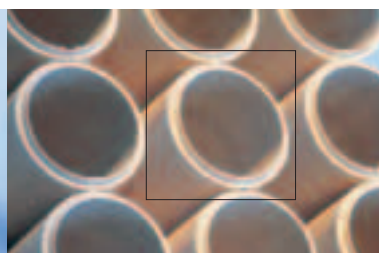
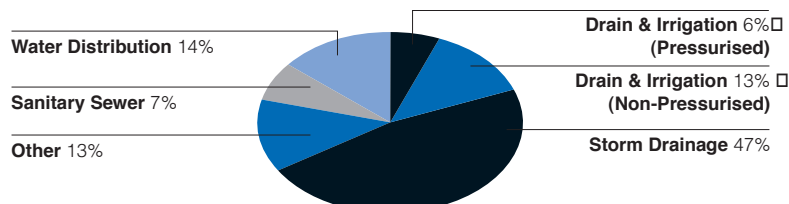
- Light – the pipes are one third to one half the weight of reinforced concrete pipes (RCP) of the same length. This makes them easier, faster and cheaper to handle, transport and install than RCP.
- Long – the pipes are made in standard 16' lengths, twice as long as a standard RCP. Thus fewer pipes and half as many joints are required compared to RCP to create the same length of pipeline.
- Strong – lower classification and lower cost fRCP™ can be specified for construction jobs which normally require higher weight, higher cost RCP.

These benefits add up to a lower-installed cost for the contractor.

USA Large Diameter Storm Drainage Demand by Material



USA Large Diameter Pipe Demand by Application



US gypsum

“We are well placed to perform at the highest levels in the USA gypsum wallboard industry based on the advantages of our three modern low-cost plants. Sales of gypsum from the new Western Gypsum mine and from our new joint treatment product range will also add to revenue and profitability in the coming year.” ROBERT F RUGG, EXECUTIVE VICE PRESIDENT, JAMES HARDIE GYPSUM

Our Business

We are the fourth largest producer of gypsum wallboard in the United States. Our wallboard and plaster product range has been expanded to include complementary joint compounds. Combined, our products are aimed at the residential, commercial, industrial, repair and remodel, and manufactured housing markets nationally.

Strategy

- Maintain high levels of plant utilisation.
- Improve relative selling price.
- Continue to achieve among the best returns in the industry.
- Differentiate through superior customer service.

Results

- Sales revenue decreased 11% to A\$495.1 million.
- Wallboard sales volumes marginally increased to 2,203.9 million square feet.
- Wallboard selling price decreased 30% to US\$96 per thousand square feet.
- SG&A costs cut 20%.
- EBIT decreased 60% to A\$72.3 million.

Trading Conditions

- Significant expansion of industry wallboard production capacity created oversupply during the year.
- Sharp decline in wallboard selling prices affected the entire United States gypsum industry.
- Demand was down slightly.
- Significantly higher energy and freight costs were experienced by all industry producers.
- Most industry players incurred operating losses, with many plants running below cash cost during the year.

US Gypsum (A\$ Million)

	1996	1997	1998	1999	2000	2001
Sales Revenue	103.2	131.6	286.6	416.8	556.3	495.1
EBIT	9.8	23.6	57.7	95.5	182.2	72.3
Assets	100.1	248.2	332.1	397.5	458.2	562.8
Wallboard Volume (mmsf*)	654.0	842.1	1,529.1	1,864.5	2,181.3	2,203.9
EBIT/Sales (%)	9.5	17.9	20.1	22.9	32.7	14.6
Employees	217	479	557	612	636	635

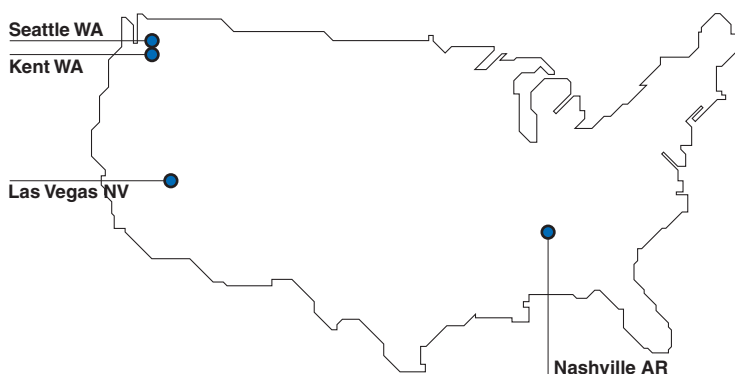
Highlights

- Improved our relative price by approximately US\$10 per thousand square feet.
- Excluding energy, manufacturing costs were reduced by about US\$10 per thousand square feet.
- Achieved among the best returns in the United States industry, despite the sharp drop in price.
- Successfully completed the acquisition of Western Gypsum, a large gypsum mine in Utah. The mine provides high-quality, low-cost gypsum ore and uncalcined gypsum used in the production of high-value plaster products.
- Expanded the business with the launch of joint compounds, used as finishing products in the application of wallboard.
- Successfully started-up the first joint compound plant in Washington State.
- Converted to low-cost, high-quality Republic paper.
- Successfully developed and launched HardiConnectSM, an internet-based buying, e-commerce and information service for customers.

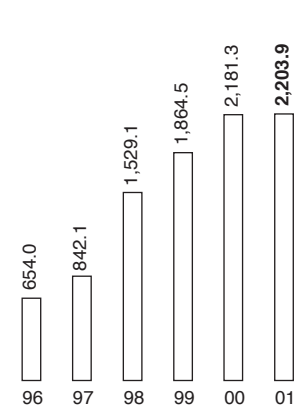
Outlook

- Industry demand is forecast to remain strong through the summer but expected to soften towards the end of the year.
- Higher energy costs expected to continue.
- Increased sales of complementary products – rock, plaster and joint compounds.
- The purchase of Western Gypsum now permits the sale of the valuable Las Vegas mine site.
- A significant number of wallboard facilities operating below cash cost, and prices are suppressed. For the industry to operate at a sustainable level, capacity rationalisation and price improvement are required.
- Planned construction of two more joint treatment plants in central and south-west USA later this year. These facilities, together with the Washington plant and joint compounds being sourced from a contract manufacturer in California, will provide finishing products for all markets we serve with wallboard.

Plant Locations

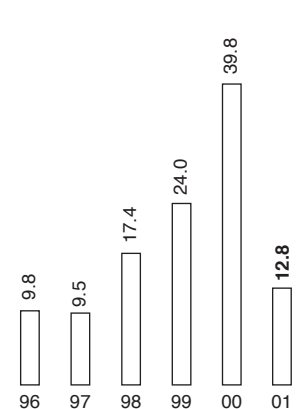


Wallboard Volume (mmsf*)

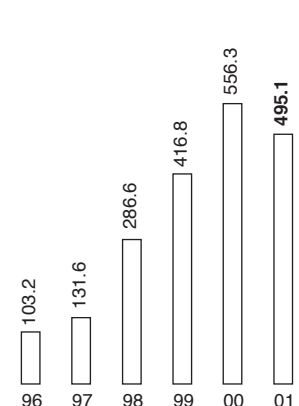


* Million Square Feet

EBIT to Assets (%)



Total Sales Revenue (A\$ Million)



board and management

BOARD OF DIRECTORS

AG McGregor AO, MA (Cantab), LLB

Age 64, Chairman

Mr McGregor joined the Board as a non-executive Director on 31 March 1989 and became Chairman in December 1995. Mr McGregor is chairman of FH Faulding & Co. Ltd, the Australian Wool Testing Authority Ltd and Burns Philp & Company Ltd and a board or committee member of a number of charitable and community organisations. Member of the Audit Committee and the Remuneration Committee.

PD Macdonald BCA, MBA

Age 48, Managing Director and Chief Executive Officer

Mr Macdonald joined the Board as Managing Director and Chief Executive Officer on 1 November 1999. Mr Macdonald joined James Hardie in 1993 as General Manager of James Hardie's Australian fibre cement business. In 1994, he was appointed head of James Hardie's US operations. He was appointed Chief Operating Officer in September 1998 and Chief Executive Officer on 1 November 1999. Mr Macdonald has worked for over 21 years in building and construction markets throughout the Americas, Asia and Australasia.

MR Brown BEC, MBA, FCPA

Age 55

Mr Brown joined the Board as a non-executive Director on 25 September 1992. Mr Brown is a director of Energy Developments Ltd, a councillor of the Royal Blind Society of New South Wales and was formerly group finance director of Brambles Industries Limited. Chairman of the Audit Committee.

MJ Gillfillan BA, MBA

Age 53

Mr Gillfillan joined the Board as a non-executive Director on 20 August 1999. Mr Gillfillan is based in San Francisco, has held a number of senior positions with Wells Fargo Bank and has a diversity of experience in commercial and corporate banking. Member of the Audit Committee.

M Hellicar BA, LLM (Hons)

Age 47

Ms Hellicar joined the Board as a non-executive Director on 11 May 1992. Ms Hellicar is a director of Goldfields Ltd, chairman of The Sydney Institute, and chief executive officer of Corrs Chambers Westgarth. Member of the Audit Committee and the Remuneration Committee.

MM Koffel MS, MBA

Age 62

Mr Koffel joined the Board as a non-executive Director on 20 August 1999. Mr Koffel is chairman and chief executive officer of URS Corporation and a director of McKesson HBOC Inc. Member of the Remuneration Committee.

PJ Willcox MA (Cantab)

Age 55

Mr Willcox joined the Board as a non-executive Director on 11 May 1992. Mr Willcox is a director of Energy Developments Ltd. Chairman of the Remuneration Committee.

Note: Messrs GF (Dan) O'Brien and GJ Terry were Board members in the past year. On May 21 2001, Brierley Investments Limited sold all of its shares in James Hardie and Messrs Greg Terry and Dan O'Brien have subsequently resigned from the Board.

GROUP MANAGEMENT TEAM

Louis Gries

Executive Vice President, Building Products USA

Mr Gries joined James Hardie as Manager of the Fontana fibre cement plant in February 1991. He was appointed General Manager Building Products (Fibre Cement) in January 1992 before being appointed President of James Hardie Building Products (Fibre Cement) in December 1993. Prior to joining James Hardie, Mr Gries held senior management positions with United States Gypsum Company (USG). Mr Gries received a Bachelor of Science in Mathematics from the University of Illinois and an MBA from California State University, Long Beach, USA.

John Moller

Executive Vice President, Asia Pacific

Mr Moller joined James Hardie as General Manager of Building Automation in April 1992. He was Manager Building Services until it was sold in January 1997 when he was appointed Executive General Manager Building Systems. He was appointed Executive General Manager James Hardie Australasia in March 2000 and was promoted to the role of Executive Vice President, Asia Pacific when the regional business was created in March 2001. Prior to joining James Hardie, Mr Moller held a number of positions at Honeywell, Australia. He has a Bachelor of Engineering from the University of Adelaide, Australia, a Graduate Diploma in Marketing and a Masters of Management from Macquarie University, Australia.

Don Merkley

Manager, James Hardie Fibre Cement Research and Development

Mr Merkley joined James Hardie in August 1993 as Plant Manager of the Plant City fibre cement operation in Florida and was appointed US Product Development Manager in 1997. Prior to joining James Hardie, Mr Merkley held senior positions with United States Gypsum Company (USG) in various engineering-related roles. Mr Merkley has a Bachelor of Science in Engineering from Arizona State University, USA.

Robert Rugg

Executive Vice President, James Hardie Gypsum

Mr Rugg joined James Hardie as President of Gypsum in April 1998. Prior to joining James Hardie, Mr Rugg held a number of senior positions with United States Gypsum Company (USG), including General Manager Industrial Gypsum, Director of Business Development Gypsum Wood Fibre and Director Product and Market Development. Mr Rugg has a Bachelor of Science in Finance from the University of Illinois and an MBA from St Mary's College, USA.

Greg Baxter

Senior Vice President, Corporate Affairs

Mr Baxter joined James Hardie in November 1996. He is responsible for investor relations, corporate communication and public affairs. Prior to joining James Hardie, Mr Baxter was a partner of a corporate communication consultancy. He has worked in a variety of consulting and corporate roles for over 30 major Australian and multinational organisations.

Phillip Morley

Chief Financial Officer

Mr Morley joined James Hardie as Chief Accountant in October 1984 and served as Financial Controller from 1988 until 1995 and Executive General Manager Building Services from 1995 until 1997. He was appointed Chief Financial Officer of James Hardie in 1997. Prior to joining James Hardie, Mr Morley held senior positions in finance and management at Swift & Co Ltd and Pfizer Corporation. Mr Morley, a Chartered Accountant, received a Bachelor of Economics and an MBA from the University of Sydney, Australia.

Peter Shafron

General Counsel

Mr Shafron joined James Hardie as Legal Officer in August 1993 and served as Senior Company Solicitor from June 1995 before being appointed General Counsel in March 1997. Prior to joining James Hardie, Mr Shafron was an associate with the Australian law firm, Allen Allen & Hemsley. Mr Shafron received a Bachelor of Arts from the Australian National University and a Bachelor and Master of Law from the University of Sydney, Australia. Mr Shafron is admitted to practice law in Australia and California.

Greg Stanmore

Senior Vice President, Business Development and Planning

Mr Stanmore joined James Hardie in Sydney as Business Development Manager, International in November 1997. He relocated to the USA and was appointed Vice President, Marketing for James Hardie Building Products USA from 1998 until 2000 before taking on his current role. Prior to joining James Hardie, Mr Stanmore held positions with LEK Consulting, an international strategy consulting firm, the property development group CRI Limited and the Lend Lease Group. Mr Stanmore has a Bachelor of Engineering from the University of NSW, Australia and an MBA from Macquarie University, Australia.

financial and statistical review

Gross Cash Flow per Share (A\$ Million)

	2001	2000
Operating profit after tax but before abnormals	92.0	150.6
Non-cash depreciation and amortisation	76.8	86.2
Income tax expense	26.8	85.7
Income tax paid	(37.6)	(40.1)
Gross cash flow	158.0	282.4
Average number of shares on issue	409.6	407.0
Gross cash flow per average issued share	38.6c	69.4c

Currency of Borrowings (A\$ Million)

Borrowings	2001	2000
AUD	420.7	271.3
USD	462.4	370.5
NZD	-	0.8
Other	2.8	-
Total Borrowings	885.9	642.6
Deposits		
AUD	132.3	58.0
USD	18.3	191.9
NZD	0.5	1.4
Other	2.1	2.9
Total Deposits	153.2	254.2
Net Borrowings	732.7	388.4

Capital Expenditure (A\$ Million)

	2001	2000
US Fibre Cement	135.6	55.3
Gypsum	8.0	54.5
Aust/NZ Fibre Cement	11.8	12.7
US Pipes	56.0	-
Building Systems	-	40.0
Other	8.5	8.5
Corporate	0.1	0.2
Total	220.0	171.2

Exchange Rates

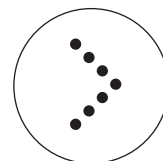
Weighted Average	2001	2000
USD	0.5559	0.6445
NZD	1.2645	1.2410
Closing Spot		
USD	0.4900	0.6073
NZD	1.2144	1.2237

Gross Capital Employed (A\$ Million)

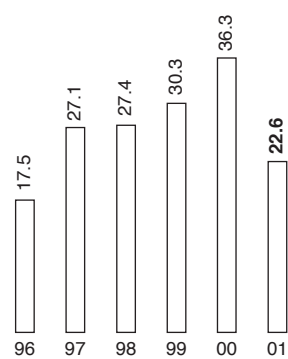
	2001	2000
Fixed assets	1,171.8	923.7
Inventories	178.9	117.7
Receivables	178.4	239.7
Prepayments	40.6	21.9
Investments	20.7	21.1
Mineral reserves /Other	107.4	43.6
Creditors	(168.1)	(124.1)
Gross Capital employed	1,529.7	1,243.6

Debt Maturity Profile (A\$ Million)

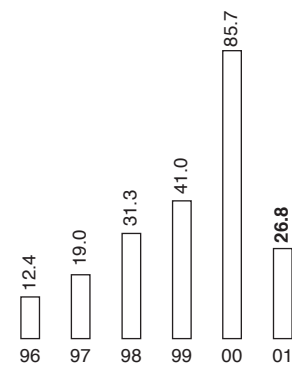
	2001	2000
Less than one year	156.7	72.1
1-2 years	15.0	-
2-3 years	215.0	200.0
3-4 years	64.0	-
4-5 years	86.4	39.5
Greater than 5 years	348.8	331.0
Total Borrowings	885.9	642.6



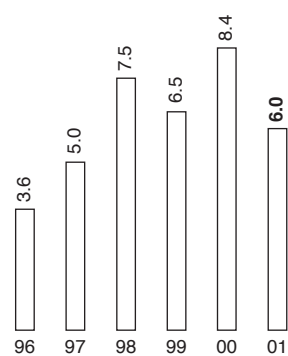
Effective Tax Rate (%)



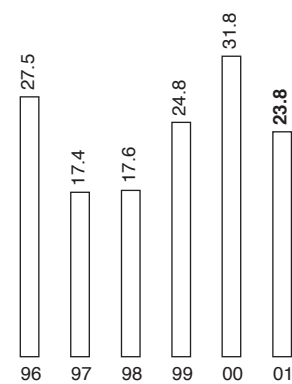
Tax Expense (A\$ Million)



Net Interest Cover (times)



Net Interest Expense (A\$ Million)





financial statements

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Management Discussion and Analysis

FINANCIAL AND OPERATING STATISTICS

Unless otherwise stated, results are for continuing business only

A\$ million	2001	2000	% Change
Net Sales			
US Fibre Cement	A\$ 669.3	A\$ 481.8	39
Gypsum	495.1	556.3	(11)
US Operations	1,164.4	1,038.1	12
Australia/New Zealand Fibre Cement	268.1	294.3	(9)
Other	116.1	117.6	(1)
Total Net Sales	A\$ 1,548.6	A\$ 1,450.0	7
Net Sales	\$ 1,548.6	\$ 1,450.0	7
Cost of goods sold	(1,115.3)	(937.1)	19
Gross profit	433.3	512.9	(16)
SG&A and other	(290.7)	(259.4)	12
EBIT from continuing businesses	142.6	253.5	(44)
EBIT from divested businesses	-	14.6	(100)
EBIT before abnormal items	142.6	268.1	(47)
Net interest expense	(23.8)	(31.8)	(25)
Operating profit before tax and abnormals	118.8	236.3	(50)
Income tax expense before abnormals	(26.8)	(85.7)	(69)
Net operating profit before abnormals	A\$ 92.0	A\$ 150.6	(39)
Abnormal items after tax	(53.6)	7.9	
Extraordinary items after tax	(237.9)	-	
Net operating profit/(loss)	A\$ (199.5)	A\$ 158.5	
Tax rate	22.6%	36.3%	
Volume (mmsf)			
US Fibre Cement	850.1	724.9	17
Gypsum	2,203.9	2,181.3	1
Australia/New Zealand Fibre Cement	255.8	286.8	(11)
Philippines Fibre Cement	62.9	47.0	34
Average Sales Price (per msf)			
US Fibre Cement	US\$ 438	US\$ 428	2
Gypsum* (net)	US\$ 96	US\$ 138	(30)
Australia/New Zealand Fibre Cement	A\$ 946	A\$ 926	2
Philippines Fibre Cement	PHP 12,989	PHP 11,689	11

*Refer "Change in Reporting Gypsum Selling Prices" discussed at the end of this section.

