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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934

For the Month of May, 2010

1-15240
(Commission File Number)

JAMES HARDIE INDUSTRIES SE

(Translation of registrant's name into English)

Atrium, 8th floor
Strawinskylaan 3077
1077 ZX Amsterdam, The Netherlands
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ☑ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): Not Applicable

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): Not Applicable

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ☐ No ☑

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not Applicable

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Safe Harbor Statement

This 6K and exhibits contain forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbour Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- statements about the company's future performance;
- projections of the company's results of operations or financial condition;
- statements regarding the company's plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the company's plants and future plans with respect to any such plants;
- expectations that the company's credit facilities will be extended or renewed;
- expectations concerning dividend payments;
- statements concerning the company's corporate and tax domiciles and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements as to the possible consequences of proceedings brought against the company and certain of its former directors and officers by the ASIC;
- expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations; and
- statements about product or environmental liabilities.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the company's estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause the company's actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information — Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to the AICF, any shortfall in the AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; the company's proposal to transfer its corporate domicile from The Netherlands to Ireland to become an Irish "SE" company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of the company's customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in the company's key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in the company's reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). The company cautions that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the company's current expectations concerning future results, events and conditions.

EXHIBIT INDEX

Exhibit No.	Description
99.1	ASX Cover Page
99.2	Q4 FY10 Media Release
99.3	Q4 FY10 Management’s Analysis
99.4	Q4 FY10 Management’s Presentation
99.5	Q4 FY10 Financials
99.6	KPMG Report — 31 March 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	James Hardie Industries SE
Date: Friday, 28 May 2010	By: /s/ Marcin Firek
	Marcin Firek
	Legal Counsel, Australia and Company Secretary

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EXHIBIT INDEX

Results for Announcement to the Market
James Hardie Industries SE
ARBN 097 829 895

Appendix 4E – Preliminary Final Report Year Ended 31 March 2010

Key Information	Year Ended 31 March 2010 US$M	2009 US$M	Movement	
Net Sales From Ordinary Activities	1124.6	1202.6	Down	6%
(Loss) Profit From Ordinary Activities After Tax Attributable to Shareholders	(84.9)	136.3	Down	—
Net (Loss) Profit Attributable to Shareholders	(84.9)	136.3	Down	—
Net Tangible Liabilities per Ordinary Share	US$ (0.27)	US$ (0.25)	Down	—

Dividend Information

- No interim dividend for fiscal year 2010 will be paid to share/CUFS holders.
- No final dividend for fiscal year 2010 will be paid to share/CUFS holders.
- No interim or final dividend for fiscal year 2009 was paid to share/CUFS holders.

Movements in Controlled Entities during the year ended 31 March 2010

The following entities were created: JHCBM NV (11 May 2009), JHCBM Public Limited Company (2 June 2009), JHIHCBM Public Limited Company (2 June 2009), James Hardie Holdings Limited (10 June 2009), James Hardie International Finance Limited (10 June 2009) and James Hardie Technology Holdings Limited (16 June 2009)

The following entity was liquidated: James Hardie Pulp Co., Inc. (5 June 2009)

The following entity ceased to exist pursuant to a merger: James Hardie International Holdings B.V. (17 September 2009)

The following entities changed their name: James Hardie Industries N.V. changed its name to James Hardie Industries SE (19 February 2010), James Hardie Technology Holdings Limited changed its name to James Hardie Technology Limited (22 June 2009), JHCBM N.V. changed its name to James Hardie International Holdings N.V. (17 September 2009), and James Hardie International Holdings N.V. changed its name to James Hardie International Holdings SE (19 February 2010).

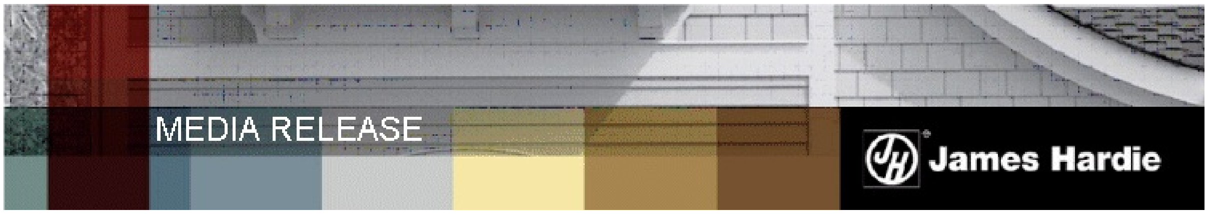
Audit

The results and financial information included within this Preliminary Final Report have been prepared using US GAAP and have been subject to an independent audit by external auditors.

Results for the 4th Quarter and Year Ended 31 March 2010
Contents

James Hardie Industries SE is incorporated in The Netherlands with corporate seat in Amsterdam. The liability of members is limited. The information contained in the above documents comprise the information required by ASX Listing Rule 4.2A and should be read in conjunction with the James Hardie 2009 Annual Report which can be found on the company website at www.jameshardie.com.

Exhibit 99.2



For analyst and media enquiries, please
call Sean O'Sullivan on +61 2 82745239

27 May 2010

4th quarter net operating profit US$23.7m
Full year net operating profit US$133.0m
(Excluding asbestos, ASIC expenses and tax adjustments)

James Hardie today announced a US$23.7 million net operating profit, excluding asbestos, ASIC expenses and tax adjustments, for the quarter ended 31 March 2010. This represents an increase of 208% compared to the corresponding quarter of last year.

The net operating result for the fourth quarter including asbestos, ASIC expenses and tax adjustments was a loss of US$2.3 million, compared to a loss of US$129.6 million for the corresponding quarter of last year.

Full year net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 32% to US$133.0 million from US$100.5 million for the prior year. Including asbestos, ASIC expenses and tax adjustments, full year net operating profit moved from US$136.3 million to a loss of US$84.9 million.

The results include unfavourable asbestos adjustments of US$24.2 million for the quarter and US$224.2 million for the full year, which are primarily attributable to the appreciation of the Australian dollar against the US dollar. For the quarter from 31 December 2009 to 31 March 2010, the Australian dollar appreciated against the US dollar by 2% to US$0.9158. For the full year from 31 March 2009 to 31 March 2010, the Australian dollar appreciated against the US dollar by 33%, compared to a 25% depreciation in the prior year.

Excluding a contribution to the AICF of US$110.0 million in fiscal 2009, net operating cash flow for the full year increased to US$183.1 million from US$64.8 million in the prior year. The company will make a funding contribution of approximately US$63.7 million to the AICF on 1 July 2010 representing 35% of the company's free cash flow, as defined by the A FFA.

In this Media Release, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 6. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the definitions, include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volume ("million square feet" or "mmsf" and "thousand square feet" or "msf"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt (cash)"); and Non-US GAAP financial measures ("EBIT excluding asbestos and ASIC expenses", "EBIT margin excluding asbestos and ASIC expenses", "Net operating profit excluding asbestos, ASIC expenses and tax adjustments", "Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments", "Operating profit before income taxes excluding asbestos", "Effective tax rate excluding asbestos and tax adjustments", "EBITDA" and "General corporate costs excluding ASIC expenses and domicile change related costs"). Unless otherwise stated, results and comparisons are of the 4th quarter and full year of fiscal year 2010 versus the 4th quarter and full year of the prior fiscal year.

CEO Commentary

"US sales volume rose in the quarter compared to the same quarter last year for the first time in four years, suggesting that the bottom of the downturn may have been reached," said James Hardie CEO, Mr Louis Gries.

"The extent and rate of the US recovery still remains uncertain. Additionally, over the last several months we have started to incur higher raw material, freight and energy costs. Despite these increases, the US business continues to perform well financially," Mr Gries added. "Funding for growth initiatives has been increased and the company is well positioned to drive its long-term strategy."

Operating Performance

Total sales for the quarter increased 14% to US$274.9 million, gross profit was up 32% to US$91.4 million and EBIT excluding asbestos and ASIC expenses was 124% higher at US$38.3 million compared to the corresponding period of last year. EBIT including asbestos and ASIC expenses for the quarter improved from a loss US$160.4 million in the fourth quarter of last year to US$11.8 million in the final quarter.

For the full year, total sales decreased 6% to US$1,124.6 million, gross profit was up 7% to US$416.1 million and EBIT excluding asbestos and ASIC expenses was 22% higher at US$208.7 million. EBIT including asbestos and ASIC expenses moved from US$173.6 million to a loss of US$21.0 million.

4th Quarter and Year End at a Glance

US$ Millions	Q4 FY 2010	Q4 FY 2009	% Change	FY 2010	FY 2009	% Change
Net sales	$274.9	$ 241.3	14	$1,124.6	$1,202.6	(6)
Gross profit	91.4	69.2	32	416.1	388.8	7
EBIT excluding asbestos and ASIC expenses	38.3	17.1	124	208.7	170.9	22
AICF SG&A expenses	(0.5)	0.7	—	(2.1)	(0.7)	—
Asbestos adjustments	(24.2)	(176.5)	86	(224.2)	17.4	—
ASIC expenses	(1.8)	(1.7)	(6)	(3.4)	(14.0)	76
EBIT	11.8	(160.4)	—	(21.0)	173.6	—
Net interest expense	(2.1)	(1.1)	(91)	(4.0)	(3.0)	(33)
Other income (expense)	0.3	(14.8)	—	6.3	(14.8)	—
Income tax (expense) benefit	(12.3)	46.7	—	(66.2)	(19.5)	—
Net operating profit (loss)	(2.3)	(129.6)	98	(84.9)	136.3	—
Diluted earnings (loss) per share (US cents)	(0.5)	(30.0)	98	(19.6)	31.4	—

Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 208% for the quarter to US$23.7 million, and 32% to US$133.0 million for the full year, as shown in the following table:

US$ Millions	Q4 FY 2010	Q4 FY 2009	% Change	FY 2010	FY 2009	% Change
Net operating profit (loss)	$ (2.3)	$(129.6)	(98)	$ (84.9)	$136.3	—
Excluding:						
Asbestos:						
Asbestos adjustments	24.2	176.5	(86)	224.2	(17.4)	—
AICF SG&A expenses	0.5	(0.7)	—	2.1	0.7	—
AICF interest income	(0.7)	(1.6)	56	(3.3)	(6.4)	48
(Gain) impairment on AICF investments	(2.0)	14.8	—	(6.7)	14.8	—
Tax benefit related to asbestos adjustments	1.1	(48.7)	—	1.1	(48.7)	—
ASIC expenses	1.8	1.7	6	3.4	14.0	(76)
Tax adjustments	1.1	(4.7)	—	(2.9)	7.2	—
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**$ 23.7**	**$ 7.7**	**—**	**$133.0**	**$100.5**	**32**
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	5.4	1.8	—	30.5	23.1	32

Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments for the quarter increased 200% to US5.4 cents and for the full year increased 32% from US23.1 cents in the prior year to US30.5 cents in the current year.

The strength of net operating cash flow in the quarter and full year ended 31 March 2010 enabled the company to reduce net debt by US$6.0 million and US$146.8 million respectively. As at 31 March 2010, the company had net debt of US$134.8 million.

USA and Europe Fibre Cement

According to the US Census Bureau, single family housing starts in the quarter ended 31 March 2010 were 114,300, compared to the March 2009 figure of 78,300. Annualised seasonally-adjusted single family housing starts in March 2010 were 531,000, still significantly below the January 2006 peak of 1.823 million annualised starts, but 11% above the trough of 479,000 in April 2009.

Against this background, net sales increased 4% in the quarter to US$196.8 million compared to the corresponding quarter of last year. Fourth quarter sales volume increased 2% to 314.0 million square feet. The average net sales price increased 2% from US$612 to US$627 per thousand square feet.

For the full year, net sales declined 11% to US$828.1 million, compared to the prior year. Sales volume decreased 15% to 1,303.7 million square feet, and the average net sales price increased 4% from US$609 to US$635 per thousand square feet.

USA and Europe Fibre Cement EBIT increased by 8% to US$34.8 million for the quarter and by 5% to US$208.5 million for the full year. The increase in full year EBIT was driven by lower input costs (primarily pulp, energy and freight), higher average net sales price and improved plant performance which contributed to lower average unit manufacturing costs. The USA and Europe Fibre Cement EBIT margin was 17.7% for the quarter and 25.2% for the full year, compared to 17.1% and 21.4%, respectively, for the corresponding periods of the prior year.

Asia Pacific Fibre Cement

Net sales increased 49% to US$78.1 million for the quarter. The higher value of the Asia Pacific business' currencies against the US dollar in the fourth quarter accounted for 39% of the increase. In Australian dollars, net sales increased 10% due to an increase in sales volume.

For the full year, net sales increased 9% to US$296.5 million, compared to US$273.3 million for the prior corresponding period. In Australian dollars, net sales increased 2% due to an increase in average net sales price.

Results for the Australian business improved in the quarter, due to an increase in sales volume, driven by growing demand in the small-to-medium-size-builder and renovations segments as well as a strengthening local housing construction market. For the full year, sales volume was stable.

Australian Bureau of Statistics (ABS) data for the March quarter showed residential housing approvals increased 45% compared to the corresponding quarter of the prior year, with detached housing approvals up 36% and medium density approvals up 98% compared to the fourth quarter of the prior year. For the full year, the ABS reported a 16% increase in housing approvals compared to the prior year.

The New Zealand business also improved in the quarter, supported by a stronger operating environment, with housing consents increasing 32% compared to the March quarter of 2009. The Philippines business increased sales in the quarter by 23%, driven largely by stronger repair and remodel sales.

Asia Pacific Fibre Cement EBIT for the quarter increased 113% from US$6.7 million to US$14.3 million. Favourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar accounted for 77% of this increase. In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter increased 36% due to increased sales volume, the growth in sales of higher-margin differentiated products and reduced raw material and manufacturing costs.

Asia Pacific Fibre Cement EBIT for the full year increased 25% from US$47.1 million to US$58.7 million. In Australian dollars, Asia Pacific Fibre Cement EBIT for the year increased 14% due to strong primary demand growth offsetting weakened local markets, an increase in average net sales price and favourable product mix shift, together with lower raw materials costs and reduced manufacturing costs.

Re-domicile

The company completed Stage 1 of the two-stage Proposal to transform to a Societas Europaea company and move its corporate domicile from The Netherlands to Ireland (the Proposal) on 19 February 2010 and was transformed from a Dutch NV company to a Dutch SE company and now operates under the name of James Hardie Industries Societas Europaea (JHI SE). If shareholders approve Stage 2 of the Proposal, JHI SE will become subject to Irish law in addition to the SE Regulation.

An Extraordinary General Meeting to consider Stage 2 of the Proposal will be held in The Netherlands on 2 June 2010. Before this, an Extraordinary Information Meeting will be held in Sydney on 28 May 2010. If shareholders approve Stage 2, the company anticipates that the Proposal will be implemented in June 2010.

Outlook

New housing construction activity in the US improved in the quarter with the US Census Bureau reporting that the number of single family unit starts in the quarter to March 2010 were 9.2% higher than the preceding December quarter and 46% higher than the March 2009 quarter.

Analysts remain confident that the US housing market will continue to improve in fiscal year 2011. However, severe challenges remain, including constrained credit conditions that are restricting the availability of finance for prospective buyers and developers, a weak employment market, and a continuing supply of foreclosed homes.

Asia Pacific markets that James Hardie participates in are likely to be somewhat better in fiscal year 2011 than in fiscal year 2010.

Operating costs are expected to be higher as market demand drives upward pressure on basic commodity prices.

Despite higher costs, the company expects to deliver good financial returns in current market conditions, and at the same time increase spending on long-term product and market initiatives.

Further Information

Readers are referred to the company's Consolidated Financial Statements and Management's Analysis of Results for the period ended 31 March 2010 for additional information regarding the company's results, including information regarding income taxes, asbestos and contingent liabilities.

Changes in the company's asbestos liability (including to reflect changes in foreign exchange rates), ASIC proceedings, income tax related issues and other matters referred to in the disclaimer at the end of this document may have a material impact on the company's Consolidated Financial Statements. Readers are referred to Notes 11, 13 and 14 of the company's 31 March 2010 Consolidated Financial Statements for more information about the company's asbestos liability, ASIC proceedings and income tax related issues, respectively.

END

Media/Analyst Enquiries:

Sean O' Sullivan
Vice President Investor and Media Relations

Telephone: +61 2 8274 5239
Email: media@jameshardie.com.au

This Media Release forms part of a package of information about the company's results. It should be read in conjunction with the other parts of the package, including Management's Analysis of Results, the Management Presentation and the Consolidated Financial Statements. These documents, along with a webcast of the Management Presentation on 27 May 2010, are available from the Investor Relations area of James Hardie's website at: www.jameshardie.com

The company routinely posts information that may be of importance to investors in the Investor Relations section of its website, including press releases, financial results and other information. The company encourages investors to consult this section of its website regularly.

The company lodged its annual filing for the year ended 31 March 2009 with the SEC on 25 June 2009.

All holders of the company's securities may receive, on request, a hard copy of our complete audited financial statements, free of charge. Requests can be made via the Investor Relations area of the company's website or by contacting one of the company's corporate offices. Contact details are available on the company's website.

Definitions

Financial Measures – US GAAP equivalents

EBIT and EBIT margin – EBIT, as used in this document, is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of net sales. James Hardie believes EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by management to measure the operating profit or loss of its business. EBIT is one of several metrics used by management to measure the earnings generated by the company's operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by its Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as the company has defined them, may not be comparable to similarly titled measures reported by other companies.

Operating profit – is equivalent to the US GAAP measure of income.

Net operating profit – is equivalent to the US GAAP measure of net income.

Sales Volume

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

msf – thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

Financial Ratios

Gearing Ratio – Net debt (cash) divided by net debt (cash) plus shareholders' equity.

Net interest expense cover – EBIT divided by net interest expense.

Net interest paid cover – EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback – Net debt (cash) divided by cash flow from operations.

Net debt (cash) – short-term and long-term debt less cash and cash equivalents.

Non-US GAAP Financial Measures

EBIT and EBIT margin excluding asbestos and ASIC expenses – EBIT and EBIT margin excluding asbestos and ASIC expenses are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
EBIT	$ 11.8	$(160.4)	$ (21.0)	$ 173.6
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
ASIC expenses	1.8	1.7	3.4	14.0
EBIT excluding asbestos and ASIC expenses	38.3	17.1	208.7	170.9
Net sales	$274.9	$ 241.3	$1,124.6	$1,202.6
EBIT margin excluding asbestos and ASIC expenses	13.9%	7.1%	18.6%	14.2%

Net operating profit excluding asbestos, ASIC expenses and tax adjustments – Net operating profit excluding asbestos, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Net operating (loss) profit	$ (2.3)	$(129.6)	$ (84.9)	$136.3
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
AICF interest income	(0.7)	(1.6)	(3.3)	(6.4)
(Gain) impairment on AICF investments	(2.0)	14.8	(6.7)	14.8
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	1.1	(48.7)
ASIC expenses	1.8	1.7	3.4	14.0
Tax adjustments	1.1	(4.7)	(2.9)	7.2
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 23.7	$ 7.7	$133.0	$100.5

Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments – Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than diluted earnings per share. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 23.7	$ 7.7	$133.0	$100.5
Weighted average common shares outstanding — Diluted (millions)	438.9	435.6	436.8	434.5
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	5.4	1.8	30.5	23.1

Effective tax rate excluding asbestos and tax adjustments – Effective tax rate excluding asbestos and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Operating profit (loss) before income taxes	$ 10.0	$(176.3)	$ (18.7)	$155.8
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
AICF interest income	(0.7)	(1.6)	(3.3)	(6.4)
(Gain) impairment on AICF investments	(2.0)	14.8	(6.7)	14.8
Operating profit before income taxes excluding asbestos	$ 32.0	$ 12.7	$197.6	$147.5
Income tax (expense) benefit	(12.3)	46.7	(66.2)	(19.5)
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	1.1	(48.7)
Tax adjustments	1.1	(4.7)	(2.9)	7.2
Income tax expense excluding tax adjustments	(10.1)	(6.7)	(68.0)	(61.0)
Effective tax rate excluding asbestos and tax adjustments	31.6%	52.8%	34.4%	41.4%

EBITDA – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate EBITDA in the same manner as James Hardie has and, accordingly, EBITDA may not be comparable with other companies. The company has included information concerning EBITDA because it believes that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
EBIT	$ 11.8	$(160.4)	$ (21.0)	$173.6
Depreciation and amortisation	16.1	14.8	61.7	56.4
EBITDA	$ 27.9	$(145.6)	$ 40.7	$230.0

General corporate costs excluding ASIC expenses and domicile change related costs – General corporate costs excluding ASIC and domicile change related costs is not a measure of financial performance under US GAAP and expenses should not be considered to be more meaningful than general corporate costs. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
General corporate costs	$ 8.5	$ 19.4	$ 42.9	$ 70.6
Excluding:				
ASIC expenses	(1.8)	(1.7)	(3.4)	(14.0)
Domicile change related costs	(0.7)	(7.8)	(9.1)	(10.3)
General corporate costs excluding ASIC expenses and domicile change related costs	$ 6.0	$ 9.9	$ 30.4	$ 46.3

Disclaimer

This Media Release contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbour Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- *statements about the company's future performance;*
- *projections of the company's results of operations or financial condition;*
- *statements regarding the company's plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products;*
- *expectations concerning the costs associated with the suspension or closure of operations at any of the company's plants and future plans with respect to any such plants;*
- *expectations that the company's credit facilities will be extended or renewed;*
- *expectations concerning dividend payments;*
- *statements concerning the company's corporate and tax domiciles and potential changes to them, including potential tax charges;*
- *statements regarding tax liabilities and related audits, reviews and proceedings;*
- *statements as to the possible consequences of proceedings brought against the company and certain of its former directors and officers by the ASIC;*
- *expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;*
- *expectations concerning indemnification obligations; and*
- *statements about product or environmental liabilities.*

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the company's estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause the company's actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information — Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to the AICF, any shortfall in the AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; the company's proposal to transfer its corporate domicile from The Netherlands to Ireland to become an Irish "SE" company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of the company's customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in the company's key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in the company's reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). The company cautions that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the company's current expectations concerning future results, events and conditions.

27 May 2010

James Hardie Industries SE
Results for the 4th Quarter and Full Year Ended 31 March 2010

US GAAP - US$ Millions	Three Months and Full Year Ended 31 March Q4 FY10	Q4 FY09	% Change	FY10	FY09	% Change
Net Sales						
USA and Europe Fibre Cement	$ 196.8	$ 188.7	4	$ 828.1	$ 929.3	(11)
Asia Pacific Fibre Cement	78.1	52.6	49	296.5	273.3	9
Total Net Sales	$ 274.9	$ 241.3	14	$1,124.6	$1,202.6	(6)
Cost of goods sold	(183.5)	(172.1)	(7)	(708.5)	(813.8)	13
Gross profit	91.4	69.2	32	416.1	388.8	7
Selling, general and administrative expenses	(48.5)	(47.1)	(3)	(185.8)	(208.8)	11
Research & development expenses	(6.9)	(6.0)	(15)	(27.1)	(23.8)	(14)
Asbestos adjustments	(24.2)	(176.5)	86	(224.2)	17.4	—
EBIT	11.8	(160.4)	—	(21.0)	173.6	—
Net interest expense	(2.1)	(1.1)	(91)	(4.0)	(3.0)	(33)
Other income (expense)	0.3	(14.8)	—	6.3	(14.8)	—
Operating profit (loss) before income taxes	10.0	(176.3)	—	(18.7)	155.8	—
Income tax (expense) benefit	(12.3)	46.7	—	(66.2)	(19.5)	—
Net operating (loss) profit	$ (2.3)	$(129.6)	98	$ (84.9)	$ 136.3	—
(Loss) earnings per share — diluted (US cents)	(0.5)	(30.0)	98	(19.6)	31.4	—
Volume (mmsf)						
USA and Europe Fibre Cement	314.0	308.3	2	1,303.7	1,526.6	(15)
Asia Pacific Fibre Cement	97.5	89.2	9	389.6	390.6	—
Average net sales price per unit (per msf)						
USA and Europe Fibre Cement	US$ 627	US$ 612	2	US$ 635	US$ 609	4
Asia Pacific Fibre Cement	A$ 887	A$ 883	—	A$ 894	A$ 879	2

US$ Millions	Full Year Ended 31 March FY10	FY09	% Change
Net cash provided by operating activities, excluding asbestos (see page 23)	$ 182.0	$ 64.8	—

In this Management's Analysis of Results, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 17. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the definitions, include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volume ("million square feet" or "mmsf" and "thousand square feet" or "msf"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt (cash)"); and Non-US GAAP financial measures ("EBIT excluding asbestos and ASIC expenses", "EBIT margin excluding asbestos and ASIC expenses", "Net operating profit excluding asbestos, ASIC expenses and tax adjustments", "Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments", "Operating profit before income taxes excluding asbestos", "Effective tax rate excluding asbestos and tax adjustments", "EBITDA" and "General corporate costs excluding ASIC expenses and domicile change related costs"). Unless otherwise stated, results and comparisons are of the 4th quarter and the full year of the current fiscal year versus the 4th quarter and the full year of the prior fiscal year.

Total Net Sales

Total net sales for the quarter increased 14% compared to the previous corresponding quarter from US$241.3 million to US$274.9 million. Total net sales benefited from an increase in sales volume of 2% in the USA and Europe Fibre Cement business and 9% in the Asia Pacific Fibre Cement business. In addition, total net sales for the quarter were favourably affected by the Asia Pacific Fibre Cement results, which reflected a significant appreciation of local currencies against the US dollar. For the full year, total net sales decreased 6% from US$1,202.6 million to US$1,124.6 million reflecting the significant decline in United States housing activity.

USA and Europe Fibre Cement

Quarter

Higher sales volume, coupled with a higher average net sales price, led to a 4% increase in net sales for the quarter from US$188.7 million to US$196.8 million. Sales volume in the quarter increased 2% from 308.3 million square feet to 314.0 million square feet, due to significant increases in interior product sales and stable sales of exterior products.

The average net sales price increased 2% from US$612 per thousand square feet to US$627 per thousand square feet, as a result of a price increase early in fiscal year 2010, and a favourable shift in product mix.

Full year

Lower sales volume, partially offset by a higher average net sales price, resulted in an 11% decline in net sales, from US$929.3 million to US$828.1 million.

Sales volume decreased 15% from 1,526.6 million square feet to 1,303.7 million square feet, primarily due to weaker demand for the company's products in the United States as a result of the downturn in activity in the United States housing construction and renovations market amid overall weak economic conditions. Although housing affordability has improved, the reduced availability of mortgage credit for prospective home buyers, the large inventory of homes for sale and relatively low consumer confidence continued to negatively affect demand.

The average net sales price increased 4% from US$609 per thousand square feet to US$635 per thousand square feet as a result of a price increase early in fiscal year 2010 and a favourable shift in product mix.

Discussion

USA and Europe Fibre Cement volume was 2% higher for the quarter, compared to the prior corresponding period. Regionally, sales in the United States were strong in the West, stable in the North and down in the South. For the full year, USA and Europe Fibre Cement volume was down 15%, reflecting the downturn in the housing construction market.

USA and Europe Fibre Cement EBIT increased by 8% to US$34.8 million in the fourth quarter compared to the prior corresponding period. The EBIT performance for the quarter was favourably affected by higher sales volume, higher average net sales price, a reduction in warranty cost and improved plant performance, partially offset by higher raw material input costs, primarily pulp. For the full year, EBIT increased 5% to US$208.5 million, driven by lower input costs, higher average net sales price and improved plant performance, partially offset by lower sales volume and a resulting increase in the fixed unit cost of manufacturing as fixed costs were spread over significantly lower production volume.

For the full year ended 31 March 2010, the average Northern Bleached Softwood Kraft (NBSK) pulp price was US$761 per ton, 7% down compared to US$814 per ton for the prior year; however during the course of the year, key raw material and energy costs increased. The average pulp price in the fourth quarter was 24% higher than in the fourth quarter of fiscal year 2009, and 9% higher than in the third quarter of fiscal year 2010 as a result of continued strong demand, especially from China, and the effects on supply of the Chilean earthquake in February 2010.

Although production capacity has been re-commissioned as the NBSK pulp price index has risen, the price of pulp is expected to remain high in the immediate to medium term. In April 2010, the average NBSK pulp price rose to US$939 per ton.

According to the New York Mercantile Exchange Natural Gas price index, natural gas prices averaged US$4.05 per million British thermal units (MBTU) in fiscal year 2010, down 48% from the prior year average of US$7.81 per MBTU. For the fourth quarter of fiscal year 2010, natural gas prices were relatively unchanged when compared to the previous corresponding period. In April 2010, the average gas price was US$3.97 per MBTU.

Similarly, freight costs were lower for fiscal year 2010, compared to the prior fiscal year. However, freight costs rose in the fourth quarter of fiscal year 2010, compared to the previous corresponding period and the preceding quarter, in response to significantly higher diesel prices amid emerging signs of a recovery in the United States economy.

Over the full year, the ColorPlus® product range continued to increase its penetration rate, and in the fourth quarter of fiscal year 2010, it constituted a higher proportion of total exterior sales in the northern United States, compared to the fourth quarter of fiscal year 2009.

The company's strategy remains unchanged, with the focus continuing to be on primary demand growth, product mix shift and zero to landfill.

Asia Pacific Fibre Cement

Quarter

Net sales increased 49% to US$78.1 million from US$52.6 million. The higher value of the Asia Pacific business' currencies against the US dollar in the fourth quarter accounted for 39% of the increase, while the remaining 10% of the increase was due to the underlying Australian dollar business results. In Australian dollars, net sales increased 10% due to an increase in sales volume.

Full year

Net sales increased 9% from US$273.3 million to US$296.5 million. The higher value of the Asia Pacific business' currencies against the US dollar accounted for 7% of the increase, while the remaining 2% of the increase was due to the underlying Australian dollar business results. In Australian dollars, net sales increased 2% due to an increase in average net sales price.

Discussion

Results for the Australian business improved in the quarter, due to an increase in sales volume, driven by growing demand in the small-to-medium-size-builder and renovations segments and a strengthening local housing construction market. For the full year, sales volume was stable.

Australian Bureau of Statistics (ABS) data for the March quarter showed residential housing approvals increased 45% compared to the corresponding quarter of the prior year, with detached housing approvals up 36% and medium density approvals up 98% compared to the fourth quarter of the prior year. For the full year, the ABS reported a 16% increase in housing approvals compared to the prior year.

The New Zealand business also improved in the quarter, supported by a stronger operating environment, with housing consents increasing 32% compared to the March quarter of 2009. The Philippines business in the quarter increased sales by 23%, driven largely by stronger repair and remodel sales.

For the full year, Asia Pacific sales volume was stable as increasing volume in Australia and the Philippines was offset by an 11% decrease in New Zealand volume, due to a weaker domestic market in fiscal year 2010, compared to the prior year.

In Australia, the Scyon™ branded product range continued to build momentum over the course of the fiscal year, with fourth quarter sales volume up 33% compared to the prior corresponding period, driven primarily by sales of Secura™ flooring. Scyon™ differentiated products represented 14% of sales volume in the fourth quarter.

In New Zealand, sales of differentiated products also grew in fiscal year 2010. In the fourth quarter, differentiated products represented 60% of total net sales, with HardieGlaze™ Lining a significant driver of this growth.

Similarly, in the Philippines, sales of differentiated products, primarily thicker board, increased over the full year. In the fourth quarter, differentiated products represented 23% of total net sales.

Appreciating local currencies resulted in an 11% decrease in raw material costs measured in Australian dollar terms for the Asia Pacific business compared to the fourth quarter of fiscal year 2009. The vast majority of this saving relates to pulp which is traded in US dollars. For the full year, raw material costs decreased 5% compared to the prior year.

Gross Profit

Quarter

Gross profit increased 32% from US$69.2 million to US$91.4 million. The gross profit margin increased 4.5 percentage points from 28.7% to 33.2%.

USA and Europe Fibre Cement gross profit increased 21% compared to the prior corresponding period. Gross profit benefited 9% from a reduction in warranty expense and 8% as a result of an increase in average net sales price. Gross profit also benefited from higher volume and improved plant performance, partially offset by a 5% detriment due to an increase in raw material input costs, primarily pulp.

The gross profit margin of the USA and Europe Fibre Cement business increased by 4.8 percentage points.

Asia Pacific Fibre Cement gross profit increased 78% compared to the prior corresponding period. This was primarily due to the appreciation of the Asia Pacific business' currencies against the US dollar in the fourth quarter of the current year compared to the corresponding quarter of the prior year.

In Australian dollars, Asia Pacific Fibre Cement gross profit increased by 25% compared to the prior corresponding period. Gross profit benefited 9% from higher volume and 9% as a result of decreasing raw material input costs, principally pulp, as appreciating local currencies more than offset increasing costs of raw materials that are traded in US dollars. Gross profit also benefited from improved plant performance, partially offset by higher warranty and freight cost.

The gross profit margin of the Asia Pacific Fibre Cement business increased by 5.0 percentage points in the quarter.

Full year

Gross profit for the full year increased 7% from US$388.8 million to US$416.1 million. The gross profit margin increased 4.7 percentage points from 32.3% to 37.0%.

USA and Europe Fibre Cement gross profit increased 5% compared to the prior year. Gross profit benefited 11% as a result of higher average net sales price and 12% from a reduction in input costs, primarily pulp, energy and freight and lower warranty expenses. These benefits were partially offset by a 19% detriment due to lower sales volume and a resulting increase in the fixed unit cost of manufacturing, as fixed costs were spread over significantly lower production volume.

The gross profit margin of the USA and Europe Fibre Cement business increased by 5.9 percentage points.

Asia Pacific Fibre Cement gross profit increased 16% compared to fiscal year 2009. The higher value of the Asia Pacific business' currencies against the US dollar accounted for 8% of the increase.

In Australian dollars, Asia Pacific Fibre Cement gross profit benefited 6% as a result of a favourable price movement, including product mix shift. In addition gross profit benefited 5% from reduced manufacturing costs and decreased raw material input costs as appreciating local currencies more than offset increasing costs of raw materials that are traded in US dollars. These benefits were offset by higher warranty expenses.

The gross profit margin of the Asia Pacific Fibre Cement business increased by 1.9 percentage points.

Selling, General and Administrative (SG&A) Expenses

Quarter

SG&A expenses increased 3%, from US$47.1 million to US$48.5 million. Higher SG&A expenses in the USA and Europe Fibre Cement and Asia Pacific Fibre Cement segments were partially offset by a reduction in general corporate costs of US$10.9 million. As a percentage of sales, SG&A expenses declined 1.9 percentage points to 17.6%.

SG&A expenses for the quarter included non-claims handling related operating expenses of the Asbestos Injuries Compensation Fund (AICF) of US$0.5 million.

Full year

SG&A expenses decreased 11% from US$208.8 million to US$185.8 million. The decrease was primarily due to a favourable US$7.6 million adjustment to a legal provision following settlement of a contractual warranty and lower general corporate costs, partially offset by higher SG&A spending in the USA and Europe Fibre Cement and Asia Pacific Fibre Cement segments. As a percentage of sales, SG&A expenses declined 0.9 of a percentage point to 16.5%.

SG&A expenses included non-claims handling related operating expenses of the AICF of US$2.1 million.

Further information on general corporate costs is included below.

ASIC Proceedings

On 23 April 2009, his Honour Justice Gzell issued judgment against the company and ten former officers and directors of the company.

All defendants other than two lodged appeals against Justice Gzell's judgments, and the Australian Securities and Investments Commission (ASIC) responded by lodging cross-appeals against the appellants. The appeals lodged by the former directors and officers were heard in April 2010 and the appeal lodged by the company was heard in May 2010. A final judgment is awaited.

Depending upon the outcome of the appeals and cross-appeals, further or different findings may be made as to the liability of each defendant-appellant, any banning orders, fines payable, and costs of the appeal and the first instance proceedings that the company may become liable for either in respect of its own appeal or the appeals of other defendants-appellants under indemnities.

As with the first instance proceedings, the company has agreed to pay a proportion of the costs of bringing and defending appeals, with the remaining costs being met by third parties. The company notes that other recoveries may be available, including as a result of successful appeals or repayments by former directors and officers in accordance with the terms of their indemnities.

As a result of the above uncertainties, it is not presently possible for the company to estimate the amount or range of amounts, including costs that it might become liable to pay as a consequence of the appeal proceedings. Accordingly, as of 31 March 2010, the company has not recorded any related loss reserves.

It is the company's policy to expense legal costs as incurred. Losses and expenses arising from the ASIC proceedings could have a material adverse effect on the company's financial position, liquidity, results of operations and cash flows.

For the quarter and full year ended 31 March 2010, the company incurred legal costs related to the ASIC proceedings, noted as ASIC expenses, of US$1.8 million and US$3.4 million respectively. These costs were up slightly for the quarter and substantially lower compared to the full year ended 31 March 2009, when the company incurred ASIC expenses of US$1.7 million and US$14.0 million, respectively. ASIC expenses are included in SG&A expenses.

The company's net costs in relation to the ASIC proceedings from their commencement in February 2007 to 31 March 2010 total US$23.1 million.

Background

In February 2007, ASIC commenced civil proceedings in the Supreme Court of New South Wales (the Court) against the company, ABN 60 and ten then-present or former officers and directors of the James Hardie Group. While the subject matter of the allegations varied between individual defendants, the allegations against the company were confined to alleged contraventions of provisions of the Australian Corporations Act/Law relating to continuous disclosure, a director's duty of care and diligence, and engaging in misleading or deceptive conduct in respect of a security.

The company defended each of the allegations made by ASIC and the orders sought against it in the proceedings, as did the other former directors and officers of the company.

Readers are referred to Note 13 of the company's 31 March 2010 Consolidated Financial Statements for further information on the ASIC Proceedings.

Chile Litigation

On 30 December 2009, the company entered into a settlement agreement with Compañía Industrial El Volcán S.A. (El Volcan) resolving all outstanding issues between the parties relating to the sale of Fibrocementos Volcán Limitada (FC Volcan) (the former James Hardie Chilean entity) to El Volcan in July 2005. Under the settlement agreement, James Hardie will have no further obligation to defend or indemnify El Volcan in the antitrust proceedings commenced by Industría Cementa Limitada or Electrónica Quimel S.A.

El Volcan will now be responsible for its own defence of the antitrust proceedings, including payment of any final judgments rendered on appeal. El Volcan will also be required to defend and indemnify James Hardie against any future claims by third parties related to the management or business of FC Volcan, including any future antitrust allegations. The terms and conditions of the settlement remain confidential. All amounts owed by the company under the terms of the settlement were paid in full on 31 December 2009. As a result, the amount of the company's provision in excess of the settlement amount was reversed, resulting in a gain of US$7.6 million included in general corporate costs for the year ended 31 March 2010.

Background
On 24 April 2009, a trial court in Santiago, Chile awarded the then equivalent of US$13.4 million in damages against FC Volcan, in civil litigation brought by Cementa in 2007.

Cementa, a fibre cement manufacturer in Chile, commenced anti-trust proceedings in 2003 against the former James Hardie Chilean entity alleging that it had engaged in predatory pricing, by selling products below cost when it entered the Chilean market, in breach of the relevant anti-trust laws in Chile. Quimel also joined the proceedings.

As these actions existed prior to James Hardie's sale of its Chilean business in July 2005, the company had agreed to indemnify the buyer, El Volcan, subject to certain conditions and limitations, for damages or penalties awarded against FC Volcan in relation to such proceedings.

After the anti-trust proceedings concluded in 2006, Cementa, in 2007, brought a separate civil action against FC Volcan claiming that Cementa had suffered damages, allegedly as a result of predatory pricing.

Quimel also filed a separate civil action against FC Volcan in 2007 claiming that it had suffered damages, allegedly as a result of predatory pricing. On 23 June 2009, the Chilean trial court dismissed the claim filed by Quimel against FC Volcan.

The company denied and continues to deny the allegations of predatory pricing in Chile.

Readers are referred to Note 13 of the company's 31 March 2010 Consolidated Financial Statements for further information on the Chile litigation.

Research and Development Expenses

Research and development expenses include costs associated with "core" research projects that are designed to benefit all business units. These costs are recorded in the Research and Development segment rather than being attributed to individual business units. These costs were 21% higher for the quarter at US$4.0 million, compared to the corresponding period of the prior year, and 9% higher for the full year at US$15.7 million.

Other research and development costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs were 7% higher for the quarter at US$2.9 million and 24% higher for the full year at US$11.4 million, compared to the prior corresponding periods.

Asbestos Adjustments

The company's asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the Amended and Restated Final Funding Agreement (AFFA) that was signed with the New South Wales (NSW) Government in November 2006 and approved by the company's security holders in February 2007.

The discounted central estimate of the asbestos liability has decreased from A$1.782bn at 31 March 2009 to A$1.537bn at 31 March 2010. The reduction in the discounted central estimate of A$245m is primarily due to increases in yields on Government Bonds, which are used for discounting the future cash flows; and a reduction in the projected future number of claims to be reported for a number of disease types.

The asbestos-related assets and liabilities are denominated in Australian dollars. Therefore the reported value of these asbestos-related assets and liabilities in the company's Consolidated Balance Sheets in US dollars is subject to adjustment, with a corresponding effect on the company's Consolidated Statement of Operations, depending on the closing exchange rate between the two currencies at the balance sheet date.

For the quarter from 31 December 2009 to 31 March 2010, the Australian dollar appreciated against the US dollar by 2% to US$0.9158. For the full year from 31 March 2009 to 31 March 2010, the Australian dollar appreciated against the US dollar by 33%, compared to a 25% depreciation in the prior year.

The company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2010. The asbestos adjustments for the quarter and full year ended 31 March 2010 are as follows:

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Change in estimates	$ (3.3)	$ (162.3)	$ (3.3)	$(162.3)
Effect of foreign exchange movements	$ (20.9)	$ (14.2)	$(220.9)	$ 179.7
Asbestos adjustments	$ (24.2)	$ (176.5)	$(224.2)	$ 17.4

Claims Data

The number of new claims filed in the current year, being 134 and 535 for the quarter and full year ended 31 March 2010, respectively, is lower than new claims of 145 and 607 reported for the corresponding periods of last year respectively, and also slightly below actuarial expectations for the full year ended 31 March 2010.

The number of claims settled of 110 and 540 for the quarter and full year ended 31 March 2010, respectively, is lower than claims settled of 113 and 596 for the corresponding periods of last year.

The average claim settlement of A$191,000 for the full year ended 31 March 2010 is in line with that for the corresponding period last year and slightly below the actuarial expectations for the full year.

Asbestos claims paid of A$18.3 million and A$103.2 million for the quarter and full year ended 31 March 2010, respectively, are lower than the actuarial expectation of A$28.6 million and A$114.2 million for the quarter and full year ended 31 March 2010, respectively.

As of 31 March 2010, the AICF had cash and investment assets of A$63.1 million (US$57.8 million). James Hardie will make a contribution of approximately US$64.7 million to the AICF on 1 July 2010. This amount represents 35% of the company's free cash flow for fiscal year 2010, as defined by the AFFA.

All figures provided in this Claims Data section are gross of insurance and other recoveries. Readers are referred to Note 11 of the company's 31 March 2010 Consolidated Financial Statements for further information on asbestos adjustments.

EBIT

EBIT for the quarter moved from a loss of US$160.4 million to EBIT of US$11.8 million. EBIT for the quarter includes net unfavourable asbestos adjustments of US$24.2 million, AICF SG&A expenses of US$0.5 million and ASIC expenses of US$1.8 million. For the corresponding period in the prior year, EBIT included net unfavourable asbestos adjustments of US$176.5 million, AICF SG&A income of US$0.7 million and ASIC expenses of US$1.7 million, as shown in the table below.

EBIT for the full year moved from US$173.6 million to a loss of US$21.0 million for the current year. The loss for the full year includes net unfavourable asbestos adjustments of US$224.2 million (due primarily to the appreciation of the Australian dollar against the US dollar during the period), AICF SG&A expenses of US$2.1 million and ASIC expenses of US$3.4 million.

In the prior year, EBIT included net favourable asbestos adjustments of US$17.4 million (attributable to depreciation of the Australian dollar against the US dollar during the period, partially offset by a change in the actuarial estimate), AICF SG&A expenses of US$0.7 million and ASIC expenses of US$14.0 million, as shown in the following table.

	Three Months and Full Year Ended 31 March					
EBIT - US$ Millions	Q4 FY10	Q4 FY09	% Change	FY10	FY09	% Change
USA and Europe Fibre Cement	$ 34.8	$ 32.3	8	$ 208.5	$ 199.3	5
Asia Pacific Fibre Cement	14.3	6.7	—	58.7	47.1	25
Research & Development	(4.1)	(4.2)	2	(19.0)	(18.9)	(1)
General Corporate:						
General corporate costs	(8.5)	(19.4)	56	(42.9)	(70.6)	39
Asbestos adjustments	(24.2)	(176.5)	86	(224.2)	17.4	—
AICF SG&A expenses	(0.5)	0.7	—	(2.1)	(0.7)	—
EBIT	11.8	(160.4)	—	(21.0)	173.6	—
Excluding:						
Asbestos:						
Asbestos adjustments	24.2	176.5	(86)	224.2	(17.4)	—
AICF SG&A expenses	0.5	(0.7)	—	2.1	0.7	—
ASIC expenses	1.8	1.7	6	3.4	14.0	(76)
EBIT excluding asbestos and ASIC expenses	**$ 38.3**	**$ 17.1**	**—**	**$ 208.7**	**$ 170.9**	**22**
Net sales	$274.9	$ 241.3	14	$1,124.6	$1,202.6	(6)
EBIT margin excluding asbestos and ASIC expenses	13.9%	7.1%		18.6%	14.2%	

USA and Europe Fibre Cement EBIT

USA and Europe Fibre Cement EBIT increased by 8% from US$32.3 million to US$34.8 million for the quarter. The increase in EBIT was driven by higher volume, higher average net sales price, a reduction in warranty expense and improved plant performance, partially offset by higher material input costs, primarily pulp. The USA and Europe Fibre Cement EBIT margin was 0.6 percentage points higher at 17.7%.

USA and Europe Fibre Cement EBIT increased by 5% from US$199.3 million to US$208.5 million for the full year. The EBIT improvement was driven by lower material input costs (primarily pulp, energy and freight), higher average net sales price and improved plant performance which contributed to lower average unit manufacturing costs. These benefits were partially offset by lower sales volume and a resulting increase in the fixed unit cost of manufacturing as fixed costs were spread over significantly lower production volume. The USA and Europe Fibre Cement EBIT margin was 3.8 percentage points higher at 25.2%.

Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter increased 113% from US$6.7 million to US$14.3 million. Favourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar accounted for 77% of this increase. In Australian dollars, Asia Pacific Fibre Cement EBIT for the quarter increased 36% due to increased sales volume, the growth in sales of higher-margin differentiated products, reduced raw material and manufacturing costs and improved plant performance. These benefits were partially offset by higher warranty and freight cost. The EBIT margin was 5.6 percentage points higher at 18.3%.

Asia Pacific Fibre Cement EBIT for the full year increased 25% from US$47.1 million to US$58.7 million. Favourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar accounted for 11% of this increase. In Australian dollars, Asia Pacific Fibre Cement EBIT for the full year increased 14% due to strong primary demand growth offsetting weakened local markets, an increase in average net sales price, and favourable product mix shift, together with lower raw materials costs and reduced manufacturing costs. These benefits were partially offset by an increase in warranty expenses. The EBIT margin was 2.6 percentage points higher at 19.8%.

General Corporate Costs

General corporate costs for the quarter decreased 56% from US$19.4 million to US$8.5 million. For the full year, general corporate costs decreased 39% from US$70.6 million to US$42.9 million.

The company incurred costs associated with its proposed domicile change of US$0.7 million and US$9.1 million in the current quarter and full year, respectively, compared to US$7.8 million and US$10.3 million in the corresponding quarter and full year of the prior year, respectively.

For the quarter, ASIC expenses remained relatively flat at US$1.8 million in the current quarter, compared to US$1.7 million in the fourth quarter of the prior year. For the full year, ASIC expenses decreased from US$14.0 million in the prior year to US$3.4 million in the current year.

General corporate costs excluding ASIC expenses and domicile change related costs for the quarter decreased from US$9.9 million in the prior year to US$6.0 million in the current year. General corporate costs excluding ASIC expenses and domicile change related costs for the full year decreased from US$46.3 million in the prior year to US$30.4 million in the current year. The reduction was due to a US$7.6 million reversal of a legal provision and reductions in other general corporate costs.

Net Interest Expense

Net interest expense for the quarter increased from US$1.1 million in the corresponding quarter of the prior year, to US$2.1 million in the current quarter. Net interest expense for the quarter ended 31 March 2010 included AICF interest income of US$0.7 million and a realised loss of US$1.3 million on interest rate swaps. Net interest expense for the quarter ended 31 March 2009 included AICF interest income of US$1.6 million and nil related to interest rate swaps.

For the full year, net interest expense increased from US$3.0 million in the prior year to US$4.0 million in the current year. Net interest expense for the full year ended 31 March 2010 included AICF interest income of US$3.3 million and a realised loss of US$2.5 million on interest rate swaps. Net interest expense for the full year ended 31 March 2009 included AICF interest income of US$6.4 million and nil related to interest rate swaps.

Other Income (Expense)

Other income for the quarter moved from an expense of US$14.8 million in the corresponding quarter of the prior year to income of US$0.3 million in the current quarter. The turnaround resulted from an other-than-temporary impairment charge of US$14.8 million recognised at 31 March 2009 on restricted short-term investments held by the AICF. Other income for the quarter ended 31 March 2010 includes a realised gain of US$2.0 million (A$2.3 million) arising from the sale of restricted short-term investments held by the AICF and an unrealised loss of US$1.7 million resulting from movements in the fair value of interest rate swap contracts.

For the full year, other income moved from an expense of US$14.8 million in the prior year to income of US$6.3 million in the current year. The turnaround resulted from an other-than-temporary impairment charge of US$14.8 million recognised at 31 March 2009 on restricted short-term investments held by the AICF. Other income for the full year also benefited from a US$6.7 million (A$7.9 million) realised gain arising from the sale of restricted short-term investments held by the AICF, partially offset by an unrealised loss of US$0.4 million resulting from movements in the fair value of interest rate swaps.

Income Tax

Income Tax Expense

Income tax expense for the quarter moved from a benefit of US$46.7 million to an expense of US$12.3 million. For the full year ended 31 March 2010, income tax expense increased from US$19.5 million to US$66.2 million. The company's effective tax rate on earnings excluding asbestos and tax adjustments was 31.6% for the quarter, compared to 52.8% for the corresponding quarter of the prior period, and 34.4% for the full year, compared to 41.4% for the corresponding prior period. The change in effective tax rates excluding asbestos and tax adjustments compared to the prior corresponding periods is attributable to changes in the geographic mix of earnings and expenses, reductions in non-tax deductible expenses and the reversal of a non-taxable legal provision in operating profit.

Tax Adjustments

The company recorded unfavourable tax adjustments of US$2.0 million and favourable tax adjustments of US$2.0 million for the quarter and full year ended 31 March 2010, respectively, compared to favourable tax adjustments of US$4.7 million for the quarter and unfavourable tax adjustments of US$7.2 million for the full year of the prior year. The tax adjustments in the fourth quarters and the fiscal years 2010 and 2009 relate to uncertain tax position adjustments.

Australian Taxation Office (ATO) — 1999 Disputed Amended Assessment

In March 2006, RCI Pty Ltd (RCI), a wholly-owned subsidiary of the company, received an amended assessment from the ATO in respect of RCI's income tax return for the year ended 31 March 1999.

On 30 May 2007, the ATO issued a Notice of Decision disallowing the company's objection to the amended assessment (Objection Decision). On 11 July 2007, the company filed an application appealing the Objection Decision with the Federal Court of Australia. The matter was heard before the Federal Court in September 2009. Judgment was reserved and has not yet been handed down.

The company believes that it is more-likely-than-not that the tax position reported in RCI's tax return for the 1999 fiscal year will be upheld on appeal. Therefore, the company has not recorded any liability at 31 March 2010 for the amended assessment.

The company expects that amounts paid in respect of the amended assessment will be recovered by RCI (with interest) at the time RCI is successful in its appeal against the amended assessment. As a result, the company has treated all payments in respect of the amended assessment made up to 31 March 2010 and related accrued interest receivable as a deposit, and it is the company's intention to treat any payments to be made at a later date as a deposit. At 31 March 2010 and 31 March 2009, this deposit totalled US$247.2 million (A$269.9 million) and US$173.5 million (A$252.5 million), respectively.

Should the judgment of the Federal Court in respect of the hearing in September 2009 be against RCI, a charge may be required to be recorded while the company continues an appeal process in higher courts. Had the company been required to take this charge at 31 March 2010, the charge would have been an estimated amount of US$351.9 million (A$384.2 million). However, except for quarterly payments by RCI of interest on the unpaid balance of the amended assessment (being US$168.8 million (A$184.3 million), no cash would be required to be exchanged between RCI and the ATO until the matter has been ultimately resolved.

Net Operating (Loss) Profit

Net operating loss for the quarter was US$2.3 million, compared to US$129.6 million for the corresponding quarter of the prior year. Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased from US$7.7 million to US$23.7 million as shown in the table below.

For the full year, net operating loss moved from a profit of US$136.3 million to a loss of US$84.9 million. Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 32% from US$100.5 million to US$133.0 million as shown in the table below.

Fiscal year 2010 amounts include a onetime legal provision reversal of US$7.6 million. Readers are referred to Note 13 of the company's 31 March 2010 Consolidated Financial Statements for further information on the legal provision reversal.

Net Operating Profit - US$ millions	Q4 FY10	Q4 FY09	% Change	FY10	FY09	% Change
	Three Months and Full Year Ended 31 March					
Net operating (loss) profit	$ (2.3)	$(129.6)	98	$ (84.9)	$136.3	—
Excluding:						
Asbestos:						
Asbestos adjustments	24.2	176.5	(86)	224.2	(17.4)	—
AICF SG&A expenses	0.5	(0.7)	—	2.1	0.7	—
AICF interest income	(0.7)	(1.6)	56	(3.3)	(6.4)	48
(Gain) impairment on AICF investments	(2.0)	14.8	—	(6.7)	14.8	—
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	—	1.1	(48.7)	—
ASIC expenses	1.8	1.7	6	3.4	14.0	(76)
Tax adjustments	1.1	(4.7)	—	(2.9)	7.2	—
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**$ 23.7**	**$ 7.7**	**—**	**$133.0**	**$100.5**	**32**

Cash Flow

During the full year ended 31 March 2010, net operating cash flow increased by US$228.3 million to net cash provided of US$183.1 million from net cash used of US$45.2 million in the prior comparable period. This increase is primarily due to two significant cash outflows in the prior comparable period that did not recur in the current period: the payment to the AICF of US$110.0 million and the payment to the ATO of US$101.6 million in settlement of disputes for the years 2002 and 2004 to 2006. In addition, net operating cash flow was favourably impacted by a net improvement in operating results across the business, changes in accrued liabilities and an increase in accounts payable due to rising levels of inventory. These favourable movements were partially offset by an increase in accounts receivable.

Historically, the company has generated cash from operations before accounting for unusual or discrete large cash outflows. Therefore, in periods when the company does not incur any unusual or discrete large cash outflows, such as or similar to the ATO settlement during the prior comparable period, the company expects that net operating cash flow will be the primary source of liquidity to fund business activities. In periods where cash flows from operations are insufficient to fund all business activities, the company expects to rely more significantly on available credit facilities and other sources of working capital.

During the full year ended 31 March 2010, net cash used in investing activities increased to US$50.5 million from US$26.1 million in the prior comparable period as capital expenditures increased.

The strength of free cash flow in the quarter and full year ended 31 March 2010 enabled the company to reduce net debt by US$6.0 million and US$146.8 million, respectively.

Dividend

The company announced on 20 May 2009 that it would omit the year-end dividend for fiscal year 2009 to conserve capital and that, until such time as market and global economic conditions improve significantly and the level of uncertainty surrounding future industry trends as well as company specific contingencies dissipates, it is anticipated the company will continue to omit dividends in order to conserve capital. This remains the company’s position.

Liquidity and Capital Resources

At 31 March 2010, the company had net debt of US$134.8 million, a decrease of US$146.8 million from net debt of US$281.6 million at 31 March 2009.

Excluding restricted cash, the company had cash and cash equivalents of US$19.2 million as of 31 March 2010. At that date, it also had credit facilities totalling US$426.7 million, of which US$154.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

		At 31 March 2010	
Description	**Effective Interest Rate**	**Total Facility**	**Principal Drawn**
(US$ millions)			
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	0.86%	$161.7	$ 95.0
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2011	—	45.0	—
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until December 2012	—	130.0	—
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2013	1.01%	90.0	59.0
Total		**$426.7**	**$ 154.0**

The weighted average remaining term of the total credit facilities at 31 March 2010 was 2.6 years.

In December 2009, the company refinanced US$130.0 million in facilities, which previously had maturity dates in or prior to June 2010. The maturity date of these new facilities is in December 2012.

In June 2010, US$161.7 million of the company's term facilities will mature. The company does not anticipate refinancing these facilities; accordingly, any amounts outstanding under these facilities will be repaid at that time by utilising longer term facilities.

If the company is unable to extend its remaining credit facilities, or is unable to renew its credit facilities on terms that are substantially similar to the ones it presently has, it may experience liquidity issues and may have to reduce its levels of planned capital expenditures, continue to suspend dividend payments or take other measures to conserve cash in order to meet its future cash flow requirements.

The company has historically met its working capital needs and capital expenditure requirements from a combination of cash flow from operations, credit facilities and other borrowings, proceeds from the sale of property, plant and equipment and proceeds from the redemption of investments. Seasonal fluctuations in working capital generally have not had a significant impact on its short-term or long-term liquidity.

The company anticipates it will have sufficient funds to meet its planned working capital and other expected cash requirements for the next 12 months based on its existing cash balances, cash available under proposed new credit facilities and anticipated operating cash flows arising during the year. The company anticipates that any additional cash requirements will be met from existing cash, unutilised committed credit facilities, anticipated future net operating cash flow and proposed new credit facilities.

Asbestos Compensation

Since the AICF was established in 2007, the company has contributed A$302 million to the fund. In fiscal year 2010, the company's contributions to the AICF were restricted by a decline in the company's net operating cash flow as a result of, among other things, the unprecedented downturn in the US housing markets.

On 23 April 2009, the company and the NSW Government were advised by the AICF that its Board had determined that it was reasonably foreseeable that, within two years, the available assets of the AICF were likely to be insufficient to fund the payment of all reasonably foreseeable liabilities.

On 7 November 2009, the NSW Government and the Australian Government announced that the Australian Government had agreed to loan up to A$160 million to the NSW Government to contribute towards a standby loan facility of up to A$320 million that the NSW Government had agreed to make available to the AICF. The proposed standby loan facility would enable the AICF to meet a short-term funding shortfall, and to continue to make payments to claimants. On 2 December 2010, the NSW Government passed The James Hardie Former Subsidiaries (Winding up and Administration) Amendment Bill 2009 to authorise and approve the loan facility agreement, associated guarantees and security, and ensure that the AICF has the authority to repay the loan.

The provision of the proposed standby loan facility to the AICF does not reduce the company's obligations under the AFFA. The obligation to pay claimants remains with the AICF, and it is anticipated that its primary source of funding will continue to be contributions from James Hardie.

The terms of the agreement are currently being negotiated and the facility has not yet been finalised.

James Hardie will make a further contribution of approximately US$63.7 million to the AICF on 1 July 2010. This amount represents 35% of the company's free cash flow for fiscal year 2010, as defined by the AFFA.

Re-domicile

On 21 August 2009, JHI NV shareholders approved Stage 1 of a two-stage proposal (the Proposal) to transform the company into a Societas Europaea (SE) (Stage 1) and, subsequently, change its domicile from The Netherlands to Ireland (Stage 2).

Taxes

In connection with implementing Stage 1 of the company's proposal to re-domicile its corporate seat to Ireland, the company incurred a tax liability that arose from: (i) a capital gain on the transfer of its intellectual property from The Netherlands to a newly-formed James Hardie entity located in Bermuda and tax resident in Ireland and (ii) the exit from the Dutch Financial Risk Reserve regime.

The Dutch Tax Authority (DTA) reviewed the company's assessed fair value of the intellectual property as performed by a third party valuation firm. Based on the DTA's review, the company incurred a capital gain and Dutch exit tax liability of US$41.2 million. This charge has been deferred and included in non-current Other Assets on the company's Consolidated Balance Sheets as of 31 March 2010. The deferred charge will be amortised on a straight-line basis over the estimated remaining useful life of the intellectual property.

Implementation Timing

In the Explanatory Memorandum for Stage 1 of the Proposal, the company estimated that implementation of the Proposal would be complete by January 2010.

The company completed Stage 1 of the Proposal on 19 February 2010 and transformed from a Dutch NV company to a Dutch SE company and now operates under the name of James Hardie Industries Societas Europaea (JHI SE).

On 17 March 2010 (US time), James Hardie filed with the US Securities and Exchange Commission (SEC) and the ASX a Registration Statement on Form F-4 including a draft Explanatory Memorandum outlining Stage 2 of the Proposal which will transform JHI SE to an Irish SE by moving the company's corporate domicile from The Netherlands to Ireland. If shareholders approve Stage 2 of the Proposal, JHI SE will become subject to Irish law in addition to the SE Regulation.

Following SEC review of the Registration Statement and formal Board approval of the change in corporate domicile, the final Explanatory Memorandum for Stage 2 was submitted to the SEC and the ASX with a filing date of 22 April 2010 (Australian time).

An Extraordinary General Meeting to consider Stage 2 of the Proposal will be held in The Netherlands on 2 June 2010. Before this, an Extraordinary Information Meeting will be held in Sydney on 28 May 2010. If shareholders approve Stage 2, the company anticipates that the Proposal will be implemented in June 2010.

END

Media/Analyst Enquiries:
Sean O' Sullivan
Vice President Investor and Media Relations

Telephone: +61 2 8274 5239

Email: media@jameshardie.com.au

This Management's Analysis of Results forms part of a package of information about James Hardie's results. It should be read in conjunction with the other parts of this package, including the Media Release, the Management Presentation and the Consolidated Financial Statements.

These documents, along with a webcast of the Management Presentation on 27 May 2010, are available from the Investor Relations area of the company's website at www.jameshardie.com

The company routinely posts information that may be of importance to investors in the Investor Relations section of its website, including press releases, financial results and other information. The company encourages investors to consult this section of its website regularly.

The company lodged its annual filing for the year ended 31 March 2009 with the SEC on 25 June 2009.

All holders of the company's securities may receive, on request, a hard copy of our complete audited financial statements, free of charge. Requests can be made via the Investor Relations area of the company's website or by contacting one of the company's corporate offices. Contact details are available on the company's website.

Definitions

Financial Measures – US GAAP equivalents

EBIT and EBIT margin – EBIT, as used in this document, is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of net sales. James Hardie believes EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by management to measure the operating profit or loss of its business. EBIT is one of several metrics used by management to measure the earnings generated by the company's operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by its Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as the company has defined them, may not be comparable to similarly titled measures reported by other companies.

Operating profit – is equivalent to the US GAAP measure of income.

Net operating profit – is equivalent to the US GAAP measure of net income.

Sales Volume

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

msf – thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

Financial Ratios

Gearing Ratio – Net debt (cash) divided by net debt (cash) plus shareholders' equity.

Net interest expense cover – EBIT divided by net interest expense.

Net interest paid cover – EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback – Net debt (cash) divided by cash flow from operations.

Net debt (cash) – short-term and long-term debt less cash and cash equivalents.

Non-US GAAP Financial Measures

EBIT and EBIT margin excluding asbestos and ASIC expenses – EBIT and EBIT margin excluding asbestos and ASIC expenses are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
EBIT	$ 11.8	$(160.4)	$ (21.0)	$ 173.6
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
ASIC expenses	1.8	1.7	3.4	14.0
EBIT excluding asbestos and ASIC expenses	38.3	17.1	208.7	170.9
Net sales	$274.9	$ 241.3	$1,124.6	$1,202.6
EBIT margin excluding asbestos and ASIC expenses	13.9%	7.1%	18.6%	14.2%

Net operating profit excluding asbestos, ASIC expenses and tax adjustments – Net operating profit excluding asbestos, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Net operating (loss) profit	$ (2.3)	$(129.6)	$ (84.9)	$136.3
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
AICF interest income	(0.7)	(1.6)	(3.3)	(6.4)
(Gain) impairment on AICF investments	(2.0)	14.8	(6.7)	14.8
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	1.1	(48.7)
ASIC expenses	1.8	1.7	3.4	14.0
Tax adjustments	1.1	(4.7)	(2.9)	7.2
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 23.7	$ 7.7	$133.0	$100.5

Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments – Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than diluted earnings per share. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 23.7	$ 7.7	$133.0	$100.5
Weighted average common shares outstanding - Diluted (millions)	438.9	435.6	436.8	434.5
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	5.4	1.8	30.5	23.1

Effective tax rate excluding asbestos and tax adjustments – Effective tax rate excluding asbestos and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Operating profit (loss) before income taxes	$ 10.0	$(176.3)	$ (18.7)	$155.8
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
AICF interest income	(0.7)	(1.6)	(3.3)	(6.4)
(Gain) impairment on AICF investments	(2.0)	14.8	(6.7)	14.8
Operating profit before income taxes excluding asbestos	$ 32.0	$ 12.7	$197.6	$147.5
Income tax (expense) benefit	(12.3)	46.7	(66.2)	(19.5)
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	1.1	(48.7)
Tax adjustments	1.1	(4.7)	(2.9)	7.2
Income tax expense excluding tax adjustments	(10.1)	(6.7)	(68.0)	(61.0)
Effective tax rate excluding asbestos and tax adjustments	31.6%	52.8%	34.4%	41.4%

<u>EBITDA</u> – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate EBITDA in the same manner as James Hardie has and, accordingly, EBITDA may not be comparable with other companies. The company has included information concerning EBITDA because it believes that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
EBIT	$ 11.8	$(160.4)	$ (21.0)	$173.6
Depreciation and amortisation	16.1	14.8	61.7	56.4
EBITDA	$ 27.9	$(145.6)	$ 40.7	$230.0

<u>General corporate costs excluding ASIC expenses and domicile change related costs</u> – General corporate costs excluding ASIC expenses and domicile change related costs is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than general corporate costs. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
General corporate costs	$ 8.5	$ 19.4	$ 42.9	$ 70.6
Excluding:				
ASIC expenses	(1.8)	(1.7)	(3.4)	(14.0)
Domicile change related costs	(0.7)	(7.8)	(9.1)	(10.3)
General corporate costs excluding ASIC expenses and domicile change related costs	$ 6.0	$ 9.9	$ 30.4	$ 46.3

Supplemental Financial Information

James Hardie's management measures its operating performance and analyses year-over-year changes in operating results with and without the effect of the net AFFA liability recorded in the fourth quarter of fiscal year 2006 and believes that security holders will do the same.

As set forth in Note 11 of the 31 March 2010 Consolidated Financial Statements, the net A FFA liability, while recurring, is based on periodic actuarial determinations, claims, experience and currency fluctuations. It has no relation to the results of the company's operations. Accordingly, management believes that the following information is useful to it and investors in evaluating ongoing operating financial performance.

The following tables are considered non-GAAP and are not intended to be used or viewed in any respect as substitutes for the company's GAAP consolidated financial statements. These non-GAAP measures should only be viewed as a supplement to reported GAAP financial statements, and, in all cases, the corresponding GAAP amounts are shown on the same line as the non-GAAP measure, to avoid any possible confusion.

The following tables should be read in conjunction with JHI NV's financial statements and related notes contained in the company's 31 March 2010 Consolidated Financial Statements.

James Hardie Industries SE
Consolidated Balance Sheet
31 March 2010
(unaudited)

US$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
ASSETS			
Current assets			
Cash and cash equivalents	$ 212.0	$ (192.8)	$ 19.2
Restricted cash and cash equivalents	0.6	—	0.6
Restricted cash and cash equivalents — Asbestos	—	44.5	44.5
Restricted short-term investments — Asbestos	—	13.3	13.3
Accounts and notes receivable, net of allowance for doubtful accounts of $2.3 million	154.9	0.1	155.0
Inventories	149.1	—	149.1
Prepaid expenses and other current assets	25.3	0.3	25.6
Insurance receivable — Asbestos	—	16.7	16.7
Workers' compensation — Asbestos	—	0.1	0.1
Deferred income taxes	24.0	—	24.0
Deferred income taxes — Asbestos	—	16.4	16.4
Total current assets	**565.9**	**(101.4)**	**464.5**
Restricted cash and cash equivalents	4.7	—	4.7
Property, plant and equipment, net	708.2	2.4	710.6
Insurance receivable — Asbestos	—	185.1	185.1
Workers' compensation — Asbestos	—	98.8	98.8
Deferred income taxes	3.2	—	3.2
Deferred income taxes — Asbestos	—	420.0	420.0
Deposit with Australian Taxation Office	247.2	—	247.2
Other assets	44.7	—	44.7
Total assets	**$ 1,573.9**	**$ 604.9**	**$ 2,178.8**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 99.3	$ 1.6	100.9
Current portion of long-term debt	95.0	—	95.0
Accrued payroll and employee benefits	41.8	0.3	42.1
Accrued product warranties	6.7	—	6.7
Income taxes payable	18.4	16.5	34.9
Asbestos liability	—	106.7	106.7
Workers' compensation — Asbestos	—	0.1	0.1
Other liabilities	27.7	—	27.7
Total current liabilities	**288.9**	**125.2**	**414.1**
Long-term debt	59.0	—	59.0
Deferred income taxes	113.5	—	113.5
Accrued product warranties	18.2	—	18.2
Asbestos liability	—	1,512.5	1,512.5
Workers' compensation — Asbestos	—	98.8	98.8
Other liabilities	78.0	2.6	80.6
Total liabilities	**557.6**	**1,739.1**	**2,296.7**
Commitments and contingencies			
Shareholders' equity (deficit)			
Common stock	221.1	—	221.1
Additional paid-in capital	39.5	—	39.5
Retained earnings (accumulated deficit)	697.7	(1,135.4)	(437.7)
Accumulated other comprehensive income	58.0	1.2	59.2
Total shareholders' equity (deficit)	1,016.3	(1,134.2)	(117.9)
Total liabilities and shareholders' equity (deficit)	**$ 1,573.9**	**$ 604.9**	**$ 2,178.8**

James Hardie Industries SE
Consolidated Statement of Operations
For the Year Ended 31 March 2010
(unaudited)

US$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
Net Sales	1,124.6	—	1,124.6
Cost of goods sold	(708.5)	—	(708.5)
Gross profit	416.1	—	416.1
Selling, general and administrative expenses	(183.7)	(2.1)	(185.8)
Research and development expenses	(27.1)	—	(27.1)
Asbestos adjustments	—	(224.2)	(224.2)
EBIT	205.3	(226.3)	(21.0)
Net Interest (expense) income	(7.3)	3.3	(4.0)
Other (expense) income	(0.4)	6.7	6.3
Operating profit (loss) before income taxes	197.6	(216.3)	(18.7)
Income tax expense	(65.1)	(1.1)	(66.2)
Net Operating Profit (Loss)	**$ 132.5**	**$ (217.4)**	**$ (84.9)**

James Hardie Industries SE
Consolidated Statement of Cash Flows
For the Year Ended 31 March 2010
(unaudited)

US$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
Cash Flows from Operating Activities			
Net income (loss)	$ 132.5	(217.4)	$ (84.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortisation	61.7	—	61.7
Deferred income taxes	(3.0)	22.2	19.2
Prepaid pension cost	0.1	—	0.1
Stock-based compensation	7.7	—	7.7
Asbestos adjustments	—	224.2	224.2
Tax benefit from stock options exercised	(0.9)	—	(0.9)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	—	14.9	14.9
Restricted short-term investments	—	54.4	54.4
Accounts and notes receivable	(30.1)	—	(30.1)
Inventories	(12.2)	—	(12.2)
Prepaid expenses and other current assets	(48.0)	(0.1)	(48.1)
Insurance receivable — Asbestos	—	14.4	14.4
Accounts payable and accrued liabilities	56.7	(21.3)	35.4
Asbestos liability	—	(91.0)	(91.0)
Deposit with Australian Taxation Office	(29.3)	—	(29.3)
Other accrued liabilities	46.8	0.8	47.6
Net cash provided by operating activities	$ 182.0	$ 1.1	$ 183.1
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	(49.4)	(1.1)	(50.5)
Net cash used in investing activities	$ (49.4)	$ (1.1)	$ (50.5)
Cash Flows from Financing Activities			
Repayments of short-term borrowings	(93.3)	—	(93.3)
Proceeds from long-term borrowings	274.0	—	274.0
Repayments of long-term borrowings	(350.7)	—	(350.7)
Proceeds from issuance of shares	10.1	—	10.1
Tax benefit from stock options exercised	0.9	—	0.9
Net cash used in financing activities	$ (159.0)	$ —	$ (159.0)
Effect of exchange rate changes on cash	3.2	—	3.2
Net increase in cash and cash equivalents	(23.2)	—	(23.2)
Cash and cash equivalents at beginning of period	42.4	—	42.4
Cash and cash equivalents at end of period	$ 19.2	$ —	$ 19.2
Components of Cash and Cash Equivalents			
Cash at bank and on hand	13.1	—	13.1
Short-term deposits	6.1	—	6.1
Cash and cash equivalents at end of period	$ 19.2	$ —	$ 19.2

Disclaimer

This Management's Analysis of Results contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbour Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- statements about the company's future performance;
- projections of the company's results of operations or financial condition;
- statements regarding the company's plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the company's plants and future plans with respect to any such plants;
- expectations that the company's credit facilities will be extended or renewed;
- expectations concerning dividend payments;
- statements concerning the company's corporate and tax domiciles and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements as to the possible consequences of proceedings brought against the company and certain of its former directors and officers by the ASIC;
- expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations; and
- statements about product or environmental liabilities.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the company's estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause the company's actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information — Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to the AICF, any shortfall in the AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of customers; a customer's inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; the company's proposal to transfer its corporate domicile from The Netherlands to Ireland to become an Irish "SE" company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of the company's customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in the company's key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in the company's reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). The company cautions that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the company's current expectations concerning future results, events and conditions.