GROUP RESULTS

Total Net Sales

Net sales increased 7% to A\$1,548.6 million. Net sales from US operations increased 12% to A\$1,164.4 million. This reflects the favourable impact of foreign exchange rates. In US dollars, sales from US operations decreased 3% to US\$647.3 million. This was due to a 30% decline in prices for gypsum wallboard products, as a result of a significant increase in industry production capacity. This was offset by continuing growth in sales volumes and higher selling prices of fibre cement products. Net sales from non-US operations decreased 7% to A\$384.2 million. This reflects generally lower demand, which can be attributed to the downturn in the housing cycles in Australia and New Zealand. This affected both fibre cement businesses and the Australian windows operation. These lower sales were partially offset by a 47% increase in sales revenue from the Philippines fibre cement business.

Gross Profit

Gross profit decreased 16% to A\$433.3 million due to significantly lower prices for gypsum wallboard products and an increase in the cost of pulp which affected all fibre cement operations. This was offset by higher sales volumes from the US fibre cement business. The gross profit margin decreased 7.4 percentage points to 28%.

Selling, General and Administrative Expenses (SG&A)

SG&A expenses and other items increased 12% to A\$290.7 million. This was mainly due to:

- a 45% increase in expenditure on sales, marketing and product development activities by the US fibre cement business as it geared up to capitalise on new growth opportunities
- a 72% increase in expenditure on business development projects to develop new markets for fibre cement in various parts of the world.

The significant investments in these growth initiatives more than offset the reductions in SG&A achieved by most other businesses, including a 20% reduction in SG&A costs in the gypsum business.

As a percentage of sales, SG&A expenses increased 0.9 percentage points to 18.8% compared to last year.

Earnings Before Interest and Tax (EBIT)

EBIT decreased 44% to A\$142.6 million. The EBIT margin fell 8.3 percentage points to 9.2%.

Management Discussion and Analysis continued

EBIT from US operations decreased 32% to A\$195.2 million due mainly to the significant decline in gypsum wallboard prices, significantly higher natural gas costs in the gypsum business and an increase in expenditure on growth initiatives and plant commissioning by the US fibre cement business. In US dollars, EBIT from US operations decreased 42% to US\$108.5 million.

EBIT from non-US operations decreased 14% to A\$30.9 million. This was due to lower volumes in the Australian and New Zealand fibre cement businesses and the Australian windows operation and an increase in raw material costs in all businesses. This was partly offset by manufacturing efficiencies and lower SG&A costs in the Australian and New Zealand fibre cement businesses, higher selling prices achieved by all operations and higher volumes from the Philippines fibre cement business.

Corporate costs increased by A\$17.7 million to A\$71.8 million. This was mainly due to an increased investment in business development projects to develop new markets for fibre cement in various parts of the world.

Core research and development costs decreased 32% to A\$11.7 million, mainly due to the completion of a number of research projects which have been transferred to business units for commercialisation.

Interest Expense

Net interest expense decreased 25% to A\$23.8 million. This was primarily due to lower average net borrowings during the year as a result of receiving proceeds from the sale of the Building Systems business in February 2000 and an increase in interest capitalised into plant construction.

Income Tax Expense

Income tax expense decreased by A\$58.9 million to A\$26.8 million in line with the decrease in profits, combined with the effect of permanent differences. The effective tax rate was 23%.

Abnormal Items

A New Regional Division

In March 2001 James Hardie announced the creation of a new division for its fibre cement businesses in the Asia Pacific region. The new regional division will include the fibre cement operations in Australia, New Zealand and the Philippines. The new division will improve coordination and management of key functions such as manufacturing and sales and will enable the company to eliminate a number of duplicated business processes. This will improve the operating performance of the three fibre cement operations in the Asia Pacific region and improve their competitive position in both domestic and export markets.

As a result, James Hardie has decided to phase out manufacturing at its plant in Perth, Western Australia during the course of this year. Accordingly, an abnormal charge of \$18.3 million after tax was booked in the fourth quarter. This implementation cost should be offset within two years by an improvement in operating earnings from the Asia Pacific operations, under their new structure.

Exiting Windows

In September 2000 James Hardie announced its plans to accelerate the expansion of its fibre cement operations, based on growing confidence that its proprietary fibre cement technology has significant commercial potential around the world.

As a result of this decision, James Hardie decided to exit its Australian windows operation. This led to the carrying value of the windows assets being written down to a near-term realisable value, as opposed to maintaining a value for these assets which reflects the longer term development potential of the business. A provision was also established for costs which are likely to be incurred as part of the exit process.

Accordingly, an abnormal charge of A\$35.3 million after tax was booked in the third quarter.

Last year, there was an abnormal profit after tax of A\$7.9 million relating to the sale of businesses and other divestment costs offset by a charge against deferred tax assets for a change in the Australian tax rate.

Extraordinary Item – Asbestos

An extraordinary loss of A\$237.9 million after tax was booked in the fourth quarter for the establishment of the Medical Research and Compensation Foundation, which was announced in February 2001.

The establishment of the Foundation resolves James Hardie's future asbestos liability for the mutual benefit of claimants and shareholders. The Foundation takes over the management and settlement of the group's future asbestos liabilities and is completely independent of James Hardie.

Income producing assets of A\$302.7 million have been transferred to the Foundation to fund all future claims for compensation and to support medical research.

Effective 16 February 2001, the consolidated profit and loss statement of the James Hardie group does not include costs associated with asbestos-related litigation. From this date, these costs are borne by the Foundation.

These changes mean that the James Hardie group will be able to concentrate solely on developing its operating businesses and the new Foundation will concentrate solely on managing asbestos-related activities.

Net Operating Profit

Net operating profit before abnormal and extraordinary items decreased 39% to A\$92.0 million. Earnings per share before abnormals and extraordinary items decreased 39% to A22.5 cents.

Including abnormal and extraordinary items, there was a net operating loss of A\$199.5 million.

BUSINESS SEGMENT RESULTS

US Fibre Cement

Sales revenue increased 39% to A\$669.3 million. In US dollars, sales revenue increased 20% to US\$372.1 million. Sales volume rose 17% to 850.1 million square feet as James Hardie's products continued to take market share from competing products, particularly in the siding and interior products segments. This was achieved despite a 4% decline in US housing starts.

Hardibacker 500[®], a new 1/2-inch backerboard using the company's new G2 technology, has been received positively with strong sales growth recorded during the year. In addition, sales of differentiated, premium priced products such as Harditrim[™] and vented soffit continued to grow significantly, reflecting their advantages over traditional wood based alternatives. The high growth rate in sales of exterior siding products continued despite a 5% fall in housing starts in major markets such as Texas and Florida.

The average product selling price increased 2% to US\$438 per thousand square feet, despite aggressive pricing from competitors. The increase reflects the continued introduction of new, differentiated products which are commanding higher prices.

Gross profit increased 25% reflecting higher prices and volumes. The gross profit margin fell 3.6 percentage points due to increased manufacturing costs, arising from the expansion of capacity to meet growing demand.

Higher manufacturing costs included: a) higher pulp and energy costs; b) one-time commissioning costs associated with the expansion of capacity at Tacoma, Washington and Cleburne, Texas under the 'Step-Up' program; and

c) one-time commissioning costs associated with the start-up of the fifth plant at Peru, Illinois, the sixth plant at Waxahachie, Texas, and the new trim line utilising new breakthrough technology at Cleburne, Texas.

The business' manufacturing plants operated close to capacity to meet higher than expected demand. This meant each plant produced higher volumes of a narrower product range resulting in longer freight hauls to get products to customers and freight costs rose as a result. The effect of longer freight hauls was exacerbated by higher fuel costs.

SG&A expenses were 40% higher and increased 0.2 percentage points as a percentage of sales. The higher costs reflect significant expansion of sales, marketing and product development activities to exploit new growth opportunities to meet growing demand.

EBIT increased 15% to A\$122.9 million due to the favourable impact of foreign exchange rates. In local currency, EBIT marginally decreased to US\$68.3 million.

Higher volumes and selling prices were more than offset by higher SG&A costs and manufacturing costs, notably higher raw material and energy costs.

The EBIT margin at 18.4% was 3.7 percentage points down on last year, due to the factors outlined above.

The business continues to expand. The fifth manufacturing plant at Peru, Illinois, was commissioned in October 2000 and continues to ramp-up as planned. The first line at James Hardie's sixth plant in Waxahachie, Texas became operational in February 2001 and work on the second line is progressing on schedule.

In addition, the company has developed a new breakthrough fibre cement production technology, which will be used to expand the company's range of fibre cement products. The first production line utilising this new technology is in commissioning at the Cleburne, Texas plant. The new line will manufacture Harditrim™ and will provide an additional 100 million square feet of capacity when it is fully operational.

When the new flat sheet capacity in Illinois and Texas is fully ramped up, the business will have a total annual production capacity of approximately 1,825 million square feet.

US Gypsum

Gross sales revenue decreased 11% to A\$495.1 million. Net wallboard sales revenue (gross wallboard sales revenue less freight, discounts and rebates) decreased 18% to A\$382.5 million.

This was due primarily to a 30% decline in the average net selling price of wallboard to US\$96 per thousand square feet. This sharp decline in price was due to the significant increase in industry production capacity which continues to affect the wallboard industry.

In US dollars, gross revenue was down 23% to US\$275.2 million while net revenue decreased 29% to US\$212.6 million.

Wallboard sales volume marginally increased to 2,204 million square feet.

The per unit manufacturing cost of wallboard declined due to improvements in operating efficiency combined with lower paper costs. The decline in cost overall was achieved despite significantly higher natural gas energy costs.

Gross profit decreased 54% and the gross profit margin fell 18.8 percentage points. This was attributable to lower wallboard prices together with higher energy costs.

SG&A expenses decreased 20% and as a percentage of sales were 0.6 percentage points lower than the prior year.

EBIT decreased 60% to A\$72.3 million due entirely to lower wallboard prices and higher energy costs, marginally offset by lower SG&A costs. In local currency, EBIT decreased 66% to US\$40.2 million.

The EBIT margin at 14.6% was 18.1 percentage points lower than last year.

The business strategy is to achieve the best return on assets in the gypsum wallboard industry. Significant progress has been achieved towards this objective and results show that the business has among the best returns in the industry.

The business continues to expand on other fronts. Sales of non-wallboard products such as joint compounds continue to increase and the first joint compound plant in Washington State is ramping-up. This operation, together with joint compounds being sourced from a contract manufacturer in California, has added a new, complementary product which is expected to generate attractive returns.

In December 2000, the company completed the purchase of Western Gypsum, a large gypsum mine in Utah. This will provide growth options for the business at low cost and low risk.

Australia and New Zealand Fibre Cement

Sales revenue for the segment decreased 9% to A\$268.1 million and sales volumes decreased 11% to 255.8 million square feet. EBIT increased 3% to A\$49.4 million.

Australia

Sales revenue decreased 9% to A\$199.9 million due to an 11% decrease in sales volume to 219.3 million square feet.

The decline in sales volume reflects lower demand due to the continued downturn in the Australian housing cycle, some of which can be attributed to decreased buying after the introduction of the GST (Goods & Services Tax). This was exacerbated by some disruption to business in NSW as a result of the Olympic Games in September 2000 and abnormally lower demand prior to the December 2000 holiday period. This was partly offset by a 3% increase in the average product selling price, reflecting favourable changes to the product mix.

Gross profit marginally decreased due to lower volumes. The gross profit margin rose 3.2 percentage points due to significantly improved manufacturing performance, lower costs and higher selling prices.

SG&A expenses were reduced by 15% due to improved cost management as a result of the centralisation and relocation of the finance and administration functions to New Zealand.

EBIT increased 16% to A\$42.6 million. The EBIT margin of 21.3% was 4.5 percentage points up on last year.

The business maintained its segment share, retaining all major customers during the year. BBC Hardware, a major customer, awarded the business its National Supplier Award in the Building & Construction category and a Silver Award in the Best Overall Supplier category for the 1999-2000 year. Another major customer, Mitre 10, awarded the business its Victorian Supplier of the Year Award.

Six new products were launched during the year. These included Comtex™, a new external cladding system for commercial buildings, which had a positive impact on sales and helped to increase market penetration in the commercial segment. Other products include Hardifloor™, specifically designed for houses built on sloping sites; HPC™, a new high-quality facade baseboard and Smartfix™, a premium pre-finished facade system. Further new product introductions are scheduled this year.

Management Discussion and Analysis continued

Other initiatives launched to the market include TechSpec™, a new interactive CD-Rom which provides comprehensive product and technical information.

TechSpec™ is designed to improve the availability and frequency of information to builders, specifiers and designers, and at the same time reduces cost.

The first phase of the capacity expansion at the fibre cement pipes and columns plant in Brisbane became operational in December 2000. This increased capacity by 30%. This will enable the business to capitalise on growth opportunities for its range of drainage pipes and architectural columns.

New Zealand

Sales revenue fell 10% to A\$68.3 million due mainly to an 11% decrease in fibre cement sales volume and the loss of revenue following the divestment of the Portacom business in February 2000.

This was a good result given the 25% decline in residential construction activity during the year. This sharp decline reflects lower economic and consumer confidence, higher household debt levels and an excess supply of dwellings created by overbuilding in the prior year. In local currency, sales revenue decreased 8% to NZ\$86.3 million.

Despite the sharp fall in residential construction activity, average product prices rose 3%. This was due to favourable changes in the product mix as new and differentiated products, which competitors are unable to offer, generated a greater proportion of sales.

A number of new and established products performed well despite the fall in housing starts. These include Hardigroove™, a new product for soffits and internal walls, and Villaboard™ which is used for internal walls and wet areas. Demand for products such as Hardiglaze™, a pre-finished internal lining product, continued to increase. A number of new products are scheduled to be launched later in the year.

The business continued to hold share and all major customers were retained during the year.

Gross profit fell 21% and the gross profit margin decreased 4.0 percentage points due mainly to higher raw material costs, particularly for pulp, which offset gains in manufacturing efficiency. SG&A expenses were reduced by 7% but increased 0.6 percentage points as a percentage of sales.

The fall in sales volumes, increased raw material costs and the loss of revenue from the divestment of the Portacom business in February 2000, were largely responsible for a 38% decline in EBIT. The EBIT margin decreased 4.6 percentage points to 10.0%.

Other Businesses Segment (Philippines Fibre Cement, Chile Fibre Cement, US FRC™ Pipes and Windows)

Sales from the Other Business segments marginally decreased to A\$116.1 million. The segment recorded an EBIT loss of A\$18.5 million.

Philippines Fibre Cement

Sales revenue increased 47% to A\$31.7 million. This was due to a 34% increase in sales volume to 62.9 million square feet as the business continued to increase market penetration against competing products, principally plywood.

The business also significantly grew export sales, commencing exports to Korea during the year.

Average product selling prices rose 11% due to favourable changes in the product mix and increased export sales. In local currency, sales revenue increased 49% to PHP817.0 million.

The business made a positive gross profit contribution due to higher revenue, improved production efficiency, favourable changes to the product mix and greater product awareness. This was achieved despite higher raw material costs.

SG&A expenses increased 25% due to the launch of a new advertising campaign, an increase in export sales and marketing activity and a one-off charge for redundancies arising from a reorganisation of the sales and marketing functions.

The EBIT loss was reduced 7% compared to the loss recorded last year. This was due to higher volumes and selling prices, and lower manufacturing costs. This was offset by redundancy costs outlined above. Excluding these redundancy costs the EBIT loss was reduced by 17%.

Chile Fibre Cement

In December 2000 James Hardie acquired a new US\$6.9 million fibre cement manufacturing plant in Santiago, Chile, from a private Chilean company. A further US\$2.3 million has been spent upgrading the plant to increase its efficiency and enable it to manufacture James Hardie's proprietary product range.