Exhibit 99.4

Disclaimer

James Hardie

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- *statements about the Company's future performance;*
- *projections of the Company's results of operations or financial condition;*
- *statements regarding the Company's plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products;*
- *expectations concerning the costs associated with the suspension or closure of operations at any of the Company's plants and future plans with respect to any such plants;*
- *expectations that the Company's credit facilities will be extended or renewed;*
- *expectations concerning dividend payments;*
- *statements concerning the Company's corporate and tax domiciles and potential changes to them, including potential tax charges;*
- *statements regarding tax liabilities and related audits, reviews and proceedings;*
- *statements as to the possible consequences of proceedings brought against the Company and certain of its former directors and officers by the ASIC;*
- *expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;*
- *expectations concerning indemnification obligations; and*
- *statements about product or environmental liabilities.*

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

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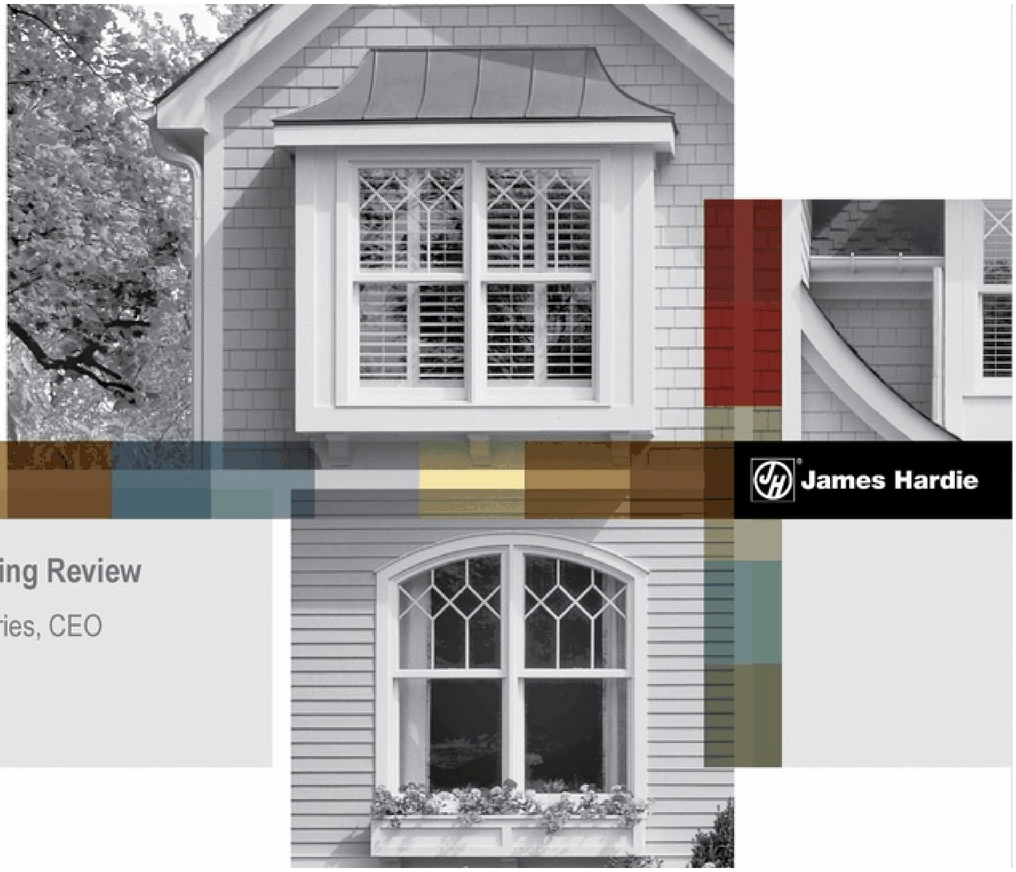
Agenda

James Hardie

- Overview and Operating Review – Louis Gries, CEO
- Financial Review – Russell Chenu, CFO
- Questions and Answers

In this Management Presentation, James Hardie may present financial measures, sales volume terms, financial ratios, and Non-US GAAP financial measures included in the Definitions section of this document starting on page 52. The company presents financial measures that it believes are customarily used by its Australian investors. Specifically, these financial measures, which are equivalent to or derived from certain US GAAP measures as explained in the definitions, include "EBIT", "EBIT margin", "Operating profit" and "Net operating profit". The company may also present other terms for measuring its sales volumes ("million square feet" or "mmsf" and "thousand square feet" or "msf"); financial ratios ("Gearing ratio", "Net interest expense cover", "Net interest paid cover", "Net debt payback", "Net debt (cash)"); and Non-US GAAP financial measures ("EBIT excluding asbestos and ASIC expenses", "EBIT margin excluding asbestos and ASIC expenses", "Net operating profit excluding asbestos, ASIC expenses and tax adjustments", "Diluted earnings per share excluding asbestos, ASIC expenses, and tax adjustments", "Operating profit before income taxes excluding asbestos", "Effective tax rate excluding asbestos and tax adjustments", "EBITDA" and "General corporate costs excluding domicile change related costs"). Unless otherwise stated, results and comparisons are of the 4th quarter and the full year of the current fiscal year versus the 4th quarter and the full year of the current fiscal year.



Operating Review

Louis Gries, CEO

Group Overview

James Hardie

- Full year operating results reflect the benefits of lower input costs, lower warranty costs, reduced SG&A expenses and a higher average net sales price, compared to FY09
- The net operating result including asbestos, ASIC expenses and tax adjustments for the full year was primarily affected by an unfavourable asbestos adjustment of US$224m which is predominantly attributable to the appreciation of the A$ against the US$

US$ Millions	Q4 FY 2010	Q4 FY 2009	% Change	FY 2010	FY 2009	% Change
Net operating (loss) profit	(2.3)	(129.6)	98	(84.9)	136.3	-
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**23.7**	**7.7**	-	**133.0**	**100.5**	32
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	5.4	1.8	-	30.5	23.1	32

USA and Europe Fibre Cement

James Hardie

4th Quarter Result

Net Sales	up	4% to US$196.8 million
Sales Volume	up	2% to 314.0 mmsf
Average Price	up	2% to US$627 per msf
EBIT	up	8% to US$34.8 million
EBIT Margin	up	0.6 pts to 17.7%

James Hardie

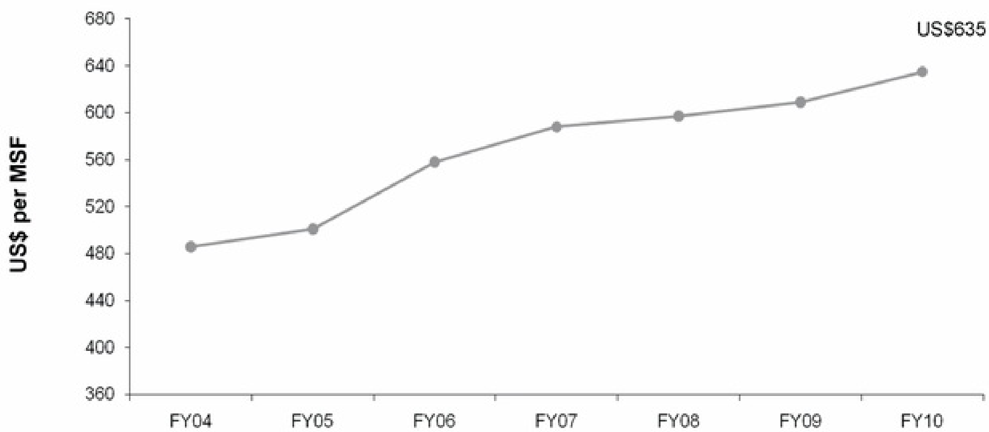
Full Year Result

Net Sales	down	11% to US$828.1 million
Sales Volume	down	15% to 1,303.7 mmsf
Average Price	up	4% to US$635 per msf
EBIT	up	5% to US$208.5 million
EBIT Margin	up	3.8 pts to 25.2%

USA and Europe Fibre Cement

James Hardie

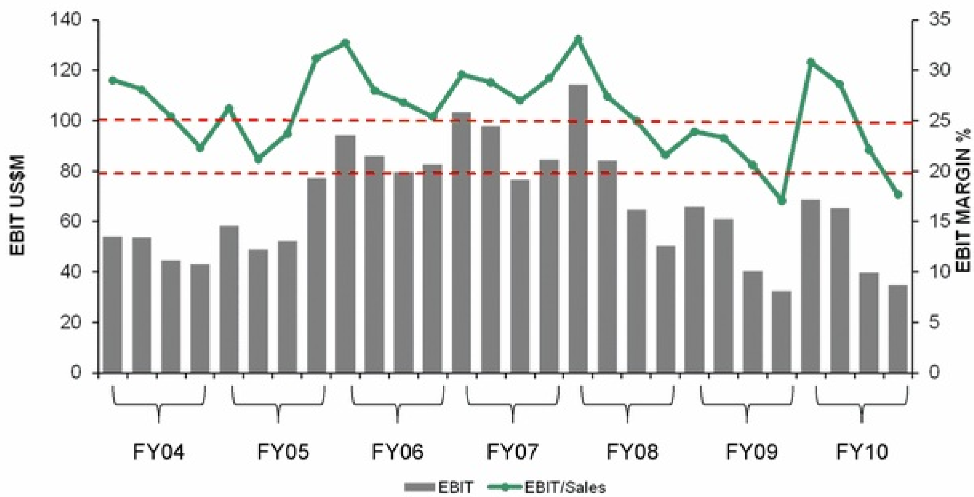
Average Net Sales Price



USA and Europe Fibre Cement

James Hardie

EBIT and EBIT Margin*

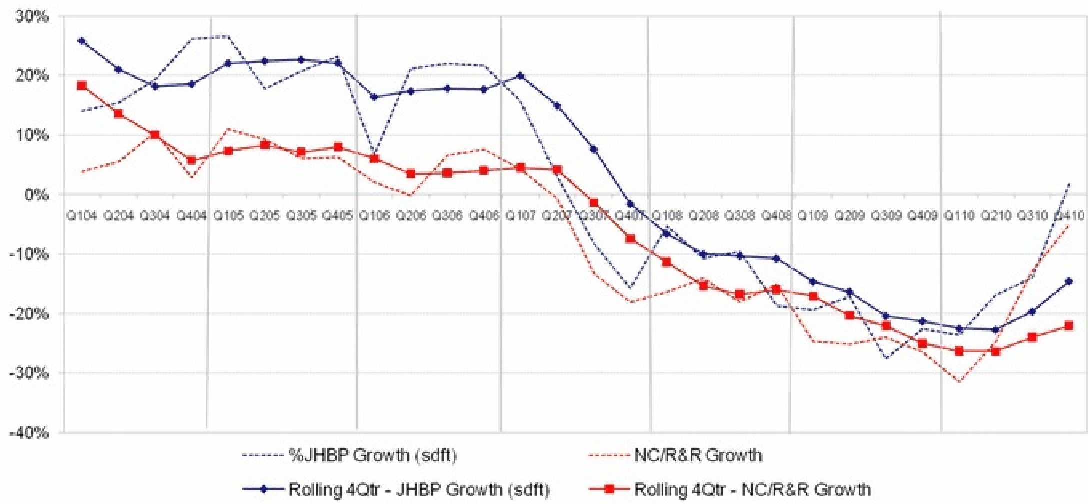


* Excludes impairment charges of US$45.6 million in Q4 FY08

USA and Europe Fibre Cement

James Hardie

Primary Growth Performance



All market and market share figures are management estimates.

Asia Pacific Fibre Cement

James Hardie

4th Quarter Result

Net Sales	up	49% to US$78.1 million
Sales Volume	up	9% to 97.5 mmsf
Average Price	flat	at A$887 per msf
EBIT	up	113% to US$14.3 million
EBIT Margin	up	5.6 pts to 18.3%

Full Year Result

Net Sales	up	9% to US$296.5 million
Sales Volume	flat	at 389.6 mmsf
Average Price	up	2% to A$894 per msf
EBIT	up	25% to US$58.7 million
EBIT Margin	up	2.6 pts to 19.8%

Group 4th Quarter Summary

James Hardie

- USA and Europe Fibre Cement business results* reflected:
  - Higher volume
  - Higher average net sales price
  - Improved plant performance
  - Higher raw material input costs, primarily pulp
- Asia Pacific Fibre Cement business results reflected:
  - Benefit from appreciation of Asia Pacific currencies against US dollar
  - Increased sales volume in Asia Pacific and the growth in sales of higher-margin differentiated products
  - Reduced raw material and manufacturing costs and improved plant performance
  - Improving or stabilising market conditions
- Overall the company performed strongly despite challenging operating environments

* Comparisons are of fourth quarter fiscal year 2010 versus fourth quarter fiscal year 2009

Total USA Housing Starts – US Census Bureau

James Hardie

- US housing starts data indicating emerging signs of a recovery

Source: US Census Bureau - New Privately-Owned Housing Units Started

Group Outlook

James Hardie

United States

- Forecasts for residential construction market are becoming cautiously optimistic, although the outlook remains uncertain with recent data presenting mixed indications as to extent and sustainability of anticipated recovery
- Hopes for an accelerated recovery have been tempered by continuing soft economic conditions and volatility in global financial markets
- Challenges remain, including:
  - Restricted access to credit for prospective home owners and developers
  - Weak employment markets
  - An expected increase in the supply of foreclosed homes in the next 12 months
  - Expiry of home owners tax credit at the end of April 2010
  - Higher raw material input and energy costs, particularly pulp and freight costs
- However, some positives are emerging, including:
  - Improvements in housing affordability
  - A modest recovery in consumer confidence
  - An increase in building permit applications

Group Outlook

James Hardie

Australia

- The residential housing market is expected to modestly improve during calendar 2010, supported by increases in housing approvals, robust employment numbers and high levels of immigration
- Some negatives remain, including recent rises in the cash rate and removal of the Government's first home buyer incentives

New Zealand

- New residential construction is anticipated to improve from the cyclical lows of 2009
- Softness in renovation and commercial markets is likely to partially offset stronger residential housing growth

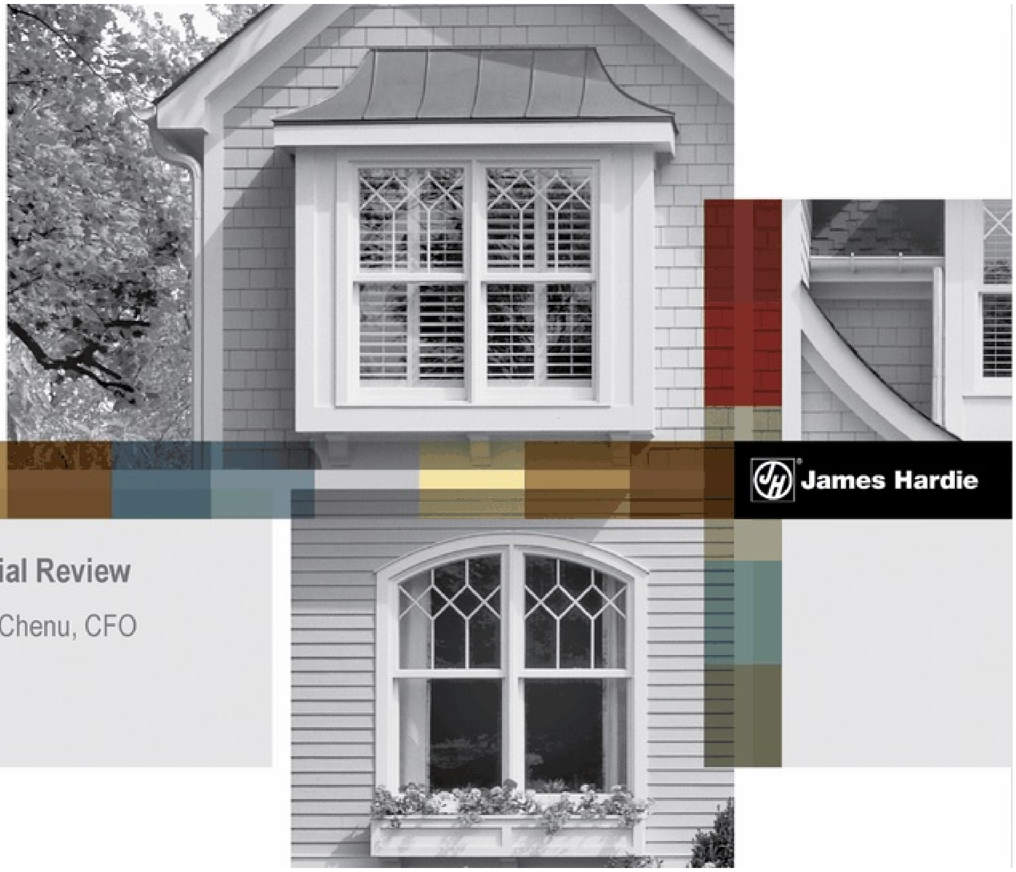
Philippines

- Strong domestic demand is likely to support solid growth in the Philippines

Group Outlook

James Hardie

- The company remains focused on:
  - Delivering primary demand growth
  - Continuing to shift to a higher value product mix
  - Achieving its zero to landfill objective
  - Building the operational strength and flexibility to deliver and sustain earnings in a low demand environment or increase output should a stronger than expected recovery eventuate
- All business segments are expected to continue to perform strongly, despite the challenging environments



Financial Review

Russell Chenu, CFO

Overview

James Hardie

Operations

- Results continue to be affected by weak housing construction activity, particularly in US
- Earnings in the quarter benefited from higher volume, higher average net sales price, improved plant performance and the strength of Asia Pacific currencies, when compared to the fourth quarter of FY09
- Strong net cash flow generation in the full year has enabled a reduction in net debt by US$146.8 million to US$134.8 million*
- All businesses performed strongly in challenging operating environments

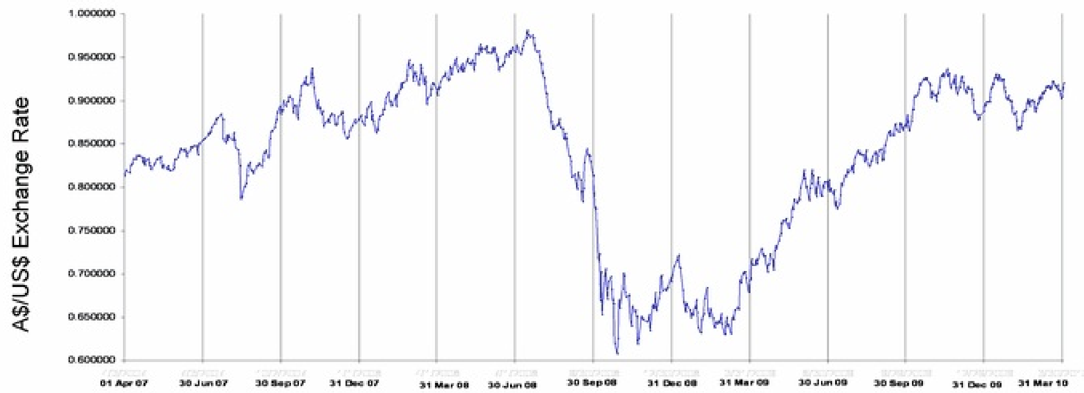
Asbestos

- Discounted central estimate of the asbestos liability decreased to A$1.537b from A$1.782b. In US$ the liability increased due to appreciation of the A$ against the US$
- Number of new asbestos claims of 134 and 535 for the quarter and full year is lower than the 145 and 607 claims for the corresponding period of prior year

*Compared to 31 March 2009

Consequences of changes – A$ versus US$

James Hardie



	Earnings	Balance Sheet
▪ Favourable impact from translation of Asia Pacific results – Q4 FY10 vs Q4 FY09	√	
▪ Unfavourable impact on corporate costs incurred in Australian dollars – Q4 FY10 vs Q4 FY09	√	
▪ Unfavourable impact from translation of asbestos liability balance – 31 March 2010 vs 31 March 2009	√	√
▪ Favourable impact from translation of Australian dollar deposit with ATO relating to 1999 Amended Assessment – 31 March 2010 vs 31 March 2009		√

Results – Q4

James Hardie

US$ Millions	Q4 '10	Q4 '09	% Change
Net sales	274.9	241.3	14
Gross profit	91.4	69.2	32
SG&A expenses	(48.5)	(47.1)	(3)
Research & development expenses	(6.9)	(6.0)	(15)
Asbestos adjustments	(24.2)	(176.5)	86
EBIT	**11.8**	**(160.4)**	**-**
Net interest expense	(2.1)	(1.1)	(91)
Other income (expense)	0.3	(14.8)	-
Income tax (expense) benefit	(12.3)	46.7	-
Net operating loss	**(2.3)**	**(129.6)**	**98**

Results – Q4 (continued)

James Hardie

US$ Millions	Q4 '10	Q4 '09	% Change
Net operating loss	(2.3)	(129.6)	98
Asbestos:			
Asbestos adjustments	24.2	176.5	(86)
AICF SG&A expenses	0.5	(0.7)	-
AICF interest income	(0.7)	(1.6)	56
(Gain) impairment on AICF investments	(2.0)	14.8	-
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	-
ASIC expenses	1.8	1.7	6
Tax adjustments	1.1	(4.7)	-
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**23.7**	**7.7**	-

Results – Full Year

James Hardie

US$ Millions

	FY 2010	FY 2009	% Change
Net sales	1,124.6	1,202.6	(6)
Gross profit	416.1	388.8	7
SG&A expenses	(185.8)	(208.8)	11
Research & development expenses	(27.1)	(23.8)	(14)
Asbestos adjustments	(224.2)	17.4	-
EBIT	**(21.0)**	**173.6**	**-**
Net interest expense	(4.0)	(3.0)	(33)
Other income (expense)	6.3	(14.8)	-
Income tax expense	(66.2)	(19.5)	-
Net operating (loss) profit	**(84.9)**	**136.3**	**-**

Results – Full Year (continued)

James Hardie

US$ Millions	FY 2010	FY 2009	% Change
Net operating (loss) profit	(84.9)	136.3	-
Asbestos:			
Asbestos adjustments	224.2	(17.4)	-
AICF SG&A expenses	2.1	0.7	-
AICF interest income	(3.3)	(6.4)	48
(Gain) impairment on AICF investments	(6.7)	14.8	-
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	
ASIC expenses	3.4	14.0	(76)
Tax adjustments	(2.9)	7.2	-
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**133.0**	**100.5**	**32**

Segment Net Sales – Q4

James Hardie

US$ Millions

	Q4 '10	Q4 '09	% Change
USA and Europe Fibre Cement	196.8	188.7	4
Asia Pacific Fibre Cement	78.1	52.6	49
Total	**274.9**	**241.3**	**14**

Segment Net Sales – Full Year

James Hardie

US$ Millions

	FY 2010	FY 2009	% Change
USA and Europe Fibre Cement	828.1	929.3	(11)
Asia Pacific Fibre Cement	296.5	273.3	9
Total	**1,124.6**	**1,202.6**	**(6)**

Segment EBIT – Q4

James Hardie

US$ Millions

	Q4 '10	Q4 '09	% Change
USA and Europe Fibre Cement	34.8	32.3	8
Asia Pacific Fibre Cement	14.3	6.7	114
Research & development[1]	(4.1)	(4.2)	2
Total segment EBIT	45.0	34.8	29
General corporate excluding asbestos and ASIC expenses	(6.7)	(17.7)	62
Total EBIT excluding asbestos and ASIC expenses	**38.3**	**17.1**	**-**
Asbestos adjustments	(24.2)	(176.5)	86
AICF SG&A expenses	(0.5)	0.7	-
ASIC expenses	(1.8)	(1.7)	(6)
Total EBIT	11.8	(160.4)	-

[1] Research & development includes "core" research & development expenses and administrative expenses, but excludes product development expenses

Segment EBIT – Full Year

James Hardie

US$ Millions

	FY 2010	FY 2009	% Change
USA and Europe Fibre Cement	208.5	199.3	5
Asia Pacific Fibre Cement	58.7	47.1	25
Research & development[1]	(19.0)	(18.9)	(1)
Total segment EBIT	248.2	227.5	9
General corporate excluding asbestos and ASIC expenses	(39.5)	(56.6)	30
Total EBIT excluding asbestos and ASIC expenses	**208.7**	**170.9**	**22**
Asbestos adjustments	(224.2)	17.4	-
AICF SG&A expenses	(2.1)	(0.7)	-
ASIC expenses	(3.4)	(14.0)	76
Total EBIT	(21.0)	173.6	-

[1] Research & development includes "core" research & development expenses and administrative expenses, but excludes product development expenses

Income Tax Expense – Q4

James Hardie

US$ Millions	Q4 '10	Q4 '09
Operating profit (loss) before income taxes	10.0	(176.3)
Asbestos:		
Asbestos adjustments	24.2	176.5
AICF SG&A expenses	0.5	(0.7)
AICF interest income	(0.7)	(1.6)
(Gain) impairment on AICF investments	(2.0)	14.8
Operating profit before income taxes excluding asbestos	32.0	12.7
Income tax (expense) benefit	(12.3)	46.7
Asbestos:		
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)
Tax adjustments	1.1	(4.7)
Income tax expense excluding tax adjustments	(10.1)	(6.7)
Effective tax rate excluding asbestos and tax adjustments	31.6%	52.8%

Income Tax Expense – Full Year

James Hardie

US$ Millions	FY 2010	FY 2009
Operating (loss) profit before income taxes	(18.7)	155.8
Asbestos:		
Asbestos adjustments	224.2	(17.4)
AICF SG&A expenses	2.1	0.7
AICF interest income	(3.3)	(6.4)
(Gain) impairment on AICF investments	(6.7)	14.8
Operating profit before income taxes excluding asbestos	197.6	147.5
Income tax expense	(66.2)	(19.5)
Asbestos:		
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)
Tax adjustments	(2.9)	7.2
Income tax expense excluding tax adjustments	(68.0)	(61.0)
Effective tax rate excluding asbestos and tax adjustments	34.4%	41.4%

Cash Flow

James Hardie

US$ Millions	FY 2010	FY 2009
EBIT	**(21.0)**	**173.6**
Non-cash items:		
Asbestos adjustments	224.2	(17.4)
Other non-cash items	87.8	6.1
Net working capital movements	5.0	(24.0)
Cash generated by trading activities	**296.0**	**138.3**
Tax payments	(48.5)	(23.2)
Change in asbestos-related assets & liabilities	(27.9)	69.0
Payment to the AICF	-	(110.0)
ATO Settlement	-	(101.6)
Deposit with ATO	(29.3)	(9.9)
Interest paid (net)	(7.2)	(7.8)
Net Operating Cash Flow	**183.1**	**(45.2)**
Purchases of property, plant & equipment	(50.5)	(26.1)
Dividends paid	-	(34.6)
Equity issued	11.0	0.1
Other	3.2	53.3
Movement in Net Cash	**146.8**	**(52.5)**
Beginning Net Debt	(281.6)	(229.1)
Ending Net Debt	**(134.8)**	**(281.6)**

Debt

- At 31 March 2010

US$ Millions		
Total facilities		426.7
Gross Debt	154.0	
Cash	19.2	
Net debt		134.8
Unutilised facilities and cash		**291.9**

- Net debt decreased by US$146.8 million compared to net debt at 31 March 2009
- In December 2009, the company refinanced US$130 m of US$150 m in facilities which previously had maturity dates in or prior to June 2010. These will expire December 2012
- Weighted average remaining term of total facilities was 2.6 years at 31 March 2010 up from 1.6 years at 31 March 2010
- James Hardie remains well within its financial debt covenants

Asbestos Compensation Funding Arrangements

James Hardie

- Updated actuarial report completed as at 31 March 2010
- Discounted central estimate decreased to A$1.537b from A$1.782b
- As per AFFA, a contribution of approximately US$63.7m will be made to the AICF in July 2010

Updated Actuarial Estimate

James Hardie

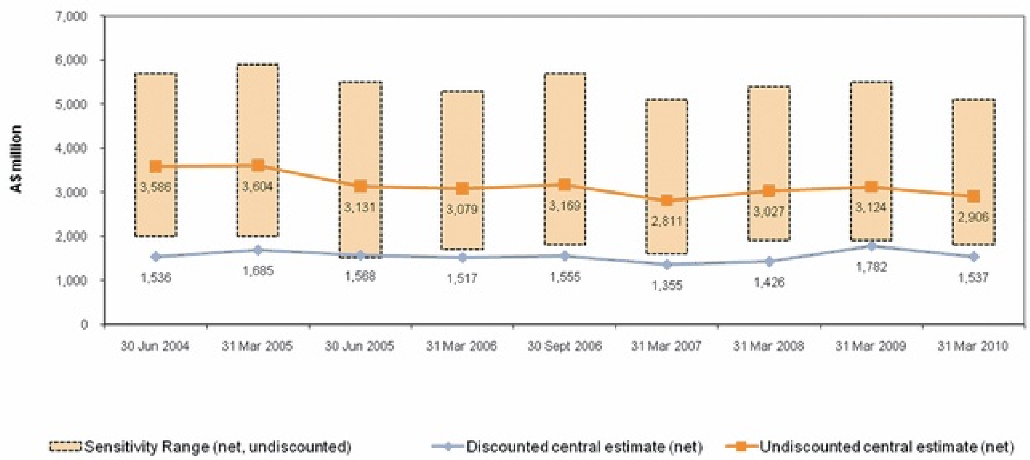
Net accounting liability under AFFA

A$ millions (except where stated)	31-Mar-10	31-Mar-09
Central Estimate – Discounted	1,536.7	1,781.6
Discounting and inflation allowance	(94.1)	(257.3)
Provision for claims handling costs of AICF	69.9	72.0
Other US GAAP adjustments	35.2	37.7
Net (assets) liabilities of AICF (excl funding payment)	(0.9)	(0.4)
Contributions for asbestos research and education	2.9	3.3
Effect of tax	(494.7)	(535.9)
Net post-tax liability	1,055.0	1,101.0
Exchange rate US$ to A$	*0.9158*	*0.6872*
Net post-tax liability in US$ millions	966.2	756.6

Updated Actuarial Estimate

James Hardie

Asbestos Liability Valuations*



* Source: KPMG Actuaries

Asbestos Fund Update

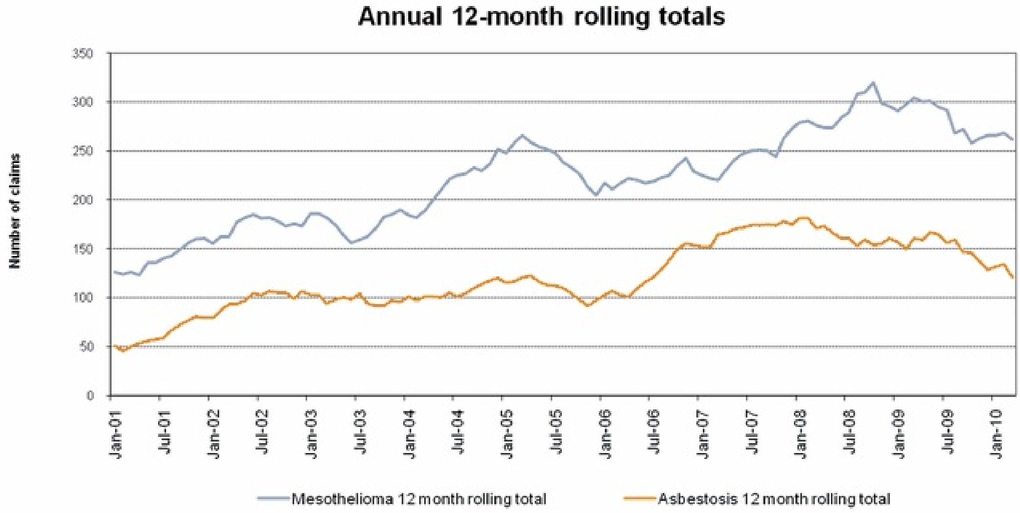
James Hardie

- AICF holdings at 31 March 2010
  - A$63.1m – cash and short-term investments (A$143.1m at 31 March 2009)
- Net claims paid full year FY 2010:

A$ Millions	AICF Full Year 2010	KPMG Actuarial Estimate For FY 2010*	AICF Full Year 2009
Claims Paid	95.1	105.1	101.9
Legal Costs	8.1	9.0	9.6
Insurance and cross claim recoveries	(16.9)	(17.6)	(20.8)
Total net claims costs	86.3	96.5	90.7

* Actuarial Estimate as at 31 March 2009

Number of claims*



* Source: KPMG Actuaries

Legacy Issues Update

James Hardie

Asbestos

- On 7 November 2009, the Australian and NSW Governments announced an A$320m standby loan facility for Asbestos Injuries Compensation Fund. James Hardie is continuing to work with the NSW Government to finalise the details of the facility.