The acquisition represents a low-cost, low-risk entry into South America, a region in which the company sees significant long-term growth potential. The initial investment in Chile matches the size of the emerging market for fibre cement in Chile and the near-term prospects for sales in neighbouring countries, Brazil and Argentina.

In March 2001, James Hardie's new fibre cement plant commenced production and achieved its first sales. The plant is being ramped-up to an annual capacity of 35 million square feet.

A small EBIT loss was recorded for the year, reflecting costs incurred during the start-up of the business.

US FRC™ Pipes

In March 2001, the company's first USA pipe plant commenced operations in Plant City, Florida. The US\$32.5 million plant marks James Hardie's entry into the US\$2.0 billion civil construction market for large diameter drainage pipes.

The plant will manufacture fibre reinforced concrete pipes from 12 inches to 48 inches in diameter and its flagship product is HardiStorm fRCP™. The plant is being ramped-up to an annual production capacity of 100,000 US tons and is now selling product.

In addition, the business has established a customer call centre in Tampa, Florida. Sales and marketing personnel have also been recruited to cover key markets. In December 2000, the Florida Department of Transportation gave formal approval for the use of fRCP™. Work to secure regulatory approval for the use of fRCP™ in other major states across the USA is in progress. In March 2001, the product was awarded the Governor's New Product Award for innovative excellence by the Florida Engineering Society.

The business recorded a small EBIT loss, reflecting SG&A and other expenses incurred as part of the start-up of the business.

Windows

Sales revenue decreased 12% to A\$82.1 million due to a fall in sales volumes of timber and aluminium windows. This was offset by a 9% increase in the average product selling price for timber and aluminium windows, reflecting favourable changes to the product mix. In addition, sales of Breezway™ louvres increased 16%.

The lower sales volume reflects generally lower demand, some of which can be attributed to decreased buying after the introduction of the GST and a continued downturn in the Australian housing cycle.

This was exacerbated by some disruption to business in NSW, the business' largest market, as a result of the Olympic Games in September 2000 and abnormally low demand prior to the December 2000 holiday period.

Gross profit fell 10% largely due to lower sales volumes. The gross profit margin increased 0.3 percentage points.

The lower gross profit caused a A\$2.0 million increase in the EBIT loss compared to the prior year.

The business is in the process of automating its Quantum™ manufacturing processes. This will reduce costs further and increase production capacity to meet growing demand.

The accelerated roll-out of the new Quantum™ range of aluminium windows continued and was supported by a new advertising campaign and promotional program, which pushed up costs during the year. Sales of Quantum™ are increasing significantly as the product continues to be received positively by customers.

The divestment of James Hardie Windows is progressing.

Research and Development

Research and development includes costs associated with core research projects which are aimed at benefiting all fibre cement business units. These costs are expensed as corporate costs rather than being attributed to individual units and decreased 32% to A\$11.7 million for the period. This was mainly due to the completion of a number of research projects which are now being commercialised by business units.

Costs associated with development projects by individual business units are included in the business unit segment results. In total, these costs increased 33% to A\$16.6 million reflecting increased activity on a number of projects involving the commercialisation of new products.

Balance Sheet

Total current assets decreased by A\$82.0 million to A\$520.7 million, of which A\$101.0 million was due to the decrease in cash balances. Trade debtors decreased by A\$60.9 million, reflecting the decrease in gypsum sales. Inventories increased by A\$61.2 million as stock is built up for summer in the USA.

Total non-current assets increased by A\$314.4 million to A\$1,409.2 million, principally due to property, plant and equipment, which increased by A\$248.1 million. James Hardie has invested substantially in property, plant and equipment during the current year. Capital additions on property, plant and equipment of A\$220.0 million and an increase of A\$178.5 million due to foreign exchange rate changes were offset by depreciation expense of A\$73.1 million and the disposal of properties carried at A\$80.5 million to the Medical Research and Compensation Foundation. Capital spending was predominantly due to the construction of a fifth US fibre cement plant in Peru, Illinois; a sixth plant in Waxahachie, Texas; the new trim line in Cleburne, Texas; and the first US pipe plant in Plant City, Florida.

Other non-current assets increased by A\$53.8 million mainly due to the increase in mineral reserves of A\$48.4 million from the purchase of Western Gypsum in December 2000.

Total current liabilities increased by A\$133.4 million to A\$446.4 million, largely due to an A\$84.6 million increase in borrowings. Accounts payable increased by A\$44.0 million due to increased inventory purchases and capital spending.

Non-current liabilities increased by A\$195.8 million to A\$905.9 million. Borrowings increased A\$158.7 million as a result of the creation of the Medical Research and Compensation Foundation in February 2001 and unfavourable foreign exchange rate changes.

Cash Flow

Net operating cash inflows decreased by A\$66.8 million due to a decline in EBIT. This reflects the impact of Gypsum pricing, increased costs of raw materials and higher expenditure on sales, marketing and product and business development.

Net investing produced a cash outflow of A\$283.1 million compared to an inflow of A\$9.0 million last year. An A\$70.0 million loan was established on the creation of the Medical Research and Compensation Foundation in February 2001 and A\$17.8 million was spent to acquire businesses during the year. Last year A\$152.6 million was received from the disposal of subsidiaries and businesses. Capital expenditure increased A\$46.8 million over last year.

Net financing produced a cash inflow of A\$0.3 million compared to an outflow of A\$63.7 million last year as net proceeds from borrowings and foreign exchange increased by A\$76.1 million. This was offset by an increase in dividends paid.

Change in Reporting Gypsum Selling Prices

Effective 16 November 2000, James Hardie changed the way in which it reports gypsum wallboard average selling prices in its results.

James Hardie previously reported the Gross Selling Price per thousand square feet of wallboard. Beginning 16 November 2000, it now publishes the Net Selling Price per thousand square feet of wallboard. The Net Selling Price per thousand square feet is the Gross Selling Price less freight, discounts and rebates.

The Net Selling Price per thousand square feet is the price commonly quoted by other industry participants. This change is designed to enable shareholders, analysts and other interested parties to more easily compare the performance of the company's gypsum business with the results of its competitors.

The table below shows the Gross Selling Price reported by James Hardie Gypsum in the past and the Net Selling Price which was achieved by the business in the same reporting periods.

Quarter	*Gross Selling Price/msf	*Net Selling Price/msf
June 98	\$134	\$104
September 98	\$133	\$110
December 98	\$140	\$114
March 99	\$144	\$119
June 99	\$153	\$128
September 99	\$162	\$137
December 99	\$172	\$146
March 00	\$164	\$138
June 00	\$149	\$123
September 00	\$127	\$100
December 00	\$110	\$82
March 01	\$107	\$78

*All prices are US\$

As a result of EITF 00-10 'Accounting for Shipping and Handling Revenues and Costs' issued by the Emerging Issues Task Force of the Financial Accounting Standards Board, certain gypsum industry participants have restated their reported sales revenues and cost of sales to reclassify amounts related to shipping and handling to cost of sales from sales revenue where they have previously been reported. This has the effect of increasing sales revenue and increasing cost of sales but not affecting reported profits. James Hardie has always reported its gypsum sales revenues in the manner now mandated by the EITF.

Directors' Report

For the year ended 31 March 2001

James Hardie Industries Limited (ACN 000 009 263)

The Directors present their report on the consolidated entity consisting of James Hardie Industries Limited (JHIL) and the entities it controlled at the end of, or during, the year ended 31 March 2001.

Directors

The Directors of JHIL at the date of this report are: Messrs AG McGregor, PD Macdonald, PJ Willcox, MR Brown, MJ Gillfillan, MM Koffel, GJ Terry, GF O'Brien and Ms M Hellicar.

The qualifications and experience of the Directors are set out in the Board and Management Biographies.

Former Directors

The Hon Sir Llewellyn R Edwards AC served as a non-executive Director from 2 August 1990 until 15 February 2001.

Sir Selwyn Cushing KNZM served as a non-executive Director from 21 July 1999 until 3 April 2001. Mr DB Conway served as Sir Selwyn's Alternate from 20 August 1999 until 28 June 2000. Mr GF O'Brien served as Sir Selwyn's Alternate from 13 July 2000 until 3 April 2001.

Company secretaries

Messrs PJ Shafron and DE Cameron.

Options

Note 20 to the Financial Statements sets out details of the 1,200,000 options granted by JHIL on 17 November 1999 to PD Macdonald under the PD Macdonald Share Option Plan approved by shareholders at the Annual General Meeting held on 15 July 1999.

Insurance and indemnification of Directors and officers

During the financial year, JHIL paid a premium for an insurance policy insuring any past, present or future director, secretary, executive officer or employee of James Hardie, including JHIL Directors named below, against certain liabilities. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the insurance cover and the amount of the premium.

Under the JHIL Constitution, every officer of JHIL is indemnified (to the maximum extent permitted by law) out of property of JHIL against:

- a) a liability to another person (other than JHIL or a related body corporate) unless the liability arises out of conduct involving a lack of good faith;
- b) a liability for costs and expenses incurred by the person:
 - i) in defending proceedings, whether civil or criminal, in which judgment is given in favour of the person or in which the person is acquitted; or
 - ii) in connection with an application in relation to such proceedings in which the court grants relief to the person under the Corporations Law and Corporations Regulations.

Attendance at JHIL Board and Board committee meetings during financial year

Director	Board of Directors		Audit Committee		Remuneration Committee	
	Meetings held while a Director	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
AG McGregor	7	7	5	5	2	2
PD Macdonald	7	7	–	–	–	–
M Hellicar	7	7	5	2	2	2
PJ Willcox	7	6	–	–	2	2
MR Brown	7	7	5	5	–	–
MJ Gillfillan	7	7	5	5	–	–
MM Koffel	7	6	–	–	2	2
GJ Terry	7	7	–	–	–	–
Sir Llewellyn R Edwards	7	6	–	–	2	1
Sir Selwyn Cushing	7	3	–	–	–	–
by alternate GF O'Brien	–	4	–	–	–	–

JHIL had an Audit Committee at the date of this Report.

Directors' relevant interests, in securities at 16 May 2001

Director	JHIL Ordinary Shares			JHIL Options
	Beneficial	Non-beneficial	Total	Beneficial
AG McGregor	3,490,794	10,242,200	13,732,994	–
PD Macdonald	81,000	–	81,000	1,200,000
M Hellicar	2,261	–	2,261	–
PJ Willcox	25,000	–	25,000	–
MR Brown	10,000	–	10,000	–
MJ Gillfillan	50,000	–	50,000	–
MM Koffel	–	–	–	–
GJ Terry	–	–	–	–
GF O'Brien	–	–	–	–

Principal activities

Principal activities of James Hardie during the financial year were manufacture and distribution of fibre cement products internationally, gypsum products in USA and windows and doors in Australia.

Review of operations

A review of James Hardie's operations during the financial year and of the results of those operations are contained in the Operational Highlights, the Chief Executive Officer's Report and the Management Discussion and Analysis section.

Significant changes in state of affairs

On 15 February 2001, JHIL gifted A\$3.0 million in cash and transferred ownership of James Hardie & Coy Pty Ltd ("JH & Coy") and Jsekarb Pty Ltd ("Jsekarb") to the Medical Research and Compensation Foundation ("Foundation"), a special purpose charitable trust established to fund medical and scientific research into asbestos-related and other lung diseases. JH & Coy and Jsekarb manufactured and marketed asbestos-containing products prior to 1987, when all such activities ceased, and as a result incur the costs of asbestos-related litigation and settlements.

The Foundation is managed by independent trustees and operates entirely independently of James Hardie. James Hardie does not control the activities of the Foundation in any way and effective from 15 February 2001, does not control the activities of Amaca Pty Ltd (formerly JH & Coy) or Amaba Pty Ltd (formally Jsekarb). In particular, the trustees are responsible for the effective management of claims against Amaca and Amaba, and for the investment of their assets. James Hardie has no economic interest in any of the Foundation, Amaca or Amaba; it has no right to dividends or capital distributions, nor will it benefit in the event that there is ultimately a surplus of funds in the Foundation, Amaca or Amaba following satisfaction of all asbestos-related liabilities.

As a result of the loss of control of JH & Coy and Jsekarb on 15 February 2001, an extraordinary expense of A\$237.9 million has been booked during the financial year, comprising the net assets of JH & Coy and Jsekarb which were disposed of for no consideration, the A\$3.0 million cash gift to the Foundation together with costs associated with the establishment of the Foundation.

The results of JH & Coy and Jsekarb for the period 1 April 2000 to 15 February 2001 have been included in Operating Profit, and primarily comprise rental and interest income, asbestos litigation and settlement costs, net of insurance recoveries.

The Directors are not aware of any other significant change in the state of affairs of James Hardie during the financial year other than as disclosed in the Chief Executive Officer's Report.

Events after end of financial year

On 11 May 2001, James Hardie announced that it had begun a formal process to evaluate the sale of its gypsum assets in the United States. As part of this process, James Hardie has entered into discussions with a number of parties. James Hardie also announced that it was not clear whether these discussions will result in formal offers for the assets on terms and conditions acceptable to James Hardie.

Since the end of the financial year, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this Annual Report that has significantly affected or may significantly affect the operations of James Hardie, the results of those operations or the state of affairs of James Hardie in subsequent financial years other than contained in the Chief Executive Officer's Report.

Future developments and results

Other likely developments in James Hardie's operations have been covered in the Chairman's Report and in the Directors' opinion, any further disclosure of information would prejudice James Hardie's interests.

Environmental regulations and performance

The manufacturing and other ancillary activities conducted by James Hardie are subject to licences issued under environmental laws that apply in each respective location.

Under the applicable licences and trade waste agreements, discharges to water, air and the sewerage system and noise emissions are to be maintained below specified limits. In addition, dust and odour emissions from the sites are regulated by local government authorities.

Solid wastes are removed to licensed landfills and a program is in place to reduce waste produced from the manufacturing process.

James Hardie has in place an integrated environmental, health and safety management system which includes regular monitoring, auditing and reporting within James Hardie. The system is designed to continually improve James Hardie's performance and systems with training, regular review, improvement plans and corrective action as priorities.

During the financial year and to the date of this report, James Hardie was not prosecuted for breach of any relevant environmental law or licence.

Dividends

The Directors have declared that an unfranked final dividend of 9.5¢ per share be paid for the year ended 31 March 2001 to shareholders registered at the close of 29 May 2001.

Total dividends for the financial year are:	2001	2000
	A\$ million	A\$ million
9.5¢ unfranked, interim, paid 15 December 2000	38.7	34.6
9.5¢ unfranked, final, payable 14 June 2001	39.5	38.7
<u>Totals</u>	<u>78.2</u>	<u>73.3</u>

A final unfranked dividend of 9.5¢ per share was paid on 15 June 2000 out of profits for the year ended 31 March 2000 as shown in the 2000 Directors' Report.

Directors' and executives' emoluments

James Hardie aims to provide competitive total compensation by offering a package of fixed pay and benefits and performance variable pay, based on both long and short-term incentives.

James Hardie's executive compensation program is based on a pay for performance policy that differentiates compensation amounts based on an evaluation of performance results in three basic areas: corporate, business unit and individual. The program is administered by the Remuneration Committee. The composition and responsibilities of the Committee are set out in the Corporate Governance section. The Remuneration Committee recommends programs to the Board for approval and monitors their ongoing operation. It also reviews and approves all individual compensation recommendations for senior executives.

The Chief Executive Officer makes recommendations to the Remuneration Committee on the compensation of James Hardie's key executives, based on assessments and advice from independent compensation consultants regarding the compensation practices of James Hardie and others specific to the countries in which James Hardie operates. However, the Remuneration Committee makes the final compensation decisions concerning these officers the objective being to:

Directors' Report continued

For the year ended 31 March 2001

James Hardie Industries Limited (ACN 000 009 263)

- Provide fixed pay (base salaries) to attract and retain key executives who are critical to James Hardie's long-term success by providing a guaranteed level of income that recognises the market value of the position as well as internal equities between roles, and the individual's capability, experience and performance. Base pay for management typically approximates the median salary for positions of similar responsibility in peer groups.
- Provide annual variable compensation awards that reward increases in James Hardie's shareholder value, as well as achievement of agreed business outcomes. Performance is measured in terms of James Hardie's Managing for Value philosophy. Target incentive amounts are designed to be competitive based on salary market standards.
- Reinforce the executive officers' alignment with the financial interest of shareholders by providing equity-based long-term incentives (i.e. share options and shadow share plans). Award levels are determined based on market standards and the individual's responsibility, performance and potential to enhance shareholder value. The Remuneration Committee uses the Black-Scholes option pricing model to establish the appropriate value of the long-term incentive.

Remuneration and other terms of employment for the Chief Executive Officer and certain other senior executives are formalised in service agreements.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Non-executive Directors are also entitled to retirement benefits in accordance with a shareholder-approved scheme. The Board uses an independent expert to benchmark Directors' remuneration and retirement benefits against peer companies.

Details of the nature and amount of each element of the emoluments of each Director of JHIL and each of the five current officers of JHIL and James Hardie receiving the highest emoluments are set out in the following tables.

Emoluments of five most highly remunerated current officers excluding JHIL Directors

Current Officer	Base Pay A\$	Superannuation and other Benefits A\$	Bonuses A\$	Expatriate Allowances A\$	Total A\$
JL Moller	296,250	208,641	827,069	–	1,331,960
PG Morley	504,587	358,718	71,581	201,306	1,136,192
PJ Shafron	353,308	232,067	31,678	269,527	886,580
L Gries	491,580	125,460	222,920	–	839,960
RF Rugg	444,639	113,601	171,786	–	730,026

The officers in the table set out above are current officers. During the year, a number of executive officers ceased employment with James Hardie. They received emoluments, including termination payments, as follows: B Bridges A\$1,610,486, KA Boundy A\$1,350,607 and R Middendorp A\$1,000,429.