ATO – 1999 Disputed Amended Assessment

- Federal Court hearing completed September 2009
- Judgement awaited
- ATO deposit at 31 March 2010 was A$269.9m (US$247.2m)

ASIC Proceedings

- All defendants other than Peter Macdonald and ABN60 have appealed the Supreme Court decision
- Appeals heard April/May 2010
- Judgement awaited

Legacy Issues Update – continued

James Hardie

Domicile

- Stage one of the two stage proposal to move domicile to Ireland approved by 99.3% of votes cast on 21 August 2009
- In conjunction with Stage 1 of the proposal and following a review by the Dutch Tax Authority, the company incurred a US$41.2 million tax liability that arose from:
  - capital gain on transfer of intellectual property, and
  - exit from the Dutch Financial Risk Reserve regime
- In accordance with US GAAP, this charge has been deferred and included in non-current "other assets"
- Proposal to become an Irish SE to be put to shareholders at an Extraordinary General Meeting, to be held on 2 June 2010. If passed, the re-domicile to Ireland is expected to be completed in June 2010

Key Ratios

James Hardie

	FY 2010	FY 2009	FY08
EPS (Diluted)[1]	30.2c	23.1c	38.4c
Dividend Paid per share	N/A	8.0c	27.0c
Return on Shareholders' Funds[1]	13.1%	11.6%	18.5%
Return on Capital Employed[2]	17.4%	16.7%	24.7%
EBIT/ Sales (EBIT margin)[2]	18.6%	14.2%	19.6%
Gearing Ratio[1]	10.9%	24.0%	21.5%
Net Interest Expense Cover[2]	28.6x	18.2x	34.6x
Net Interest Paid Cover[2]	29.0x	21.9x	22.4x
Net Debt Payback[3]	0.7yrs	4.3yrs	0.7yrs

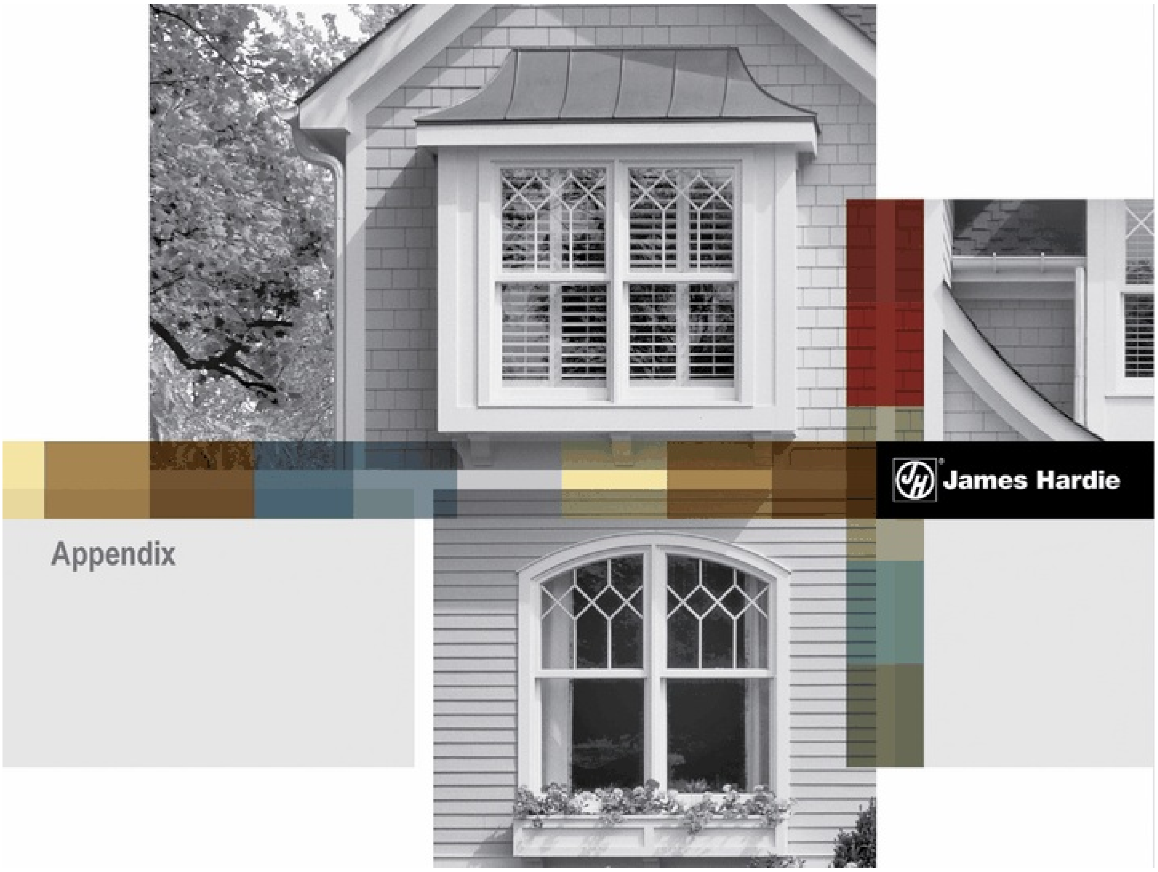
[1] Excludes asbestos adjustments, AICF SG&A expenses, AICF interest income, gain or impairment on AICF investments, ASIC expenses, tax adjustments and asset impairments
[2] Excludes asbestos adjustments, AICF SG&A expenses, ASIC expenses and asset impairments
[3] Excludes payments under the Amended FFA

Summary

James Hardie

- USA and Europe Fibre Cement full year EBIT improved 5% driven by lower material input costs, higher average net sales price and improved plant performance
- Asia Pacific Fibre Cement full year EBIT, in Australian dollars, increased 14% due to improved gross margin performance, lower SG&A expenses, strong primary demand growth, an increase in the average net sales price and favourable product mix shift, together with lower material input and manufacturing costs
- USA and Europe Fibre Cement full year EBIT margin improved 3.8 percentage points to 25.2%. Asia Pacific Fibre Cement full year EBIT margin improved 2.6 percentage points to 19.8%
- Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 32% for the full year
- Challenges remain with the operating environment still difficult and some input costs rising ahead of a significant recovery in volumes
- All businesses continue to contribute strongly

Questions & Answers


James Hardie
Appendix

Global Strategy

James Hardie

- Aggressively grow demand for our products in targeted market segments
- Grow our overall market position while defending our share in existing market segments
- Offer products with superior value to that of our competitors
- Introduce differentiated products to deliver a sustainable competitive advantage

General Corporate Costs – Q4

James Hardie

US$ Millions	Q4 '10	Q4 '09	% Change
Stock compensation expense	1.6	2.1	24
Other costs	4.4	7.8	43
General corporate costs excluding ASIC expenses and domicile change related costs	6.0	9.9	39
ASIC expenses	1.8	1.7	(6)
Domicile change related costs	0.7	7.8	91
General corporate costs	8.5	19.4	56

General Corporate Costs – Full Year

James Hardie

US$ Millions	FY 2010	FY 2009	% Change
Stock compensation expense	7.2	7.2	-
Legal provision write back	(7.6)	-	-
Other costs	30.8	39.1	21
General corporate costs excluding ASIC expenses and domicile change related costs	30.4	46.3	34
ASIC expenses	3.4	14.0	76
Domicile change related costs	9.1	10.3	12
General corporate costs	42.9	70.6	39

EBITDA – Q4

James Hardie

US$ Millions	Q4 '10	Q4 '09	% Change
EBIT			
USA and Europe Fibre Cement	34.8	32.3	8
Asia Pacific Fibre Cement	14.3	6.7	-
Research & development	(4.1)	(4.2)	2
General corporate excluding asbestos and ASIC expenses	(6.7)	(17.7)	62
Depreciation and Amortisation			-
USA and Europe Fibre Cement	13.5	12.7	6
Asia Pacific Fibre Cement	2.6	2.1	24
Total EBITDA excluding asbestos and ASIC expenses	**54.4**	**31.9**	**71**
Asbestos adjustments	(24.2)	(176.5)	86
AICF SG&A expenses	(0.5)	0.7	-
ASIC expenses	(1.8)	(1.7)	(6)
Total EBITDA	**27.9**	**(145.6)**	**-**

EBITDA – Full Year

US$ Millions	FY 2010	FY 2009	% Change
EBIT			
USA and Europe Fibre Cement	208.5	199.3	5
Asia Pacific Fibre Cement	58.7	47.1	25
Research & development	(19.0)	(18.9)	(1)
General corporate excluding asbestos and ASIC expenses	(39.5)	(56.6)	30
Depreciation and Amortisation			-
USA and Europe Fibre Cement	51.9	46.5	12
Asia Pacific Fibre Cement	9.8	9.9	(1)
Total EBITDA excluding asbestos and ASIC expenses	**270.4**	**227.3**	**19**
Asbestos adjustments	(224.2)	17.4	-
AICF SG&A expenses	(2.1)	(0.7)	-
ASIC expenses	(3.4)	(14.0)	76
Total EBITDA	**40.7**	**230.0**	**(82)**

Capital Expenditure

James Hardie

US$ Millions	FY 2010	FY 2009	% Change
USA and Europe Fibre Cement	42.3	21.2	100
General Corporate	1.5	-	-
Asia Pacific Fibre Cement	6.7	4.9	37
Total	**50.5**	**26.1**	**93**

Net Interest Expense

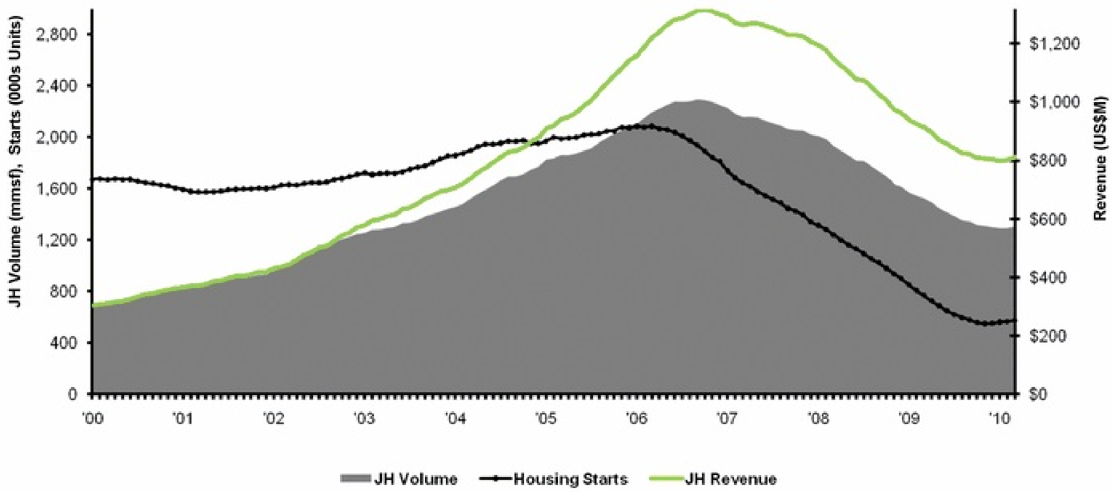
James Hardie

US$ Millions	Q4 '10	Q4 '09	FY 2010	FY 2009
Gross interest expense	(1.7)	(3.9)	(5.4)	(11.2)
Capitalised interest	0.1	-	0.2	-
Interest income	0.1	1.2	0.4	1.8
Realised loss on interest rate swaps	(1.3)	-	(2.5)	-
Net interest expense excluding AICF interest income	**(2.8)**	**(2.7)**	**(7.3)**	**(9.4)**
AICF interest income	0.7	1.6	3.3	6.4
Net interest expense	(2.1)	(1.1)	(4.0)	(3.0)

USA Fibre Cement

James Hardie

Top Line Growth



Rolling 12 month average of seasonally adjusted estimate of housing starts by US Census Bureau

Endnotes

James Hardie

This Management Presentation forms part of a package of information about the company's results. It should be read in conjunction with the other parts of this package, including Management's Analysis of Results, a Media Release and a Financial Report.

Definitions

Financial Measures – US GAAP equivalents

EBIT and EBIT Margin - EBIT, as used in this document, is equivalent to the US GAAP measure of operating income. EBIT margin is defined as EBIT as a percentage of net sales. We believe EBIT and EBIT margin to be relevant and useful information as these are the primary measures used by our management to measure the operating profit or loss of our business. EBIT is one of several metrics used by our management to measure the earnings generated from our operations, excluding interest and income tax expenses. Additionally, EBIT is believed to be a primary measure and terminology used by our Australian investors. EBIT and EBIT margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America. EBIT and EBIT margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies.

Operating profit - is equivalent to the US GAAP measure of income.

Net operating profit - is equivalent to the US GAAP measure of net income.

Sales Volumes

mmsf – million square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

msf – thousand square feet, where a square foot is defined as a standard square foot of 5/16" thickness.

Financial Ratios

Gearing Ratio – Net debt (cash) divided by net debt (cash) plus shareholders' equity.

Net interest expense cover – EBIT divided by net interest expense.

Net interest paid cover – EBIT divided by cash paid during the period for interest, net of amounts capitalised.

Net debt payback – Net debt (cash) divided by cash flow from operations.

Net debt (cash) – Short-term and long-term debt less cash and cash equivalents.

James Hardie

Non-US GAAP Financial Measures

EBIT and EBIT margin excluding asbestos and ASIC expenses – EBIT and EBIT margin excluding asbestos and ASIC expenses are not measures of financial performance under US GAAP and should not be considered to be more meaningful than EBIT and EBIT margin. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
EBIT	$ 11.8	$ (160.4)	$ (21.0)	$ 173.6
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
ASIC expenses	1.8	1.7	3.4	14.0
EBIT excluding asbestos and ASIC expenses	38.3	17.1	208.7	170.9
Net sales	$ 274.9	$ 241.3	$ 1,124.6	$ 1,202.6
EBIT margin excluding asbestos and ASIC expenses	13.9%	7.1%	18.6%	14.2%

Non-US GAAP Financial Measures (continued)

Net operating profit excluding asbestos, ASIC expenses and tax adjustments – Net operating profit excluding asbestos, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Net operating (loss) profit	$ (2.3)	$ (129.6)	$ (84.9)	$ 136.3
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
AICF interest income	(0.7)	(1.6)	(3.3)	(6.4)
(Gain) impairment on AICF investments	(2.0)	14.8	(6.7)	14.8
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	1.1	(48.7)
ASIC expenses	1.8	1.7	3.4	14.0
Tax adjustments	1.1	(4.7)	(2.9)	7.2
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 23.7	$ 7.7	$ 133.0	$ 100.5

James Hardie

Non-US GAAP Financial Measures (continued)

Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments – Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than diluted earnings per share. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 23.7	$ 7.7	$ 133.0	$ 100.5
Weighted average common shares outstanding - Diluted (millions)	438.9	435.6	436.8	434.5
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	5.4	1.8	30.5	23.1

James Hardie

Non-US GAAP Financial Measures (continued)

Effective tax rate excluding asbestos and tax adjustments – Effective tax rate excluding asbestos and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. The company has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations. The company's management uses this non-US GAAP measure for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
Operating profit (loss) before income taxes	$ 10.0	$ (176.3)	$ (18.7)	$ 155.8
Asbestos:				
Asbestos adjustments	24.2	176.5	224.2	(17.4)
AICF SG&A expenses	0.5	(0.7)	2.1	0.7
AICF interest income	(0.7)	(1.6)	(3.3)	(6.4)
(Gain) impairment on AICF investments	(2.0)	14.8	(6.7)	14.8
Operating profit before income taxes excluding asbestos	$ 32.0	$ 12.7	$ 197.6	$ 147.5
Income tax (expense) benefit	(12.3)	46.7	(66.2)	(19.5)
Tax expense (benefit) related to asbestos adjustments	1.1	(48.7)	1.1	(48.7)
Tax adjustments	1.1	(4.7)	(2.9)	7.2
Income tax expense excluding tax adjustments	(10.1)	(6.7)	(68.0)	(61.0)
Effective tax rate excluding asbestos and tax adjustments	31.6%	52.8%	34.4%	41.4%

Non-US GAAP Financial Measures (continued)

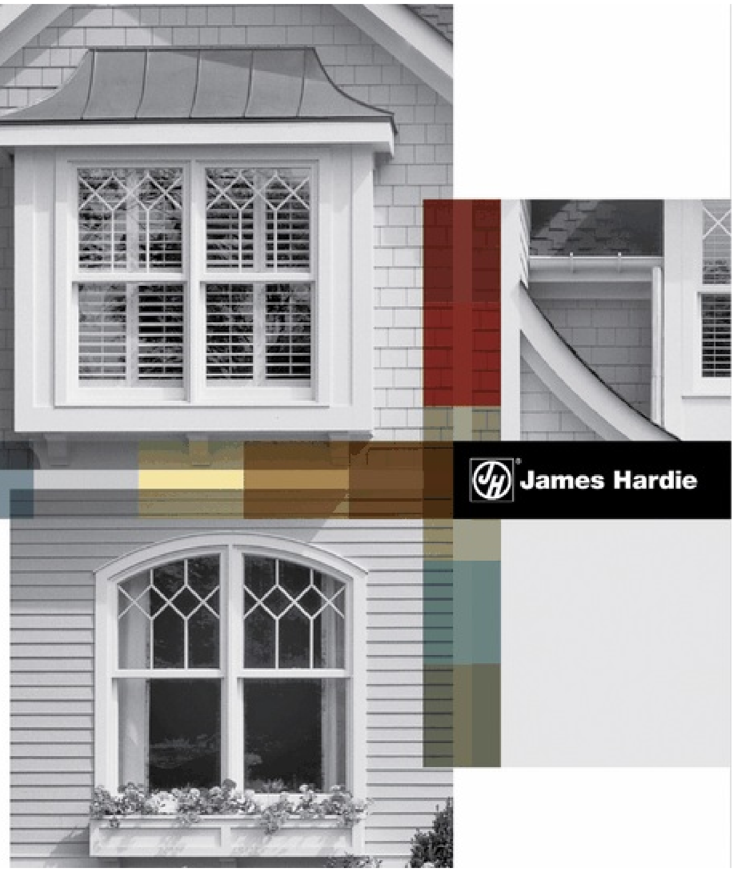
EBITDA – is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or cash flows as defined by US GAAP or as a measure of profitability or liquidity. Not all companies calculate EBITDA in the same manner as James Hardie has and, accordingly, EBITDA may not be comparable with other companies. The company has included information concerning EBITDA because it believes that this data is commonly used by investors to evaluate the ability of a company's earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
EBIT	$ 11.8	$ (160.4)	$ (21.0)	$ 173.6
Depreciation and amortisation	16.1	14.8	61.7	56.4
EBITDA	$ 27.9	$ (145.6)	$ 40.7	$ 230.0

Non-US GAAP Financial Measures (continued)

General corporate costs excluding ASIC expenses and domicile change related costs – General corporate costs excluding ASIC expenses and domicile change related costs is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than general corporate costs. James Hardie has included these financial measures to provide investors with an alternative method for assessing its operating results in a manner that is focussed on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. The company uses these non-US GAAP measures for the same purposes.

US$ Millions	Q4 FY 2010	Q4 FY 2009	FY 2010	FY 2009
General corporate costs	$ 8.5	$ 19.4	$ 42.9	$ 70.6
Excluding:				
ASIC expenses	(1.8)	(1.7)	(3.4)	(14.0)
Domicile change related costs	(0.7)	(7.8)	(9.1)	(10.3)
General corporate costs excluding ASIC expenses and domicile change related costs	$ 6.0	$ 9.9	$ 30.4	$ 46.3



James Hardie

Q4 FY10 Management Presentation

27 May 2010

James Hardie Industries SE
and Subsidiaries
Consolidated Financial Statements
as of and for the Year Ended 31 March 2010

James Hardie Industries SE and Subsidiaries
Index

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
James Hardie Industries SE

We have audited the accompanying consolidated balance sheets of James Hardie Industries SE and Subsidiaries (formerly “James Hardie Industries N.V. and Subsidiaries”) as of 31 March 2010 and 2009, and the related consolidated statements of operations, changes in shareholders’ deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of James Hardie Industries SE and Subsidiaries for the year ended 31 March 2008, were audited by other auditors whose report dated 19 May 2008, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of James Hardie Industries SE and Subsidiaries at 31 March 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Orange County, California
27 May 2010

Item 1. Financial Statements

James Hardie Industries SE and Subsidiaries
Consolidated Balance Sheets

	(Millions of US dollars) 31 March 2010	31 March 2009	(Millions of Australian dollars) 31 March 2010 (Unaudited)	31 March 2009 (Unaudited)
Assets				
Current assets:				
Cash and cash equivalents	**$ 19.2**	$ 42.4	**A$ 21.0**	A$ 61.7
Restricted cash and cash equivalents	**0.6**	0.3	**0.7**	0.4
Restricted cash and cash equivalents — Asbestos	**44.5**	45.4	**48.6**	66.1
Restricted short-term investments — Asbestos	**13.3**	52.9	**14.5**	77.0
Accounts and other receivables, net of allowance for doubtful accounts of $2.3 million (A$2.5 million) and $1.4 million (A$2.0 million) as of 31 March 2010 and 31 March 2009, respectively	**155.0**	111.4	**169.2**	162.1
Inventories	**149.1**	128.9	**162.8**	187.6
Prepaid expenses and other current assets	**25.6**	20.4	**28.0**	29.7
Insurance receivable — Asbestos	**16.7**	12.6	**18.2**	18.3
Workers' compensation — Asbestos	**0.1**	0.6	**0.1**	0.9
Deferred income taxes	**24.0**	25.5	**26.2**	37.1
Deferred income taxes — Asbestos	**16.4**	12.3	**17.9**	17.9
Total current assets	**464.5**	452.7	**507.2**	658.8
Restricted cash and cash equivalents	**4.7**	5.0	**5.1**	7.3
Property, plant and equipment, net	**710.6**	700.8	**775.9**	1,019.8
Insurance receivable — Asbestos	**185.1**	149.0	**202.1**	216.9
Workers' compensation — Asbestos	**98.8**	73.8	**107.9**	107.4
Deferred income taxes	**3.2**	2.1	**3.5**	3.1
Deferred income taxes — Asbestos	**420.0**	333.2	**458.6**	484.8
Deposit with Australian Taxation Office	**247.2**	173.5	**269.9**	252.5
Other assets	**44.7**	1.6	**48.8**	2.3
Total assets	**$ 2,178.8**	$ 1,891.7	**A$ 2,379.0**	A$ 2,752.9
Liabilities and Shareholders' Deficit				
Current liabilities:				
Accounts payable and accrued liabilities	**$ 100.9**	$ 89.1	**A$ 110.2**	A$ 129.7
Short-term debt	**—**	93.3	**—**	135.8
Current portion of long-term debt	**95.0**	—	**103.7**	—
Accrued payroll and employee benefits	**42.1**	35.5	**46.0**	51.7
Accrued product warranties	**6.7**	7.4	**7.3**	10.8
Income taxes payable	**34.9**	1.4	**38.1**	2.0
Asbestos liability	**106.7**	78.2	**116.5**	113.8
Workers' compensation — Asbestos	**0.1**	0.6	**0.1**	0.9
Other liabilities	**27.7**	9.5	**30.2**	13.8
Total current liabilities	**414.1**	315.0	**452.1**	458.5
Long-term debt	**59.0**	230.7	**64.4**	335.7
Deferred income taxes	**113.5**	93.8	**123.9**	136.5
Accrued product warranties	**18.2**	17.5	**19.9**	25.5
Asbestos liability	**1,512.5**	1,206.3	**1,651.5**	1,755.4
Workers' compensation — Asbestos	**98.8**	73.8	**107.9**	107.4
Other liabilities	**80.6**	63.3	**88.0**	92.1
Total liabilities	**2,296.7**	2,000.4	**A$ 2,507.7**	A$ 2,911.1
Commitments and contingencies (Note 13)				
Shareholders' deficit:				
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 434,524,879 shares issued at 31 March 2010 and 432,263,720 shares issued at 31 March 2009	**221.1**	219.2		
Additional paid-in capital	**39.5**	22.7		
Accumulated deficit	**(437.7)**	(352.8)		
Accumulated other comprehensive income	**59.2**	2.2		
Total shareholders' deficit	**(117.9)**	(108.7)		
Total liabilities and shareholders' deficit	**$ 2,178.8**	$ 1,891.7		

The accompanying notes are an integral part of these consolidated financial statements.

James Hardie Industries SE and Subsidiaries
Consolidated Statements of Operations

(Millions of US dollars, except per share data)	Years Ended 31 March **2010**	2009	2008
Net sales	**$ 1,124.6**	$ 1,202.6	$ 1,468.8
Cost of goods sold	**(708.5)**	(813.8)	(938.8)
Gross profit	**416.1**	388.8	530.0
Selling, general and administrative expenses	**(185.8)**	(208.8)	(228.2)
Research and development expenses	**(27.1)**	(23.8)	(27.3)
Impairment charges	**—**	—	(71.0)
Asbestos adjustments	**(224.2)**	17.4	(240.1)
Operating (loss) income	**(21.0)**	173.6	(36.6)
Interest expense	**(7.7)**	(11.2)	(11.1)
Interest income	**3.7**	8.2	12.2
Other income (expense)	**6.3**	(14.8)	—
(Loss) income before income taxes	**(18.7)**	155.8	(35.5)
Income tax expense	**(66.2)**	(19.5)	(36.1)
Net (loss) income	**$ (84.9)**	$ 136.3	$ (71.6)
Net (loss) income per share — basic	**$ (0.20)**	$ 0.32	$ (0.16)
Net (loss) income per share — diluted	**$ (0.20)**	$ 0.31	$ (0.16)
Weighted average common shares outstanding (Millions):			
Basic	**433.1**	432.3	455.0
Diluted	**433.1**	434.5	455.0

The accompanying notes are an integral part of these consolidated financial statements.

James Hardie Industries SE and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

(Millions of Australian dollars, except per share data)	Years ended 31 March 2010	2009	2008
Net sales	**A$ 1,321.3**	A$ 1,515.3	A$ 1,689.6
Cost of goods sold	**(832.4)**	(1,025.4)	(1,079.9)
Gross profit	**488.9**	489.9	609.7
Selling, general and administrative expenses	**(218.3)**	(263.1)	(262.5)
Research and development expenses	**(31.8)**	(30.0)	(31.4)
Impairment charges	**—**	—	(81.7)
Asbestos adjustments	**(263.4)**	21.9	(276.2)
Operating (loss) income	**(24.6)**	218.7	(42.1)
Interest expense	**(9.0)**	(14.1)	(12.8)
Interest income	**4.3**	10.3	14.0
Other income (expense)	**7.4**	(18.6)	—
(Loss) income before income taxes	**(21.9)**	196.3	(40.9)
Income tax expense	**(77.8)**	(24.6)	(41.5)
Net (loss) income	**A$ (99.7)**	171.7	A$ (82.4)
Net (loss) income per share — basic	**A$ (0.23)**	A$ 0.40	A$ (0.18)
Net (loss) income per share — diluted	**A$ (0.23)**	A$ 0.40	A$ (0.18)
Weighted average common shares outstanding (Millions):			
Basic	**433.1**	432.3	455.0
Diluted	**433.1**	434.5	455.0

The accompanying notes are an integral part of these consolidated financial statements.

James Hardie Industries SE and Subsidiaries
Consolidated Statements of Cash Flows

(Millions of US dollars)	2010	2009	2008
		Years ended 31 March	
Cash Flows From Operating Activities			
Net (loss) income	**$ (84.9)**	$ 136.3	$ (71.6)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	**61.7**	56.4	56.5
Deferred income taxes	**19.2**	(58.2)	(54.0)
Pension cost	**0.1**	0.7	1.0
Stock-based compensation	**7.7**	7.2	7.7
Asbestos adjustments	**224.2**	(17.4)	240.1
Tax benefit from stock options exercised	**(0.9)**	—	—
Other-than-temporary impairment on investments	**—**	14.8	—
Impairment charges	**—**	—	71.0
Other	**—**	—	(3.4)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	**14.9**	69.0	44.7
Restricted short-term investments	**54.4**	—	—
Payment to the AICF	**—**	(110.0)	—
Accounts and other receivable	**(30.1)**	6.6	39.6
Inventories	**(12.2)**	40.3	(26.6)
Prepaid expenses and other assets	**(48.1)**	5.7	4.9
Insurance receivable — Asbestos	**14.4**	16.5	16.7
Accounts payable and accrued liabilities	**35.4**	(11.4)	2.6
Asbestos liability	**(91.0)**	(91.1)	(67.0)
Deposit with Australian Taxation Office	**(29.3)**	(9.9)	(9.7)
ATO settlement payment	—	(101.6)	—
Other accrued liabilities	**47.6**	0.9	66.8
Net cash provided by (used in) operating activities	**$ 183.1**	$ (45.2)	$ 319.3
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	**$ (50.5)**	$ (26.1)	$ (38.5)
Net cash used in investing activities	**$ (50.5)**	$ (26.1)	$ (38.5)
Cash Flows From Financing Activities			
Proceeds from short-term borrowings	**$ —**	$ 128.8	$ 7.0
Repayments of short-term borrowings	**(93.3)**	(125.5)	—
Proceeds from long-term borrowings	**274.0**	431.6	69.5
Repayments of long-term borrowings	**(350.7)**	(375.4)	—
Proceeds from issuance of shares	**10.1**	0.1	3.3
Tax benefit from stock options exercised	**0.9**	—	—
Treasury stock purchased	**—**	—	(208.0)
Dividends paid	**—**	(34.6)	(126.2)
Net cash (used in) provided by financing activities	**$ (159.0)**	$ 25.0	$ (254.4)
Effects of exchange rate changes on cash	**$ 3.2**	$ 53.3	$ (25.1)
Net (decrease) increase in cash and cash equivalents	**(23.2)**	7.0	1.3
Cash and cash equivalents at beginning of period	**42.4**	35.4	34.1
Cash and cash equivalents at end of period	**$ 19.2**	$ 42.4	$ 35.4
Components of Cash and Cash Equivalents			
Cash at bank and on hand	**$ 13.1**	$ 8.9	$ 21.6
Short-term deposits	**6.1**	33.5	13.8
Cash and cash equivalents at end of period	**$ 19.2**	$ 42.4	$ 35.4
Supplemental Disclosure of Cash Flow Activities			
Cash paid during the year for interest, net of amounts capitalised	**$ 7.4**	$ 7.8	$ 12.8
Cash paid during the year for income taxes, net	**$ 48.5**	$ 23.2	$ 70.4

The accompanying notes are an integral part of these consolidated financial statements.

James Hardie Industries SE and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

(Millions of Australian dollars)	Years ended 31 March 2010	2009	2008
Cash Flows From Operating Activities			
Net (loss) income	**A$ (99.7)**	A$ 171.7	A$ (82.4)
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	**72.5**	71.1	65.0
Deferred income taxes	**22.6**	(73.3)	(62.1)
Pension cost	**0.1**	0.9	1.2
Stock-based compensation	**9.0**	9.1	8.9
Asbestos adjustments	**263.4**	(21.9)	276.2
Tax benefit from stock options exercised	**(1.1)**	—	—
Other-than-temporary impairment on investments	**—**	18.6	—
Impairment charges	**—**	—	81.7
Other	**—**	—	(3.9)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	**17.5**	86.9	51.4
Restricted short-term investments	**63.9**	—	—
Payment to the AICF	**—**	(138.6)	—
Accounts and other receivable	**(35.4)**	8.3	45.6
Inventories	**(14.3)**	50.8	(30.6)
Prepaid expenses and other assets	**(56.5)**	7.2	5.6
Insurance receivable — Asbestos	**16.9**	20.8	19.2
Accounts payable and accrued liabilities	**41.6**	(14.4)	3.0
Asbestos liability	**(106.9)**	(114.8)	(77.1)
Deposit with Australian Taxation Office	**(34.4)**	(12.5)	(11.2)
ATO settlement payment	**—**	(128.0)	—
Other accrued liabilities	**55.9**	1.1	76.8
Net cash provided by (used in) operating activities	**A$ 215.1**	A$ (57.0)	A$ 367.3
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	**A$ (59.3)**	A$ (32.9)	A$ (44.3)
Net cash used in investing activities	**A$ (59.3)**	A$ (32.9)	A$ (44.3)
Cash Flows From Financing Activities			
Proceeds from short-term borrowings	**A$ —**	A$ 162.3	A$ 8.1
Repayments of short-term borrowings	**(109.6)**	(158.1)	—
Proceeds from long-term borrowings	**321.9**	543.8	79.9
Repayments of long-term borrowings	**(412.0)**	(473.0)	—
Proceeds from issuance of shares	**11.9**	0.1	3.8
Tax benefit from stock options exercised	**1.1**	—	—
Treasury stock purchased	**—**	—	(239.3)
Dividends paid	**—**	(43.6)	(145.2)
Net cash (used in) provided by financing activities	**A$ (186.7)**	A$ 31.5	A$ (292.7)
Effects of exchange rate changes on cash	**(9.8)**	A$ 81.5	A$ (34.0)
Net (decrease) increase in cash and cash equivalents	**(40.7)**	23.1	(3.7)
Cash and cash equivalents at beginning of period	**61.7**	38.6	42.3
Cash and cash equivalents at end of period	**A$ 21.0**	A$ 61.7	A$ 38.6
Components of Cash and Cash Equivalents			
Cash at bank and on hand	**A$ 14.3**	A$ 13.0	A$ 23.6
Short-term deposits	**6.7**	48.7	15.0
Cash and cash equivalents at end of period	**A$ 21.0**	A$ 61.7	A$ 38.6
Supplemental Disclosure of Cash Flow Activities			
Cash paid during the year for interest, net of amounts capitalised	**A$ 8.5**	A$ 9.8	A$ 14.7
Cash paid during the year for income taxes, net	**A$ 57.0**	A$ 29.2	A$ 81.0

The accompanying notes are an integral part of these consolidated financial statements.

James Hardie Industries SE and Subsidiaries
Consolidated Statements of Changes in Shareholders' Deficit

(Millions of US dollars)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Balances as of 31 March 2007	**$ 251.8**	**$ 180.2**	**$ (178.7)**	**$ —**	**$ 5.4**	**$ 258.7**
Comprehensive loss:						
Net loss	—	—	(71.6)	—	—	(71.6)
Pension and post-retirement benefit adjustments	—	—	—	—	0.6	0.6
Unrealised loss on investments	—	—	—	—	(4.4)	(4.4)
Foreign currency translation gain	—	—	—	—	15.3	15.3
Other comprehensive income	—	—	—	—	11.5	11.5
Total comprehensive loss						(60.1)
Adoption of uncertainty in income taxes	—	—	(78.0)	—	—	(78.0)
Stock-based compensation	—	7.7	—	—	—	7.7
Stock options exercised	0.5	2.8	—	—	—	3.3
Dividends paid	—	—	(126.2)	—	—	(126.2)
Treasury stock purchased	—	—	—	(208.0)	—	(208.0)
Treasury stock retired	(32.6)	(171.4)	—	204.0	—	—
Balances as of 31 March 2008	**$ 219.7**	**$ 19.3**	**$ (454.5)**	**$ (4.0)**	**$ 16.9**	**$ (202.6)**
Comprehensive income:						
Net income	—	—	136.3	—	—	136.3
Pension and post-retirement benefit adjustments	—	—	—	—	0.7	0.7
Unrealised gain on investments	—	—	—	—	4.4	4.4
Foreign currency translation loss	—	—	—	—	(19.8)	(19.8)
Other comprehensive loss	—	—	—	—	(14.7)	(14.7)
Total comprehensive income						121.6
Stock-based compensation	—	7.2	—	—	—	7.2
Tax benefit from stock options exercised	—	(0.4)	—	—	—	(0.4)
Stock options exercised	—	0.1	—	—	—	0.1
Dividends paid	—	—	(34.6)	—	—	(34.6)
Treasury stock retired	(0.5)	(3.5)	—	4.0	—	—
Balances as of 31 March 2009	**$ 219.2**	**$ 22.7**	**$ (352.8)**	**$ —**	**$ 2.2**	**$ (108.7)**
Comprehensive income:						
Net loss	—	—	(84.9)	—	—	(84.9)
Pension and post-retirement benefit adjustments	—	—		—	(0.2)	(0.2)
Unrealised gain on investments	—	—	—	—	1.2	1.2
Foreign currency translation gain	—	—	—	—	56.0	56.0
Other comprehensive income	—	—	—	—	57.0	57.0
Total comprehensive loss						(27.9)
Stock-based compensation	—	7.7	—	—	—	7.7
Tax benefit from stock options exercised	—	0.9	—	—	—	0.9
Stock options exercised	1.9	8.2	—	—	—	10.1
Balances as of 31 March 2010	**$ 221.1**	**$ 39.5**	**$ (437.7)**	**$ —**	**$ 59.2**	**$ (117.9)**

The accompanying notes are an integral part of these consolidated financial statements.

1. Background and Basis of Presentation

Nature of Operations

The Company manufactures and sells fibre cement building products for interior and exterior building construction applications primarily in the United States, Australia, New Zealand, the Philippines and Europe.

Background

On 2 July 1998, ABN 60 000 009 263 Pty Ltd, formerly James Hardie Industries Limited ("JHIL"), then a public company organised under the laws of Australia and listed on the Australian Stock Exchange, announced a plan of reorganisation and capital restructuring (the "1998 Reorganisation"). James Hardie N.V. ("JHNV") was incorporated in August 1998, as an intermediary holding company, with all of its common stock owned by indirect subsidiaries of JHIL. On 16 October 1998, JHIL's shareholders approved the 1998 Reorganisation. Effective as of 1 November 1998, JHIL contributed its fibre cement businesses, its US gypsum wallboard business, its Australian and New Zealand building systems businesses and its Australian windows business (collectively, the "Transferred Businesses") to JHNV and its subsidiaries. In connection with the 1998 Reorganisation, JHIL and its non-transferring subsidiaries retained certain unrelated assets and liabilities.

On 24 July 2001, JHIL announced a further plan of reorganisation and capital restructuring (the "2001 Reorganisation"). Completion of the 2001 Reorganisation occurred on 19 October 2001. In connection with the 2001 Reorganisation, James Hardie Industries N.V. ("JHI NV"), formerly RCI Netherlands Holdings B.V., issued common shares represented by CHESS Units of Foreign Securities ("CUFS") on a one for one basis to existing JHIL shareholders in exchange for their shares in JHIL such that JHI NV became the new ultimate holding company for JHIL and JHNV.

Following the 2001 Reorganisation, JHI NV controlled the same assets and liabilities as JHIL controlled immediately prior to the 2001 Reorganisation.

On 21 August 2009, JHI NV shareholders approved a plan ("Proposal") to transform the Company into a Societas Europaea ("SE") (Stage 1 of the Proposal) and, subsequently, change its domicile from The Netherlands to the Republic of Ireland (Stage 2 of the Proposal). On 19 February 2010, the Company completed Stage 1 of the Proposal and was transformed from a Dutch "NV" company to a Dutch "SE" Company and now operates under the name of James Hardie Industries Societas Europaea ("JHI SE").

Previously deconsolidated entities have been consolidated beginning 31 March 2007 as part of the process of accounting for certain asbestos liabilities. Upon shareholder approval of the Amended and Restated Final Funding Agreement on 7 February 2007 (the "Amended FFA"), the Asbestos Injuries Compensation Fund (the "AICF") was deemed a special purpose entity and, as such, it was consolidated with the results for JHI SE. See Note 2 and Note 11 for additional information.

Basis of Presentation

The consolidated financial statements represent the financial position, results of operations and cash flows of JHI SE and its wholly-owned subsidiaries and special purpose entity, collectively referred to as either the "Company" or "James Hardie" and "JHI SE", together with its subsidiaries as of the time relevant to the applicable reference, the "James Hardie Group," unless the context indicates otherwise.

The consolidated balance sheets, statements of operations and statements of cash flows of the Company have been presented with accompanying Australian dollar (A$) convenience translations as the majority of the Company's shareholder base is Australian. These A$ convenience translations are not prepared in accordance with US GAAP and have not been audited. The exchange rates used to calculate the convenience translations are as follows:

	31 March		
(US$1 = A$)	**2010**	2009	2008
Assets and liabilities	**1.0919**	1.4552	1.0903
Statements of operations	**1.1749**	1.2600	1.1503
Cash flows — beginning cash	**1.4552**	1.0903	1.2395
Cash flows — ending cash	**1.0919**	1.4552	1.0903
Cash flows — current period movements	**1.1749**	1.2600	1.1503

2. Summary of Significant Accounting Policies

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassifications do not impact shareholders' deficit.

Accounting Principles

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The US dollar is used as the reporting currency. All subsidiaries and special purpose entities are consolidated and all significant intercompany transactions and balances are eliminated.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Foreign Currency Translation

All assets and liabilities are translated into US dollars at current exchange rates while revenues and expenses are translated at average exchange rates in effect for the period. The effects of foreign currency translation adjustments are included directly in other comprehensive income in shareholders' equity. Gains and losses arising from foreign currency transactions are recognised in income currently.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents relate to amounts subject to letters of credit with insurance companies which restrict the cash from use for general corporate purposes.

Inventories

Inventories are valued at the lower of cost or market. Cost is generally determined under the first-in, first-out method, except that the cost of raw materials and supplies is determined using actual or average costs. Cost includes the costs of materials, labour and applied factory overhead. On a regular basis, the Company evaluates its inventory balances for excess quantities and obsolescence by analysing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory costs are written down, if necessary.

Property, Plant and Equipment
Property, plant and equipment are stated at cost. Property, plant and equipment of businesses acquired are recorded at their estimated fair value at the date of acquisition. Depreciation of property, plant and equipment is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings	40
Building improvements	5 to 10
Manufacturing machinery	20
General equipment	5 to 10
Computer equipment, software, and software development	3 to 7
Office furniture and equipment	3 to 10

The costs of additions and improvements are capitalised, while maintenance and repair costs are expensed as incurred. Interest is capitalised in connection with the construction of major facilities. Capitalised interest is recorded as part of the asset to which it relates and is amortised over the asset's estimated useful life. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation amounts with any resulting gain or loss reflected in the consolidated statements of operations.