Rounding of amounts to nearest tenth of a million dollars

JHIL meets the criteria referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off, in accordance with that Class Order, to the nearest tenth of a million dollars, or in certain cases to the nearest dollar.

JHIL Directors' emoluments

Non-Executive Directors	Directors' Fees A\$	Superannuation A\$	Total A\$
AG McGregor	195,000	15,252	210,252
M Hellicar	65,000	5,138	70,138
PJ Willcox	65,000	5,138	70,138
MR Brown	65,000	5,138	70,138
MJ Gillfillan	65,000	–	65,000
MM Koffel	65,000	–	65,000
GJ Terry	65,000	5,138	70,138
GF O'Brien	–	–	–
Former Directors			
Sir Llewellyn Edwards	59,584	4,603	64,187
Sir Selwyn Cushing	65,000	5,138	70,138
Alternate DB Conway	–	–	–
Total emoluments for non-executive Directors	709,584	45,545	755,129

Executive Director	Base Pay A\$	Superannuation and other Benefits A\$	Bonus A\$	Total A\$
PD Macdonald	1,100,779	36,003	686,210	1,822,992
Total emoluments for JHIL Directors				2,578,121

This report is made in accordance with a resolution of the Directors.



AG McGregor,
Chairman of Directors



PD Macdonald,
Managing Director and
Chief Executive Officer

Signed at Sydney NSW Australia on 16 May 2001.

Corporate Governance

The Board's Role

The Board oversees strategic direction and determines policies and objectives. The Board delegates responsibility for the management of James Hardie to the Managing Director/Chief Executive Officer.

A key responsibility is monitoring management performance and to this end, the Board adopts a three-year business plan and a twelve month operating plan. The financial results and performances are monitored monthly with a more detailed operating plan review conducted every four months.

Composition of the Board

There are eight non-executive Directors, and one executive Director, the Managing Director/Chief Executive Officer.

Terms and Conditions of Membership

Directors are required to bring independent views to the Board and possess qualifications, experience or expertise which will assist the Board in fulfilling its responsibilities. The effectiveness and participation of each non-executive Director is monitored and reviewed by the Chairman in discussion with individual Directors.

Board members' details are set out in the Directors' Report.

Appointment and Retirement

All Directors are responsible for reviewing membership of the Board and for selecting new Directors. External consultants usually assist in the selection process.

Procedures for the election and retirement of Directors are governed by the Constitution and the Listing Rules of the Australian Stock Exchange Limited. Non-executive Directors are expected to retire from the Board on reaching the age of 65 although a Director's term may be extended by one year in some circumstances.

Independence of Directors

Directors must declare any potential and actual conflicts of interest.

Directors Messrs GJ Terry and GF O'Brien are officers of substantial shareholder Brierley Investments Ltd.

Meetings

The Board and Board Committees meet as required to fulfil their responsibilities. Further details on meetings of Directors are set out in the Directors' Report.

The Board has an annual program of visiting selected James Hardie facilities and spending time with the line management, customers and suppliers in order to fully understand the markets in which James Hardie operates.

Remuneration Committee

The Board established a Remuneration Committee in 1990 to:

- review and approve the Managing Director/Chief Executive Officer's remuneration package and evaluate his performance each year;
- review and approve annual remuneration policy guidelines for other senior executives;
- approve any significant changes in remuneration policy, superannuation, or executive and employee share purchase plans;
- consider changes in non-executive Directors' fees; and
- oversee succession planning for senior management positions including the Managing Director/Chief Executive Officer.

Members of the Remuneration Committee are Messrs PJ Willcox (Chairman), AG McGregor, M Koffel, GF O'Brien and Ms M Hellicar.

Audit Committee

The Board has responsibility for the quality and effectiveness of James Hardie's internal and external financial reporting and compliance with relevant laws. The Audit Committee was set up in 1990 to:

- review and assess the adequacy of accounting policies and internal and external reporting procedures;
- review and assess the integrity and effectiveness of internal auditing procedures and risk management control systems including the external auditors' evaluation of internal accounting controls;
- nominate and monitor the performance of external auditors and the scope and quality of their audit;
- provide a link between the Board and the external auditors; and
- monitor changes in and compliance with relevant Corporations Law, Accounting Standards, Listing Rules and other statutory requirements.

Members of the Audit Committee are Messrs MR Brown (Chairman), AG McGregor, MJ Gillfillan and Ms M Hellicar.

Risk Management

The Board is responsible for ensuring appropriate risk management systems are in place to identify and manage strategic, operational and financial risks as well as adequate reporting systems, internal controls and monitoring.

Formal James Hardie-wide risk management reviews are conducted as part of its ongoing risk management program.

Policies and procedures are in place in relation to treasury operations (including the use of financial derivatives); environment, and health and safety matters; and approval of significant capital and revenue expenditure.

Presentations are made to the Board and to the Audit Committee by management and independent advisers as required.

Subsidiary Relationships

These corporate governance standards apply to all James Hardie's subsidiary companies.

Access to Independent Professional Advice

Subject to the Chairman's approval, Board Committees and individual Directors may seek independent professional advice at James Hardie's expense in order to properly perform their duties.

Share Purchases

Directors must notify the Chairman before buying or selling James Hardie shares. Purchases or sales of shares can only be made within four weeks after the announcement of quarterly results. The Board recognises it is the individual responsibility of each Director and officer to ensure compliance with the spirit and letter of insider trading law and that notification to the Board in no way implies Board approval of the transaction.

Ethical Compliance

The Board seeks to maintain high standards of integrity and is committed to ensuring business is conducted in accordance with the highest standards of ethical behaviour.

The Board's policy requires employees to comply with the spirit as well as the letter of all laws and other statutory requirements. Specific action has been taken to ensure employees understand and comply with their obligations in areas such as trade practices (anti-trust), occupational health and safety, environmental protection, employment practices and insider trading.

These policies have been in place throughout the year and are current as at 16 May 2001.

Profit and Loss Statements

For the year ended 31 March 2001

A\$ million	Note	James Hardie		JHIL	
		31.3.01	31.3.00	31.3.01	31.3.00
Revenue	2	1,572.2	1,764.7	172.2	2.9
Operating profit/(loss) before abnormal items and income tax	3	118.8	236.3	150.5	(27.0)
Abnormal items before income tax	3	(63.1)	11.6	-	136.3
Operating profit before income tax		55.7	247.9	150.5	109.3
Income tax attributable to operating profit/(loss) before abnormal items	4	(26.8)	(85.7)	4.1	11.0
Income tax attributable to abnormal items	4	9.5	(3.7)	-	(1.3)
Income tax attributable to operating profit		(17.3)	(89.4)	4.1	9.7
Operating profit after income tax		38.4	158.5	154.6	119.0
Loss on extraordinary item before income tax	5	(237.9)	-	(91.0)	-
Income tax attributable to loss on extraordinary item	5	-	-	-	-
Loss on extraordinary item after income tax		(237.9)	-	(91.0)	-
Operating profit/(loss) after income tax attributable to members of JHIL		(199.5)	158.5	63.6	119.0
Retained profits at the beginning of the financial year		132.0	44.5	55.6	9.9
Aggregate of amounts transferred from reserves	21	1.4	2.3	-	-
Total available for appropriation		(66.1)	205.3	119.2	128.9
Dividends provided for or paid	6	(78.2)	(73.3)	(78.2)	(73.3)
Retained profits/(accumulated losses) at the end of the financial year		(144.3)	132.0	41.0	55.6
Earnings per share, before abnormal items	28	22.5¢	37.0¢		
Earnings per share	28	9.4¢	38.9¢		

The above profit and loss statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 31 March 2001

A\$ million	Note	James Hardie		JHIL	
		31.3.01	31.3.00	31.3.01	31.3.00
Current assets					
Cash	7	153.2	254.2	49.1	33.2
Receivables	8	148.0	208.9	14.6	80.4
Inventories	9	178.9	117.7	–	–
Prepayments		40.6	21.9	–	–
Total current assets		520.7	602.7	63.7	113.6
Non-current assets					
Receivables	10	30.4	30.8	7.6	11.4
Investments	11	20.7	21.1	1,150.1	1,150.1
Property, plant and equipment	12	1,171.8	923.7	0.2	0.5
Intangibles	13	66.3	53.0	–	–
Other	14	120.0	66.2	9.2	16.5
Total non-current assets		1,409.2	1,094.8	1,167.1	1,178.5
TOTAL ASSETS		1,929.9	1,697.5	1,230.8	1,292.1
Current liabilities					
Accounts payable	15	168.1	124.1	6.5	3.4
Borrowings	16	156.7	72.1	2.8	9.2
Provisions	17	121.6	116.8	49.4	42.9
Total current liabilities		446.4	313.0	58.7	55.5
Non-current liabilities					
Borrowings	18	729.2	570.5	468.9	619.2
Provisions	19	176.7	139.6	78.6	9.3
Total non-current liabilities		905.9	710.1	547.5	628.5
TOTAL LIABILITIES		1,352.3	1,023.1	606.2	684.0
NET ASSETS		577.6	674.4	624.6	608.1
SHAREHOLDERS' EQUITY					
Parent entity interest					
Share capital	20	583.6	552.5	583.6	552.5
Reserves	21	138.3	(10.7)	–	–
Retained profits/(accumulated losses)		(144.3)	132.0	41.0	55.6
Shareholders' equity attributable to members of JHIL		577.6	673.8	624.6	608.1
Outside equity interests in subsidiaries	22	–	0.6	–	–
TOTAL SHAREHOLDERS' EQUITY		577.6	674.4	624.6	608.1

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended 31 March 2001

A\$ million	Note	James Hardie		JHIL	
		31.3.01	31.3.00	31.3.01	31.3.00
Cash Flows from Operating Activities					
Receipts arising from operating activities		1,579.1	1,555.6	2.6	1.4
Payments arising from operating activities		(1,360.0)	(1,261.5)	(16.1)	(16.8)
Dividends received		0.5	–	167.9	–
Interest received		14.8	14.0	2.2	0.6
Borrowing costs paid		(36.4)	(40.8)	(1.1)	(3.8)
Income taxes paid		(40.6)	(41.2)	–	–
Income taxes refunded		3.0	1.1	–	–
Net cash inflow/(outflow) from operating activities	33	160.4	227.2	155.5	(18.6)
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(219.3)	(172.5)	(0.1)	–
Proceeds from sale of property, plant and equipment		4.9	21.9	–	0.4
Payments for subsidiaries and businesses, net of cash acquired	33	(17.8)	–	–	–
Proceeds/(payments) from disposal of subsidiaries and businesses, net of cash divested	33	(11.4)	152.6	–	–
Cash transferred and payment of other costs on establishment of the Medical Research and Compensation Foundation	33	(56.1)	–	(10.3)	–
Proceeds from sale and redemption of investments		3.4	5.8	–	–
Loans advanced to subsidiaries		–	–	(33.5)	(10.9)
Loans repaid by other entities		13.2	1.2	1.9	0.9
Loans repaid by subsidiaries		–	–	14.7	9.9
Net cash inflow/(outflow) from investing activities		(283.1)	9.0	(27.3)	0.3
Cash Flows from Financing Activities					
Proceeds from borrowings and foreign exchange		335.8	242.2	19.5	269.2
Repayments of borrowings and foreign exchange		(258.5)	(241.0)	(79.5)	(150.6)
Proceeds from share issue		–	–	31.1	–
Dividends paid		(77.0)	(64.9)	(77.0)	(64.9)
Net cash inflow/(outflow) from financing activities		0.3	(63.7)	(105.9)	53.7
Net increase/(decrease) in cash held					
		(122.4)	172.5	22.3	35.4
Cash at beginning of year		252.1	69.6	24.0	(11.4)
Effects of exchange rate changes on cash		19.6	10.0	–	–
Cash at end of year		149.3	252.1	46.3	24.0
Components of Cash					
Cash at bank and on hand	7	4.9	0.8	0.1	5.2
Short-term deposits	7	148.3	253.4	49.0	28.0
		153.2	254.2	49.1	33.2
Bank overdrafts	16	(3.9)	(2.1)	(2.8)	(9.2)
Cash at end of year		149.3	252.1	46.3	24.0

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 March 2001

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Law.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year. Prior year information is reclassified where appropriate to enhance comparability.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries controlled by James Hardie Industries Limited (JHIL) as at 31 March 2001 and the results of all subsidiaries for the year then ended. JHIL and subsidiaries together are referred to in this financial report as James Hardie. The effects of all transactions between subsidiaries incorporated in the financial statements are eliminated in full. Outside equity interests in the results and equity of subsidiaries are shown separately in the consolidated profit and loss statement and balance sheet respectively.

Where control of a subsidiary is obtained during a financial year, its results are included in the consolidated profit and loss statement from the date on which control commences. Where control of a subsidiary ceases during a financial year, its results are included for that part of the year during which control exists.

Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss statement is matched with the operating profit, after allowing for permanent differences. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit accounts at the rates expected to apply when the timing differences are realised. Future income tax benefits relating to tax losses are not carried forward as an asset unless the benefit can be regarded as virtually certain of realisation. Provision is not made for foreign dividend withholding taxes which could become payable if certain retained profits of foreign subsidiaries were to be distributed, as it is considered unlikely that any significant proportion of these reserves will be so distributed. No provision is made for capital gains tax on revaluation of non-current assets as it is considered unlikely that any significant capital gains tax liability would arise.

Land and buildings

Land and buildings are revalued at three yearly intervals. Revaluations reflect independent assessments of the fair market value of land and buildings based on existing use. Revaluation increments are credited directly to the asset revaluation reserve, unless they are reversing a previous decrement charged to the profit and loss statement, in which case the increment is credited to the profit and loss statement. Valuations adopted by the Directors are not in excess of those given by the independent valuers. Revaluations do not result in the carrying value of land or buildings exceeding their recoverable amounts. The expected net cash flows included in determining recoverable amounts of land and buildings have not been discounted to their present values.

Intangible assets and deferred expenses

(i) Goodwill

On acquisition of some, or all, of the assets of another entity or, in the case of an investment in a subsidiary, on acquisition of some, or all, of the equity of that subsidiary, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period during which the benefits are expected to arise.

(ii) Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight line basis over the periods of their expected benefit. Patents and trademarks held at the reporting date are being amortised over 20 years.

Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to James Hardie. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

Buildings	40 years
Plant and equipment	5–27 years

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to James Hardie, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over periods ranging from 1–18 years.

Cash

For purposes of the Statements of Cash Flows, cash includes short-term deposits which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of bank overdrafts.

Inventories

(i) Raw materials and stores, work in progress and finished goods

Inventories and work in progress are valued at the lower of cost and net realisable value. Costs, including fixed and variable costs where appropriate, have been determined on bases, generally first in first out, consistently applied, which are considered appropriate to the circumstances of each of the businesses in James Hardie.

Raw materials, consumable stores and supplies are valued at actual or average cost as appropriate.

(ii) Construction work in progress

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under trade creditors. Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with James Hardie's construction activities in general. Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. For fixed price contracts, the stage of completion is measured by reference to work completed against contract value. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Non-current assets constructed by James Hardie

The cost of non-current assets constructed by James Hardie includes the cost of all materials used in construction, direct labour on the project and borrowing costs during construction. Borrowing costs are those costs that would have been avoided if the expenditure directly attributable to the construction had not been incurred.

Notes to the Financial Statements continued

For the year ended 31 March 2001

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are brought to account in determining the profit or loss for the year, except for amounts capitalised in major construction projects as set out above in "Non-current assets constructed by James Hardie".

(ii) Specific Commitments

From time to time, hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction intended to hedge the purchase or sale of goods, services or fixed assets, together with subsequent exchange gains or losses resulting from those transactions are deferred up to the date of the purchase or sale and included in the measurement of the purchase or sale. In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial year in which the exchange rates change. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the profit and loss statement over the lives of the hedges.

(iii) General Commitments

Exchange gains or losses on other hedge transactions are brought to account in the profit and loss statement in the financial year in which the exchange rates change. Gains or costs arising on entry into hedges of general commitments are brought to account at the time of entry into the hedges and are amortised over the lives of the hedges.

(iv) Foreign Subsidiaries

As foreign subsidiaries are self sustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the average of rates ruling during the year. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Derivative financial instruments

From time to time, James Hardie enters into forward foreign exchange contracts, commodity based swap agreements and interest rate swap and cap agreements. These types of derivative financial instruments are not recognised in the financial statements on inception. The accounting for forward exchange contracts is set out above in "Foreign currency translation". The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest expense during the period and included in other debtors or other creditors at each reporting date.

Receivables and revenue recognition

(i) Trade Debtors

Trade debtors are recognised for the major business activities as follows:

Operating businesses – a sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks have passed to the customer.

Finance – income receivable on financing and investment activities is accrued in accordance with the terms and conditions of the underlying financial instrument.

All trade debtors are recognised at the amounts receivable as they are due for settlement on terms between 30–90 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(ii) Loans under the Executive Share Purchase Plan

A receivable is recognised for this class of debtor when the loan documentation is signed.

Employee entitlements

Liabilities for wages and salaries, annual leave and sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employee services up to that date. Liabilities for long service leave are recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated cash outflows.

Shadow share plans

A liability for shadow share plans offered to key employees is measured as the present value of future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the number of shadow shares on issue, the JHIL share price compared to the shadow share issue price, dividends declared since issue of the shadow shares, the elapsed portion of the vesting period and experience of employee departures.

Investments

Shares in subsidiaries were valued by the Directors in 2000 having regard to their net asset values at amounts not exceeding their expected recoverable amounts. The revaluation was not made in accordance with a policy of regular review.

Interests in listed and unlisted securities, other than subsidiaries, are brought to account at cost or valuation and dividend income is recognised in the profit and loss statement when received or receivable. Valuations adopted by the Directors do not exceed the expected recoverable amounts of these investments. These investments are revalued annually.

Dividends declared by subsidiaries are recognised in the profit and loss statement of JHIL when received.

Trade and other creditors

These amounts represent liabilities for goods and services provided to James Hardie prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

Loans

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where capitalised as part of the construction cost of major fixed asset additions. The amount of borrowing costs to be capitalised is determined by reference to the assets employed in the relevant fixed asset project and the weighted average interest rate applicable to the outstanding borrowings during the year (2001: 7.4%; 2000: 7.4%). Borrowing costs include interest on bank overdrafts and borrowings, amortisation of premiums or discounts and arrangement costs relating to borrowings.

Earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of JHIL by the weighted average number of ordinary shares outstanding during the financial year.

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
2 REVENUE				
Revenue from Operating Activities:				
Sale of goods	1,548.6	1,602.9	-	-
Revenue from Outside the Operating Activities:				
Dividend revenue – other corporations	0.5	-	-	-
Dividend revenue – subsidiaries	-	-	167.9	-
Interest revenue – other corporations	14.8	8.5	2.1	0.6
Gross proceeds on sale of non-current assets	8.3	20.9	-	0.3
Proceeds on sale of businesses & subsidiaries (note 33)	-	132.4	-	-
Rental revenue	-	-	2.2	2.0
	23.6	161.8	172.2	2.9
Total Revenue	1,572.2	1,764.7	172.2	2.9
3 OPERATING PROFIT/(LOSS) BEFORE INCOME TAX				
Operating profit/(loss) before abnormal items and income tax is arrived at after crediting and charging the following specific items:				
Credits				
Net gain/(loss) on disposal of:				
Investments	0.1	1.1	-	-
Businesses	-	3.2	-	-
Property, plant & equipment	0.7	1.7	-	(0.1)
Net foreign exchange gain/(loss)	0.5	0.3	(2.6)	(0.5)
Charges				
Borrowing costs paid/payable – other corporations	47.5	43.7	1.6	3.8
Borrowing costs paid/payable – subsidiaries	-	-	6.9	20.7
Less amount capitalised	(8.9)	(3.4)	-	-
Borrowing costs expensed	38.6	40.3	8.5	24.5
Depreciation:				
Buildings	8.8	7.8	-	-
Leasehold improvements	0.4	0.3	-	-
Plant and equipment	62.2	74.0	0.3	0.5
Capitalised interest	1.7	1.0	-	-
Total depreciation	73.1	83.1	0.3	0.5
Amortisation:				
Goodwill	3.5	3.0	-	-
Other intangible assets	0.2	0.1	-	-
Total amortisation	3.7	3.1	-	-
Other charges/(credits) against assets:				
Provision for doubtful debts – trade debtors	1.1	1.8	-	-
Bad debts written off trade debtors	1.0	3.7	-	-
Revaluation of shares in other corporations	(0.3)	(2.7)	-	-
Total other charges/(credits) against assets	1.8	2.8	-	-
Other charges to/(releases from) provisions:				
Employee entitlements	9.0	44.3	0.3	0.2
Product liability	(0.1)	2.4	-	-
Rationalisation	(0.4)	(1.0)	-	(2.3)
Surplus leased space	(4.0)	(4.3)	(4.0)	(4.0)
Sundry	(2.6)	(6.9)	0.2	0.2
Total other charges/(credits) against provisions	1.9	34.5	(3.5)	(5.9)

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
3 OPERATING PROFIT/(LOSS) BEFORE INCOME TAX continued				
Rental expense relating to operating leases	10.9	13.2	6.1	5.2
Research and development	26.1	28.4	–	–
Operating profit/(loss) before income tax is also arrived at after crediting/(charging) the following abnormal items:				
Provision for loss on sale of Windows business	(35.3)	–	–	–
Asia Pacific rationalisation	(27.8)	–	–	–
Sale of businesses and other divestment costs	–	11.6	–	(0.7)
Revaluation of the carrying value of shares in subsidiaries	–	–	–	137.0
	(63.1)	11.6	–	136.3
4 INCOME TAX				
Prima facie tax expense/(credit) on operating profit before abnormal items at rates applicable in the countries of source	44.4	90.4	51.1	(9.8)
Increase/(decrease) in tax expense due to:				
Depreciation and amortisation not allowable	0.3	0.2	–	–
Expenses not allowable	2.4	1.7	1.2	0.8
Losses not tax effected	3.7	5.1	–	–
Rebates on dividends received	(0.2)	–	(57.1)	–
Prior-year adjustments	0.3	(5.6)	0.7	(2.0)
Non-assessable items	(22.7)	(1.3)	–	–
Research and development	(1.0)	(1.1)	–	–
Sundry items	(0.4)	(3.7)	–	–
Income tax expense attributable to operating profit before abnormal items	26.8	85.7	(4.1)	(11.0)
Prima facie tax expense/(credit) on abnormal items included in operating profit at rates applicable in the countries of source				
	(21.5)	4.2	–	49.1
Increase/(decrease) in tax expense due to:				
Non-assessable income	–	–	–	(49.3)
Losses not tax effected	12.0	–	–	–
Recoupment of capital losses	–	(4.6)	–	–
Sundry items	–	2.0	–	–
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 34%/30%	–	2.1	–	1.5
Income tax expense/(credit) attributable to abnormal items included in operating profit	(9.5)	3.7	–	1.3
Being:				
Asia Pacific rationalisation	(9.5)	–	–	–
Net adjustment to deferred income tax liabilities and assets to reflect the decrease in company tax rate to 34%/30%	–	2.1	–	1.5
Sale of businesses and other divestment costs	–	1.6	–	(0.2)
	(9.5)	3.7	–	1.3
Estimated potential future income tax benefit in respect of tax losses not brought to account:	80.6	58.0	5.7	11.5

The benefit for tax losses will only be obtained if:

- James Hardie derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- James Hardie continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect James Hardie in realising the benefit from the deduction for the losses.

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
5 EXTRAORDINARY ITEM				
Establishment of the Medical Research and Compensation Foundation	(237.9)	–	(91.0)	–
Applicable income tax expense	–	–	–	–
	(237.9)	–	(91.0)	–
On 15 February 2001, JHIL gifted A\$3.0 million in cash and transferred ownership of James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd to the Medical Research and Compensation Foundation, a special purpose charitable trust. The extraordinary loss of A\$237.9 million comprises the gift of A\$3 million and the transfer of net assets of James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd for no consideration plus costs associated with the establishment of the Trust.				
6 DIVIDENDS				
Ordinary Shares				
Interim dividend paid – unfranked	38.7	34.6	38.7	34.6
Final dividend declared – unfranked	39.5	38.7	39.5	38.7
Total dividends provided for or paid	78.2	73.3	78.2	73.3
Franking credits available for the subsequent financial year:	–	–	–	–
7 CURRENT ASSETS – CASH				
Cash at bank and on hand	4.9	0.8	0.1	5.2
Short-term deposits	148.3	253.4	49.0	28.0
	153.2	254.2	49.1	33.2
Short-term deposits are placed at floating interest rates varying between 4.61% and 5.50% (2000: 5.13% and 6.13%).				
8 CURRENT ASSETS – RECEIVABLES				
Trade debtors	133.7	186.1	–	–
Provision for doubtful trade debts	(4.2)	(3.5)	–	–
Other debtors and advances	15.8	25.2	0.4	0.5
Loans under Executive Share Purchase Plan (note 32)	2.7	1.1	2.7	1.1
Amounts receivable from subsidiaries	–	–	11.5	78.8
	148.0	208.9	14.6	80.4
Other debtors and advances of James Hardie includes a loan to Alpha Healthcare Ltd amounting to A\$1.9 million (2000: A\$12.7 million) and is secured by a deed of fixed and floating charge.				
9 CURRENT ASSETS – INVENTORIES				
Raw materials and stores	64.5	50.3	–	–
Provision for raw materials and stores	(7.9)	(1.1)	–	–
Work-in-progress	7.9	7.7	–	–
Finished goods	117.3	63.3	–	–
Provision for finished goods	(2.9)	(2.5)	–	–
	178.9	117.7	–	–
Construction work-in-progress (amount due from customers for contract work):				
Contract costs incurred and recognised profits less recognised losses	3.1	3.5	–	–
Less: Progress billings	(3.1)	(3.5)	–	–
	–	–	–	–
	178.9	117.7	–	–

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
10 NON-CURRENT ASSETS – RECEIVABLES				
Loans under Executive Share Purchase Plan (note 32)	7.6	11.4	7.6	11.4
Other debtors	22.8	19.4	–	–
	30.4	30.8	7.6	11.4

Other debtors of James Hardie includes interest free amounts of A\$17.6 million (2000: A\$14.2 million) relating to the finalisation of construction contracts in a discontinued business.

11 NON-CURRENT ASSETS – INVESTMENTS

Shares in subsidiaries – at Directors' valuation 2000	–	–	1,150.1	1,150.1
Shares in listed corporations – at Directors' valuation 2001 (2000)	1.6	1.8	–	–
Shares in unlisted corporations – at Directors' valuation 2001 (2000)	3.6	5.0	–	–
Other investments	15.5	14.3	–	–
	20.7	21.1	1,150.1	1,150.1

The stock exchange market value of shares in listed corporations is:

	1.6	1.8	–	–
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	Country of incorporation/ business	Ownership interest in Shares	
		31.3.01 %	31.3.00 %
James Hardie Industries Limited	Australia		
Subsidiaries			
ACN 001 664 740 Pty Ltd	Australia	100	100
Dietool (WA) Pty Ltd	Australia	100	100
Ecanif Ltd	NZ	100	100
Ecanif Pty Ltd	Australia	100	100
Harflex Ltd	Jersey	100	100
James Hardie Acceptances BV	Netherlands	100	100
James Hardie (Netherlands) BV	Netherlands	100	100
James Hardie Trading Co Inc	USA	100	100
Merehurst Europe Ltd	Malta	100	100
b Moorthab Pty Ltd	Australia	100	100
RCI Lux Investments SarL	Luxembourg	100	100
RCI Lux SarL	Luxembourg	100	100
RCI Malta Holdings Ltd	Malta	100	100
RCI Malta Investments Ltd	Malta	100	100
RCI Netherlands Holdings BV	Netherlands	100	100
RCI Netherlands Investments BV	Netherlands	100	100
a RCI Pty Ltd	Australia	100	100
RIS Irrigation (Holdings) BV	Netherlands	100	100
a Seapip Pty Ltd	Australia	100	100
a Smetsysh Pty Ltd	Australia	100	100
Snidloh Ltd	NZ	100	100
Studorp Ltd	NZ	100	100
Wallace O'Connor Inc	USA	100	100
Yelrom International Pty Ltd	Australia	100	100
Yempi Ltd	NZ	100	100

(continued next page)

		Country of incorporation/ business	Ownership interest in Shares	
			31.3.01 %	31.3.00 %
11 NON-CURRENT ASSETS – INVESTMENTS continued				
James Hardie NV		Netherlands	100	100
Subsidiaries				
James Hardie Aust Holdings Pty Ltd		Australia	100	100
c e	James Hardie Aust Investco Pty Ltd	Australia	100	100
c e	James Hardie Aust Investco Services Pty Ltd	Australia	100	100
e	James Hardie Aust Investments No 1 Pty Ltd	Australia	100	100
James Hardie Australia Finance Pty Ltd		Australia	100	100
e	James Hardie Australia Management Pty Ltd	Australia	100	100
e	James Hardie Australia Pty Ltd	Australia	100	100
James Hardie Building Products Inc		USA	100	100
f	James Hardie Building Products Canada Inc	Canada	100	–
e	James Hardie FC Pty Ltd	Australia	100	100
James Hardie FCTA Pty Ltd		Australia	100	100
e	James Hardie Fibre Cement Pty Ltd	Australia	100	100
f	James Hardie Fibrocementos Ltda	Chile	100	–
James Hardie Finance BV		Netherlands	100	100
James Hardie Gypsum Inc		USA	100	100
James Hardie (Holdings) Inc		USA	100	100
James Hardie Inc		USA	100	100
James Hardie International Holdings BV		Netherlands	100	100
James Hardie New Zealand Ltd		NZ	100	100
James Hardie NSW Investments Pty Ltd		Australia	100	100
James Hardie NZ Holdings Trust		NZ	100	100
James Hardie NZ Investco Trust		NZ	100	100
James Hardie NZ Trustee Ltd		NZ	100	100
James Hardie Philippines Inc		Philippines	100	100
James Hardie Research (Holdings) Pty Ltd		Australia	100	100
d	James Hardie Research Pty Ltd	Australia	100	100
James Hardie Singapore Pte Ltd		Singapore	100	100
d	James Hardie Tech Pty Ltd	Australia	100	100
James Hardie US Funding Inc		USA	100	100
James Hardie US Investments Inc		USA	100	100
James Hardie US Investments Sierra Inc		USA	100	100
James Hardie US Investments Washoe Inc		USA	100	100
James Hardie (USA) Inc		USA	100	100
James Hardie USA Investments BV		Netherlands	100	100
e	James Hardie Windows (Holdings) Pty Ltd	Australia	100	100
e	James Hardie Windows Pty Ltd	Australia	100	100
e	Louvre Properties Pty Ltd	Australia	100	100
PT James Hardie Indonesia		Indonesia	100	100
f	Western Mining & Minerals Inc	USA	100	–

Notes to the Financial Statements continued

For the year ended 31 March 2001

11 NON-CURRENT ASSETS – INVESTMENTS continued

The following subsidiaries were in liquidation at 31 March 2001: The American Endeavour Fund Ltd, James Hardie Building Boards (Asia) Pte Ltd and RIS International Finance NV.

The following subsidiaries were liquidated during the year: Hardie Energy Products Pty Ltd, Harflex Insurance Pte Ltd, RCI International Services Company Ltd and Wallace O'Connor Pacific Inc.

During the year James Hardie Credit Corp was amalgamated into James Hardie (USA) Inc.

During the year James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd were transferred to the Medical Research and Compensation Foundation.

Outside equity interests in subsidiaries

	Issued and paid-up capital held by outside interests		Number of shares held by outside interests		Equity holdings of outside interests	
	31.3.01 \$'000	31.3.00 \$'000	31.3.01	31.3.00	31.3.01 %	31.3.00 %

The American Endeavour Fund Ltd (in liquidation)

Ordinary shares of \$US0.10 each	-	629	-	2,700,000	-	5
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Deed of Cross Guarantee Legend

- These subsidiaries are parties with JHIL to a deed of cross guarantee and have adopted Australian Securities and Investments Commission (ASIC) Class Order 98/1418 which provides relief from the requirement to prepare audited accounts. Further details are shown below.
- During the year this subsidiary was removed by Revocation Deed from the JHIL deed of indemnity between the subsidiaries which had adopted ASIC Class Order 98/1418.
- During the year these subsidiaries were added by Assumption Deed to the James Hardie Aust Holdings Pty Ltd deed of cross guarantee between the subsidiaries which had adopted ASIC Class Order 98/1418.
- These subsidiaries are parties with James Hardie Research (Holdings) Pty Ltd and its subsidiaries to a deed of cross guarantee which adopted ASIC Class Order 98/1418.
- These subsidiaries are parties with James Hardie Aust Holdings Pty Ltd and its subsidiaries to a deed of cross guarantee which adopted ASIC Order 98/1418.
- These subsidiaries were incorporated/acquired during the year.

JHIL, RCI Pty Ltd, Seapip Pty Ltd and Smetsysh Pty Ltd are parties to a deed of cross guarantee dated 31 March 1992 under which each company guarantees the debts of the others. By entering into the deed, the subsidiaries have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the ASIC. These companies represent a 'Closed Group' for the purposes of the Class Order and, as there are no other parties to the deed of cross guarantee that are controlled by JHIL, they also represent the 'Extended Closed Group'.

31.3.01 31.3.00
A\$ million A\$ million

11 NON-CURRENT ASSETS – INVESTMENTS continued

Set out below is a consolidated profit and loss statement and consolidated balance sheet of the Closed Group consisting of JHIL, RCI Pty Ltd, Seapip Pty Ltd and Smetsysh Pty Ltd.