The Company accrues for all asset retirement obligations in the period in which the liability is incurred. The initial measurement of an asset retirement obligation is based upon the present value of estimated cost and a related long-lived asset retirement cost is capitalised as part of the asset's carrying value and allocated to expense over the asset's useful life.

Impairment of Long-Lived Assets
Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognised by the amount by which the carrying amount of the asset exceeds the fair value of the assets.

Environmental Remediation Expenditures
Environmental remediation expenditures that relate to current operations are expensed or capitalised, as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Estimated liabilities are not discounted to present value. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action.

Revenue Recognition
The Company recognises revenue when the risks and obligations of ownership have been transferred to the customer, which generally occurs at the time of delivery to the customer. The Company records estimated reductions in sales for customer rebates and discounts including volume, promotional, cash and other discounts. Rebates and discounts are recorded based on management's best estimate when products are sold. The estimates are based on historical experience for similar programs and products. Management reviews these rebates and discounts on an ongoing basis and the related accruals are adjusted, if necessary, as additional information becomes available.

Depreciation and Amortisation
The Company records depreciation and amortisation under both cost of goods sold and selling, general and administrative expenses, depending on the asset's business use. All depreciation and amortisation related to plant building, machinery and equipment is recorded in cost of goods sold.

Advertising
The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was US$9.1 million, US$9.9 million and US$11.9 million during the years ended 31 March 2010, 2009 and 2008, respectively.

Accrued Product Warranties
An accrual for estimated future warranty costs is recorded based on an analysis by the Company, which includes the historical relationship of warranty costs to installed product.

Income Taxes
The Company accounts for income taxes under the asset and liability method. Under this method, deferred income taxes are recognised by applying enacted statutory rates applicable to future years to differences between the tax bases and financial reporting amounts of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognised in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that all or some portion of deferred tax assets will not be realised. Interest and penalties related to uncertain tax positions are recognised in income tax expense.

Financial Instruments
The Company calculates the fair value of financial instruments and includes this additional information in the notes to the consolidated financial statements when the fair value is different from the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Periodically, interest rate swaps, commodity swaps and forward exchange contracts are used to manage market risks and reduce exposure resulting from fluctuations in interest rates, commodity prices and foreign currency exchange rates. Where such contracts are designated as, and are effective as, a hedge, changes in the fair value of derivative instruments designated as cash flow hedges are deferred and recorded in other comprehensive income. These deferred gains or losses are recognised in income when the transactions being hedged are recognised. The ineffective portion of these hedges is recognised in income currently. Changes in the fair value of derivative instruments designated as fair value hedges are recognised in income, as are changes in the fair value of the hedged item. Changes in the fair value of derivative instruments that are not designated as hedges for accounting purposes are recognised in income. The Company does not use derivatives for trading purposes.

Stock-based Compensation
The Company recognised stock-based compensation expense (included in selling, general and administrative expense) of US$9.3 million, US$7.2 million and US$7.7 million for the years ended 31 March 2010, 2009 and 2008, respectively. Included in stock-based compensation expense for the year ended 31 March 2010 is an expense of US$1.6 million related to liability-classified awards.

Earnings Per Share

The Company discloses basic and diluted earnings per share ("EPS"). Basic EPS is calculated using net income divided by the weighted average number of common shares outstanding during the period. Diluted EPS is similar to basic EPS except that the weighted average number of common shares outstanding is increased to include the number of additional common shares calculated using the Treasury Method that would have been outstanding if the dilutive potential common shares, such as options, had been issued. Accordingly, basic and dilutive common shares outstanding used in determining net (loss) income per share are as follows:

	Years Ended 31 March		
(Millions of shares)	**2010**	2009	2008
Basic common shares outstanding	**433.1**	432.3	455.0
Dilutive effect of stock awards	**—**	2.2	—
Diluted common shares outstanding	**433.1**	434.5	455.0

(US dollars)	**2010**	2009	2008
Net (loss) income per share — basic	**$ (0.20)**	$ 0.32	$ (0.16)
Net (loss) income per share — diluted	**$ (0.20)**	$ 0.31	$ (0.16)

Potential common shares of 13.7 million, 19.0 million and 10.4 million for the years ended 31 March 2010, 2009 and 2008, respectively, have been excluded from the calculation of diluted common shares outstanding because the effect of their inclusion would be anti-dilutive.

Unless they are anti-dilutive, restricted stock units ("RSUs") which vest solely based on continued employment are considered to be outstanding as of their issuance date for purposes of computing diluted EPS and are included in the calculation of diluted EPS using the Treasury Method. Once these RSUs vest, they are included in the basic EPS calculation on a weighted-average basis.

RSUs which vest based on performance or market conditions are considered contingent shares. At each reporting date prior to the end of the contingency period, the Company determines the number of contingently issuable shares to include in the diluted EPS, as the number of shares that would be issuable under the terms of the RSU arrangement, if the end of the reporting period were the end of the contingency period. Once these RSUs vest, they are included in the basic EPS calculation on a weighted-average basis.

Asbestos

At 31 March 2006, the Company recorded an asbestos provision based on the estimated economic impact of the Original Final Funding Agreement ("Original FFA") entered into on 1 December 2005. The amount of the net asbestos provision of US$715.6 million was based on the terms of the Original FFA, which included an actuarial estimate prepared by KPMG Actuaries as of 31 March 2006 of the projected future cash outflows, undiscounted and uninflated, and the anticipated tax deduction arising from Australian legislation which came into force on 6 April 2006. The amount represented the net economic impact that the Company was prepared to assume as a result of its voluntary funding of the asbestos liability which was under negotiation with various parties.

In February 2007, the shareholders approved the Amended FFA entered into on 21 November 2006 to provide long-term funding to the Asbestos Injuries Compensation Fund ("AICF"), a special purpose fund that provides compensation for Australian-related personal injuries for which certain former subsidiary companies of James Hardie in Australia (being Amaca Pty Ltd ("Amaca"), Amaba Pty Ltd ("Amaba") and ABN 60 Pty Limited ("ABN 60") (collectively, the "Former James Hardie Companies")) are found liable.

Amaca and Amaba separated from the James Hardie Group in February 2001. ABN 60 separated from the James Hardie Group in March 2003. Upon shareholder approval of the Amended FFA in February 2007, shares in the Former James Hardie Companies were transferred to the AICF. The AICF manages Australian asbestos-related personal injury claims made against the Former James Hardie Companies and makes compensation payments in respect of those proven claims.

AICF

In February 2007, the shareholders approved a proposal pursuant to which the Company provides long-term funding to the AICF. The Company owns 100% of James Hardie 117 Pty Ltd (the "Performing Subsidiary") that funds the AICF subject to the provisions of the Amended FFA. The Company appoints three of the AICF directors and the NSW Government appoints two of the AICF directors.

Under the terms of the Amended FFA, the Performing Subsidiary has an obligation to make payments to the AICF on an annual basis, depending on the Company's net operating cash flow. The amounts of these annual payments are dependent on several factors, including the Company's free cash flow (as defined in the Amended FFA), actuarial estimations, actual claims paid, operating expenses of the AICF and the annual cash flow cap. JHI SE guarantees the Performing Subsidiary's obligation. As a result, the Company considers it to be the primary beneficiary of the AICF.

The Company's interest in the AICF is considered variable because the potential impact on the Company will vary based upon the annual actuarial assessments obtained by the AICF with respect to asbestos-related personal injury claims against the Former James Hardie Companies.

Although the Company has no legal ownership in the AICF, the Company consolidates the AICF due to its pecuniary and contractual interests in the AICF as a result of the funding arrangements outlined in the Amended FFA. The Company's consolidation of the AICF resulted in a separate recognition of the asbestos liability and certain other items including the related Australian income tax benefit. Among other items, the Company recorded a deferred tax asset for the anticipated tax benefit related to asbestos liabilities and a corresponding increase in the asbestos liability. As stated in "Deferred Income Taxes" below, the Performing Subsidiary is able to claim a tax deduction for contributions to the asbestos fund. For the year ended 31 March 2007, the Company classified the expense related to the increase of the asbestos liability as asbestos adjustments and the Company classified the benefit related to the recording of the related deferred tax asset as an income tax benefit (expense) on its consolidated statements of operations.

For the year ended 31 March 2010, the Company did not provide financial or other support to the AICF that it was not previously contractually required to provide. Future funding for the AICF continues to be linked under the terms of the Amended FFA to the Company's long-term financial success, specifically the Company's ability to generate net operating cash flow.

The AICF has operating costs that are claims related and non-claims related. Claims related costs incurred by the AICF are treated as reductions to the accrued asbestos liability balances previously reflected in the consolidated balance sheets. Non-claims related operating costs incurred by the AICF are expensed as incurred in the line item *Selling, general and administrative expenses* in the consolidated statements of operations. The AICF earns interest on its cash and cash equivalents and on its short-term investments; these amounts are included in the line item *Interest income* in the consolidated statements of operations.

See Asbestos-Related Assets and Liabilities below and Note 11 — Asbestos for further details on the related assets and liabilities recorded in the Company's consolidated balance sheet under the terms of the Amended FFA.

Asbestos-Related Assets and Liabilities

The Company has recorded on its consolidated balance sheets certain assets and liabilities under the terms of the Amended FFA. These items are Australian dollar-denominated and are subject to translation into US dollars at each reporting date. These assets and liabilities are referred to by the Company as *Asbestos-Related Assets and Liabilities* and include:

<u>Asbestos Liability</u>

The amount of the asbestos liability reflects the terms of the Amended FFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows prepared by KPMG Actuaries. Based on their assumptions, they arrived at a range of possible total cash flows and proposed a central estimate which is intended to reflect an expected outcome. The Company views the central estimate as the basis for recording the asbestos liability in the Company's financial statements, which under US GAAP, it considers the best estimate. The asbestos liability includes these cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows are not fixed or readily determinable.

Adjustments in the asbestos liability due to changes in the actuarial estimate of projected future cash flows and changes in the estimate of future operating costs of the AICF are reflected in the consolidated statements of operations during the period in which they occur. Claims paid by the AICF and claims-handling costs incurred by the AICF are treated as reductions in the accrued balances previously reflected in the consolidated balance sheets.

<u>Insurance Receivable</u>

There are various insurance policies and insurance companies with exposure to the asbestos claims. The insurance receivable determined by KPMG Actuaries reflects the recoveries expected from all such policies based on the expected pattern of claims against such policies less an allowance for credit risk based on credit agency ratings. The insurance receivable generally includes these cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows are not fixed or readily determinable. The Company only records insurance receivables that it deems to be probable.

Included in insurance receivable is US$12.5 million recorded on a discounted basis because the timing of the recoveries has been agreed with the insurer.

Adjustments in insurance receivable due to changes in the actuarial estimate, or changes in the Company's assessment of recoverability are reflected in the consolidated statements of operations during the period in which they occur. Insurance recoveries are treated as a reduction in the insurance receivable balance.

Workers' Compensation

Workers' compensation claims are claims made by former employees of the Former James Hardie Companies. Such past, current and future reported claims were insured with various insurance companies and the various Australian State-based workers' compensation schemes (collectively "workers' compensation schemes or policies"). An estimate of the liability related to workers' compensation claims is prepared by KPMG Actuaries as part of the annual actuarial assessment. This estimate contains two components, amounts that will be met by a workers' compensation scheme or policy, and amounts that will be met by the Former James Hardie Companies.

The portion of the estimate that is expected to be met by the Former James Hardie Companies is included as part of the *Asbestos Liability*. Adjustments to this estimate are reflected in the consolidated statements of operations during the period in which they occur.

The portion of the estimate that is expected to be met by the workers' compensation schemes or policies of the Former James Hardie Companies is recorded by the Company as a workers' compensation liability. Since these amounts are expected to be paid by the workers' compensation schemes or policies, the Company records an equivalent workers' compensation receivable.

Adjustments to the workers' compensation liability result in an equal adjustment in the workers' compensation receivable recorded by the Company and have no effect on the consolidated statements of operations.

Asbestos-Related Research and Education Contributions

The Company agreed to fund asbestos-related research and education initiatives for a period of 10 years, beginning in fiscal year 2007. The liabilities related to these agreements are included in "Other Liabilities" on the consolidated balance sheets.

Restricted Cash and Cash Equivalents

Cash and cash equivalents of the AICF are reflected as restricted assets, as the use of these assets is restricted to the settlement of asbestos claims and payment of the operating costs of the AICF. The Company classifies these amounts as a current asset on the face of the consolidated balance sheet since they are highly liquid.

Restricted Short-Term Investments

Short-term investments consist of highly liquid investments held in the custody of major financial institutions. All short-term investments are classified as available for sale and are recorded at market value using the specific identification method. Unrealised gains and losses on the market value of these investments are included as a separate component of accumulated other comprehensive income. Realised gains and losses on short-term investments are recognised in *Other Income* on the consolidated statement of operations.

<u>AICF — Other Assets and Liabilities</u>

Other assets and liabilities of the AICF, including fixed assets, trade receivables and payables are included on the consolidated balance sheets under the appropriate captions and their use is restricted to the operations of the AICF.

<u>Deferred Income Taxes</u>

The Performing Subsidiary is able to claim a taxation deduction for its contributions to the AICF over a five-year period from the date of contribution. Consequently, a deferred tax asset has been recognised equivalent to the anticipated tax benefit over the life of the Amended FFA. The current portion of the deferred tax asset represents Australian tax benefits that will be available to the Company during the subsequent twelve months.

Adjustments are made to the deferred income tax asset as adjustments to the asbestos-related assets and liabilities are recorded.

Foreign Currency Translation

The asbestos-related assets and liabilities are denominated in Australian dollars and thus the reported values of these asbestos-related assets and liabilities in the Company's consolidated balance sheets in US dollars are subject to adjustment depending on the closing exchange rate between the two currencies at the balance sheet date. The effect of foreign exchange rate movements between these currencies is included in *Asbestos Adjustments* in the consolidated statements of operations.

Recent Accounting Pronouncements

In March 2008, the FASB issued authoritative guidance that changed the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The adoption of this authoritative guidance did not result in a material impact to the Company's consolidated financial position, results of operations or cash flows.

In June 2008, the FASB issued authoritative guidance that clarified that share-based payment awards that entitle their holders to receive non-forfeitable dividends before vesting should be considered participating securities. As participating securities, these instruments should be included in the calculation of basic earnings per share. This authoritative guidance is effective for financial statements issued for fiscal years beginning after 15 December 2008, as well as interim periods in those years. The adoption did not result in a material impact to the Company's consolidated financial position, results of operations or cash flows.

In April 2009, the FASB expanded disclosure requirements for interim reporting periods to include disclosures about the fair value of financial instruments held by the Company. The Company adopted this statement effective for its first quarter of fiscal 2010, which has resulted in the disclosure of fair values attributable to debt instruments included in Note 12.

Effective for the Company's second quarter of fiscal 2010, the Company adopted the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles which only affected the specific references to US GAAP literature in the notes to the consolidated financial statements. There was no impact on the Company's results of operations, financial condition or liquidity.

3. Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in banks and cash invested temporarily in various highly liquid financial instruments with original maturities of three months or less when acquired.

Cash and cash equivalents consist of the following components:

(Millions of US dollars)	31 March 2010	31 March 2009
Cash at bank and on hand	**$ 13.1**	$ 8.9
Short-term deposits	**6.1**	33.5
Total cash and cash equivalents	**$ 19.2**	$ 42.4

4. Restricted Cash and Cash Equivalents

Included in restricted cash and cash equivalents is US$5.3 million related to an insurance policy as of 31 March 2010 and 2009, respectively.

5. Accounts and Other Receivables

Accounts and notes receivable consist of the following components:

(Millions of US dollars)	31 March 2010	31 March 2009
Trade receivables	**$ 122.8**	$ 96.6
Other receivables and advances	**34.5**	16.2
Allowance for doubtful accounts	**(2.3)**	(1.4)
Total accounts and other receivables	**$ 155.0**	$ 111.4

The collectability of accounts receivable, consisting mainly of trade receivables, is reviewed on an ongoing basis. An allowance for doubtful accounts is provided for known and estimated bad debts by analysing specific customer accounts and assessing the risk of uncollectability based on insolvency, disputes or other collection issue.

The following are changes in the allowance for doubtful accounts:

(Millions of US dollars)	31 March 2010	31 March 2009
Balance at beginning of period	**$ 1.4**	$ 2.0
Charged to expense	**0.9**	0.4
Costs and deductions	**—**	(1.0)
Balance at end of period	**$ 2.3**	$ 1.4

6. Inventories

Inventories consist of the following components:

(Millions of US dollars)	31 March 2010	2009
Finished goods	**$ 99.8**	$ 82.5
Work-in-process	**4.8**	4.7
Raw materials and supplies	**52.0**	48.9
Provision for obsolete finished goods and raw materials	**(7.5)**	(7.2)
Total inventories	**$ 149.1**	$ 128.9

7. Property, Plant and Equipment

Property, plant and equipment consist of the following components:

(Millions of US dollars)	Land	Buildings	Machinery and Equipment	Construction In Progress[1]	Total
Balance at 31 March 2008:					
Cost	$ 17.2	$ 208.9	$ 840.5	$ 82.4	**$ 1,149.0**
Accumulated depreciation	—	(52.0)	(340.6)	—	**(392.6)**
Net book value	17.2	156.9	499.9	82.4	**756.4**
Changes in net book value:					
Capital expenditures	0.8	3.4	52.7	(30.8)	**26.1**
Depreciation	—	(9.4)	(47.0)	—	**(56.4)**
Other movements	—	—	(0.2)	—	**(0.2)**
Foreign currency translation adjustments	—	—	(25.1)	—	**(25.1)**
Total changes	0.8	(6.0)	(19.6)	(30.8)	**(55.6)**
Balance at 31 March 2009:					
Cost	18.0	212.3	867.9	51.6	**1,149.8**
Accumulated depreciation	—	(61.4)	(387.6)	—	**(449.0)**
Net book value	$ 18.0	$ 150.9	$ 480.3	$ 51.6	**$ 700.8**
Changes in net book value:					
Capital expenditures	0.1	3.6	30.0	16.8	**50.5**
Depreciation	—	(9.7)	(52.0)	—	**(61.7)**
Other movements	—	—	20.7	(20.7)	**—**
Foreign currency translation adjustments	—	—	21.0	—	**21.0**
Total changes	0.1	(6.1)	19.7	(3.9)	**9.8**
Balance at 31 March 2010:					
Cost	18.1	215.9	939.6	47.7	**1,221.3**
Accumulated depreciation	—	(71.1)	(439.6)	—	**(510.7)**
Net book value	$ 18.1	$ 144.8	$ 500.0	$ 47.7	**$ 710.6**

1 Construction in progress consists of plant expansions and upgrades.

Interest related to the construction of major facilities is capitalised and included in the cost of the asset to which it relates. Interest capitalised was US$0.2 million, US$0.1 million and US$0.6 million for the years ended 31 March 2010, 2009 and 2008, respectively. Depreciation expense was US$61.7

million, US$56.4 million and US$56.5 million for the years ended 31 March 2010, 2009 and 2008, respectively.

Included in property, plant and equipment are restricted assets of the AICF with a net book value of US$2.3 million and US$0.8 million as of 31 March 2010 and 2009, respectively.

Asset Impairments

The Company recorded an asset impairment charge of US$32.4 million in the year ended 31 March 2008 in its USA and Europe Fibre Cement segment related to the suspension of production at its Blandon, Pennsylvania plant in the United States. The impaired assets include buildings and machinery, which were reduced to their estimated fair value based on valuation methods including quoted market prices and discounted future cash flows. These assets are being held for use by the Company.

The Company recorded an asset impairment charge of US$25.4 million in the year ended 31 March 2008 in its USA and Europe Fibre Cement segment, related to the closure of its Plant City, Florida Hardie Pipe plant. The impaired assets include buildings and machinery, which were reduced to their estimated fair value based on valuation methods including quoted market prices and discounted future cash flows. These assets are being held for use by the Company.

The Company recorded an asset impairment charge of US$13.2 million in the year ended 31 March 2008 related to buildings and machinery utilised to produce materials for the Company's products. This asset impairment was recorded in its USA and Europe Fibre Cement segment. The impaired assets were reduced to their estimated fair value based on valuation methods including quoted market prices and discounted future cash flows. These assets are being held for use by the Company.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following components:

	31 March	
(Millions of US dollars)	**2010**	2009
Trade creditors	**$ 71.3**	$ 44.4
Other creditors and accruals	**29.6**	44.7
Total accounts payable and accrued liabilities	**$ 100.9**	$ 89.1

9. Short and Long-Term Debt

Debt consists of the following components:

(Millions of US dollars)	31 March 2010	31 March 2009
Short-term debt	**$ —**	$ 93.3
Current portion of long-term debt	**95.0**	—
Long-term debt	**59.0**	230.7
Total debt	**$ 154.0**	$ 324.0

The weighted average interest rate on the Company's total debt was 0.92% and 1.48% at 31 March 2010 and 2009, respectively.

At 31 March 2010, the Company's credit facilities consisted of:

Description	Effective Interest Rate	Total Facility	Principal Drawn
(US$ millions)			
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until June 2010	0.86%	$ 161.7	$ 95.0
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2011	—	45.0	—
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until December 2012	—	130.0	—
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2013	1.01%	90.0	59.0
Total		**$ 426.7**	**$ 154.0**

For all facilities, the interest rate is calculated two business days prior to the commencement of each draw-down period based on the US$ London Interbank Offered Rate ("LIBOR") plus the margins of individual lenders and is payable at the end of each draw-down period. At 31 March 2010, there was US$154.0 million drawn under the combined facilities and US$272.7 million was unutilised and available.

In December 2009, the Company refinanced US$130.0 million in facilities, which previously had maturity dates on or prior to June 2010. The maturity date of these new facilities is in December 2012. At 31 March 2010, the Company held US$161.7 million of term facilities that will mature in June 2010. The weighted average term of all debt facilities is 2.6 years at 31 March 2010.

At 31 March 2010, the Company was in compliance with all restrictive debt covenants contained in its credit facility agreements. Under the most restrictive of these covenants, the Company (i) is required to maintain certain ratios of indebtedness to equity which do not exceed certain maximums, excluding assets, liabilities and other balance sheet items of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) must maintain a minimum level of net worth, excluding assets, liabilities and other balance sheet items of the AICF; for these purposes “net worth” means the sum of the par value (or value stated in the books of the James Hardie Group) of the capital stock (but excluding treasury stock and capital stock subscribed or unissued) of the James Hardie Group, the paid in capital and retained earnings of the James Hardie Group and the aggregate amount of provisions made by the James Hardie Group for asbestos related liabilities, in each case, as such amounts would be shown in the consolidated balance sheet of the James Hardie Group if Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited were not accounted for as subsidiaries of the Company, (iii) must meet or exceed a minimum ratio of earnings before interest and taxes to net interest charges, excluding all income, expense and other profit and loss statement impacts of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited and (iv) must ensure that no more than 35% of Free Cash Flow (as defined in the Amended FFA) in any given Financial Year is contributed to the AICF on the payment dates under the Amended FFA in the next following Financial Year. The limit does not apply to payments of interest to the AICF. Such limits are consistent with the contractual liabilities of the Performing Subsidiary and the Company under the Amended FFA.

10. Product Warranties

The Company offers various warranties on its products, including a 30-year limited warranty on certain of its fibre cement siding products in the United States. A typical warranty program requires the Company to replace defective products within a specified time period from the date of sale. The Company records an estimate for future warranty related costs based on a trend analysis of actual historical warranty costs as they relate to sales. Based on this analysis and other factors, the adequacy of the Company’s warranty provisions is adjusted as necessary. While the Company’s warranty costs have historically been within its calculated estimates, it is possible that future warranty costs could differ from those estimates.

Additionally, the Company includes in its accrual for product warranties amounts for a Class Action Settlement Agreement (the “Settlement Agreement”) related to its previous roofing products, which are no longer manufactured in the United States. On 14 February 2002, the Company signed the Settlement Agreement for all product, warranty and property related liability claims associated with these previously manufactured roofing products. These products were removed from the marketplace between 1995 and 1998 in areas where there had been any alleged problems. The total amount included in the product warranty provision relating to the Settlement Agreement is US$1.2 million and US$1.9 million as of 31 March 2010 and 2009, respectively.

The following are the changes in the product warranty provision:

	Years Ended 31 March		
(Millions of US dollars)	**2010**	2009	2008
Balance at beginning of period	**$ 24.9**	$ 17.7	15.2
Accruals for product warranties	**8.1**	14.6	10.2
Settlements made in cash or in kind	**(8.4)**	(7.1)	(7.9)
Foreign currency translation adjustments	**0.3**	(0.3)	0.2
Balance at end of period	**$ 24.9**	$ 24.9	$ 17.7

11. Asbestos

The Amended FFA to provide long-term funding to the AICF was approved by shareholders in February 2007. The accounting policies utilised by the Company to account for the Amended FFA are described in Note 2, *Summary of Significant Accounting Policies* .

Asbestos Adjustments

The asbestos adjustments included in the consolidated statements of operations comprise the following:

	Years Ended 31 March		
(Millions of US dollars)	**2010**	2009	2008
Change in estimates:			
Change in actuarial estimate — asbestos liability	**$ (3.8)**	$ (180.9)	$ (175.0)
Change in actuarial estimate — insurance receivable	**1.9**	19.8	27.4
Change in estimate — AICF claims-handling costs	**(1.4)**	(1.2)	(6.5)
Change in estimate — other	**—**	—	1.2
Subtotal — Change in estimates	**(3.3)**	(162.3)	(152.9)
(Loss) gain on foreign currency exchange	**(220.9)**	179.7	(87.2)
Total Asbestos Adjustments	**$ (224.2)**	$ 17.4	$ (240.1)

Asbestos-Related Assets and Liabilities

Under the terms of the Amended FFA, the Company has included on its consolidated balance sheets certain asbestos-related assets and liabilities. These amounts are detailed in the table below, and the net total of these asbestos-related assets and liabilities is referred to by the Company as the "Net Amended FFA Liability".

(Millions of US dollars)	31 March 2010	2009
Asbestos liability — current	**$ (106.7)**	$ (78.2)
Asbestos liability — non-current	**(1,512.5)**	(1,206.3)
Asbestos liability — Total	**(1,619.2)**	(1,284.5)
Insurance receivable — current	**16.7**	12.6
Insurance receivable — non-current	**185.1**	149.0
Insurance receivable — Total	**201.8**	161.6
Workers' compensation asset — current	**0.1**	0.6
Workers' compensation asset — non-current	**98.8**	73.8
Workers' compensation liability — current	**(0.1)**	(0.6)
Workers' compensation liability — non-current	**(98.8)**	(73.8)
Workers' compensation — Total	**—**	—
Deferred income taxes — current	**16.4**	12.3
Deferred income taxes — non-current	**420.0**	333.2
Deferred income taxes — Total	**436.4**	345.5
Income tax payable	**16.5**	22.8
Other net liabilities	**(1.7)**	(2.0)
Net Amended FFA liability	**(966.2)**	(756.6)
Restricted cash and cash equivalents and restricted short-term investment assets of the AICF	**57.8**	98.3
Unfunded Net Amended FFA liability	**$ (908.4)**	$ (658.3)

Asbestos Liability

The amount of the asbestos liability reflects the terms of the Amended FFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of the projected future asbestos-related cash flows prepared by KPMG Actuaries. The asbestos liability also includes an allowance for the future claims-handling costs of the AICF. The Company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2010.

The changes in the asbestos liability for the year ended 31 March 2010 are detailed in the table below:

	A$ Millions	A$ to US$ rate	US$ Millions
Asbestos liability – 31 March 2009	A$ (1,869.2)	1.4552	$ (1,284.5)
Asbestos claims paid[1]	103.2	1.1749	87.8
AICF claims-handling costs incurred[1]	3.6	1.1749	3.1
Change in actuarial estimate[2]	(4.1)	1.0919	(3.8)
Change in estimate of AICF claims-handling costs[2]	(1.5)	1.0919	(1.4)
Loss on foreign currency exchange			(420.4)
Asbestos liability – 31 March 2010	**A$ (1,768.0)**	1.0919	**$ (1,619.2)**

Insurance Receivable – Asbestos

The changes in the insurance receivable for the year ended 31 March 2010 are detailed in the table below:

	A$ Millions	A$ to US$ rate	US$ Millions
Insurance receivable – 31 March 2009	A$ 235.2	1.4552	$ 161.6
Insurance recoveries[1]	(16.9)	1.1749	(14.4)
Change in actuarial estimate[2]	2.0	1.0919	1.8
Gain on foreign currency exchange			52.8
Insurance receivable – 31 March 2010	**A$ 220.3**	1.0919	**$ 201.8**

Deferred Income Taxes – Asbestos

The changes in the deferred income taxes – asbestos for the year ended 31 March 2010 are detailed in the table below:

	A$ Millions	A$ to US$ rate	US$ Millions
Deferred tax assets – 31 March 2009	A$ 502.7	1.4552	$ 345.5
Amounts offset against income tax payable[1]	(17.9)	1.1749	(15.3)
Impact of other asbestos adjustments[1]	(8.3)	1.1749	(7.0)
Gain on foreign currency exchange			113.2
Deferred tax assets – 31 March 2010	**A$ 476.5**	1.0919	**$ 436.4**

1 The average exchange rate for the period is used to convert the Australian dollar amount to US dollars based on the assumption that these transactions occurred evenly throughout the period.

2 The spot exchange rate at 31 March 2010 is used to convert the Australian dollar amount to US dollars as the adjustment to the estimate was made on that date.

Income Taxes Payable

A portion of the deferred income tax asset is applied against the Company's income tax payable. At 31 March 2010 and 2009, this amount was US$15.3 million and US$8.8 million, respectively. During the year ended 31 March 2010, there was a US$6.6 million favourable effect of foreign currency exchange.

Other Net Liabilities

Other net liabilities include a provision for asbestos-related education and medical research contributions of US$2.6 million and US$2.2 million at 31 March 2010 and 2009, respectively. Also included in other net liabilities are the other assets and liabilities of the AICF including trade receivables, prepayments, fixed assets, trade payables and accruals.

These other assets and liabilities of the AICF were a net asset of US$0.9 million and US$0.2 million at 31 March 2010 and 2009, respectively. During the year ended 31 March 2010, there was a US$0.6 million unfavourable effect of foreign currency exchange on the other net liabilities.

Restricted Cash and Short-term Investments of the AICF

Cash and cash equivalents and short-term investments of the AICF are reflected as restricted assets as these assets are restricted for use in the settlement of asbestos claims and payment of the operating costs of the AICF. During the year ended 31 March 2010, the AICF sold US$61.1 million (A$71.8 million) of its short-term investments. The sale of investments for the year ended 31 March 2010 resulted in the Company recording a realised gain of US$6.7 million (A$7.9 million) in the line item *Other Income*.

At 31 March 2010, the Company revalued the AICF's remaining short-term investments available-for-sale resulting in a positive mark-to-market fair value adjustment of US$1.2 million (A$1.4 million). This appreciation in the value of the investments was recorded as an unrealised gain in *Other Comprehensive Income*.

The changes in the restricted cash and short-term investments of the AICF for the year ended 31 March 2010 are detailed in the table below:

	A$ Millions	A$ to US$ rate	US$ Millions
Restricted cash and cash equivalents and restricted short-term investments – 31 March 2009	A$ 143.1	1.4552	$ 98.3
Asbestos claims paid[1]	(103.2)	1.1749	(87.8)
AICF operating costs paid – claims-handling[1]	(3.6)	1.1749	(3.1)
AICF operating costs paid – non claims-handling[1]	(2.5)	1.1749	(2.1)
Insurance recoveries[1]	16.9	1.1749	14.4
Interest and investment income[1]	3.9	1.1749	3.3
Unrealised gain on investments[1]	1.4	1.1749	1.2
Gain on investments[1]	7.9	1.1749	6.7
Other[1]	(0.8)	1.1749	(0.7)
Gain on foreign currency exchange			27.6
Restricted cash and cash equivalents and restricted short-term investments – 31 March 2010	**A$ 63.1**	1.0919	**$ 57.8**

1 The average exchange rate for the period is used to convert the Australian dollar amount to US dollars based on the assumption that these transactions occurred evenly throughout the period.

Actuarial Study; Claims Estimate

The AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2010. Based on KPMG Actuaries' assumptions, KPMG Actuaries arrived at a range of possible total cash flows and proposed a central estimate which is intended to reflect an expected outcome. The Company views the central estimate as the basis for recording the asbestos liability in the Company's financial statements, which under US GAAP, it considers the best estimate. Based on the results of these studies, it is estimated that the discounted (but inflated) value of the central estimate for claims against the Former James Hardie Companies was approximately A$1.5 billion (US$1.4 billion). The undiscounted (but inflated) value of the central estimate of the asbestos-related liabilities of Amaca and Amaba as determined by KPMG Actuaries was approximately A$2.9 billion (US$2.7 billion). Actual liabilities of those companies for such claims could vary, perhaps materially, from the central estimate described above. The asbestos liability includes projected future cash flows as undiscounted and uninflated on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows is not fixed or readily determinable.

The asbestos liability has been revised to reflect the most recent actuarial estimate prepared by KPMG Actuaries as of 31 March 2010 and to adjust for payments made to claimants during the year then ended.

In estimating the potential financial exposure, KPMG Actuaries made assumptions related to the total number of claims which were reasonably estimated to be asserted through 2071, the typical cost of settlement (which is sensitive to, among other factors, the industry in which a plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is brought), the legal costs incurred in the litigation of such claims, the rate of receipt of claims, the settlement strategy in dealing with outstanding claims and the timing of settlements.

Due to inherent uncertainties in the legal and medical environment, the number and timing of future claim notifications and settlements, the recoverability of claims against insurance contracts, and estimates of future trends in average claim awards, as well as the extent to which the above named entities will contribute to the overall settlements, the actual amount of liability could differ materially from that which is currently projected.

The potential range of costs as estimated by KPMG Actuaries is affected by a number of variables such as nil settlement rates (where no settlement is payable by the Former James Hardie Companies because the claim settlement is borne by other asbestos defendants (other than the former James Hardie subsidiaries) which are held liable), peak year of claims, past history of claims numbers, average settlement rates, past history of Australian asbestos-related medical injuries, current number of claims, average defence and plaintiff legal costs, base wage inflation and superimposed inflation. The potential range of losses disclosed includes both asserted and unasserted claims. While no assurances can be provided, the Company believes that it is likely to be able to partially recover losses from various insurance carriers. As of 31 March 2010, KPMG Actuaries' undiscounted central estimate of asbestos-related liabilities was A$2.9 billion (US$2.7 billion). This undiscounted (but inflated) central estimate is net of expected insurance recoveries of A$434.9 million (US$398.3 million) after making a general credit risk allowance for insurance carriers for A$61.5 million (US$56.3 million) and an allowance for A$77.7 million (US$71.2 million) of "by claim" or subrogation recoveries from other third parties. The Company has not netted the insurance receivable against the asbestos liability on its consolidated balance sheets.

A sensitivity analysis has been performed to determine how the actuarial estimates would change if certain assumptions (i.e., the rate of inflation and superimposed inflation, the average costs of claims and legal fees, and the projected numbers of claims) were different from the assumptions used to determine the central estimates. This analysis shows that the discounted (but inflated) central estimates could be in a range of A$1.0 billion (US$0.9 billion) to A$2.4 billion (US$2.2 billion). The undiscounted, but inflated, estimates could be in a range of A$1.8 billion (US$1.6 billion) to A$5.1 billion (US$4.7 billion), as of 31 March 2010. The actual cost of the liabilities could be outside of that range depending on the results of actual experience relative to the assumptions made. One of the critical assumptions is the estimated peak year of mesothelioma disease claims which is targeted for 2010/2011. Potential variation in this estimate has an impact much greater than the other sensitivities. If the peak year occurs five years later, in 2015/2016, the discounted central estimate could increase by approximately 50%.

Claims Data

The AICF provides compensation payments for Australian asbestos-related personal injury claims against the Former James Hardie Companies. The claims data in this section are only reflective of these Australian asbestos-related personal injury claims against the Former James Hardie Companies.

The following table shows the activity related to the numbers of open claims, new claims and closed claims during each of the past five years and the average settlement per settled claim and case closed:

	For the Years Ended 31 March				
	2010	2009	2008	2007	2006[1]
Number of open claims at beginning of period	**534**	523	490	564	712
Number of new claims	**535**	607	552	463	346
Number of closed claims	**540**	596	519	537	502
Number of open claims at end of period	**529**	534	523	490	556
Average settlement amount per settled claim	**A$190,627**	A$190,638	A$147,349	A$166,164	A$151,883
Average settlement amount per case closed	**A$171,917**	A$168,248	A$126,340	A$128,723	A$122,535
Average settlement amount per settled claim	**US$162,250**	US$151,300	US$128,096	US$127,163	US$114,318
Average settlement amount per case closed	**US$146,325**	US$133,530	US$109,832	US$ 98,510	US$ 92,229

1 Information includes claims data for only 11 months ended 28 February 2006. Claims data for the 12 months ended 31 March 2006 were not available at the time the Company's financial statements were prepared.

Under the terms of the Amended FFA, the Company has obtained rights of access to actuarial information produced for the AICF by the actuary appointed by the AICF (the "Approved Actuary"). The Company's future disclosures with respect to claims statistics are subject to it obtaining such information from the Approved Actuary. The Company has had no general right (and has not obtained any right under the Amended FFA) to audit or otherwise require independent verification of such information or the methodologies to be adopted by the Approved Actuary. As such, the Company will need to rely on the accuracy and completeness of the information and analysis of the Approved Actuary when making future disclosures with respect to claims statistics.

12. Fair Value Measurements

Assets and liabilities of the Company that are carried at fair value are classified in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date;

Level 2 Observable market-based inputs or unobservable inputs that are corroborated by market data for the asset or liability at the measurement date;

Level 3 Unobservable inputs that are not corroborated by market data used when there is minimal market activity for the asset or liability at the measurement date.

Fair value measurements of assets and liabilities are assigned a level within the fair value hierarchy based on the lowest level of any input that is significant to the fair value measurement in its entirety. The Company's financial instruments consist primarily of cash and cash equivalents, restricted cash and cash equivalents, restricted short-term investments, trade receivables, trade payables, debt and interest rate swaps.

Cash and cash equivalents, Restricted cash and cash equivalents, Trade receivables and Trade payables – These items are recorded in the financial statements at historical cost. The historical cost basis for these amounts is estimated to approximate their respective fair values due to the short maturity of these instruments.

Restricted short-term investments – Restricted short-term investments are recorded in the financial statements at fair value. The fair value of restricted short-term investments is based on quoted market prices. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component in shareholders' deficit. Restricted short-term investments are held and managed by the AICF and are reported at their fair value. At 31 March 2009, the Company determined that these investments were other-than-temporarily impaired due to the current economic environment, the length of time the fair value of the assets were less than cost and the extent of the discount of the fair value compared to the cost of the assets. The Company recorded an unrealised gain on these restricted short-term investments of US$1.2 million for the year ended 31 March 2010. This unrealised gain is included as a separate component of accumulated other comprehensive income.

Debt – Debt is generally recorded in the financial statements at historical cost. The carrying value of debt provided under the Company's credit facilities approximates fair value since the interest rates charged under these credit facilities are tied directly to market rates and fluctuate as market rates change.

Interest Rate Swaps – Interest rate swaps are recorded in the financial statements at fair value. Changes in fair value are recorded in the statement of operations in *Other Income*. At 31 March 2010, the Company had interest rate swap contracts with a total principal of US$200.0 million. For all of these interest rate swap contracts, the Company has agreed to pay fixed interest rates while receiving a floating interest rate. The purpose of holding these interest rate swap contracts is to protect against upward movements in US$ LIBOR and the associated interest the Company pays on its external credit facilities.

At 31 March 2010 the weighted average fixed interest rate of these contracts is 2.40% and the weighted average remaining life is 3.6 years. These contracts have a fair value of US$2.4 million, which is included in *Accounts Payable*. For the year ended 31 March 2010, The Company included in *Other Income* an unrealised loss on interest rate swaps of US$0.4 million. Included in *Interest Expense* is a realised loss on settlements of interest rate swap contracts of US$2.5 million for the year ended 31 March 2010.

The following table sets forth by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis at 31 March 2010 according to the valuation techniques the Company used to determine their fair values.

(Millions of US dollars)	Fair Value at 31 March 2010	Fair Value Measurements Using Inputs Considered as Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 19.2	$ 19.2	$ —	$ —
Restricted cash and cash equivalents	49.8	49.8	—	—
Restricted short-term investments	13.3	13.3	—	—
Total Assets	$ 82.3	$ 82.3	$ —	$ —
Liabilities				
Interest rate swap contracts	2.4	—	2.4	—
Total Liabilities	$ 2.4	$ —	$ 2.4	$ —

13. Commitment and Contingencies

The Company is involved from time to time in various legal proceedings and administrative actions incidental or related to the normal conduct of its business. Although it is impossible to predict the outcome of any pending legal proceeding, management believes that such proceedings and actions should not, except as it relates to asbestos, the ASIC proceedings and income taxes as described in these financial statements, individually or in the aggregate, have a material adverse effect on its consolidated financial position, results of operations or cash flows.

ASIC Proceedings

In February 2007, the Australian Securities and Investments Commission ("ASIC") commenced civil proceedings in the Supreme Court of New South Wales (the "Court") against the Company, ABN 60 and ten then-present or former officers and directors of the James Hardie Group. While the subject matter of the allegations varies between individual defendants, the allegations against the Company are confined to alleged contraventions of provisions of the Australian Corporations Act/Law relating to continuous disclosure, a director's duty of care and diligence, and engaging in misleading or deceptive conduct in respect of a security.

The Company defended each of the allegations made by ASIC and the orders sought against it in the proceedings, as did the other former directors and officers of the Company.

The proceedings commenced on 29 September 2008 before his Honour Justice Gzell. On 23 April 2009, Justice Gzell issued judgment against the Company and the ten former officers and directors of the Company. All defendants other than two lodged appeals against Justice Gzell's judgments, and ASIC responded by lodging cross appeals against the appellants. The appeals lodged by the former directors and officers were heard in April 2010 and the appeal lodged by the Company was heard in May 2010. A final judgment has not been rendered.

Depending upon the outcome of the appeals and cross-appeals, further or different findings may be made as to the liability of each defendant-appellant, any banning orders, fines payable, and as to the costs of the appeal and the first instance proceedings that the Company may become liable for either in respect of its own appeal or the appeals of other defendants-appellants under indemnities. As with the first instance proceedings, the Company has agreed to pay a portion of the costs of bringing and defending appeals, with the remaining costs being met by third parties. The Company notes that other recoveries may be available, including as a result of successful appeals or repayments by former directors and officers in accordance with the terms of their indemnities.

It is the Company's policy to expense legal costs as incurred. Losses and expenses arising from the ASIC proceedings could have a material adverse effect on the Company's financial position, liquidity, results of operations and cash flows.

As a result of the above uncertainties, it is not presently possible for the Company to estimate the amount or range of amounts, including costs that it might become liable to pay as a consequence of the appeal proceedings. Accordingly, as of 31 March 2010, the Company has not recorded any related loss reserves.

Chile Litigation

On 24 April 2009, a trial court in Santiago, Chile awarded the then equivalent of US$13.4 million in damages against the former James Hardie Chilean entity now known as Compañía Industrial El Volcán S.A. ("El Volcan") in civil litigation brought by Industria Cementa Limitada ("Cementa") in 2007.

Cementa, a fibre cement manufacturer in Chile, commenced anti-trust proceedings in 2003 against the former James Hardie Chilean entity alleging that it had engaged in predatory pricing, by selling products below cost when it entered the Chilean market, in breach of the relevant anti-trust laws in Chile. Quimel also joined the proceedings.

As these actions existed prior to James Hardie's sale of its Chilean business in July 2005, the Company had agreed to indemnify the buyer, El Volcan, subject to certain conditions and limitations, for damages or penalties awarded against FC Volcan in relation to such proceedings.

After the anti-trust proceedings concluded in 2006, Cementa, in 2007, brought a separate civil action against FC Volcan claiming that Cementa had suffered damages, allegedly as a result of predatory pricing.

Electrónica Quimel S.A. ("Quimel") also filed a separate civil action against FC Volcan in 2007 claiming that it had suffered damages, allegedly as a result of predatory pricing. On 23 June 2009, the Chilean trial court dismissed the claim filed by Quimel against FC Volcan.

On 30 December 2009, the Company entered into a settlement agreement with El Volcan resolving all outstanding issues between the parties relating to the sale of the former James Hardie Chilean entity to El Volcan in July 2005. Under the settlement agreement, James Hardie will have no further obligation to defend or indemnify El Volcan in the antitrust proceedings commenced by Cementa or Quimel. El Volcan will now be responsible for its own defense of the antitrust proceedings, including payment of any final judgments rendered on appeal. El Volcan will also be required to defend and indemnify James Hardie against any future claims by third parties related to the management or business of the former James Hardie Chilean entity, including any future antitrust allegations. The terms and conditions of the settlement remain confidential. All amounts owed by the Company under the terms of the settlement were paid in full on 31 December 2009. As a result, the amount of the

Company's provision in excess of the settlement amount was reversed, resulting in a gain of US$7.6 million included in the consolidated statements of operations for the year ended 31 March 2010.

Environmental and Legal

The operations of the Company, like those of other companies engaged in similar businesses, are subject to a number of laws and regulations on air and water quality, waste handling and disposal. The Company's policy is to accrue for environmental costs when it is determined that it is probable that an obligation exists and the amount can be reasonably estimated. In the opinion of management, based on information presently known except as set forth above, the ultimate liability for such matters should not have a material adverse effect on either the Company's consolidated financial position, results of operations or cash flows.

Operating Leases

As the lessee, the Company principally enters into property, building and equipment leases. The following are future minimum lease payments for non-cancellable operating leases having a remaining term in excess of one year at 31 March 2010:

Years ending 31 March (Millions of US dollars):	
2011	$ 17.4
2012	16.4
2013	15.1
2014	14.1
2015	13.9
Thereafter	37.5
Total	**$ 114.4**

Rental expense amounted to US$13.2 million, US$14.5 million and US$10.2 million for the years ended 31 March 2010, 2009 and 2008, respectively.

Capital Commitments

Commitments for the acquisition of plant and equipment and other purchase obligations, primarily in the United States, contracted for but not recognised as liabilities and generally payable within one year, were US$0.7 million at 31 March 2010.

14. Income Taxes

Income tax expense includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. Income tax (expense) benefit consists of the following components:

(Millions of US dollars)	Years Ended 31 March **2010**	2009	2008
(Loss) income from operations before income taxes:			
Domestic[1]	**$ 12.8**	$ 24.6	$ 80.1
Foreign	**(31.5)**	131.2	(115.6)
Total (loss) income before income taxes	**$ (18.7)**	$ 155.8	$ (35.5)
Income tax (expense) benefit:			
Current:			
Domestic[1]	**$ 0.6**	$ (0.1)	$ (7.1)
Foreign	**(137.7)**	37.4	(102.1)
Current income tax (expense) benefit	**(137.1)**	37.3	(109.2)
Deferred:			
Domestic[1]	**(0.9)**	(0.1)	(0.2)
Foreign	**71.8**	(56.7)	73.3
Deferred income tax benefit (expense)	**70.9**	(56.8)	73.1
Total income tax expense	**$ (66.2)**	$ (19.5)	$ (36.1)

1 Since JHI SE is a Dutch parent holding company, domestic represents The Netherlands.

Income tax (expense) benefit computed at the statutory rates represents taxes on income applicable to all jurisdictions in which the Company conducts business, calculated as the statutory income tax rate in each jurisdiction multiplied by the pre-tax income attributable to that jurisdiction. Income tax (expense) benefit is reconciled to the tax at the statutory rates as follows:

(Millions of US dollars)	Years Ended 31 March **2010**	2009	2008
Income tax benefit (expense) at statutory tax rates	**$ 8.3**	$ (47.0)	$ 7.8
US state income taxes, net of the federal benefit	**(3.7)**	(2.9)	(1.9)
Asbestos — effect of foreign exchange	**(66.4)**	51.2	(27.5)
Benefit from Dutch financial risk reserve regime	**3.2**	1.8	7.3
Expenses not deductible	**(3.7)**	(7.8)	(3.2)
Non-assessable items	**2.0**	1.6	2.7
Losses not available for carryforward	**(0.6)**	(4.1)	(1.4)
Change in reserves	**(2.2)**	(13.4)	(18.5)
Taxes on foreign income	**(1.6)**	(2.7)	(2.1)
State amended returns and audit	**(2.2)**	3.0	—
Other permanent items	**0.7**	0.8	0.7
Total income tax (expense) benefit	**$ (66.2)**	$ (19.5)	$ (36.1)
Effective tax rate	**354.0%**	12.5%	101.7%

Deferred tax balances consist of the following components:

(Millions of US dollars)	31 March 2010	2009
Deferred tax assets:		
Asbestos liability	**$ 436.6**	$ 345.5
Other provisions and accruals	**37.4**	28.5
Net operating loss carryforwards	**9.9**	10.8
Capital loss carryforwards	**30.4**	22.8
Taxes on intellectual property transfer	—	3.6
Prepayments	**2.8**	4.2
Foreign currency movements	—	6.6
Other	**0.2**	2.1
Total deferred tax assets	**517.3**	424.1
Valuation allowance	**(39.2)**	(31.7)
Total deferred tax assets, net of valuation allowance	**478.1**	392.4
Deferred tax liabilities:		
Property, plant and equipment	**(115.7)**	(105.7)
Accrued interest income	**(12.0)**	(7.5)
Foreign currency movements	**(0.3)**	—
Total deferred tax liabilities	**(128.0)**	(113.2)
Net deferred tax assets	**$ 350.1**	$ 279.2

The Company establishes a valuation allowance against a deferred tax asset if it is more likely than not that some portion or all of the deferred tax asset will not be realised. The Company has established a valuation allowance pertaining to all of its Australian and European capital loss carry-forwards. The valuation allowance increased by US$7.5 million during fiscal year 2010 due to foreign currency movements.

At 31 March 2010, the Company had Australian tax loss carry-forwards of approximately US$3.0 million that will never expire.

At 31 March 2010, the Company had US$101.3 million in Australian capital loss carry-forwards which will never expire. At 31 March 2010, the Company had a 100% valuation allowance against the Australian capital loss carry-forwards.

At 31 March 2010, the Company had European tax loss carry-forwards of approximately US$32.8 million that are available to offset future taxable income, of which US$22.3 million will never expire. Carry-forwards of US$10.5 million will expire in fiscal 2019. At 31 March 2010, the Company had a 100% valuation allowance against the European tax loss carry-forwards.

In determining the need for and the amount of a valuation allowance in respect of the Company’s asbestos related deferred tax asset, management reviewed the relevant empirical evidence, including the current and past core earnings of the Australian business and forecast earnings of the Australian business considering current trends. Although realisation of the deferred tax asset will occur over the life of the Amended FFA, which extends beyond the forecast period for the Australian business, Australia provides an unlimited carry-forward period for tax losses. Based upon managements’ review, the Company believes that it is more likely than not that the Company will realise its asbestos related deferred tax asset and that no valuation allowance is necessary as of 31 March 2010. In the future, based on review of the empirical evidence by management at that time, if management determines that realisation of its asbestos related deferred tax asset is not more likely than not, the Company may need to provide a valuation allowance to reduce the carrying value of the asbestos related deferred tax asset to its realisable value.

At 31 March 2010, the undistributed earnings of non-Dutch subsidiaries approximated US$790.4 million. The Company intends to indefinitely reinvest these earnings, and accordingly, has not provided for taxes that would be payable upon remittance of those earnings. The amount of the potential deferred tax liability related to undistributed earnings is impracticable to determine at this time.

The Company is subject to ongoing reviews by taxing jurisdictions on various tax matters, including challenges to various positions the Company asserts on its income tax returns. The Company accrues for tax contingencies based upon its best estimate of the taxes ultimately expected to be paid, which it updates over time as more information becomes available. Such amounts are included in taxes payable or other non-current liabilities, as appropriate. If the Company ultimately determines that payment of these amounts is unnecessary, the Company reverses the liability and recognises a tax benefit during the period in which the Company determines that the liability is no longer necessary. The Company records additional tax expense in the period in which it determines that the recorded tax liability is less than the ultimate assessment it expects.

In fiscal years 2010, 2009 and 2008, the Company recorded an income tax expense of US$2.2 million, an income tax benefit of US$3.0 million and nil, respectively, as a result of the finalisation of certain tax audits (whereby certain matters were settled), the expiration of the statute of limitations related to certain tax positions and adjustments to income tax balances based on the filing of amended income tax returns, which give rise to the benefit recorded by the Company.

The Company or its subsidiaries files income tax returns in various jurisdictions including the United States, The Netherlands, Australia and the Republic of Ireland. The Company is no longer subject to US federal examinations by US Internal Revenue Service (“IRS”) for tax years prior to tax year 2007. The Company is no longer subject to examinations by The Netherlands tax authority, for tax years prior to tax year 2005. The Company is no longer subject to Australian federal examinations by the Australian Taxation Office (“ATO”) for tax years prior to tax year 2007.

The Company currently derives significant tax benefits under the US-Netherlands tax treaty. The treaty was amended during fiscal year 2005 and became effective for the Company on 1 February 2006. The amended treaty provides, among other things, requirements that the Company must meet for the Company to continue to qualify for treaty benefits and its effective income tax rate. During fiscal year 2006, the Company made changes to its organisational and operational structure to satisfy the requirements of the amended treaty and believes that it is in compliance and should continue qualifying for treaty benefits. However, if during a subsequent tax audit or related process, the Internal Revenue Service (“IRS”) determines that these changes do not meet the requirements, the Company may not qualify for treaty benefits and its effective income tax rate could significantly increase beginning in the fiscal year that such determination is made and it could be liable for taxes owed for calendar year 2008 and subsequent periods.

The Company believes that it is more likely than not that it is in compliance and should continue qualifying for treaty benefits. Therefore, the Company believes that the requirements for recording a liability have not been met and therefore it has not recorded any liability at 31 March 2010 for the treaty benefits.

ATO – 1999 Disputed Amended Assessment

In March 2006, RCI Pty Ltd ("RCI"), a wholly-owned subsidiary of the Company, received an amended assessment from the ATO with respect to RCI's income tax return for the year ended 31 March 1999. The amended assessment related to the amount of net capital gains arising as a result of an internal corporate restructure carried out in 1998 and was issued pursuant to the discretion granted to the Commissioner of Taxation under Part IVA of the Income Tax Assessment Act 1936. The amended assessment issued to RCI was for a total of A$412.0 million. However, after subsequent remissions of general interest charges ("GIC") by the ATO the total was changed to A$368.0 million, comprising primary tax after allowable credits, penalties, and GIC.

During fiscal year 2007, RCI agreed with the ATO that in accordance with the ATO Receivable Policy, RCI would pay 50% of the total amended assessment being A$184.0 million (US$152.5 million), and provide a guarantee from James Hardie Industries SE (formerly James Hardie Industries N.V.) in favour of the ATO for the remaining unpaid 50% of the amended assessment, pending outcome of the appeal of the amended assessment. RCI also agreed to pay GIC accruing on the unpaid balance of the amended assessment in arrears on a quarterly basis.

On 30 May 2007, the ATO issued a Notice of Decision disallowing RCI's objection to the amended assessment ("Objection Decision"). On 11 July 2007, RCI filed an application appealing the Objection Decision and the matter was heard before the Federal Court of Australia in September 2009. Judgment was reserved and a decision is awaited.

The Company believes that it is more-likely-than-not that the tax position reported in RCI's tax return for the 1999 fiscal year will be upheld on appeal. Therefore, the Company has not recorded any liability at 31 March 2010 for the amended assessment.

The Company expects that amounts paid in respect of the amended assessment will be recovered by RCI (with interest) at the time RCI is successful in its appeal against the amended assessment. As a result, the Company has treated all payments in respect of the amended assessment that have been made up through 31 March 2010 and related accrued interest receivable as a deposit, and it is the Company's intention to treat any payments to be made at a later date as a deposit. At 31 March 2010 and 2009, this deposit totaled US$247.2 (A$269.9 million) and US$173.5 million (A$252.5 million), respectively.

Included in other non-current liabilities are taxes payable on accrued interest of US$43.0 and US$27.3 at 31 March 2010 and 2009, respectively.

ATO Settlement

As announced on 12 December 2008, the Company and the ATO reached an agreement that finalised tax audits being conducted by the ATO on the Company's Australian income tax returns for the years ended 31 March 2002 and 31 March 2004 through 31 March 2006 and settled all outstanding issues arising from these tax audits. With the exception of the assessment in respect of RCI for the 1999 financial year, the settlement concluded ATO audit activities for all years prior to the year ended 31 March 2007.

The agreed settlement, made without concessions or admissions of liability by either the Company or the ATO, required the Company to pay an amount of US$101.6 million (A$153.0 million) in December 2008.

Dutch Exit Tax

In connection with implementing Stage 1 of the Company's proposal to re-domicile its corporate seat from The Netherlands to the Republic of Ireland, the Company incurred a tax liability that arose from: (i) a capital gain on the transfer of its intellectual property from The Netherlands to a newly-formed James Hardie entity located in Bermuda and tax resident in the Republic of Ireland and (ii) the exit from the Dutch Financial Risk Reserve regime.

The Dutch Tax Authority (the "DTA") reviewed the Company's assessed fair value of the intellectual property as performed by a third party valuation firm. Based on the DTA's review, the Company incurred a capital gain and Dutch exit tax liability of US$40.8 million. The charge has been deferred and included in non-current *Other Assets* on the Company's consolidated balance sheet as of 31 March 2010 and will be amortised on a straight-line basis over the remaining useful life of the intellectual property.

Unrecognised Tax Benefits

A reconciliation of the beginning and ending amount of unrecognised tax benefits and interest and penalties are as follows:

(US$ millions)	Unrecognised tax benefits	Interest and Penalties
Balance at 1 April 2007	**$ 39.0**	**$ 39.7**
Additions for tax positions of the current year	1.3	—
Additions for tax positions of prior year	16.0	1.8
Foreign currency translation adjustment	5.6	5.5
Balance at 31 March 2008	**$ 61.9**	**$ 47.0**
Additions for tax positions of the current year	1.7	—
Additions (deletions) for tax positions of prior year	37.3	(14.3)
Settlements paid during the current period	(72.0)	(39.6)
Foreign currency translation adjustment	(16.6)	(9.1)
Balance at 31 March 2009	**$ 12.3**	**$ (16.0)**
Additions for tax positions of the current year	1.2	—
Additions (deletions) for tax positions of prior year	4.4	(4.1)
Other reductions for the tax positions of prior periods	(10.2)	(0.6)
Foreign currency translation adjustment	—	(6.2)
Balance at 31 March 2010	**$ 7.7**	**$ (26.9)**

As of 31 March 2010, the total amount of unrecognised tax benefits and the total amount of interest and penalties accrued related to unrecognised tax benefits that, if recognised, would affect the effective tax rate is US$7.7 million and an expense of US$26.9 million, respectively.

The Company recognises penalties and interest accrued related to unrecognised tax benefits in income tax expense. During the year ended 31 March 2010 and 2009, the total amount of interest and penalties recognised in tax expense as a benefit was US$4.7 million and US$14.3 million, respectively.

The liabilities associated with uncertain tax benefits are included in other non-current liabilities on the Company's consolidated balance sheet.

A number of years may lapse before an uncertain tax position is audited and ultimately settled. It is difficult to predict the ultimate outcome or the timing of resolution for uncertain tax positions. It is reasonably possible that the amount of unrecognised tax benefits could significantly increase or decrease within the next twelve months. These changes could result from the settlement of ongoing litigation, the completion of ongoing examinations, the expiration of the statute of limitations, or other circumstances. At this time, an estimate of the range of the reasonably possible change cannot be made.

On 1 April 2007, the Company adopted a new accounting standard for uncertainty in income taxes. This standard clarified the accounting for uncertainty in income taxes recognised in an enterprise's financial statements. The adoption of this standard resulted in the reduction of the Company's consolidated beginning retained earnings of US$78.0 million. As of the adoption date, the Company had US$39.0 million of gross unrecognised tax benefits that, if recognised, would affect the effective tax rate. As of the adoption date, the Company's opening accrual for interest and penalties was US$39.7 million.

15. Stock-Based Compensation

At 31 March 2010, the Company had the following equity award plans: the Executive Share Purchase Plan; the JHI SE 2001 Equity Incentive Plan; the 2005 Managing Board Transition Stock Option Plan; the Long-Term Incentive Plan 2006 as amended in 2009 and the Supervisory Board Share Plan 2006.

Compensation expense arising from equity-based award grants as estimated using pricing models was US$7.7 million, US$7.2 million, US$7.7 million for the years ended 31 March 2010, 2009 and 2008, respectively. As of 31 March 2010, the unrecorded deferred stock-based compensation balance related to equity awards was US$8.9 million after estimated forfeitures and will be recognised over an estimated weighted average amortisation period of 2.4 years.

JHI SE 2001 Equity Incentive Plan

Under the JHI SE 2001 Equity Incentive Plan (the "2001 Equity Incentive Plan"), the Company can grant equity awards in the form of nonqualified stock options, performance awards, restricted stock grants, stock appreciation rights, dividend equivalent rights, phantom stock or other stock-based benefits such as restricted stock units. The 2001 Equity Incentive Plan was approved by the Company's shareholders and the Joint Board subject to implementation of the consummation of the 2001 Reorganisation. The Company is authorised to issue 45,077,100 shares under the 2001 Equity Incentive Plan.

On 19 October 2001 (the grant date), JHI NV granted 5,468,829 options to purchase shares of the Company's common stock under the 2001 Equity Incentive Plan to key US executives in exchange for their previously granted Key Management Equity Incentive Plan ("KMEIP") shadow shares that were originally granted in November 2000 and 1999 by JHIL. These options may be exercised in five equal tranches (20% each year) starting with the first anniversary of the original shadow share grant. As of 31 March 2010, 115,140 options were outstanding and exercisable with an exercise price of A$3.78. The options will expire in November 2010.

Under the 2001 Equity Incentive Plan, additional grants have been made at fair market value to management and other employees of the Company. Each option confers the right to subscribe for one ordinary share in the capital of JHI SE. The options may be exercised as follows: 25% after the first year; 25% after the second year; and 50% after the third year. All unexercised options expire 10 years from the date of issue or 90 days after the employee ceases to be employed by the Company.

The following table summarises the additional stock option grants:

Share Grant Date	Original Exercise Price (A$)	Number of Options Granted	Option Expiration Date
December 2001	5.65	4,248,417	December 2011
December 2002	6.66	4,037,000	December 2012
December 2003	7.05	6,179,583	December 2013
December 2004	5.99	5,391,100	December 2014
February 2005	6.30	273,000	February 2015
December 2005	8.90	5,224,100	December 2015
March 2006	9.50	40,200	March 2016
November 2006	8.40	3,499,490	November 2016
March 2007	8.90	179,500	March 2017
March 2007	8.35	151,400	March 2017
December 2007	6.38	5,031,310	December 2017

As set out in the plan rules, the exercise prices and the number of shares available on exercise may be adjusted on the occurrence of certain events, including new issues, share splits, rights issues and capital reconstructions. Consequently, the exercise prices on the December 2002 and December 2001 option grants were reduced by A$0.21 for the November 2003 return of capital and the December 2001 option grant was reduced by A$0.38 for the November 2002 return of capital.

Under the 2001 Equity Incentive Plan, the Company granted 278,569 and 1,690,711 restricted shares of common stock to its employees in the years ended 31 March 2010 and 2009, respectively. These restricted shares may not be sold, transferred, assigned, pledged or otherwise encumbered so long as such shares remain restricted. The Company determines the conditions or restrictions of any restricted stock awards, which may include requirements of continued employment, individual performance or the Company's financial performance or other criteria. At 31 March 2010, there were 1,416,339 restricted stock units outstanding under this plan.

Managing Board Transitional Stock Option Plan

The Managing Board Transitional Stock Option Plan provides an incentive to the members of the Managing Board. The maximum number of shares that may be issued and outstanding or subject to outstanding options under this plan without further shareholder approval is 1,320,000 shares. There were 1,090,000 and 1,320,000 options outstanding at 31 March 2010 and 2009, respectively, under this plan.

On 22 November 2005, the Company granted options to purchase 1,320,000 shares of the Company's common stock at an exercise price per share equal to A$8.53 to the Managing Board directors under the Managing Board Transitional Stock Option Plan. As set out in the plan rules, the exercise price and the number of shares available on exercise may be adjusted on the occurrence of certain events, including new issues, share splits, rights issues and capital reconstructions. 50% of these options become exercisable on the first business day on or after 22 November 2008 if the total shareholder returns (“TSR”) (essentially its dividend yield and common stock performance) from 22 November 2005 to that date were at least equal to the median TSR for the companies comprising the Company’s peer group, as set out in the plan. In addition, for each 1% increment that the Company’s TSR is above the median TSR, an additional 2% of the options become exercisable. If any options remain unvested on the last business day of each six month period following 22 November 2008 and 22 November 2010, the Company will reapply the vesting criteria to those options on that business day.

Long-Term Incentive Plan

At the 2006 Annual General Meeting, the Company’s shareholders approved the establishment of a Long-Term Incentive Plan (“LTIP”) to provide incentives to members of the Company’s Managing Board and to certain members of its management (“Executives”). The shareholders also approved, in accordance with certain LTIP rules, the issue of options in the Company to members of the Company’s Managing Board and to Executives. At the Company’s 2008 Annual General Meeting, the shareholders amended the LTIP to also allow restricted stock units to be granted under the LTIP.

In November 2006 and August 2007, 1,132,000 and 1,016,000 options were granted to the members of the Managing Board, respectively, under the LTIP. The vesting of these equity awards are subject to ‘performance hurdles’ as outlined in the LTIP rules. Unexercised options expire 10 years from the date of issue.

In September 2008, December 2008, May 2009, September 2009 and December 2009, 1,023,865, 545,757, 1,066,595, 522,000 and 181,656 restricted stock units, respectively, were granted under the LTIP to members of the Company’s Managing Board and to senior members of management. These restricted shares may not be sold, transferred, assigned, pledged or otherwise encumbered so long as such shares remain restricted. The Company determines the conditions or restrictions of any restricted stock awards, which may include requirements of continued employment, individual performance or the Company’s financial performance or other criteria. Restricted stock units expire on exercise, vesting or as set out in the LTIP rules.

At 31 March 2010, there were 1,937,000 options and 3,320,382 restricted stock units outstanding under this plan.

Supervisory Board Share Plan 2006

At the 2006 Annual General Meeting, the Company’s shareholders approved the replacement of its Supervisory Board Share Plan with a new plan called the Supervisory Board Share Plan 2006 (“SBSP 2006”). Participation by members of the Supervisory Board in the SBSP 2006 is not mandatory. The SBSP 2006 allows the Company to issue new shares or acquire shares on the market on behalf of the participant. The total remuneration of a Supervisory Board member will take into account any participation in the SBSP 2006 and shares under the SBSP 2006. At 31 March 2010, 98,106 shares had been acquired under this plan.

Stock Options

The following table summarises all of the Company's stock options available for grant and the movement in all of the Company's outstanding options during the noted period:

	Shares Available for Grant	Outstanding Options Number	Outstanding Options Weighted Average Exercise Price (A$)
Balance at 31 March 2008	**15,564,294**	**22,190,237**	**7.29**
Newly Authorised	4,291,230		
Exercised		(25,000)	5.99
Forfeited		(3,892,309)	7.34
Forfeitures available for re-grant	3,892,309		
Balance at 31 March 2009	**23,747,833**	**18,272,928**	**7.28**
Exercised		(2,058,275)	5.51
Forfeited		(1,770,215)	7.97
Forfeitures available for re-grant	1,540,215		
Balance at 31 March 2010	**25,288,048**	**14,444,438**	**7.44**

The Company's stock based-compensation expense is the estimated fair value of options granted over the periods in which the stock options vest.

The Company estimates the fair value of each option grant on the date of grant using either the Black-Scholes option-pricing model or a binomial lattice model that incorporates a Monte Carlo Simulation (the "Monte Carlo method").

There were no stock options granted during the years 31 March 2010 and 2009. For the year ended 31 March 2008, the Company granted 5,031,310 stock options under the 2001 Equity Incentive Plan. For the year ended 31 March 2008, the Company granted 1,016,000 stock options under the LTIP.

The following table includes the weighted average assumptions and weighted average fair values used for stock option grants valued using the Black-Scholes option-pricing model during the year ended 31 March 2008:

Dividend yield	5.0%
Expected volatility	30.0%
Risk free interest rate	3.4%
Expected life in years	4.4
Weighted average fair value at grant date (A$)	1.13
Number of stock options	5,031,310

The following table includes the weighted average assumptions and weighted average fair values used for stock option grants valued using a binomial lattice model that incorporates the Monte Carlo method during the year ended 31 March 2008:

Dividend yield	5.0%
Expected volatility	32.1%
Risk free interest rate	4.2%
Weighted average fair value at grant date (A$)	3.14
Number of stock options	1,016,000

The total intrinsic value of stock options exercised was A$4.7 million, nil and A$1.2 million for the years ended 31 March 2010, 2009 and 2008, respectively.

The weighted average grant-date fair value of stock options granted was A$1.47 per share during the year ended 31 March 2008.

Windfall tax benefits realised in the United States from stock options exercised and included in cash flows from financing activities in the consolidated statements of cash flows were US$0.9 million, nil and nil for the years ended 31 March 2010, 2009 and 2008, respectively.

The following table summarises outstanding and exercisable options as of 31 March 2010:

	Options Outstanding				Options Exercisable		
Exercise Price (A$)	Number	Weighted Average Remaining Life (in Years)	Weighted Average Exercise Price (A$)	Aggregate Intrinsic Value	Number	Weighted Average Exercise Price (A$)	Aggregate Intrinsic Value (A$)
3.09	115,140	0.6	3.09	480,134	115,140	3.09	480,134
5.06	254,309	1.7	5.06	559,480	254,309	5.06	559,836
5.99	1,523,250	4.7	5.99	1,934,528	1,523,250	5.99	1,934,528
6.30	93,000	4.9	6.30	89,280	93,000	6.30	89,280
6.38	2,638,729	7.7	6.38	2,322,082	1,103,462	6.38	971,047
6.45	796,500	2.7	6.45	645,165	796,500	6.45	645,165
7.05	1,758,250	3.7	7.05	369,233	1,758,250	7.05	369,233
7.83	1,016,000	7.4	7.83	—	—	0.00	—
8.35	151,400	7.0	8.35	—	151,400	8.35	—
8.40	2,646,560	6.6	8.40	—	2,470,160	8.40	—
8.53	1,090,000	5.7	8.53	—	—	0.00	—
8.90	2,321,100	5.7	8.90	—	2,321,100	8.90	—
9.50	40,200	5.9	9.50	—	40,200	9.50	—
Total	**14,444,438**	**6.6**	**7.44**	**6,399,902**	**10,626,771**	**6.83**	**5,049,223**

The aggregate intrinsic value in the preceding table represents the total pre-tax intrinsic value based on stock options with an exercise price less than the Company's closing stock price of A$7.26 as of 31 March 2010, which would have been received by the option holders had those option holders exercised their options as of that date.

Restricted Stock

The Company estimates the value of restricted stock issued and recognises this estimated value as compensation expense over the periods in which the restricted stock vests.

The following table summarises all of the Company's restricted stock activity during the noted period:

	Shares	Weighted Average Fair Value at Grant Date (A$)
Nonvested at 31 March 2008	—	—
Granted	3,260,333	3.98
Vested	(24,052)	3.85
Forfeited	(245,220)	4.40
Non-vested at 31 March 2009	**2,991,061**	**3.95**
Granted	2,048,820	5.38
Vested	(208,884)	3.85
Forfeited	(94,276)	4.32
Non-vested at 31 March 2010	**4,736,721**	**4.57**

Restricted Stock – service vesting

The Company granted restricted stock units with a service vesting condition to employees as follows:

Grant Date	Equity Award Plan	Restricted Stock Units Granted
17 June 2008	2001 Equity Incentive Plan	698,440
15 September 2008	Long-Term Incentive Plan	201,324
17 December 2008	2001 Equity Incentive Plan	992,271
29 May 2009	Long-Term Incentive Plan	1,066,595
7 December 2009	2001 Equity Incentive Plan	278,569
		3,237,199

The fair value of each restricted stock unit (service vesting) is equal to the market value of the Company's common stock on the date of grant, adjusted for the fair value of dividends as the restricted stock holder is not entitled to dividends over the vesting period.

The following table includes the assumptions used for restricted stock grants (service vesting) valued during the years ended 31 March 2010 and 2009:

	2010		2009		
	07 Dec 2009	29 May 2009	17 Dec 2008	15 Sep 2008	17 Jun 2008
Dividend yield (per annum)[1]	$ 0.00	$ 0.00	$ 0.10	$ 0.20	$ 0.20
Risk free interest rate[1]	n/a	n/a	1.3%	1.8%	2.9%
Expected life in years	3.0	2.0	3.0	2.0	2.0
JHX stock price at grant date (A$)	8.30	4.31	3.85	4.98	4.93
Number of restricted stock units	278,569	1,066,595	992,271	201,324	698,440

1 The risk free rate for the grants in fiscal year 2010 are not applicable as the assumed dividend yield is nil.

Restricted Stock – market condition

Under the terms of the LTIP, the Company granted 703,656 and 1,368,298 restricted stock units (market condition) to members of the Company's Managing Board and senior managers during the years ended 31 March 2010 and 2009, respectively. The vesting of these restricted stock units is subject to a market condition as outlined in the LITP rules.

The fair value of each of these restricted stock units (market condition) granted under the LTIP is estimated using a binomial lattice model that incorporates a Monte Carlo Simulation (the "Monte Carlo method").

The following table includes the assumptions used for restricted stock grants (market condition) valued during the years ended 31 March:

	2010		2009	
	11 Dec 2009	15 Sep 2009	17 Dec 2008	15 Sep 2008
Expected volatility	49.9%	42.1%	37.6%	34.9%
Risk free interest rate	2.1%	2.5%	1.3%	2.6%
Expected life in years	3.0	3.0	3.0	3.0
JHX stock price at grant date (A$)	8.20	7.04	3.85	4.98
Number of restricted stock units	181,656	522,000	545,757	822,541

Scorecard LTI – Cash Settled Units

Under the terms of the LTIP, the Company granted awards equivalent to 1,089,265 and nil Scorecard LTI units during the years ended 31 March 2010 and 2009, respectively, that provide recipients a cash incentive based on JHI SE's common stock price on the vesting date. The vesting of awards is measured on individual performance conditions based on certain performance measures. Compensation expense recognised for awards are based on the fair market value of JHI SE's common stock on the date of grant and recorded as a liability. The liability is adjusted for subsequent changes in JHI SE's common stock price at each balance sheet date.