Consolidated Profit and Loss Statements

Revenue from outside the operating activities	7.4	43.5
Total Revenue	7.4	43.5
Operating profit/(loss) before abnormal items and income tax	30.2	(14.1)
Abnormal items before income tax	–	91.0
Operating profit before income tax	30.2	76.9
Income tax attributable to operating profit/(loss) before abnormal items	(5.1)	(3.4)
Income tax attributable to abnormal items	–	(0.9)
Income tax attributable to operating profit	(5.1)	(4.3)
Loss on extraordinary item before income tax	(91.0)	–
Income tax attributable to loss on extraordinary item	–	–
Loss on extraordinary item after income tax	(91.0)	–
Operating (loss)/profit after income tax	(65.9)	72.6
Retained profits at the beginning of the financial year	8.9	9.6
Total available for appropriation	(57.0)	82.2
Dividends provided for or paid	(78.2)	(73.3)
(Accumulated losses)/retained profits at the end of the financial year	(135.2)	8.9

Consolidated Balance Sheets

Current assets

Cash	50.6	34.4
Receivables	68.4	20.8
Total current assets	119.0	55.2

Non-current assets

Receivables	7.6	11.4
Investments	974.6	1,352.6
Property, plant and equipment	0.2	0.5
Other	11.3	20.7
Total non-current assets	993.7	1,385.2

TOTAL ASSETS

1,112.7 1,440.4

Current liabilities

Accounts payable	6.9	5.9
Borrowings	2.8	9.2
Provisions	49.7	50.9
Total current liabilities	59.4	66.0

Non-current liabilities

Borrowings	526.1	796.7
Provisions	78.8	16.3
Total non-current liabilities	604.9	813.0

TOTAL LIABILITIES

664.3 879.0

NET ASSETS

448.4 561.4

SHAREHOLDERS' EQUITY

Share capital	583.6	552.5
(Accumulated losses)/retained profits	(135.2)	8.9
TOTAL SHAREHOLDERS' EQUITY	448.4	561.4

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
12 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT				
Land and buildings				
Land				
Freehold land – at Directors' valuation 1999	47.9	75.6	–	–
Freehold land – at cost	4.6	2.2	–	–
	52.5	77.8	–	–
Buildings				
Freehold buildings – at Directors' valuation 1999	162.6	171.0	–	–
Accumulated depreciation	(13.4)	(7.0)	–	–
	149.2	164.0	–	–
Freehold buildings – at cost	134.4	39.4	–	–
Accumulated depreciation	(2.8)	(0.7)	–	–
	131.6	38.7	–	–
Leasehold improvements – at cost	5.3	2.0	–	–
Accumulated depreciation	(0.9)	(0.5)	–	–
	4.4	1.5	–	–
Total land and buildings	337.7	282.0	–	–
Plant and equipment				
Plant and equipment – at Directors' valuation 1996	38.7	27.1	–	–
Accumulated depreciation	(23.5)	(15.9)	–	–
	15.2	11.2	–	–
Plant and equipment – at cost	1,167.2	864.2	1.8	1.8
Accumulated depreciation	(348.3)	(233.7)	(1.6)	(1.3)
	818.9	630.5	0.2	0.5
Total plant and equipment	834.1	641.7	0.2	0.5
Total property, plant and equipment	1,171.8	923.7	0.2	0.5
Land and buildings are formally valued every 3 years. At 31 March 1999, independent valuations of James Hardie's land and buildings were made by member companies of the JLW Group in Australia, New Zealand and the United States of America. At 31 March 1999 the Directors used these independent valuations as a guide in establishing their own valuations of land and buildings. The valuations adopted by the Directors are not in excess of those given by the independent valuers.				
13 NON-CURRENT ASSETS – INTANGIBLES				
Goodwill	82.5	62.8	–	–
Accumulated amortisation	(16.3)	(9.9)	–	–
	66.2	52.9	–	–
Trademarks and patents	3.1	0.5	–	–
Accumulated amortisation	(3.0)	(0.4)	–	–
	0.1	0.1	–	–
Total intangibles	66.3	53.0	–	–

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
14 NON-CURRENT ASSETS – OTHER				
Future income tax benefits	12.6	22.6	9.2	16.5
Deferred expenses	1.3	1.3	–	–
Mineral reserves	106.1	42.3	–	–
	120.0	66.2	9.2	16.5
Future income tax benefits attributable to tax losses:	9.0	8.2	5.7	11.5
15 CURRENT LIABILITIES – ACCOUNTS PAYABLE				
Trade creditors	112.8	80.4	0.7	0.3
Other creditors and accruals	55.3	43.7	5.8	3.1
	168.1	124.1	6.5	3.4
16 CURRENT LIABILITIES – BORROWINGS				
Bank overdrafts (note 33)	3.9	2.1	2.8	9.2
Borrowings – unsecured (note 33)	152.8	70.0	–	–
	156.7	72.1	2.8	9.2
17 CURRENT LIABILITIES – PROVISIONS				
Final dividend	39.5	38.7	39.5	38.7
Income tax	6.6	9.4	–	–
Employee entitlements	36.8	50.3	0.1	0.2
Medical Research and Compensation Foundation (note 19)	5.6	–	5.6	–
Product liability	4.7	3.0	–	–
Rationalisation	18.3	1.2	–	–
Surplus leased space	8.9	4.0	4.2	4.0
Sundry	1.2	10.2	–	–
	121.6	116.8	49.4	42.9
18 NON-CURRENT LIABILITIES – BORROWINGS				
Borrowings – unsecured (note 33)	729.2	570.5	70.0	–
Amounts payable to subsidiaries	–	–	398.9	619.2
	729.2	570.5	468.9	619.2
Included in current (note 16) and non-current borrowings are amounts payable in:				
US dollars	459.2	370.5	–	–
NZ dollars	–	0.8	–	–
Chilean Pesos	2.8	–	–	–

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
19 NON-CURRENT LIABILITIES – PROVISIONS				
Employee entitlements	14.8	12.2	2.1	1.9
Deferred income tax	75.6	61.8	–	–
Product liability	8.4	50.2	–	–
Medical Research and Compensation Foundation (see note below)	73.4	–	73.4	–
Surplus leased space	–	4.2	–	4.2
Rationalisation	2.4	2.7	2.4	2.7
Sundry	2.1	8.5	0.7	0.5
	176.7	139.6	78.6	9.3

As part of the establishment and funding of the Foundation as discussed in note 5, JHIL has undertaken to pay to Amaca Pty Ltd (formerly James Hardie & Coy Pty Ltd) and Amaba Pty Ltd (formerly Jsekarb Pty Ltd) 42 annual payments of A\$5.6 million. JHIL has the option of making the first seven payments then a final payment of A\$73.0 million. JHIL has established a provision for the net present value of these payments based on the most likely payment schedule and an interest rate of 5.285%. The first payment was made on 16 February 2001. In addition, in the event claims against the former subsidiaries exceed certain amounts, the Foundation has the right to demand payment of any remaining unpaid balance, discounted for early payment.

20 SHARE CAPITAL

Issued and paid up capital	583.6	552.5	583.6	552.5
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Movements in issued and paid up capital of JHIL during the past two years were as follows:

Date	Details	Number of Shares	A\$ million
31 March 1999 & 31 March 2000		407,021,837	552.5
14 December 2000	Share issue for the purchase of the Western Gypsum assets, a gypsum mining operation in Utah	8,749,245	31.1
31 March 2001		415,771,082	583.6

Peter Donald Macdonald Share Option Plan

1,200,000 options were granted by JHIL to PD Macdonald for a consideration of one cent per option on 17 November 1999 under the Peter Donald Macdonald Share Option Plan approved by shareholders at the Annual General Meeting held on 15 July 1999.

Each option confers the right to subscribe for one ordinary share in the capital of JHIL at a price of A\$3.87 per ordinary share payable by PD Macdonald or his nominee at the time of exercise of the options.

The options may be exercised in three equal tranches. The first tranche of 400,000 options is exercisable after 17 November 2002, the second tranche of 400,000 option is exercisable after 17 November 2003 and the third tranche of 400,000 options is exercisable after 17 November 2004. The exercise price and the number of shares available on exercise may be adjusted on the occurrence of certain events, including new issues, bonus issues, rights issues and capital reconstructions, as set out in the plan rules.

Options which have not lapsed may be exercised on any date on or after there has been a change of control of JHIL or PD Macdonald's termination, resignation or death.

Options not exercised will lapse on the first to occur of:

- ten years from the date of issue; or
- the expiry of six months after the date on which PD Macdonald dies or six months after he ceases to be employed by James Hardie.

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
21 RESERVES				
Asset revaluation	4.3	4.3	-	-
Other capital reserves	18.7	20.1	-	-
Foreign currency translation	115.3	(35.1)	-	-
	138.3	(10.7)	-	-
Movements in reserves:				
Asset revaluation transfers from/(to) retained profits	-	(1.9)	-	-
Other capital reserves transfers from/(to) retained profits	(1.4)	(0.4)	-	-
Foreign currency translation net exchange differences on translation of foreign subsidiaries	150.4	24.9	-	-
Total movements in reserves	149.0	22.6	-	-
22 OUTSIDE EQUITY INTERESTS				
Share capital	-	0.6	-	-

23 FINANCIAL INSTRUMENTS

Forward exchange contracts

James Hardie purchases raw materials and fixed assets and sells some finished product for amounts denominated in foreign currencies. In order to protect against exchange rate movements, James Hardie may enter into forward exchange contracts timed to mature when settlement of the underlying transaction is due to occur. Any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and are recognised in the measurement of the underlying transaction. At 31 March 2001 and 2000, there were no material contracts outstanding.

Credit risk exposures

The credit risk on financial assets of James Hardie which have been recognised on the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debt.

Pulp Hedge

In August 2000, James Hardie entered into a contract with a third party to hedge the price of 5,000 metric tons per month of pulp, a major commodity used in its manufacture of fibre cement products. Under the terms of the contract, if the published market price of the commodity is greater than the contract price of US\$615 per metric ton, the third party will pay the difference to James Hardie. Alternatively, if the published market price is lower than the contract price, James Hardie will pay the difference to the third party. The contract is effective from 1 September 2000 to 31 August 2005 with payments made each month.

Notes to the Financial Statements continued

For the year ended 31 March 2001

23 FINANCIAL INSTRUMENTS continued

Interest Rate Risk Exposures

James Hardie's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise from assets and liabilities bearing variable interest rates.

31.3.01							
A\$ million	Note	Floating interest rate	Fixed interest maturing in:			Non- interest bearing	Total
			1 year or less	1 to 5 years	After 5 years		
Financial assets							
Cash and deposits	7	153.2	–	–	–	–	153.2
Receivables	8, 10	–	–	–	–	178.4	178.4
Investments	11	3.1	–	–	–	17.6	20.7
		156.3	–	–	–	196.0	352.3
Weighted average interest rate		5.31%	–	–	–	–	
Financial liabilities							
Bank overdrafts and loans	16, 18	426.7	–	–	459.2	–	885.9
Trade and other creditors	15	–	–	–	–	168.1	168.1
		426.7	–	–	459.2	168.1	1,054.0
Weighted average interest rate		6.24%	–	–	7.09%	–	
Net financial assets/(liabilities)		(270.4)	–	–	(459.2)	27.9	(701.7)

31.3.00							
A\$ million	Note	Floating interest rate	Fixed interest maturing in:			Non- interest bearing	Total
			1 year or less	1 to 5 years	After 5 years		
Financial assets							
Cash and deposits	7	254.2	–	–	–	–	254.2
Receivables	8, 10	–	–	–	–	239.7	239.7
Investments	11	3.5	–	–	–	17.6	21.1
		257.7	–	–	–	257.3	515.0
Weighted average interest rate		5.88%	–	–	–	–	
Financial liabilities							
Bank overdrafts and loans	16, 18	272.1	–	–	370.5	–	642.6
Trade and other creditors	15	–	–	–	–	124.1	124.1
		272.1	–	–	370.5	124.1	766.7
Weighted average interest rate		6.17%	–	–	7.09%	–	
Net financial assets/(liabilities)		(14.4)	–	–	(370.5)	133.2	(251.7)

A\$ million	Note	James Hardie	
		31.3.01	31.3.00
23 FINANCIAL INSTRUMENTS CONTINUED			
Reconciliation of Net Financial Assets/(Liabilities) to Net Assets			
Net financial assets/(liabilities) as above		(701.7)	(251.7)
Non-financial assets and liabilities:			
Inventories	9	178.9	117.7
Prepayments	–	40.6	21.9
Property, plant and equipment	12	1,171.8	923.7
Intangibles	13	66.3	53.0
Other assets	14	120.0	66.2
Provisions	17, 19	(298.3)	(256.4)
Net assets per balance sheet		577.6	674.4

Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities, both on and off balance sheet, is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. For forward exchange contracts, the net fair value is taken to be the unrealised gain or loss recognised at balance date calculated by reference to the current forward rates for contracts with similar maturity profiles. At balance date, the net fair value of financial assets and financial liabilities, both on and off balance sheet, approximates their carrying value.

A\$ thousand	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00

24 REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available by James Hardie and related parties to Directors of James Hardie entities in connection with the management of affairs of James Hardie.

	14,258	15,111	2,578	2,852
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The number of JHIL Directors whose income from JHIL or related parties was within the specified bands are as follows:

\$ nil – \$ 9,999	–	2
\$ 10,000 – \$ 19,999	–	1
\$ 40,000 – \$ 49,999	–	3
\$ 60,000 – \$ 69,999	3	4
\$ 70,000 – \$ 79,999	5	–
\$ 190,000 – \$ 199,999	–	1
\$ 210,000 – \$ 219,999	1	–
\$ 620,000 – \$ 629,999	–	1
\$ 1,620,000 – \$ 1,629,999	–	1
\$ 1,820,000 – \$ 1,829,999	1	–
	10	13

Remuneration for non-executive Directors comprises fees for attendance at meetings of the Board of Directors and its sub-committees. Remuneration for the executive Director is determined on the same basis as for other executives as described in note 26.

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ thousand

24 REMUNERATION OF DIRECTORS continued

	Directors	Executives
The increase in remuneration of James Hardie Directors and executives (note 26) is explained below:		
Total remuneration for the year ended 31 March 2000	15,111	12,730
Add:		
Full year effect of appointment of directors in prior years and expansion of Group Management Team	351	2,339
Increase in remuneration for individuals in the same position for the full year	617	768
Termination payments	1,576	2,019
Less:		
Resignations and retirements	(1,056)	–
Reduction in relocation allowances and other non-recurring amounts	(412)	(540)
Reduction in performance related bonuses and other incentives	(1,100)	(902)
Sale of businesses	(829)	(249)
Total remuneration for the year ended 31 March 2001	14,258	16,165

James Hardie		JHIL	
31.3.01	31.3.00	31.3.01	31.3.00

25 DIRECTORS RETIREMENT BENEFITS

Payments of prescribed benefits in connection with the retirement benefits of Directors under arrangements previously approved by shareholders. The Directors consider provision of full particulars would be unreasonable.

268	–	268	–
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26 REMUNERATION OF EXECUTIVES

Remuneration received or receivable from James Hardie by all executives (including Directors) whose remuneration was at least A\$100,000. Remuneration for each executive includes salary, incentives, superannuation, retirement and termination payments, motor vehicles, fringe benefits tax and other benefits.

16,165	12,730	3,272	3,536
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The number of such executives within the specified A\$ bands are as follows:

\$250,000 – \$ 259,999	–	1	–	–
\$280,000 – \$ 289,999	1	–	–	–
\$310,000 – \$ 319,999	1	–	1	–
\$360,000 – \$ 369,999	1	–	–	–
\$370,000 – \$ 379,999	1	1	–	–
\$380,000 – \$ 389,999	1	–	–	–
\$390,000 – \$ 399,999	–	1	–	1
\$400,000 – \$ 409,999	1	–	–	–
\$420,000 – \$ 429,999	1	–	–	–
\$450,000 – \$ 459,999	1	1	–	–
\$470,000 – \$ 479,999	1	–	–	–
\$510,000 – \$ 519,999	–	1	–	–
\$520,000 – \$ 529,999	–	2	–	–
\$600,000 – \$ 609,999	–	1	–	–
\$620,000 – \$ 629,999	2	–	–	1

	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
26 REMUNERATION OF EXECUTIVES continued				
\$ 660,000 – \$ 669,999	-	1	-	-
\$ 680,000 – \$ 689,999	-	1	-	-
\$ 690,000 – \$ 699,999	-	1	-	-
\$ 710,000 – \$ 719,999	-	1	-	-
\$ 730,000 – \$ 739,999	2	-	-	-
\$ 810,000 – \$ 819,999	-	1	-	-
\$ 830,000 – \$ 839,999	1	-	-	-
\$ 880,000 – \$ 889,999	1	-	-	-
\$ 930,000 – \$ 939,999	-	1	-	1
\$1,000,000 – \$1,009,999	1	-	-	-
\$1,130,000 – \$1,139,999	1	-	1	-
\$1,290,000 – \$1,299,999	-	1	-	-
\$1,330,000 – \$1,339,999	1	-	-	-
\$1,350,000 – \$1,359,999	1	-	-	-
\$1,500,000 – \$1,509,999	-	1	-	-
\$1,610,000 – \$1,619,999	1	-	-	-
\$1,620,000 – \$1,629,999	-	1	-	1
\$1,820,000 – \$1,829,999	1	-	1	-
	21	17	3	4

The increase in remuneration of executives is explained in note 24.

An executive is defined as the Chief Executive Officer, members of the Group Management Team, General Managers of Business Units and the Company Secretaries of JHIL.

Remuneration is determined on the basis of the cost of the remuneration to James Hardie or JHIL, but excludes insurance premiums paid by JHIL in respect of directors' and officers' liability insurance contracts as set out in the directors report.

Shares issued to executives under the Executive Share Purchase Plan are deemed to have no remuneration value as they were issued at the market price at the date of issue.

A\$ thousand

27 REMUNERATION OF AUDITORS

Remuneration for audit or review of the financial reports of JHIL

or any James Hardie subsidiary:

PricewaterhouseCoopers (Australian firm)	392	498	265	308
PricewaterhouseCoopers (International)	684	570	-	-
	1,076	1,068	265	308

Remuneration for other services by JHIL's auditors

PricewaterhouseCoopers (Australian firm)	1,952	1,871	1,739	1,220
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Other services include the review of quarterly financial information, advice on divestment of businesses, advice on the corporate structure and various taxation matters.

Notes to the Financial Statements continued

For the year ended 31 March 2001

	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
28 EARNINGS PER SHARE				
Earnings per share, before abnormal items	22.5¢	37.0¢		
Earnings per share	9.4¢	38.9¢		
Diluted earnings per share	9.4¢	38.9¢		
Weighted average number of ordinary shares on issue during the financial year (million)	409.6	407.0		

A\$ million

29 EMPLOYEE ENTITLEMENTS

Accrued wages and salaries included in other creditors and accruals (note 15)	6.9	5.0	-	-
Provision for employee entitlements:				
Current (note 17)	36.8	50.3	0.1	0.2
Non-Current (note 19)	14.8	12.2	2.1	1.9
Aggregate employee entitlement liability	58.5	67.5	2.2	2.1

Superannuation Plans

At 31 March 2001, James Hardie participated in three employer established superannuation plans, of which two are defined benefit plans and the other is an accumulation plan. In addition, James Hardie participated in various award-related and industry superannuation plans in order to satisfy the entitlements of employees. Employees contribute to the plans at various percentages of their salaries and wages. James Hardie also contributes to the plans at varying levels and satisfies all its legal obligations. The assets of the plans are sufficient to satisfy all benefits that would have been vested under the plans in the event of termination of the plans or voluntary or compulsory termination of the employment of each employee.

Defined Benefit Plans

Some of the benefits provided by defined benefit plans are based on length of service of the member at retirement, and some benefits are based on the contributions and income derived thereon held by the plan on behalf of the member. The accrued benefits are based on the last actuarial assessments. The plan assets at net market value, vested benefits and the employer contributions to each defined benefit plan are from the most recent plan financial statements. These amounts are translated at the exchange rate at 31 March 2001 and are as follows.

Name of Plan	Date of Last Accounts	Name of Actuary	Net Market Value A\$ mil	Present Value of Accrued Benefits A\$ mil	Surplus A\$ mil	Vested Benefits A\$ mil	Employer Contribution A\$ mil
James Hardie Superannuation Plan	30/06/00	(1)	108.9	86.6	22.3	86.3	-
James Hardie Impey Superannuation Scheme	30/06/00	(2)	7.9	7.1	0.8	6.4	0.2
			116.8	93.7	23.1	92.7	0.2

The date of the last actuarial assessment of each plan and the name of the actuary were as follows:

- (1) 30 June 2000 by Dianne Moore, FIAA
- (2) 30 June 1999 by Mr G Lee BSc, FIA, FNZSA

Accumulation Plan

The benefits provided by an accumulation plan are based on the contributions and income thereon held by the plan on behalf of the member. Actuarial assessments are not applicable to this type of plan as benefits are based on the accumulation of defined contributions.

Name of Plan	Country
James Hardie Industries (USA) Inc. Retirement & Profit Sharing Plan	USA

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
30 COMMITMENTS AND CONTINGENT LIABILITIES				
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities:				
Payable within one year	51.3	60.4	–	–
Operating lease commitments				
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities:				
Payable within one year	18.3	15.2	6.1	5.2
Payable later than one year, not later than five years	31.7	23.2	–	5.7
Payable later than five years	16.3	1.0	–	–
	66.3	39.4	6.1	10.9
Contingent liabilities				
Estimates of maximum amounts of contingent liabilities are as follows:				
(i) Guarantee of subsidiaries' borrowings	–	–	885.9	642.6

No material losses are anticipated in respect of any of the stated contingent liabilities.

- (i) JHIL arranges its borrowings through a number of subsidiaries and has guaranteed the borrowings of these subsidiaries as required by the lenders.
- (ii) From time to time, JHIL is joined as a party in asbestos suits primarily directed at two former subsidiaries, Amaca Pty Ltd (formerly James Hardie & Coy Pty Ltd) and/or Amaba Pty Ltd (formerly Jsekarb Pty Ltd) which James Hardie no longer controls, effective 16 February 2001. All such claims have been and will continue to be vigorously defended by JHIL. JHIL does not settle nor compromise such claims, and all such claims that have been litigated have been found in JHIL's favour. As these former subsidiaries are no longer part of James Hardie, and all such claims have been successfully defended by JHIL, no provision has been established in the JHIL or the James Hardie accounts where JHIL or any of its subsidiaries have been joined in such claims.

James Hardie is subject to extensive Australian, US and other foreign laws, regulations and ordinances relating to environmental protection, health and safety and like matters. Such laws, regulations and ordinances, or their future developments, may impose liability whether or not the landlord, lessee, owner, operator, manufacturer or another party knew of, or was responsible for damage, harm or contamination. Also third parties may make claims against such parties for personal injuries or property damage, including asbestos related claims, pursuant to such laws as well as common law tort theories. James Hardie does not currently anticipate that the effect of such laws, regulations, ordinances or claims will have a material adverse effect on its business, financial condition or results of operations.

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	Sales		Profit/(loss) before tax and abnormals		Total Assets	
	31.3.01	31.3.00	31.3.01	31.3.00	31.3.01	31.3.00
31 SEGMENT INFORMATION						
Industry segments						
US Fibre Cement	669.3	481.8	122.9	106.7	716.4	465.0
US Gypsum	495.1	556.3	72.3	182.2	562.8	458.2
Australia/New Zealand Fibre Cement	268.1	294.3	49.4	47.8	195.7	277.9
Research & Development	–	–	(11.7)	(17.1)	–	–
Other	116.1	117.6	(18.5)	(12.0)	198.7	133.4
Segments Total	1,548.6	1,450.0	214.4	307.6	1,673.6	1,334.5
General Corporate	–	–	(71.8)	(54.1)	256.3	363.0
Interest	–	–	(23.8)	(31.8)	–	–
Divested Businesses	–	152.9	–	14.6	–	–
	1,548.6	1,602.9	118.8	236.3	1,929.9	1,697.5
Geographic segments						
United States	1,164.5	1,038.1	192.3	288.9	1,343.2	923.2
Australia	284.1	314.7	27.3	18.0	179.8	281.9
New Zealand	68.3	75.6	6.8	11.1	48.8	48.6
Other Countries	31.7	21.6	(12.0)	(10.4)	101.8	80.8
Segments Total	1,548.6	1,450.0	214.4	307.6	1,673.6	1,334.5
General Corporate	–	–	(71.8)	(54.1)	256.3	363.0
Interest	–	–	(23.8)	(31.8)	–	–
Divested Businesses	–	152.9	–	14.6	–	–
	1,548.6	1,602.9	118.8	236.3	1,929.9	1,697.5

Compilation of segmental information

James Hardie's operations are organised into the following five segments: (1) US Fibre Cement, which manufactures and sells fibre cement products in the United States; (2) US Gypsum, which manufactures and sells gypsum wallboard products in the United States; (3) Australia/New Zealand Fibre Cement, which manufactures and sells fibre cement products in Australia, New Zealand and Asian export markets (other than the Philippines); (4) Research and Development, which includes the research and development centre in Sydney, Australia; and (5) Other, comprising the Philippines fibre cement operations, the fibre reinforced cement pipes operations in the United States, the Chile fibre cement operations and the manufacture and sales of windows in Australia.

Research and development assets are included in the Australia/New Zealand Fibre Cement segment.

General Corporate costs include asbestos litigation and head office costs. In the analysis of total assets, all deferred taxes are included in General Corporate.

Prior year segmental information has been restated to reflect current industry segments.

32 RELATED PARTY TRANSACTIONS

JHIL Directors' benefits

The name of each person who held the position of Director of JHIL during the year is set out in the Directors' Report. Information on remuneration of Directors and Directors retirement benefits is disclosed in notes 24 and 25.

Non-executive Directors have retirement benefit entitlements as approved at the Annual General Meeting on 2 August 1990.

JHIL Directors' securities transactions

At balance date, JHIL Directors and their director-related entities held an aggregate of 13,901,255 ordinary JHIL shares (2000: 128,659,096) and 1,200,000 Options (2000: 1,200,000).

On 15 July 1999, JHIL shareholders approved the Peter Donald McDonald Share Option Plan. PD Macdonald was granted 1,200,000 options on 17 November 1999 for a consideration of A\$12,000 as set out in note 20.

Dividends paid to Directors and their related entities were on the same terms and conditions that applied to other shareholders.

Sir Llewellyn R Edwards (who resigned as a director of JHIL on 15 February 2001) serves as a Director of Westpac Banking Corporation Ltd, with which James Hardie transacts banking business. M Hellicar serves as Chief Executive Officer of Corrs Chambers Westgarth, a firm which provides legal services to James Hardie. Until 25 May 2000 PJ Willcox served as a Director of Lend Lease Corporation Ltd, to which James Hardie sells building materials. Until 8 November 2000 MR Brown served as a Director of Brambles Industries Ltd, from which James Hardie purchases transport and storage services. MM Koffel is Chairman and Chief Executive of URS Corporation, from which James Hardie purchases engineering services. Sir Selwyn Cushing is Chairman of Air New Zealand Ltd, which provides air services to James Hardie, and a Director of Bank of New Zealand, with which James Hardie transacts banking business. All transactions were negotiated in accordance with usual commercial terms and conditions. It is not considered that these Directors had significant influence over these transactions.

Loans Made by JHIL to Directors of James Hardie Subsidiaries

At balance date, loans totalling A\$1,940,479 (2000: A\$2,495,393) were outstanding from directors of JHIL and its subsidiaries under the terms and conditions of the Executive Share Purchase Plan (the Plan). Loans under the Plan are interest free and repayable from dividend income earned by the shares acquired under the Plan. The loans are secured by shares issued under the Plan.

Repayments totalling A\$71,881 (2000: A\$234,896) were received in respect of the Plan from KA Boundy, SL Broderick, KS Brown, DE Budgen, DE Cameron, MD Edghill, CR Forster, A Grewal, PD Macdonald, AR Mann, GT McGown, R Middendorp, JL Moller, PG Morley, PJ Shafron, GM Smith and DK Worley. During the year certain directors of James Hardie subsidiaries resigned with loans totalling A\$483,032 (2000: A\$589,959) outstanding at the date of their resignation. These amounts are repayable within two years under the terms of the Plan.

Payments Made to Directors and Director Related Entities of James Hardie Subsidiaries During the Year

Payments of A\$15,194 (2000: A\$92,146) were made to Volaw Trust & Corporate Services Limited, a trust management company. RA Christensen and TL Norman, directors of a number of James Hardie subsidiaries, are directors of Volaw Trust & Corporate Services Limited. The payments were in respect of accounting and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of US\$69,076 (2000: US\$70,340) were made to McDonald, Carano, Wilson, McCune, Bergin, Frankovich & Hicks, attorneys. RE Armstrong and LP Bergin III, directors of a number of James Hardie subsidiaries until their resignation on 22 August 2000, are partners in McDonald, Carano, Wilson, McCune, Bergin, Frankovich & Hicks. The payments were in respect of legal and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of US\$6,679 (2000: US\$9,450) were made to Medina Management Services Limited. JL Bonello, a former director of a number of James Hardie subsidiaries, is a director and shareholder of Medina Management Services Limited. The payments were in respect of professional services and were negotiated in accordance with usual commercial terms and conditions.

Payments of US\$18,262 (2000: US\$38,703) were made to Nagy és Trócsányi, attorneys. P Nagy was a liquidator of a James Hardie subsidiary, and is a partner in Nagy és Trócsányi. The payments were in respect of legal and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of NZ\$8,000 (2000: NZ\$8,000) were made to K Brown, a director of a James Hardie subsidiary. The payments were in respect of professional services and were negotiated in accordance with usual commercial terms and conditions.

Payments of S\$4,336 (2000: S\$3,000) were made to AC Fergusson and Partners, advocates and solicitors. A Tan is a director of a number of James Hardie subsidiaries and a partner in AC Fergusson and Partners. The payments were in respect of legal and secretarial services and were negotiated in accordance with usual commercial terms and conditions.

Payments of A\$160,880 (2000: A\$159,076) were made to Pether and Associates Pty Ltd, technical contractors. JF Pether is a director of a James Hardie subsidiary and a director of Pether and Associates Pty Ltd. The payments were in respect of technical services and were negotiated in accordance with usual commercial terms and conditions.

Transactions between JHIL and its wholly-owned subsidiaries

During the year transactions between JHIL and certain of its wholly-owned subsidiaries consisted of loans advanced by and to JHIL and repayments to and from JHIL, payment of interest on the above loans, transfer of tax losses for full value and payment of dividends to JHIL. Certain loans are interest free and have no fixed terms for repayment of the principal. All other transactions were made on usual commercial terms and conditions.

Interest and dividend transactions by JHIL with its wholly-owned subsidiaries are disclosed in notes 2 and 3.

Aggregate amounts receivable from and payable to its wholly-owned subsidiaries by JHIL are disclosed in notes 8 and 18.

Ultimate holding company

James Hardie Industries Limited (JHIL) is the ultimate holding company of James Hardie.

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
33 CASHFLOW SUPPLEMENTARY INFORMATION				
Reconciliation of net cash inflow/(outflow) from operating activities to operating profit after income tax				
Operating profit after income tax	38.4	158.5	154.6	119.0
(Profit)/loss on sale and redemption of non-current assets	(0.8)	(2.8)	–	0.1
(Profit)/loss on disposal of subsidiaries and businesses	–	(14.8)	–	–
Asia Pacific rationalisation – write down of assets	13.4	–	–	–
Depreciation and amortisation	76.8	86.2	0.3	0.5
Revaluation of non-current assets	(0.3)	(2.7)	–	(137.0)
Net deferral of interest expense on government bonds	–	1.0	–	–
Provision for doubtful debts and credit notes	1.1	1.8	–	–
Other	0.6	0.5	–	–
Changes in operating assets and liabilities, net of effects from acquisitions and disposals of subsidiaries and businesses:				
(Increase)/decrease in receivables	31.6	(44.3)	62.7	15.1
(Increase)/decrease in prepayments and deferred expenses	(17.1)	(6.2)	–	–
(Increase)/decrease in inventories	(39.8)	(0.3)	–	–
Increase/(decrease) in creditors and borrowings	54.9	(0.4)	(65.3)	(0.7)
Increase/(decrease) in other provisions	5.3	0.2	(4.0)	(7.8)
Increase/(decrease) in income tax	(3.7)	50.5	7.2	(7.8)
Net cash inflow/(outflow) from operating activities	160.4	227.2	155.5	(18.6)

NON-CASH FINANCING AND INVESTING ACTIVITIES

Repayments of loans advanced in previous years under the Executive Share Purchase Plan of A\$0.4 million (2000: A\$0.3 million) were made by the borrowers forgoing the payment of cash dividends.

33 CASHFLOW SUPPLEMENTARY INFORMATION continued

DETAILS OF MAJOR CREDIT FACILITIES

A\$ million		Available	31.3.01		Available	31.3.00	
			Current	Non-current		Current	Non-current
Committed credit facilities – (unsecured)							
A\$/NZ\$ bank overdrafts		9.3	3.9	–	8.3	2.1	–
A\$ syndicated loan facility	(i)	–	–	–	100.0	–	–
A\$ revolving loan facility	(ii)	200.0	–	200.0	200.0	–	200.0
A\$ loan facility	(iii)	70.0	–	70.0	–	–	–
US\$ stand-by loan facility	(iv)	239.8	150.0	–	127.6	70.0	–
US\$ guaranteed senior notes	(v)	459.2	–	459.2	370.5	–	370.5
US\$ line of credit	(vi)	7.1	2.8	–	–	–	–
Total		985.4	156.7	729.2	806.4	72.1	570.5

(i) The A\$ syndicated loan facility was repaid on 30 November 2000.

(ii) The A\$ revolving loan facility can be repaid and redrawn until maturity on 3 November 2003. Interest is recalculated at the commencement of each draw-down period based on the average A\$ bank bill bid rate plus the margin of the individual lenders and is payable at the end of the draw-down period.

(iii) The A\$ loan is repayable in instalments between 16 August 2002 and 16 August 2006. Interest is paid six monthly and is based on the average A\$ bank bill rate plus a margin.

(iv) The US\$ stand-by loan facility can be repaid and redrawn until maturity on 30 October 2001. Interest is recalculated at the commencement of each draw-down period based on either US\$ LIBOR or the A\$ average bank bill bid rate plus the margins of the individual lenders and is payable at the end of the draw-down period. The amount drawn-down at the end of the financial year is repayable in Australian dollars.

(v) The US\$ guaranteed senior notes are part of a seven tranche private placement facility. Principal repayments are due in seven instalments between 5 November 2004 and 5 November 2013. The tranches bear fixed interest rates of 6.86%, 6.92%, 6.99%, 7.05%, 7.12%, 7.24% and 7.42%, respectively. Interest is payable six monthly on 5 May and 5 November each year.

(vi) The US\$ line of credit can be repaid and redrawn until maturity on 31 December 2001. Interest is recalculated at the commencement of each draw-down period based on the 90 day Chilean Tasa Activa Bancaria rate plus a margin and is payable at the end of the draw-down period. The amount drawn-down at the end of the financial year is repayable in Chilean pesos.