Cash Settled Units

The Company granted 35,741 and nil cash settled units (service vesting) to employees during the years ended 31 March 2010 and 2009, respectively, under the 2001 Equity Incentive Plan. Compensation expense recognised for awards are based on the fair market value of JHI SE's common stock on the date of grant and recorded as a liability. The liability is adjusted for subsequent changes in JHI SE's common stock price at each balance sheet date.

The total compensation cost related to liability classified awards for the years ended 31 March 2010 and 2009 was US$1.6 million and nil, respectively.

16. Share Repurchase Program

On 15 August 2007, the Company announced a share repurchase program of up to 10% of the Company's issued capital, approximately 46.8 million shares. The Company repurchased nil, nil and 35.7 million shares of common stock during the years ended 31 March 2010, 2009 and 2008, respectively. The shares repurchased during the year ended 31 March 2008 had an aggregate cost of A$236.4 million (US$208.0 million) and the average price paid per share of common stock was A$6.62 (US$5.83). The US dollar amounts were determined using the weighted average spot rates for the days on which shares were purchased. The Company officially cancelled 35.0 million shares on 31 March 2008. On 27 March 2009, the Company cancelled the remaining 0.7 million shares held in treasury. The Company ceased the share repurchase program on 20 August 2008.

17. Operating Segment Information and Concentrations of Risk

The Company has reported its operating segment information in the format that the operating segment information is available to and evaluated by the Managing Board of Directors. USA and Europe Fibre Cement manufactures fibre cement interior linings, exterior siding and related accessories products in the United States; these products are sold in the United States, Canada and Europe. Asia Pacific Fibre Cement includes all fibre cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand, Asia, the Middle East, and various Pacific Islands. Research and Development represents the cost incurred by the research and development centres.

The Company's operating segments are strategic operating units that are managed separately due to their different products and/or geographical location. On 1 April 2008, the Company realigned its operating segments by combining the previously reported segments of USA Fibre Cement and Other into one operating segment, USA and Europe Fibre Cement. On 22 May 2008, the Company ceased operation of its pipe business in the United States.

Operating Segments

The following are the Company's operating segments and geographical information:

(Millions of US dollars)	Net Sales to Customers[1] Years Ended 31 March 2010	2009	2008
USA & Europe Fibre Cement	**$ 828.1**	$ 929.3	$ 1,170.5
Asia Pacific Fibre Cement	**296.5**	273.3	298.3
Worldwide total	**$ 1,124.6**	$ 1,202.6	$ 1,468.8

(Millions of US dollars)	(Loss) Income Before Income Taxes Years Ended 31 March 2010	2009	2008
USA & Europe Fibre Cement[2, 3]	**$ 208.5**	$ 199.3	$ 235.2
Asia Pacific Fibre Cement[2]	**58.7**	47.1	50.3
Research and Development[2]	**(19.0)**	(18.9)	(18.1)
Segments total	**248.2**	227.5	267.4
General Corporate[4]	**(269.2)**	(53.9)	(304.0)
Total operating (loss) income	**(21.0)**	173.6	(36.6)
Net interest (expense) income[5]	**(4.0)**	(3.0)	1.1
Other income (expense)	**6.3**	(14.8)	—
Worldwide total	**$ (18.7)**	$ 155.8	$ (35.5)

(Millions of US dollars)	Total Identifiable Assets 31 March 2010	2009
USA & Europe Fibre Cement	**$ 780.8**	$ 765.6
Asia Pacific Fibre Cement	**216.9**	167.9
Research and Development	**14.2**	12.2
Segments total	**1,011.9**	945.7
General Corporate[6, 7]	**1,166.9**	946.0
Worldwide total	**$2,178.8**	$ 1,891.7

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Geographic Areas

(Millions of US dollars)	Net Sales to Customers [1] Years Ended 31 March 2010	2009	2008
USA	**$ 808.9**	$ 912.2	$ 1,153.1
Australia	**214.3**	193.2	198.6
New Zealand	**50.6**	50.0	67.3
Other Countries	**50.8**	47.2	49.8
Worldwide total	**$ 1,124.6**	$ 1,202.6	$ 1,468.8

(Millions of US dollars)	Total Identifiable Assets 31 March 2010	2009
USA	**$ 783.6**	$ 767.4
Australia	**131.6**	99.8
New Zealand	**49.8**	27.1
Other Countries	**46.9**	51.4
Segments total	**1,011.9**	945.7
General Corporate[6, 7]	**1,166.9**	946.0
Worldwide total	**$ 2,178.8**	$ 1,891.7

1 Export sales and inter-segmental sales are not significant.

2 Research and development costs of US$10.4 million, US$8.0 million and US$7.7 million in fiscal years 2010, 2009 and 2008, respectively, were expensed in the USA and Europe Fibre Cement segment. Research and development costs of US$1.0 million, US$1.2 million and US$1.6 million in fiscal years 2010, 2009 and 2008, respectively, were expensed in the Asia Pacific Fibre Cement segment. Research and development costs of US$15.7 million, US$14.4 million and US$18.0 million in fiscal years 2010, 2009 and 2008, respectively, were expensed in the Research and Development segment. The Research and Development segment also included selling, general and administrative expenses of US$3.3 million, US$4.5 million and US$0.1 million in fiscal years 2010, 2009 and 2008, respectively.

Research and development expenditures are expensed as incurred and in total amounted to US$27.1 million, US$23.8 million and US$27.3 million for the years ended 31 March 2010, 2009 and 2008, respectively.

3 Included in USA and Europe Fibre Cement for the year ended 31 March 2008 are asset impairment charges of US$71.0 million.

4 The principal components of General Corporate are officer and employee compensation and related benefits, professional and legal fees, administrative costs, and rental expense net of rental income on the Company's corporate offices. Included in General Corporate for the year ended 31 March 2010 are unfavourable asbestos adjustments of US$224.2 million, AICF SG&A expenses of US$2.1 million and ASIC expenses of US$3.4 million. Included in General Corporate for the year ended 31 March 2009 are favourable asbestos adjustments of US$17.4 million, AICF SG&A expenses of US$0.7

million and ASIC expenses of US$14.0 million. Included in General Corporate for the year ended 31 March 2008 are unfavourable asbestos adjustments of US$240.1 million, AICF SG&A expenses of US$4.0 million and ASIC expenses of US$5.5 million.

5 The Company does not report net interest expense for each operating segment as operating segments are not held directly accountable for interest expense. Included in net interest (expense) income is AICF interest income of US$3.3 million, US$6.4 million and US$9.4 million in fiscal years 2010, 2009 and 2008, respectively. See Note 11.

6 The Company does not report deferred tax assets and liabilities for each operating segment as operating segments are not held directly accountable for deferred income taxes. All deferred income taxes are included in General Corporate.

7 Asbestos-related assets at 31 March 2010 and 2009 are US$797.7 million and US$681.0 million, respectively, and are included in the General Corporate segment.

Concentrations of Risk

The distribution channels for the Company's fibre cement products are concentrated. If the Company were to lose one or more of its major customers, there can be no assurance that the Company will be able to find a replacement. Therefore, the loss of one or more customers could have a material adverse effect on the Company's consolidated financial position, results of operations and cash flows. The Company has three major customers that individually account for over 10% of the Company's net sales in one or all of the past three fiscal years.

These three customers' accounts receivable represented 37% and 35% of the Company's trade accounts receivable at 31 March 2010 and 2009, respectively. The following are gross sales generated by these three customers, which are all from the USA and Europe Fibre Cement segment:

	Years Ended 31 March					
(Millions of US dollars)	**2010**		2009		2008	
		%		%		%
Customer A	**$ 224.4**	20.0	$ 277.1	23.0	$ 431.3	27.9
Customer B	**144.5**	12.8	149.6	12.4	167.3	10.8
Customer C	**93.2**	8.3	46.8	3.9	108.2	7.0
	$ 462.1		$ 473.5		$ 706.8	

Approximately 28% of the Company's fiscal year 2010 net sales were derived from outside the United States. Consequently, changes in the value of foreign currencies could significantly affect the consolidated financial position, results of operations and cash flows of the Company's non-US operations on translation into US dollars.

18. Accumulated Other Comprehensive Income

Accumulated other comprehensive income consists of the following components:

(Millions of US dollars)	31 March 2010	31 March 2009
Pension and post-retirement benefit adjustments	**$ (1.6)**	$ (1.4)
Unrealised gain on restricted short-term investments	**1.2**	—
Foreign currency translation adjustments	**59.6**	3.6
Total accumulated other comprehensive income	**$ 59.2**	$ 2.2

19. Re-domicile

On 21 August 2009, JHI NV shareholders approved Stage 1 of a two-stage plan to transform the Company into a Dutch Societas Europaea (SE) (Stage 1) and, subsequently, change its corporate domicile from the Netherlands to the Republic of Ireland (Stage 2). On 19 February 2010, the Company completed Stage 1 of the proposal and was transformed from a Dutch “NV” company to a Dutch “SE” Company and now operates under the name of James Hardie Industries Societas Europaea (SE).

On 17 March 2010 (US time), the Company filed with the US Securities and Exchange Commission (“SEC”) a Registration Statement on Form F-4 including a draft Explanatory Memorandum outlining Stage 2 of the Proposal which will transform the Company from a Dutch SE to an Irish SE by moving the Company’s corporate domicile from The Netherlands to the Republic of Ireland.

On 21 April 2010 (US time), following SEC review of the Registration Statement and formal Board approval of the change in corporate domicile, the final Explanatory Memorandum for Stage 2 was submitted to the SEC and the ASX with a filing date of 22 April 2010.

For additional information on and implementation timing of Stage 2 of the Proposal, readers are referred to the Company’s Explanatory Memorandum, which was filed with the SEC on 22 April 2010 (File No. 333-165531).

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This Financial Report forms part of a package of information about the Company's results. It should be read in conjunction with the other parts of this package, including the Media Release, Management Presentation and Management's Analysis of Results.

Disclaimer

This Financial Report contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by the Company's officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward-looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include:

- statements about the Company's future performance;
- projections of the Company's results of operations or financial condition;
- statements regarding the Company's plans, objectives or goals, including those relating to its strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the Company's plants and future plans with respect to any such plants;
- expectations that the Company's credit facilities will be extended or renewed;
- expectations concerning dividend payments;
- statements concerning the Company's corporate and tax domiciles and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements as to the possible consequences of proceedings brought against the Company and certain of its former directors and officers by the ASIC;
- expectations about the timing and amount of contributions to the AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations; and
- statements about product or environmental liabilities.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "continue" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on the Company's estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties. Such known and unknown risks, uncertainties and other factors may cause the Company's actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under "Key Information — Risk Factors" beginning on page 6 of the Form 20-F filed with the US Securities and Exchange Commission on 25 June 2009, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to the AICF, any shortfall in the AICF and the effect of currency exchange rate movements on the amount recorded in the Company’s financial statements as an asbestos liability; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; the consequences of product failures or defects; exposure to environmental, asbestos or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; the success of research and development efforts; reliance on a small number of customers; a customer’s inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; the Company’s proposal to transfer its corporate domicile from The Netherlands to Ireland to become an Irish “SE” company; compliance with and changes in laws and regulations; currency exchange risks; the concentration of the Company’s customer base on large format retail customers, distributors and dealers; the effect of natural disasters; changes in the Company’s key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in the Company’s reports filed with Australian, Dutch and US securities agencies and exchanges (as appropriate). The Company cautions that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the Company’s current expectations concerning future results, events and conditions.

KPMG Actuaries Pty Limited
Australian Financial Services Licence No: 227 328

ABN: 77 002 882 000

10 Shelley Street
Sydney NSW 2000
Australia

PO Box H67
Australia Square
Sydney NSW 1213
Australia

Telephone: +61 2 9335 8900
Facsimile: +61 2 9335 8911
Email: actuaries@kpmg.com.au

VALUATION OF ASBESTOS-RELATED DISEASE LIABILITIES OF FORMER JAMES HARDIE ENTITIES ("THE LIABLE ENTITIES") TO BE MET BY THE AICF TRUST

EFFECTIVE AS AT 31 MARCH 2010

PREPARED FOR ASBESTOS INJURIES COMPENSATION FUND LIMITED (AICFL)

27 May 2010

KPMG Actuaries Pty Limited
Australian Financial Services Licence No: 227 328
ABN: 77 002 882 000

10 Shelley Street
Sydney NSW 2000
Australia

PO Box H67
Australia Square
Sydney NSW 1213
Australia

Telephone: +61 2 9335 8900
Facsimile: +61 2 9335 8911
Email: actuaries@kpmg.com.au

27 May 2010

Dallas Booth
Chief Executive Officer
Asbestos Injuries Compensation Fund Limited
Suite 1, Level 7, 233 Castlereagh Street
Sydney NSW 2000

Cc Russell Chenu, Chief Financial Officer, James Hardie Industries SE
Leigh Sanderson, Consultant, Department of Premier and Cabinet, The State of New South Wales
The Board of Directors, Asbestos Injuries Compensation Fund Limited

Dear Dallas,

Valuation of asbestos-related disease liabilities of former James Hardie entities ("The Liable Entities") to be met by the AICF Trust

We are pleased to provide you with our actuarial valuation report relating to the asbestos-related disease liabilities of the Liable Entities which are to be met by the AICF Trust.

The report is effective as at 31 March 2010 and has taken into account claims data and information provided to us by AICFL as at 31 March 2010.

If you have any questions with respect to the contents of this report, please do not hesitate to contact us.

Yours sincerely

N Donlevy

David Whittle

Neil Donlevy MA FIA FIAA
Director
KPMG Actuaries Pty Limited
Fellow of the Institute of Actuaries (London)
Fellow of the Institute of Actuaries of Australia

David Whittle BSc(Hons) BEc FIAA
Director
KPMG Actuaries Pty Limited
Fellow of the Institute of Actuaries of Australia

EXECUTIVE SUMMARY

Important Note: Basis of Report

This valuation report (" ***the Report***") has been prepared by KPMG Actuaries Pty Limited (A.B.N. 77 002 882 000) (" ***KPMG Actuaries***") in accordance with an "Amended and Restated Final Funding Agreement in respect of the provision of long-term funding for compensation arrangements for certain victims of Asbestos-related diseases in Australia" (hereafter referred to as "***the Amended Final Funding Agreement***") between James Hardie Industries NV (now known as James Hardie Industries SE) (hereafter referred to as "***James Hardie***"), James Hardie 117 Pty Limited, the State of New South Wales and Asbestos Injuries Compensation Fund Limited ("***AICFL***") which was signed on 21 November 2006.

This Report is intended to meet the requirements of the Amended Final Funding Agreement and values the asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust.

This Report is not intended to be used for any other purpose and may not be suitable, and should not be used, for any other purpose. Opinions and estimates contained in the Report constitute our judgement as of the date of the Report.

In preparing the Report, KPMG Actuaries has relied on information supplied to it from various sources and has assumed that that information is accurate and complete in all material respects. KPMG Actuaries has not independently verified the accuracy or completeness of the data and information used for this Report.

Except insofar as liability under statute cannot be excluded, KPMG Actuaries, its directors, employees and agents will not be held liable for any loss or damage of any kind arising as a consequence of any use of the Report or purported reliance on the Report including any errors in, or omissions from, the valuation models.

The Report must be read in its entirety. Individual sections of the Report, including the Executive Summary, could be misleading if considered in isolation. In particular, the opinions expressed in the Report are based on a number of assumptions and qualifications which are set out in the full Report.

Introduction

The Amended Final Funding Agreement requires the completion of an Annual Actuarial Report evaluating the potential asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust. KPMG Actuaries has been retained by AICFL to provide this actuarial valuation report as required under the Amended Final Funding Agreement and this is detailed in our Engagement Letter dated 25 November 2009.

The Liable Entities are defined as being the following entities:

- Amaca Pty Ltd (formerly James Hardie & Coy);
- Amaba Pty Ltd (formerly Jsekarb, James Hardie Brakes and Better Brakes); and
- ABN60 Pty Ltd (formerly James Hardie Industries Ltd).

In addition, the liability for Baryulgil claims is deemed to be a liability of Amaca by virtue of the James Hardie (Civil Liability) Act 2005 (NSW). Under Part 4 of that Act, Amaca is liable for “Marlew Asbestos Claims” or “Marlew Contribution Claims” as defined in that Act.

Our valuation is on a central estimate basis and is intended to be effective as at 31 March 2010. It has been based on claims data and information as at 31 March 2010 provided to us by AICFL.

Overview of Recent Claims Experience and comparison with previous forecasts

Claim Numbers

Claims reporting for mesothelioma has shown a reduction in the year. There have been 262 claims reported in 2009/10 compared with 304 claims reported in 2008/09.

The reduction in claims reporting activity has mainly arisen in Victoria, Queensland and South Australia.

For non-mesothelioma claims, there have been 273 claims reported in 2009/10 compared to 317 claims reported in 2008/09. Within this, there has been a significant reduction in reporting activity for asbestosis (40 fewer claims) but this has been offset to some extent by increases in other disease types.

The following table shows the comparison of actual experience with that which had been forecast at the previous valuation.

Table E.1: Comparison of claim numbers

	Actual	Expected	Ratio of Actual to Expected (%)
Mesothelioma	262	300	87%
Asbestosis	121	162	75%
Lung Cancer	39	33	118%
ARPD & Other	51	48	106%
Wharf	3	9	33%
Workers	59	60	98%
Total	**535**	**612**	**87%**

Average Claim Awards

Average claims awards in 2009/10 have typically been below, or in line with, expectations.

There have been five large mesothelioma claim settlements (being claims in excess of $1m) in 2009/10. This is in line with our annual allowance of five large claims. Total claims expenditure on large claims has been 15% below expectations, reflecting lower average settlement sizes of large claims, although we note that random variability in the size of large claims is not unusual.

The following table shows the comparison of actual experience with that forecast.

Table E.2: Comparison of average claim size of non-nil claims

	Actual ($)	Expected ($)	Ratio of Actual to Expected (%)
Mesothelioma	246,395	281,200	88%
Asbestosis	99,740	98,100	102%
Lung Cancer	104,757	122,000	86%
ARPD & Other	89,275	90,200	99%
Wharf	58,401	106,100	55%
Workers	105,700	132,600	80%
Mesothelioma Large Claims Costs	5 claims @ $1,586,000 = $7,930,000	5 claims @ $1,857,000 = $9,285,000	85%

Cashflow expenditure: gross and net

Gross cashflow expenditure, at $103m, was 10% below expectations.

Net cashflow expenditure, at $86m, was 11% below expectations.

At the end of the third quarter of 2009/10, actual net expenditure ($72.0m) was almost exactly in line with our expectations ($72.4m). However, net cashflow in the fourth quarter was only $14m (compared with an expectation of $24m).

We have investigated this and we have identified that the number of claim settlements (110) in the fourth quarter was approximately 25% below expectations and 25% below the level of settlement activity experienced in the first three quarters.

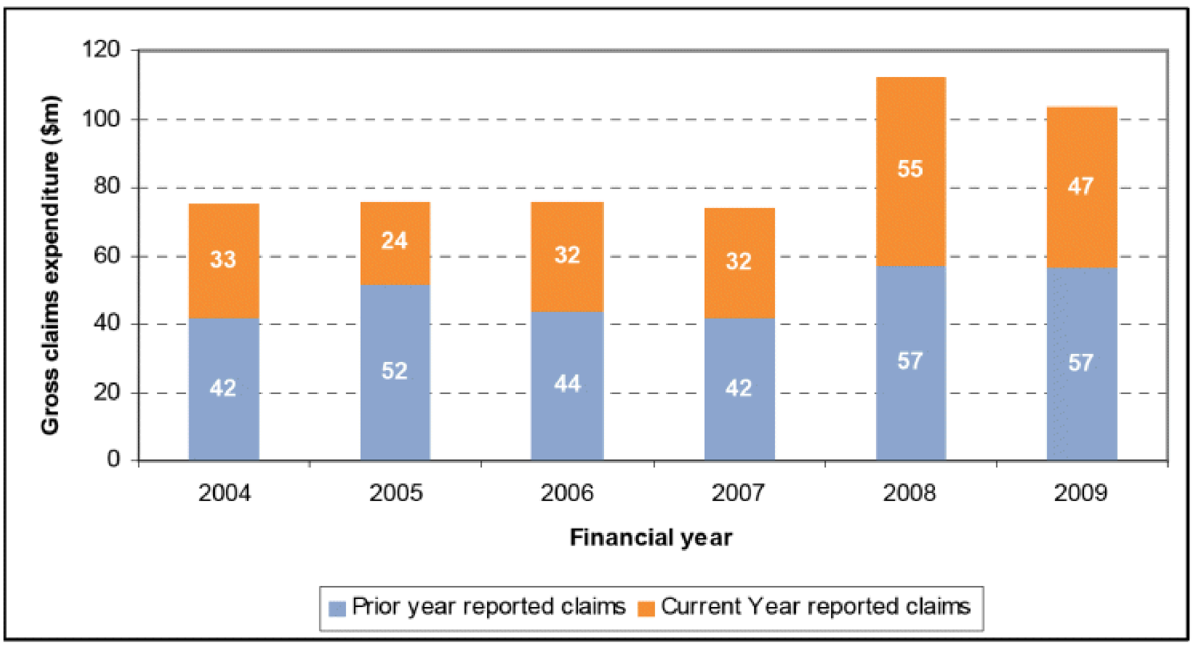
Furthermore, 20% of these claims were settled for nil, i.e. only 88 claims were settled with liability against the Liable Entities during the fourth quarter.

Table E.3: Comparison of cashflow

	Actual ($M)	Expected ($M)	Ratio of Actual to Expected (%)
Gross Cashflow	103.2	114.2	90%
Insurance and Other Recoveries	(16.9)	(17.7)	95%
Net Cashflow	86.3	96.5	89%

The following chart shows the composition of the cashflow between current and prior years' reported claims over the last six years.

Figure E.1: Composition of gross expenditure between current and prior years' reported claims



The 14% reduction in payments in relation to claims that had been reported in the financial year (from $55m in 2008/09 to $47m in 2009/10) is in line with the lower numbers of claims reported in 2009/10 compared with 2008/09.

Payments in relation to prior years' reported claims have been at the same level as that observed in 2008/09 (approximately $57m). This is not unreasonable because the number of pending claims at the start of each financial year has been broadly stable.

Liability Assessment

At 31 March 2010, our projected central estimate of the liabilities of the Liable Entities (the Discounted Central Estimate) to be met by the AICF Trust is $1,536.7m (March 2009: $1,781.6m).

We have not allowed for the future Operating Expenses of the AICF Trust or the Liable Entities in the liability assessment.

Table E.4: Comparison of central estimate of liabilities

	Mar-10 $m			Mar-09 $m
	Gross of insurance recoveries	Insurance recoveries	Net of insurance recoveries	Net of insurance recoveries
Total projected cashflows (uninflated)	1,660.8	218.2	1,442.6	1,524.3
Future inflation allowance	1,680.5	216.7	1,463.8	1,599.2
Total projected cash-flows with inflation	3,341.2	434.9	2,906.4	3,123.5
Discounting allowance	(1,584.1)	(214.5)	(1,369.6)	(1,341.8)
Net present value liabilities	**1,757.1**	**220.4**	**1,536.7**	**1,781.6**

Comparison with previous valuation

In the absence of any change to the claim projection assumptions from our 31 March 2009 valuation, other than allowing for the changes in the discount rate, we would have projected a Discounted Central Estimate liability of $1,609.2m as at 31 March 2010, i.e. a reduction of $172.4m from our 31 March 2009 valuation result.

This reduction of $172.4m is due to:

- A reduction of $49.8m, being the net impact of expected claims payments (which reduce the liability) and the "unwind of discount" (which increases the liability and reflects the fact that cashflows are now one year nearer and therefore are discounted by one year less). The lower discount rates assumed at 31 March 2009 resulted in a low "unwind of discount" charged between 31 March 2009 and 31 March 2010.

- A reduction of $122.6m resulting from the higher discount rates prevailing at 31 March 2010 compared with those at 31 March 2009.

Our liability assessment at 31 March 2010 of $1,536.7m represents a further decrease of $72.5m, which arises from changes to the claim projection assumptions.

The decrease of $72.5m is principally a consequence of:

- A reduction in the projected future number of mesothelioma and asbestosis claims; and

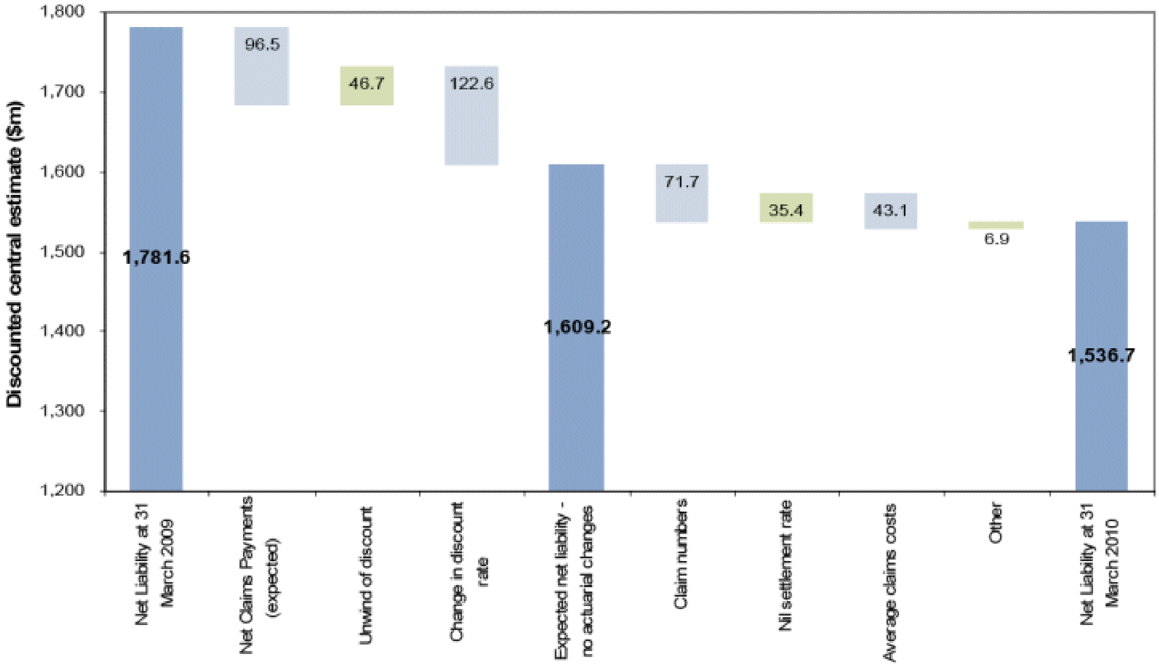
- A reduction in average claim awards and legal costs for most disease types offset by

- Lower assumed future nil settlement rates; and

- The rate of wage inflation being assumed for the three years to 31 March 2013 has increased (this had previously been lowered as a result of the Global Financial Crisis).

The following chart shows an analysis of the change in our liability assessments from March 2009 to March 2010.

Figure E.2: Analysis of change in central estimate liability



Note: Green bars signal that this factor has given rise to an increase in the liability whilst light blue bars signal that this factor has given rise to a reduction in the liability

On an undiscounted basis, the liability has reduced from $3,027m to $2,906m, a reduction of $121m (4% of the undiscounted liability).

Amended Final Funding Agreement calculations

The Amended Final Funding Agreement sets out the basis on which payments will be made to the AICF Trust.

Additionally, there are a number of other figures specified within the Amended Final Funding Agreement that we are required to calculate. These are [1]:

- Discounted Central Estimate;
- Term Central Estimate; and
- Period Actuarial Estimate.

Table E.5: Amended Final Funding Agreement calculations

	$m	
Discounted Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries)	1,536.7	
Period Actuarial Estimate (net of cross-claim recoveries, gross of Insurance and Other Recoveries) comprising:	328.8	
Discounted value of cashflow in 2010/11		111.8
Discounted value of cashflow in 2011/12		107.3
Discounted value of cashflow in 2012/13		109.7
Term Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries)	1,534.1	

The actual funding amount due at a particular date will depend upon a number of factors, including:

- the net asset position of the AICF Trust at that time;
- the free cash flow amount of the James Hardie Group in the preceding financial year; and
- the Period Actuarial Estimate in the latest Annual Actuarial Report.

1 See Glossary of Terms in Appendix H for description of these items

Uncertainty

Estimates of asbestos-related disease liabilities are subject to considerable uncertainty, significantly more than personal injury liabilities in relation to other causes, such as CTP or Workers Compensation claims.

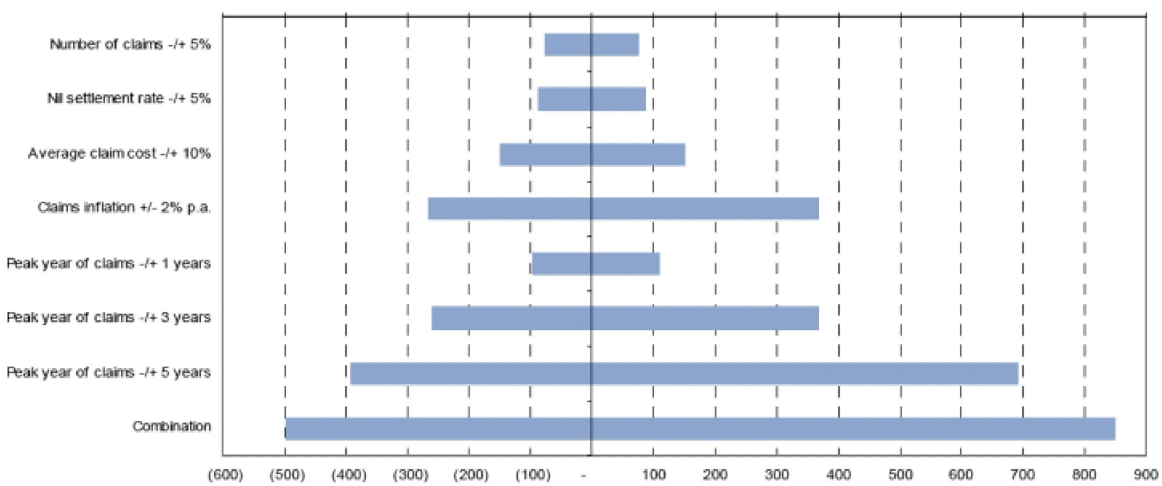
It should therefore be expected that the actual emergence of the liabilities will vary from any estimate. As indicated in Figure E.3, depending on the actual out-turn of experience relative to that currently forecast, the variation could potentially be substantial.

Thus, no assurance can be given that the actual liabilities of the Liable Entities to be met by the AICF Trust will not ultimately exceed the estimates contained in this Report and any such variation may be significant.

We have performed sensitivity testing to identify the impact of different assumptions upon the size of the liabilities.

We note that these sensitivity test ranges are not intended to correspond to a specified probability of sufficiency, nor are they intended to indicate an upper bound or a lower bound of all possible outcomes.

Figure: E.3 Sensitivity testing results — Impact around the Discounted Central Estimate (in $m)



The single most sensitive assumption shown in the chart is potentially the peak year of mesothelioma claims reporting against the Liable Entities. Shifting the peak year of mesothelioma claims reporting by 5 years from 2010/11 to 2015/2016 for mesothelioma could imply an increase in the future number of mesothelioma claims reported of around 50%.

Table E.6: Summary results of sensitivity analysis

	Undiscounted	Discounted
Central estimate	$2.91bn	$1.54bn
Range around the central estimate	-$1.1bn to $2.2bn	-$0.5bn to $0.9bn
Range of liability estimates	$1.8bn to $5.1bn	$1.0bn to $2.4bn

Whilst the table above indicates a range around the discounted central estimate of liabilities of -$500m and +$900m, the actual cost of liabilities could fall outside that range depending on the out-turn of the actual experience.

Data, Reliances and Limitations

We have been provided with the following information by AICFL:

- Claims database at 31 March 2010 with individual claims listings;
- Accounting database at 31 March 2010 (which includes individual claims payment details); and
- Detailed insurance bordereaux information (being a listing of claims filed with the insurers of the Liable Entities) produced by Capita Insurance Services (London) as at 31 March 2010.

While we have tested the consistency of the various data sets provided, we have not otherwise verified the data nor have we undertaken any auditing of the data at source. We have relied on the data provided as being complete and accurate in all material respects. Consequently, should there be material errors or incompleteness in the data, our assessment could be affected materially.

In Section 2 of this Report, we have discussed in more detail the conversion of historical claims data onto a new IT system.

Executive Summary Not Report

Please note that this executive summary is intended as a brief overview of our Report. To properly understand our analysis and the basis of our liability assessment requires examination of our Report in full.

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APPENDICES

1 SCOPE AND PURPOSE

Important Note: Basis of Report

This valuation report (" ***the Report***") has been prepared by KPMG Actuaries Pty Limited (A.B.N. 77 002 882 000) (" ***KPMG Actuaries***") in accordance with an "Amended and Restated Final Funding Agreement in respect of the provision of long-term funding for compensation arrangements for certain victims of Asbestos-related diseases in Australia" (hereafter referred to as "***the Amended Final Funding Agreement***") between James Hardie Industries NV (now known as James Hardie Industries SE) ("***James Hardie***"), James Hardie 117 Pty Limited, the State of New South Wales and Asbestos Injuries Compensation Fund Limited ("***AICFL***"), which was signed on 21 November 2006.

This Report is intended to meet the requirements of the Amended Final Funding Agreement and values the asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust.

This Report is not intended to be used for any other purpose and may not be suitable, and should not be used, for any other purpose. Opinions and estimates contained in the Report constitute our judgement as of the date of the Report.

In preparing the Report, KPMG Actuaries has relied on information supplied to it from various sources and has assumed that that information is accurate and complete in all material respects. KPMG Actuaries has not independently verified the accuracy or completeness of the data and information used for this Report.

Except insofar as liability under statute cannot be excluded, KPMG Actuaries, its directors, employees and agents will not be held liable for any loss or damage of any kind arising as a consequence of any use of the Report or purported reliance on the Report including any errors in, or omissions from, the valuation models.

The Report must be read in its entirety. Individual sections of the Report, including the Executive Summary, could be misleading if considered in isolation. In particular, the opinions expressed in the Report are based on a number of assumptions and qualifications which are set out in the full Report.

1.1 Introduction

The Amended Final Funding Agreement requires the completion of an Annual Actuarial Report evaluating the potential asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust.

1.1.1 Liable Entities

The Liable Entities are defined as being the following entities:

- Amaca Pty Ltd (formerly James Hardie & Coy);
- Amaba Pty Ltd (formerly Jsekarb, James Hardie Brakes and Better Brakes); and
- ABN60 Pty Ltd (formerly James Hardie Industries Ltd).

In addition, the liability for Baryulgil claims is deemed to be a liability of Amaca by virtue of the James Hardie (Civil Liability) Act 2005 (NSW). Under Part 4 of that Act, Amaca is liable for "Marlew Asbestos Claims" or "Marlew Contribution Claims" as defined in that Act.

1.1.2 Personal asbestos claims

Under the Amended Final Funding Agreement, the liabilities to be met by the AICF Trust relate to personal asbestos-related disease liabilities of the Liable Entities.

Such claims must relate to exposure which took place in Australia and which have been brought in a Court in Australia.

The precise scope of the liabilities is detailed in Section 1.2 and in Appendix H.

1.1.3 Purpose of report

KPMG Actuaries has been retained by AICFL to provide an actuarial valuation report as required under the Amended Final Funding Agreement and this is detailed in our Engagement Letter dated 25 November 2009.

The prior written consent of KPMG Actuaries is required for any other use of this Report or the information contained in it.

Our valuation is intended to be effective as at 31 March 2010 and has been based on claims data and information as at 31 March 2010 provided to us by AICFL.

1.2 Scope of report

We have been requested to provide an actuarial assessment as at 31 March 2010 of the asbestos-related disease liabilities of the Liable Entities to be met by the AICF Trust, consistent with the terms of the Amended Final Funding Agreement.

The assessment is on a central estimate basis and is based on the claims experience as at 31 March 2010.

A "central estimate" liability assessment is an estimate of the expected value of the range of potential future liability outcomes. In other words, if all the possible values of the liabilities are expressed as a statistical distribution, the central estimate is an estimate of the mean of that distribution.

It is of note that our liability assessment:

- Relates to the Liable Entities and Marlew (in relation to Marlew Claims arising from asbestos mining activities at Baryulgil).
- Is intended to cover:
    - The amount of settlements, judgments or awards for all Personal Asbestos Claims.
    - Claims Legal Costs incurred by the AICF Trust in connection with the settlement of Personal Asbestos Claims.
- Is not intended to cover:
    - Personal injury or death claims arising from exposure to asbestos which took place outside Australia.
    - Personal injury or death claims, arising from exposure to Asbestos, which are brought in Courts outside Australia.
    - Claims for economic loss, other than any economic loss forming part of an award for damages for personal injury and/or death.
    - Claims for loss of property, including those relating to land remediation.
    - The costs of asbestos or asbestos product removal relating to asbestos or asbestos products manufactured or used by or on behalf of the Liable Entities.
- Includes an allowance for:

    - Compensation to the NSW Dust Diseases Board or a Workers Compensation Scheme by way of a claim by such parties for contribution or reimbursement from the Liable Entities, but only to the extent that the cost of such claims is within the limits of funding for such claims as outlined within the Amended Final Funding Agreement.
    - Workers Compensation claims, being claims from current and former employees of the Liable Entities, but only to the extent that such liabilities are not met by a Workers Compensation Scheme or Policy (see section 1.2.1).