Notes to the Financial Statements continued

For the year ended 31 March 2001

A\$ million	James Hardie		JHIL	
	31.3.01	31.3.00	31.3.01	31.3.00
33 CASHFLOW SUPPLEMENTARY INFORMATION continued				
Acquisition of subsidiaries and businesses:				
During the year James Hardie acquired the assets of Western Mining gypsum, Chile fibre cement and Interlock louvre windows.				
Fair value of assets and liabilities acquired at acquisition date:				
Receivables	0.9	-	-	-
Property, plant and equipment	16.9	-	-	-
Intangibles	6.9	-	-	-
Mineral reserves	49.7	-	-	-
Deferred tax liability	(17.6)	-	-	-
Borrowings	(7.9)	-	-	-
Total net assets acquired	48.9	-	-	-
Consideration on acquisition:				
Cash paid	17.8	-	-	-
JHIL shares issued	31.1	-	-	-
	48.9	-	-	-
Outflow of cash to acquire subsidiaries and businesses:				
Cash consideration paid	17.8	-	-	-
Divestment of subsidiaries and businesses:				
As described in note 5, James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd were transferred to the Medical Research and Compensation Foundation during the year. In the prior year James Hardie sold its Bondor, Portacom and Ausco businesses.				
Fair value of assets and liabilities divested:				
Cash	45.8*	-	-	-
Receivables	187.1*	24.1	-	-
Inventories	-	13.7	-	-
Prepayments	-	0.1	-	-
Property, plant and equipment	66.8*	108.2	-	-
Future income tax benefit	3.7	-	-	-
Creditors	(113.5)	(16.8)	-	-
Provisions	(43.0)	(11.7)	-	-
Total net assets divested	146.9	117.6	-	-
Profit/(loss) on divestment	(237.9)	14.8	(91.0)	-
(Costs payable)/consideration receivable	(91.0)	132.4	(91.0)	-
(Costs payable)/consideration receivable on divestment				
Cash gift to the Medical Research and Compensation Foundation	(3.0)*	-	(3.0)	-
Cash (paid)/proceeds received on divestment	(7.3)	152.6	(7.3)	-
Accrued costs of divestment	(80.7)	(20.2)	(80.7)	-
	(91.0)	132.4	(91.0)	-
Inflow/(outflow) of cash from divestment of subsidiaries and businesses:				
Sale of businesses				
Cash consideration received	-	152.6	-	-
Payment of costs accrued in prior year	(11.4)	-	-	-
	(11.4)	152.6	-	-
Transfer of James Hardie & Coy Pty Ltd and Jsekarb Pty Ltd				
Cash gift to the Medical Research and Compensation Foundation	(3.0)	-	(3.0)	-
Cash costs of disposal	(7.3)	-	(7.3)	-
Cash divested	(45.8)	-	-	-
	(56.1)	-	(10.3)	-

* Income producing assets transferred to the Medical Research and Compensation Foundation totalling A\$302.7 million.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 30 to 60:

- (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- (b) give a true and fair view of JHIL's and James Hardie's financial position as at 31 March 2001 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.


In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Law; and
- (b) there are reasonable grounds to believe that JHIL will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 11 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 11.

This declaration is made in accordance with a resolution of the Directors.



AG McGregor
Chairman of Directors



PD Macdonald
Managing Director & Chief Executive Officer

Signed at Sydney, NSW, Australia on 16 May 2001

Independent Audit Report

To Members of James Hardie Industries Limited

Scope

We have audited the financial report of James Hardie Industries Limited (JHIL) for the financial year ended 31 March 2001 as set out on pages 30 to 61. The JHIL Directors are responsible for the financial report which includes the financial statements for JHIL and the consolidated financial statements of James Hardie comprising JHIL and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of JHIL.

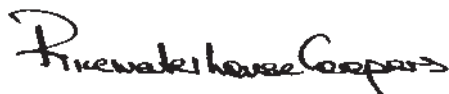
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and the Corporations Law so as to present a view which is consistent with our understanding of JHIL and James Hardie's financial position and performance as represented by the results of their operations and their cash flows.

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

Audit opinion

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

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of JHIL's and James Hardie's financial position as at 31 March 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



PricewaterhouseCoopers
Chartered Accountants



SJ McClintock
Partner

Signed at Sydney, NSW, Australia on 16 May 2001

Group Statistics

(Not forming part of the Financial Statements)

A\$ million	2001	2000	1999	1998	1997	1996
Profit and Loss						
Sales						
US Fibre Cement	669.3	481.8	395.3	251.4	188.1	134.9
US Gypsum	495.1	556.3	416.8	286.6	131.6	103.2
Australia/New Zealand Fibre Cement	268.1	294.3	279.2	296.5	342.6	370.1
Other	116.1	117.6	105.8	109.7	77.9	78.7
Total from continuing businesses	1,548.6	1,450.0	1,197.1	944.2	740.2	686.9
Divested businesses	–	152.9	171.8	353.7	885.8	1,064.8
Total Sales	1,548.6	1,602.9	1,368.9	1,297.9	1,626.0	1,751.7
Profit/(loss) before interest, tax and abnormals						
US Fibre Cement	122.9	106.7	73.7	54.7	39.5	21.6
US Gypsum	72.3	182.2	95.5	57.7	23.6	9.8
Australia/New Zealand Fibre Cement	49.4	47.8	49.1	65.7	67.7	96.4
Research and Development	(11.7)	(17.1)	(17.0)	(20.7)	(16.0)	(11.0)
Other	(18.5)	(12.0)	(19.1)	(5.4)	(8.7)	(2.7)
Total from operations	214.4	307.6	182.2	152.0	106.1	114.1
Corporate	(71.8)	(54.1)	(33.2)	(45.4)	(51.6)	(45.2)
Total from continuing businesses	142.6	253.5	149.0	106.6	54.5	68.9
Divested businesses	–	14.6	11.0	25.4	32.9	29.4
Profit before interest, tax and abnormals	142.6	268.1	160.0	132.0	87.4	98.3
Net interest expense	(23.8)	(31.8)	(24.8)	(17.6)	(17.4)	(27.5)
Profit before tax and abnormals	118.8	236.3	135.2	114.4	70.0	70.8
Income tax expense before abnormals	(26.8)	(85.7)	(41.0)	(31.3)	(19.0)	(12.4)
Profit after tax but before abnormals	92.0	150.6	94.2	83.1	51.0	58.4
Outside equity interests	–	–	–	0.2	0.3	0.1
Net operating profit before abnormals	92.0	150.6	94.2	83.3	51.3	58.5
Abnormal items, after tax	(53.6)	7.9	(169.3)	(41.7)	31.7	(26.3)
Extraordinary items, after tax	(237.9)	–	–	–	–	–
Operating profit/(loss) after income tax attributable to members of JHIL	(199.5)	158.5	(75.1)	41.6	83.0	32.2
Dividends provided for or paid	78.2	73.3	61.1	58.7	44.0	50.3
Balance Sheet						
Share capital	583.6	552.5	552.5	407.0	397.3	387.0
Reserves and retained profits	(6.0)	121.3	11.2	318.9	319.9	293.0
Shareholders' equity attributable to members of JHIL	577.6	673.8	563.7	725.9	717.2	680.0
Outside equity interests	–	0.6	0.6	–	8.9	93.3
Total shareholders' equity	577.6	674.4	564.3	725.9	726.1	773.3
Borrowings	885.9	642.6	629.8	803.1	750.0	632.9
Creditors and provisions	466.4	380.5	323.6	456.2	439.5	382.7
Total shareholders' equity and liabilities	1,929.9	1,697.5	1,517.7	1,985.2	1,915.6	1,788.9
Cash	153.2	254.2	76.6	526.7	435.8	196.7
Other tangible assets	1,696.5	1,366.4	1,371.2	1,213.7	1,288.3	1,451.2
Intangibles and future income tax benefits	80.2	76.9	69.9	244.8	191.5	141.0
Total assets	1,929.9	1,697.5	1,517.7	1,985.2	1,915.6	1,788.9

A\$ million	2001	2000	1999	1998	1997	1996
Total assets analysed by industry segment						
US Fibre Cement	716.4	465.0	404.9	314.5	232.4	127.6
US Gypsum	562.8	458.2	397.5	332.1	248.2	100.1
Australia/New Zealand Fibre Cement	195.7	277.9	301.7	283.1	287.8	332.3
Other	198.7	133.4	128.5	143.9	78.1	49.8
Corporate	256.3	363.0	149.4	780.3	715.2	450.4
Total from continuing businesses	1,929.9	1,697.5	1,382.0	1,853.9	1,561.7	1,060.2
Divested businesses	–	–	135.7	131.3	353.9	728.7
Total assets	1,929.9	1,697.5	1,517.7	1,985.2	1,915.6	1,788.9
Number of employees						
US Fibre Cement	1,140	858	826	540	598	375
Gypsum	635	636	612	557	479	217
Australia/New Zealand Fibre Cement	969	1,087	1,303	1,402	1,461	1,739
Research and Development	58	67	99	128	125	70
Other	895	1,001	940	936	765	755
Corporate	60	80	112	91	157	127
Total from continuing businesses	3,757	3,729	3,892	3,654	3,585	3,283
Divested businesses	–	–	720	686	1,981	6,276
Total employees	3,757	3,729	4,612	4,340	5,566	9,559
Other Statistics						
Number of shareholders	21,484	19,302	19,279	17,632	17,637	19,526
Capital investment on property, plant and equipment [1]	220.0	171.2	204.4	233.0	219.0	82.8
Depreciation on property, plant and equipment	73.1	83.1	75.8	62.8	81.3	73.9
Dividends per share	19.0¢	18.0¢	15.0¢	14.5¢	13.0¢	13.0¢
Dividend franking percentage	0%	0%	0%	0%	100%	100%
Earnings per share:						
excluding abnormal items [2]	22.5¢	37.0¢	23.1¢	20.6¢	13.1¢	15.2¢
basic earnings per share [3]	9.4¢	38.9¢	(18.5¢)	10.3¢	21.2¢	8.3¢
Dividend declared ratio [4]	85.0%	48.7%	64.9%	70.5%	100.2%	86.0%
Cash payout ratio [5]	85.0%	48.7%	64.9%	70.5%	83.9%	86.1%
Return on shareholders' funds [6]	14.7%	24.3%	14.6%	11.5%	7.3%	8.6%
Return on capital employed [7]	9.3%	21.6%	12.9%	12.5%	7.8%	8.4%
Net tangible assets per share [8]	120¢	147¢	122¢	122¢	132¢	140¢
Total liabilities to tangible assets ratio [9]	73.1%	63.1%	65.9%	72.4%	69.0%	61.6%
Gearing ratio [10]	55.9%	36.5%	49.5%	27.6%	30.2%	36.1%
Net interest cover [11]	6.0x	8.4x	6.5x	7.5x	5.0x	3.6x
Working capital to sales [12]	10.3%	12.6%	11.9%	8.9%	14.6%	22.1%

Notes:

- [1] Capital investment on property, plant and equipment includes both cash and credit purchases, and is for continuing businesses only.
- [2] Net operating profit before abnormals divided by the weighted average number of ordinary and employee shares on issue during the year.
- [3] Operating profit after income tax attributable to members of JHIL (excluding extraordinary items, after tax) divided by the weighted average number of ordinary and employee shares on issue during the year.
- [4] Dividends declared divided by net operating profit before abnormals.
- [5] Dividends provided for or paid, after recognising elections under the Bonus Share Plan (suspended July 1997), as a percentage of net operating profit before abnormals.
- [6] Net operating profit before abnormals divided by the average of opening and closing shareholders' equity attributed to members of JHIL.
- [7] Profit before interest, tax and abnormals divided by gross capital employed.
- [8] Shareholders' equity attributed to members of JHIL less intangibles and future income tax benefits divided by the number of shares on issue at year-end, adjusted for bonus issues.
- [9] Borrowings plus creditors and provisions divided by cash plus other tangible assets.
- [10] Borrowings less cash (net debt) divided by net debt plus total shareholders' equity.
- [11] Profit before interest, tax and abnormals divided by net interest expense.
- [12] Working capital (current receivables plus inventories less accounts payable) divided by sales revenue.

Share Information

(Not forming part of the Financial Statements)

Distribution schedule at 8 May 2001

Size of Holding	Ordinary Shares		Options	
	Holders	Shares Held	Holder	Options Held
1 – 1,000	8,476	4,195,992	–	–
1,001 – 5,000	9,132	22,746,972	–	–
5,001 – 10,000	2,056	14,720,352	–	–
10,001 – 100,000	1,426	32,617,796	–	–
100,001 and over	170	341,489,970	1	1,200,000
Totals	21,260	415,771,082	1	1,200,000

In the 1 – 1,000 range 576 ordinary shareholders held less than a marketable parcel.

Voting rights

Voting rights are set out in the Constitution of James Hardie Industries Ltd. In summary the Constitution provides that, at a meeting, on a show of hands every member holding shares present in person or by proxy or attorney and entitled to vote shall have one vote and upon a poll every member holding shares present in person or by proxy or by attorney and entitled to vote shall have one vote for every share held by that member. If a proxy has been appointed by two or more members who specify different ways to vote on a resolution, the proxy must not vote on a show of hands.

Options carry no voting rights.

Substantial shareholders at 8 May 2001

Ordinary Shares

Name	Disclosed in Notice
* Brierley Investments Ltd and its subsidiaries	119,411,850
Merrill Lynch Investment Managers Limited	37,987,966
Mr JB Reid AO	26,543,560
Commonwealth Bank of Australia and its subsidiaries	25,049,746

20 Largest shareholders and their holdings at 8 May 2001

Name	Ordinary Shares		Position
	Number	% of Total	
* UB Minerals (Aust) Pty Ltd	119,411,850	28.7	1
Perpetual Trustees Victoria Ltd	22,755,494	5.5	2
Chase Manhattan Nominees Ltd	14,386,629	3.5	3
Citicorp Nominees Pty Ltd	13,264,260	3.2	4
National Nominees Ltd	12,048,102	2.9	5
Madingley Nominees Pty Ltd	10,242,200	2.5	6
Westpac Custodian Nominees Ltd	9,871,406	2.4	7
Perpetual Trustees Nominees Ltd	9,083,913	2.2	8
Queensland Investment Corporation	6,946,622	1.6	9
Sherwood House Nominees Pty Ltd	6,620,500	1.6	10
AMP Life Ltd	6,171,146	1.5	11
Australian Foundation Investment Company Ltd	6,134,904	1.5	12
Colonial Investment Services Ltd	4,173,563	1.0	13
Millenium Pty Ltd	4,140,000	1.0	14
MLC Ltd	3,890,065	0.9	15
Haining Nominees Pty Ltd	3,708,100	0.9	16
Boma LLC	3,366,272	0.8	17
Raasay Pty Ltd	3,220,268	0.8	18
ANZ Nominees Ltd	3,137,776	0.7	19
Zurich Australia Ltd	2,996,812	0.7	20
Totals	265,569,882	63.9	

* Brierley Investments Ltd subsidiary UB Minerals (Aust) Pty Ltd sold 119,411,850 shares in James Hardie Industries Ltd through a placement underwritten by JB Were Ltd on 21 May 2001. The shares were placed widely to a number of institutions and private investors. As at 23 May 2001 transfers had not been registered.

Shareholder Information/Enquiries

All enquiries and correspondence regarding shareholdings should be referred to the Share Registrar.

Share Registrar

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street,
Sydney NSW 2000, Australia
GPO Box 7045, Sydney NSW 1115, Australia
Telephone (61 2) 8234 5222
Toll Free Within Australia 1800 269 981
Facsimile (61 2) 8234 5050
Email sydney.services@computershare.com.au
Website www.computershare.com

Annual Report

All shareholders are entitled to receive a copy of the Annual Report. Shareholders who do not require the Annual Report or who receive more copies than required should notify the Share Registrar in writing.

Registered Office and Operational Headquarters

Registered Office:

James Hardie Industries Limited
ABN 60 000 009 263
8th Floor, 65 York Street,
Sydney NSW 2000, Australia
GPO Box 3935, Sydney NSW 2001, Australia
Telephone (61 2) 9290 5274
Facsimile (61 2) 9262 5758

Operational Headquarters:

26300 La Alameda, Suite 100,
Mission Viejo, CA 92691 USA
Telephone (1 949) 348 1800
Facsimile (1 949) 348 4534
Website www.jameshardie.com

Dividend Choices

James Hardie shareholders have a choice between receiving dividends by cheque or by electronic funds transfer to an Australian bank account. To participate in the electronic service, shareholders should contact the Share Registrar.

James Hardie Investor Relations

James Hardie Corporate Affairs
7th Floor, 65 York Street,
Sydney NSW 2000, Australia
Telephone (61 2) 9290 5225
Facsimile (61 2) 9262 4557
Email investor.relations@jameshardie.com.au
Website www.ir.jameshardie.com.au

Share Buy-Back

James Hardie has a current on-market buy-back program.

Stock Exchange Listing

James Hardie's ordinary shares are listed on the Australian Stock Exchange Limited and trade under the code HAH.

United States of America Depository Receipt Facility

James Hardie has a sponsored American Depository Receipt facility trading on the over-the-counter market under the code JHINY. The facility is sponsored by The Bank of New York. For further information visit their website: www.adrbny.com

Place of Incorporation

James Hardie Industries Limited is incorporated in New South Wales, Australia.

Designed and produced by Spatchurst

People pictured are James Hardie employees

**JAMES HARDIE
BUILDING PRODUCTS
USA**

26300 La Alameda, Suite 250
MISSION VIEJO CA 92691
United States of America
Telephone (1 949) 348 1800
Facsimile (1 949) 367 0185

Australia

10 Colquhoun Street
ROSEHILL NSW 2142
Australia
Telephone (61 2) 9638 9200
Facsimile (61 2) 9638 0833

New Zealand

50 O'Rorke Road
PENROSE AUCKLAND
New Zealand
Telephone (64 9) 579 9919
Facsimile (64 9) 525 4810

Philippines

Barangay San Isidro
CABUYAO LAGUNA 4025
Philippines
Telephone (63 2) 897 8131
Facsimile (63 2) 895 2994

Chile

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Parque Industrial Valle Grande
LAMPA SANTIAGO
Chile
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Facsimile (56 2) 738 5133

HARDIE PIPE

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Facsimile (1 813) 207 7098

JAMES HARDIE GYPSUM

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