- Assumes that the product and public liability insurance policies of the Liable Entities will continue to respond to claims as and when they fall due. We have not made any allowance for the impact of any disputation concerning Insurance Recoveries, nor of any legal costs that may be incurred in resolving such disputes.
- Makes no allowance for potential Insurance Recoveries that could be made on product and public liability insurance contracts placed from 1986 onwards which were placed on a "claims made" basis.
- Makes no allowance for the future Operating Expenses of the Liable Entities or the AICF Trust. Separate allowance for future Operating Expenses needs to be considered by the management of AICFL.
- Makes no additional allowance for the inherent uncertainty of the liability assessment. That is, no additional provision (or risk margin) has been included in excess of a central estimate.

Readers of this Report may refer to our previous reports which are available at www.ir.jameshardie.com.au and www.aicf.org.au.

1.2.1 Workers Compensation

Workers Compensation claims are claims made by current and former employees of the Liable Entities. Such past, current and future reported claims were insured with, amongst others, Allianz Australia Limited ("Allianz") and the various State-based Workers Compensation Schemes.

Under the Amended Final Funding Agreement, the part of future Workers Compensation claims that is met by a Workers Compensation Scheme or Policy of the Liable Entities is outside of the AICF Trust. The AICF Trust is, however, to provide for any part of a claim not covered by a Workers Compensation Scheme or Policy (e.g. as a result of the existence of limits of indemnity and policy deductibles on those contracts of insurance).

On this basis our liability assessment in relation to Workers Compensation claims and which relates to the AICF Trust, includes only the amount borne by the Liable Entities in excess of the anticipated recoveries due from a Workers Compensation Scheme or Policy.

In making our assessment we have assumed that the Workers Compensation insurance programme will continue to respond to claims by current and former employees of the Liable Entities as and when they fall due. To the extent that they were not to respond owing to (say) insurer insolvency, Insurer Guarantee Funds may be available to meet such obligations.

1.2.2 *Dust Diseases Board and Other Reimbursements*

There exists a right under Section 8E (Reimbursement Provisions) of the Dust Diseases Act 1942 for the NSW Dust Diseases Board (“DDB”) to recover certain costs from common law defendants, excluding the employer of the claimant.

This component of cost is implicitly included within our liability assessment as the claims awards made in recent periods and in recent settlements contain allowance for DDB reimbursement where applicable. Furthermore, currently reported open claims have allowance within their case estimates for the costs of DDB reimbursement where relevant and applicable.

The Amended Final Funding Agreement indicates that the AICF Trust is intended to meet Personal Asbestos Claims and that claims by the DDB or a Workers Compensation Scheme for reimbursement will only be met up to a certain specified limit, being:

- In the first financial year (2006/07) a limit of $750,000 applied;
- In respect of each financial year thereafter, that limit will be indexed annually in line with the Consumer Price Index;
- There will be an overall unindexed aggregate cap of $30m.

The cashflow and liability figures contained within this Report have already removed that component of reimbursements that will not be met by the AICF Trust owing to the application of these caps.

1.2.3 Baryulgil ("Marlew Claims")

"Marlew Asbestos Claims" and "Marlew Contribution Claims" are deemed to be liabilities of Amaca. These claims specifically include:

- Claims made against Amaca Pty Ltd or ABN60 resulting from their past ownership of the mine, or in the case of Amaca also in relation to the joint venture (Asbestos Mines Pty Ltd) established with Wunderlich in 1944 to begin mining at Baryulgil, are to be covered by the AICF Trust.
- Claims made against the subsequent owner of the mine (following its sale by James Hardie Industries to Woodsreef in 1976), being Marlew Mining Pty Ltd ("Marlew") which is in liquidation, are to be met by the AICF Trust except where such claims are Excluded Marlew Claims, which are recoverable by the Claimant from other sources.

These claims are discussed further in Section 4.11.

1.2.4 Risk Margins

Australian-licensed insurance companies are required to, and non-insurance companies commonly elect to, hold claims provisions at a level above the central estimate basis to reflect the uncertainty attaching to the liability assessment and to include an allowance in respect of that uncertainty.

A risk margin is an additional amount held, above the central estimate, so as to increase the likelihood of adequacy of the provisions to meet the ultimate cost of settlement of those liabilities.

We note that the Amended Final Funding Agreement envisages the ongoing financing of the AICF Trust is to be based on a "central estimate" approach and that the Annual Actuarial Report should provide a Discounted Central Estimate valuation.

Accordingly, we have made no allowance for any risk margins within this Report.

1.2.5 Discounting

We have determined a Discounted Central Estimate in this Report by discounting the projected future cashflows to 31 March 2010 using yields on Commonwealth Government Bonds.

Conceptually, the Discounted Central Estimate would normally represent an amount of money which, if fully provided in advance (i.e. as of 31 March 2010) and invested in risk-free assets (such as Commonwealth Government Bonds) of term and currency appropriate to the liabilities, would generate the necessary investment income such that (together with the capital value of those assets) would be expected to be sufficient to pay for the liabilities as they fall due.

To the extent that the actual investments are:

- of different terms; and/or
- in different currencies; and/or
- provide different expected rates of return

investment profits or losses would emerge.

One of the uncertainties in our valuation is the fact that fixed interest Commonwealth Government Bonds do not exist at most of the durations of our cashflow projection, with the maximum term of bonds being around 10 to 15 years.

This means we need to take a long-term view on bond yields that is not measured by market-observable rates of return.

Our approach at this valuation has been to take the bond yields implied by bond market prices, without adjustment, for the periods up to 10 years.

Thereafter, we have set the spot rate to be 1.25 percentage points above our underlying long-term wage inflation assumption of 4.75% per annum (before ageing allowance).

The combined effect is that our long-term spot rate is 6.00% per annum at durations 10+. This is unchanged from our previous valuation.

In this regard, we also note that the actual funding mechanism under the Amended Final Funding Agreement only provides for three years' worth of projected Claims and Claims Legal Costs expenditure and one year's worth of Operating Expenses at any one time.

1.3 Areas of potential exposure

As identified in Section 1.2, there are other potential sources of claims exposure beyond those directly considered within this Report. However, in a number of cases they are unquantifiable even if they have the potential to generate claims. This is especially the case for those sources of future claim where there has been no evidence of claims to date.

Areas of potential changes in claims exposure we have not explicitly allowed for in our valuation include:

- Future significant individual landmark and precedent-setting judicial decisions;
- Significant medical advancements;
- Unimpaired claims, i.e. claims for fear, stress, pure nervous shock or psychological illness;
- A change in the basis of compensation for asymptomatic pleural plaques for which no associated physical impairment is exhibited;
- A proliferation (compared to past and current levels of activity) of "third-wave" claims, i.e. claims arising as a result of indirect exposure such as home renovation, washing clothes of family members that worked with asbestos, or from workers involved in removal of asbestos or demolition of buildings containing asbestos;
- Changes in legislation, especially those relating to tort reform for asbestos sufferers;
- Introduction of new, or elimination of existing, heads of damage;
- Exemplary and aggravated or punitive damages (being damages awarded for personal injuries caused as a result of negligence or reckless conduct);
- Changes in the basis of apportionment of awards for asbestos-related diseases for claimants who have smoked (we note the recent decisions in *Amaca v Ellis [2010] HCA 5* and *Evans v Queanbeyan City Council [2010] NSWDDT 7* which we understand are consistent with the previous decision in *Judd v Amaca [2002] NSWDDT 25*);
- Any changes to GST or other taxes; and
- Future bankruptcies of other asbestos claim defendants (i.e. other liable manufacturers or distributors).

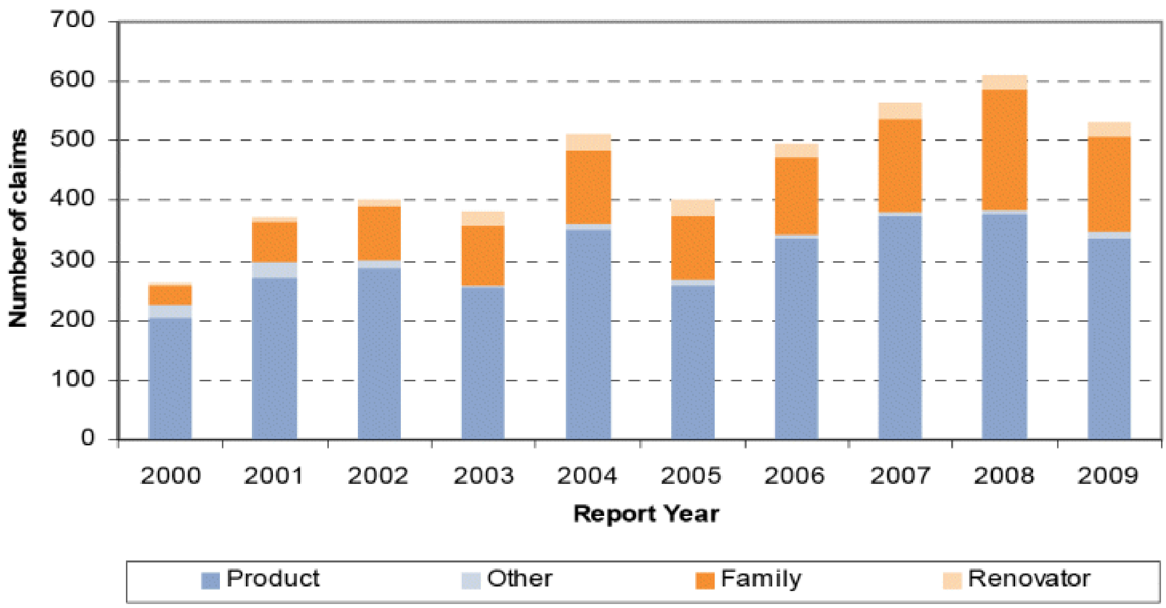
Nonetheless, some implicit allowance is made in respect of some of these items in the allowance for superimposed inflation included in our liability assessment, and to the extent that some of these have emerged in past claims experience.

We have made no allowance for the risk of further development in relation to New Zealand exposures and the rights of claims from New Zealand claimants in Australian courts (as per *Frost vs. Amaca Pty Ltd* (2005), NSWDDT 36 although this decision was successfully appealed by Amaca in August 2006) nor for the risk of additional exposures from overseas. This is because, as noted in Section 1.2, the AICF Trust will not meet the cost of these claims as they are Excluded Claims.

We have made some implicit allowance for so-called "third-wave" claims. These are claims for personal injury and / or death arising from asbestos exposure during home renovations by individuals or to builders involved in such renovations. Such claims are allowed for within the projections to the extent to which they have arisen to date and to the extent our exposure model factors in such tertiary exposures in its extrapolation.

The number of pure home renovator claims reported has remained broadly stable since 2003/04 (at approximately 25 claims per annum). "Family" type exposures (e.g. childhood exposures, exposure through clothes washing) had been the main source of increase in claims reporting from 2004/05 to 2008/09, although these have shown a reduction of around 20% in 2009/10.

Figure 1.1: Mix of claims reported by nature of exposure



We have not allowed for a surge in third-wave claims in the future arising from renovations, but conversely we have not allowed for a tempering of those third-wave claims already included within our projection as a result of improved education of individuals of the risks of such home renovations, or of any local Councils or State Governments passing laws in this regard.

It should be noted that claims for the cost of asbestos or asbestos product removal from homes and properties or any claims for economic loss arising from asbestos or asbestos products being within such homes and properties will not be met by the AICF Trust.

1.4 Data reliances and limitations

KPMG Actuaries has relied upon the accuracy and completeness of the data with which it has been provided. KPMG Actuaries has not verified the accuracy or completeness of the data, although we have undertaken steps to ensure its consistency with data previously received. However, KPMG Actuaries has placed reliance on the data previously received, and currently provided, as being accurate and complete in all material respects.

In Section 2 of this Report, we have discussed in more detail the conversion of historical claims data onto a new IT system.

1.5 Uncertainty

It must be understood that estimates of asbestos-related disease liabilities are subject to considerable uncertainty.

This is due to the fact that the ultimate disposition of future claims will be subject to the outcome of events that have not yet occurred. Examples of these events, as noted in Section 1.3, include jury decisions, court interpretations, legislative changes, epidemiological developments, medical advancements, public attitudes, potential third-wave exposures and social and economic conditions such as inflation.

It should therefore be expected that the actual emergence of the liabilities will vary, perhaps materially, from any estimate. Thus, no assurance can be given that the actual liabilities of the Liable Entities to be met by the AICF Trust will not ultimately exceed the estimates contained herein and any such variation may be significant.

1.6 Distribution and use

The purpose of this Report is as stated in Section 1.2. This Report should not be used for any purpose other than those specified.

This Report is to be provided to the Board and management of AICFL. This Report will also be provided to the Board and management of James Hardie, the NSW Government, and to Ernst & Young in their capacity as auditors to both James Hardie and AICFL.

We understand that this Report will be filed with the ASX and placed on James Hardie's website in its entirety.

We understand that this Report will also be placed on AICFL's website in its entirety.

KPMG Actuaries provide our consent for this Report to be made available to the above-mentioned parties and for the Report to be distributed in the manner described above.

To the extent permitted by law, KPMG Actuaries will not be responsible to third parties for the consequences of any actions they take based upon the opinions expressed within this Report, including any use of or purported reliance upon this Report not contemplated in Section 1.2.

Where distribution of this Report is permitted by KPMG Actuaries, the Report may only be distributed in its entirety and judgements about the conclusions and comments drawn from this Report should only be made after considering the Report in its entirety and with necessary consultation with KPMG Actuaries.

1.7 Author of the report

This Report is authored by Neil Donlevy, a Director of KPMG Actuaries, a Fellow of the Institute of Actuaries (London) and a Fellow of the Institute of Actuaries of Australia.

This Report is co-authored by David Whittle, a Director of KPMG Actuaries and a Fellow of the Institute of Actuaries of Australia.

1.8 Professional standards and compliance

This Report details a valuation of the outstanding claims liabilities of entities which hold liabilities with features similar to general insurance liabilities as self-insured entities, and which have purchased related insurance protection.

In preparing this Report, we have complied with the revised version of Professional Standard 300 of the Institute of Actuaries of Australia ("PS300"), "Valuation of General Insurance Claims". The revised standard is applicable for balance sheet dates occurring after 23 February 2010.

However, as we note in Section 1.2, this Report does not include an allowance for the future Operating Expenses of the AICF Trust (which are estimated by AICFL) and nor does it include any allowance for a risk margin to reflect the inherent uncertainty in the liability assessment.

1.9 Control processes and review

This valuation report and the underlying analyses have been subject to technical review and peer review.

The technical review focuses on ensuring that the valuation models and supporting claims experience analyses that are carried out are done correctly and that the calculations are being correctly applied. The technical review also ensures that the data that is being used has been reconciled insofar as possible.

Peer review involves a review of the approach, the methods, the assumptions selected and the professional judgments applied.

Both the technical review and peer review processes are applied to the report as well as the valuation models.

1.10 Funding position of the AICF Trust

This Report does not analyse nor provide any opinion on the current, or prospective, funding position of the AICF Trust.

This is because to do so requires consideration of the future financial performance of James Hardie.

This Report only provides analysis and opinion on the estimates of the future expenditure to be met by the AICF Trust.

1.11 Basis of preparation of report

We have been advised by the management of AICFL to prepare the Report on a "going concern" basis (i.e. that we should assume that AICFL will be able to meet the cost of the liabilities of the Liable Entities as they fall due).

In this regard, we note the announcement in November 2009 that the Australian Government would provide a loan of up to $160 million to the NSW Government that would go towards a loan facility of up to $320 million to be made available by the NSW Government to AICFL to meet an expected short-term funding shortfall.

2 DATA

2.1 Data provided to KPMG Actuaries

We have been provided with the following information by AICFL:

- Claims database at 31 March 2010 with individual claims listings;
- Accounting database at 31 March 2010 (which includes individual claims payment details); and
- Detailed insurance bordereaux information (being a listing of claims filed with the insurers of the Liable Entities) produced by Capita Insurance Services (London) as at 31 March 2010.

We have allowed for the benefits of the product and public liability insurance policies of the Liable Entities based on information provided to us by AICFL relating to the insurance programme's structure, coverage and layers.

We have also considered the claims data listings which formed the basis of our previous valuation assessments.

The data structures for the claims and accounting databases provided to us by AICFL as of 31 March 2010 are detailed in Appendix G.

2.2 Data limitations

We have tested the consistency of the various data sets provided to us at different valuation dates. Sections 2.3 and 2.4 outline the nature of the testing and verification process undertaken.

However, we have not otherwise verified the data and have instead relied on the data provided as being complete and accurate in all material respects.

We have relied upon the robustness of AICFL's internal administration and systems as to the completeness of the data provided.

Consequently, should there be material errors or incompleteness in the data, our assessment could also be affected materially.

2.3 Impact of new IT system upon data

2.3.1 Overview

During the financial year ending 31 March 2010, AICFL implemented a new IT system. The system went "live" in mid-February 2010.

As part of the development of the new IT system, all claims records and claims histories from the old IT system were converted onto the new system.

The implementation of this new IT system has resulted in some modifications to existing claims and transaction fields, re-categorisation and re-grouping of existing fields and the development of new fields.

There has also been increased segmentation of the transactions into “heads of damage”.

At the same time, corrections in relation to any data errors that had become apparent have also been made.

As a consequence of the change in the source and format of the claims and accounting data, some of the tables in this report have changed since the previous valuation.

2.3.2 Reconciliation process

As part of the AICFL’s transition to the new IT system, we undertook parallel testing of the data extract from the old IT system and the data extract from the new IT system as of 31 December 2009.

The testing focussed predominantly on the key fields that would affect the valuation result, namely:

- Disease type;
- Date of notification;
- Date of settlement;
- Claims award;
- Legal costs;
- Other costs;
- Recovery amounts.

However, as part of the reconciliation process, we compared all of the field values of each record to identify and resolve any material changes. Where material or financially significant changes had taken place, we sought to understand those changes and, (where required) AICFL made amendments or corrections to the data or the conversion process.

Whilst we cannot provide assurance as to the underlying data (because we do not undertake “auditing at source”) the final outputs in relation to 31 December 2009 data closely reconcile from the two separate systems.

Therefore, the conversion and transfer of data to the new IT system has not materially changed the underlying claims data, or our results.

2.3.3 Changes to the data fields

There have been a number of changes to the data fields.

Each claim record now has a new claim number protocol. This protocol applies equally to the old claim records and any new claims reported which are entered using the new IT platform.

However, for claims that were recorded on the old IT system, the old claim number is also stored. This allows us to reconcile and compare records from the new data extracts and the old data extracts.

For the old IT system, there were two settlement dates: namely the plaintiff settlement date and the client settlement date. The new IT system only has one settlement date: the client settlement date.

In our previous valuations, when we performed our analysis of average claim sizes, we used the plaintiff settlement year to segment the data. As this field is no longer being maintained, our analysis at this valuation will be conducted using “client settlement year”. The use of this different definition will result in a number of tables (notably the average claim size and the nil settlement rate tables) being on a different basis to that previously reported.

Finally, the structure and content of the financial fields have changed, and the historical data has also changed.

The claims database extract now contains the following fields:

- Damages — which in some cases are net of cross-claim recoveries, and which sometimes are gross of cross-claim recoveries. We are, however, able to identify which records are gross of cross-claims recoveries and which records are net of cross-claim recoveries. We have then restated all damages data to be gross of cross-claim recoveries;
- Costs;
- DDB reimbursements;
- Other costs (which include payments to Medicare); and
- Defence legal costs.

The accounting database extract contains the following fields:

- Damages — which are gross of cross-claim recoveries;
- Costs;
- DDB reimbursements;
- Other costs;
- Payments to Medicare; and
- Defence legal costs.

We then map the financial data between the two databases into standardised groupings as follows:

Table 2.1: Grouping of financial data from claims and accounting databases

	CLAIMS DATABASE	ACCOUNTING DATABASE
Award	Damages (gross of cross-claims) ***plus*** DDB reimbursement ***plus*** Medicare (from Accounting Database)	Damages ***plus*** DDB reimbursements ***plus*** Medicare
Costs / Other	Costs ***plus*** Other ***less*** Medicare (from accounting database)	Costs ***plus*** Consulting
Defence legal costs	Defence legal costs	Defence legal costs

Note: Recovery amounts are available from the accounting database

2.4 Data verification

We have also been able to undertake the usual reconciliation with the data provided at 31 March 2009. We have undertaken a number of tests and reconciliations to verify the accuracy of the data to the extent possible, noting the limitations outlined above.

2.4.1 Reconciliation with previous valuation's data

We have performed a reconciliation of the new claims database as at 31 March 2010, with that provided at 31 March 2009. Our findings are:

- Claims notifications: The new IT system contains 25 more claims reported to 31 March 2009 than the old IT system. These consisted of:
  - 4 new claims that are showing with a report date in March 2009;

- 19 new claims records relating to older reported claims that have resulted from splitting one claim record into two separate claim records (being a direct claim by the plaintiff and a cross-claim against a Liable Entity); and
- 2 claims that were re-categorised as being a cross-claim against a Liable Entity, when the previous information we had been provided with indicated a cross-claim by a Liable Entity

- Portfolio Category: 17 claims changed category. Of this, 13 records related to claims that we had previously categorised as "workers compensation" claims. Only 2 claims have been re-labelled as mesothelioma. In 15 of the 17 cases, the claims were reported prior to 2002. Therefore any changes in the categorisation would not affect the recent trends in claims reporting experience.
- Notification Date: 4 claims have changed their notification date by a material amount (which we have defined as a change of greater than one month).

Changing and developing data is not unexpected or to be considered as adverse. Indeed, changing data is common to all claims administration systems. We do not consider the number of changes to be unreasonable.

2.4.2 Reconciliation of claims settlement amounts between claims and accounting databases

We have compared the payment records between the claims database and the accounting database from the earliest date to the current file position. Table 2.2 shows the results of this reconciliation for all claim transactions to date.

Table 2.2: Comparison of amounts from claims and accounting databases

CLAIMS DATABASE		ACCOUNTING DATABASE	
Damages (gross of recoveries, excluding medicare)	687.4	Damages (gross of recoveries)	688.8
Costs	18.1	Costs	18.7
DDB	5.4	DDB	5.4
Other (inc Medicare)	5.8	Consulting	3.1
		Medicare	3.0
Defence legal costs	85.6	Defence legal costs	107.6
Total Value	**802.3**	**Total Value**	**826.6**
Standardisation			
Award plus Medicare plus DDB	695.8	Award plus Medicare plus DDB	697.2
Costs / Other	20.9	Costs / Other	21.8
Defence legal costs	85.6	Defence legal costs	107.6
Total Value	**802.3**	**Total Value**	**826.6**

The standardisation is the most relevant comparison because, as noted earlier, the two database extracts allocate the information (in relation to Medicare) in slightly different ways.

Once the standardisation has been undertaken, the two datasets reconcile very closely for claims awards and the "costs / other" categories.

The variation for the award component is less than $1.5m (or 0.2% of the total amount).

The main difference between the two datasets is in relation to legal costs.

It has always been the case that the claims database (particularly in relation to older claims records) does not fully capture the legal cost components. We continue to place limited reliance on that database for our analysis of legal costs.

Our approach for each claim record has been to take the maximum value of the two databases for each claim record.

This results in the following overall totals being used in our analysis:

- $698.8m for the claims award component;
- $21.8m for the costs / other component; and
- $107.6m for the defence legal costs component.

This approach, of taking the maximum value for each claims record, will result in some minor prudence in our overall analysis although the amount of prudence is not material in the context of the size of the potential liabilities and the underlying uncertainty in any valuation estimating future claims costs over the next 40 years or more.

2.5 Data conclusion

We have not verified the underlying data nor undertaken "auditing at source".

We have assumed that any material data issues will have been identified by the Approved Auditor of AICFL (Ernst & Young) during their testing and would have been notified to us.

We have tested the data for internal consistency with the data provided at the previous valuation (31 March 2009) and we have also "parallel-tested" the data from the new IT system and the old IT system (as of 31 December 2009).

Based on that testing and reconciliation, and subject to the limitations described in Section 1.4, we have formed the view that:

- The data is generally consistent between valuations, with any differences in the data being readily explainable;
- The financial data appears to reconcile reasonably between the two data sources (the claims database and the accounting database);
- The data from the two IT systems (as of 31 December 2009) appears to reconcile reasonably well, providing evidence that the data conversion and migration has not, of itself, given rise to any data integrity issues;
- Any data issues that have emerged are not material in relation to the size of the liabilities; and
- The data is therefore appropriate for use.

3 VALUATION METHODOLOGY AND APPROACH

3.1 Previous valuation work and methodology changes

We have maintained the core valuation methodology adopted at our previous valuation at 31 March 2009.

3.2 Overview of current methodology

The methodology involves assessing the liabilities in two separate components, being:

- Allowance for the cost of settling claims which have already been reported but have not yet been settled ("pending claims"); and
- Allowance for the cost of settling claims which have not yet been reported but are expected to arise out of past exposure ("Incurred But Not Reported" or "IBNR" claims).

For pending claims, we have used the case estimates (where available) with some adjustments to reflect the extent to which they tend to overstate the ultimate cost. For IBNR claims we have used what can best be described as an "average cost per claim method".

In brief, the overall methodology may be summarised as follows:

- Project the future number of claims expected to be reported in each future year by disease type (for product and public liability) and for Workers Compensation and Wharf claims taking into account the expected future incidence of mesothelioma and other diseases and also the past rate of co-joining of the Liable Entities;
- Analyse past average attritional claim costs of non-nil claims in current money terms. We have defined attritional claims to be claims which are less than $1m in **2005/06** money terms. We estimate a baseline attritional non-nil average claim cost in 2009/10 (current) money terms. This represents the Liable Entities' share of a claim rather than the total claim settlement. For Workers Compensation claims, the average cost represents only that part of a claim which is borne by the Liable Entities (i.e. it is net of any insurance proceeds from a Workers Compensation Scheme or Policy);
- Analyse past historic average plaintiff and defendant legal costs for non-nil claim settlements;

- Analyse past historic average defendant legal costs for nil claim settlements (which includes costs incurred in defending and repudiating liability);
- Estimate a "large claims loading" for mesothelioma claims by estimating the frequency, or incidence rate, and average claim size and legal cost sizes of such claims (being claims which are in excess of $1m in **2005/06** money terms);
- Project the pattern and incidence of future claims settlements from the claims reporting profile projected. This is done by using a settlement pattern derived from consideration of past experience of the pattern of delay between claim reporting and claim settlement for each disease type;
- Estimate the proportion of claims which will be settled with no liability against the Liable Entities by reference to past proportions of claims settled for nil claim cost (we refer to this as the "nil settlement rate");
- Inflate average claim, plaintiff/other and defence legal costs and large claim costs to the date of settlement of claims allowing for base inflation and superimposed inflation;
- Multiply the claims numbers which are expected to be settled for non-nil amounts in a period by the inflated average non-nil claim costs (including the "large claims loading") and plaintiff/other and defence legal costs for that period;
- Make allowance in defence legal costs for that proportion of settled claims which are expected to be settled for no liability but for which defence costs will be incurred in disputing liability or contribution;
- Inflate average defence legal costs of nil claims to the date of settlement of claims allowing for base inflation and superimposed inflation;
- Multiply the claims numbers which are expected to be settled for nil amounts in a period by the inflated average defence legal costs for nil claims for that period;
- Add the expected claims and legal payments on pending claims (after allowance for the potential savings on case estimates) after making allowance for the assumed settlement pattern of pending claims;

- This gives the projected future gross cashflow for each future financial year;
- Adjust projected cashflow for the impact of the cap on DDB reimbursements;
- Estimate the recoveries resulting from cross-claims made by the Liable Entities against other parties ("cross-claim recoveries");
- Project Insurance Recoveries to establish the net cashflows;
- Discount the cashflows using a yield curve derived from yields on Commonwealth Government fixed interest bonds at the valuation date, and a flat long term spot rate of 6.00% per annum for cashflows from ten years onwards, to arrive at our present value liability assessment.

It should be noted that this description is an outline and is not intended to be exhaustive in consideration of all the stages we consider or all investigations we undertake. Those other stages are outlined in more detail elsewhere in this report and readers are advised to refer to those sections for a more detailed understanding of the process undertaken.

As discussed elsewhere, the liabilities are established on a central estimate basis.

In our analyses, the "year" we refer to aligns with the financial year of AICF and James Hardie and runs from 1 April to 31 March, so that a 2008 reported claim would be a claim notified in the period 1 April 2008 to 31 March 2009. Similarly a 2009 settlement would be a claim settled in the period 1 April 2009 to 31 March 2010.

3.3 Disease type and class subdivision

3.3.1 Claims records excluded from our analysis

We have excluded cross-claims brought by the Liable Entities against other defendants. Where the cross-claim is brought as part of the main proceedings the claim is automatically counted in our analysis of the number of claims. However, where the cross-claim by the Liable Entities is severed from the main proceedings, the existence of a separate record on the claims file does not indicate an additional claim (or liability against the Liable Entities). In these circumstances such claims records are not counted in our analysis.

We have also excluded "insurance recovery" claims records. This is because the insurance recovery record is a separate record that exists for claims records where an insurance recovery is due. In other words, the claim against the Liable Entity has already been included in our analysis and the insurance recovery record exists for operational purposes only.

3.3.2 Categories of claim

We have sub-divided the remaining claims into the following groups:

- Product and Public Liability;
- Workers Compensation, being claims by current and former employees of the Liable Entities; and
- Wharf claims, being claims by individuals whose occupations involved working on the docks or wharves, or where part of their exposure related to wharves.

We have separated the Workers Compensation claims from product and public liability claims because claim payments from Workers Compensation claims do not generate recoveries under the product and public liability insurance cover, so that in order to value those insurance contracts we need to separately identify the cashflows from product and public liability claims and the cashflows from Workers Compensation claims.

We have separated out wharfside workers claims because such claims likely have a different exposure and incidence profile compared to product and public liability claims.

3.3.3 Categories of disease

For product and public liability claims, we have separately analysed the individual disease types.

We have split the data by disease because there is sufficient volume of claims to do so, because different disease types display substantially different average claim sizes, and because the incidence pattern of future notifications is also expected to vary between the different disease types.

We have not divided the Workers Compensation or wharf claims data by disease type, given their relatively low financial significance and the low credibility of the data if sub-divided by disease type.

For the purposes of our analysis, we have allocated each claim once and therefore to one disease. We have selected the following order of priority, based on the relative severity of the disease:

- Mesothelioma;
- Lung cancer / Other cancer;
- Asbestosis; and then
- Asbestos-Related Pleural Disease and Other ("ARPD & Other").

This means that if a product or public liability claim has mesothelioma as one of its listed diseases, it is automatically included as a mesothelioma claim. If a product or public liability claim has lung or other cancer as one of its listed diseases (but not mesothelioma), it is included as a lung cancer claim. If a product or public liability claim has asbestosis as one of its listed diseases, it is only coded as asbestosis if it has no reference to mesothelioma, lung cancer or other cancer as one of its diseases.

3.4 Numbers of future claims notifications

To project the pattern of incidence of claims against the Liable Entities, we have constructed a model which utilises the following inputs:

- The exposure to asbestos in Australia, adjusted to allow for the Liable Entities particular incidence of usage, noting that for the period to 1987 they had approximately a stable market share, but thereafter were not involved in asbestos products;
- The average period over which claimants are typically exposed; and
- The statistical distribution of the latency period from average exposure for each disease type, together with the underlying parameters (the mean and the standard deviation) of the latency model.

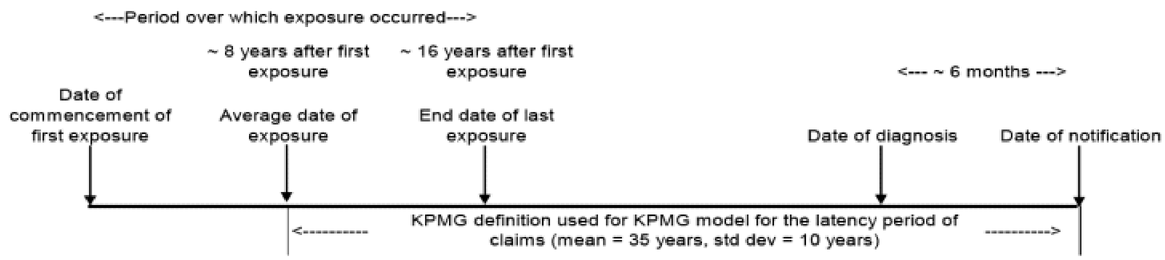
Statistically speaking, the projected peak incidence of mesothelioma is not equal to the peak year of production (or consumption) plus the average latency of mesothelioma (being 35 years).

Instead, the projected peak of claims reporting derived from our model is a function of the overall shape of the exposure and the full distribution of the latency period. In statistical terminology, the projected claims incidence curve is a "convolution" of the statistical distribution of averaged consumption and the statistical distribution of the latency period.

Furthermore, because the exposure model is not a symmetrical distribution (although the latency model is a symmetrical distribution), the notification pattern will not be symmetrically distributed around the peak year.

The following chart shows the timeline of exposure, latency, diagnosis and claims reporting.

Figure 3.1: Timeline of exposure, latency and claim reporting



3.4.1 Exposure Model

We have constructed a proxy for an "exposure model" by reference to statistics showing the levels of Australian usage of asbestos.

We do not have detailed individual exposure information for the Liable Entities, its products or where the products were used and how many people were exposed to those products. However, given the market share of James Hardie over the years (through to 1987) and its relative stability, we have used a national pattern of usage as a reasonable proxy for the Liable Entities' exposure.

We start by constructing an exposure index from the annual consumption of asbestos within Australia from 1900-2002[2]. We split this between the various asbestos types and by year of consumption.

We have not allowed for multiple exposures with respect to the Liable Entities from each unit of asbestos consumed, e.g. where the Liable Entities were both mining and milling the same asbestos. While there was some (moderate) mining at Baryulgil, in relative terms it is not significant. In any event, we have made separate explicit allowance for mining activities at Baryulgil within our liability assessment.

Figure 3.1 shows measures of the production and consumption of asbestos in Australia in the period 1920 to 2002.

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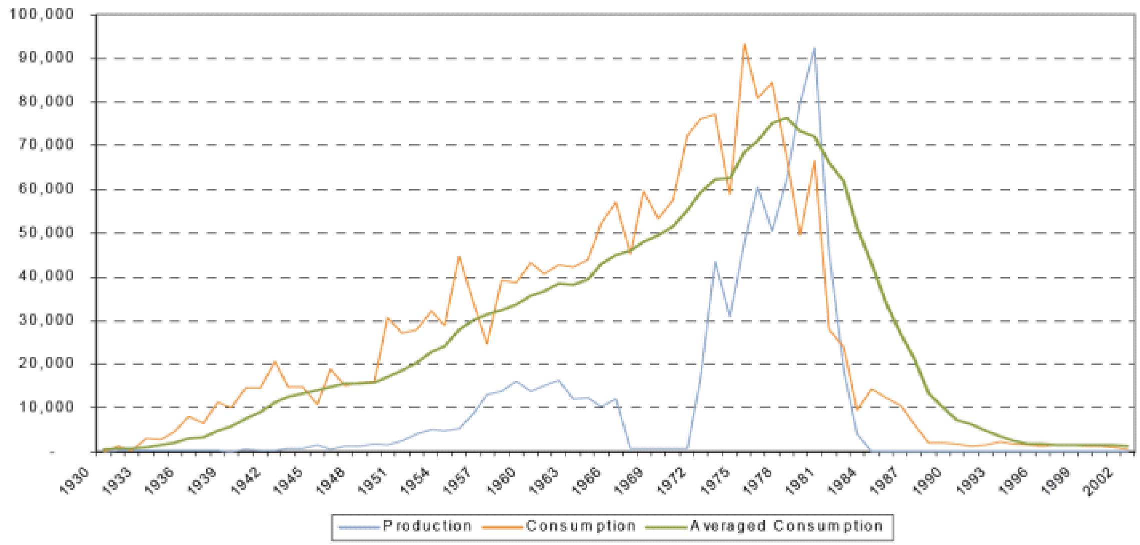
2 World Mineral Statistics Dataset, British Geological Survey, www.mineralsuk.com

US Geological Survey — Worldwide Asbestos Supply and Consumption Trends 1900 to 2000; Robert L. Virta (2003)

It can be seen that the exposure, being measured in net consumption, appeared to peak in the early to mid 1970s. It can also be seen that for Australia as a whole, asbestos consumption continued at significant levels until the mid 1980s and then began to fall, but nonetheless continued through to 2002.

Figure 3.2: Consumption and production indices — Australia 1930-2002



Source: World Mineral Statistics Dataset, British Geological Survey, www.mineralsuk.com
R Virta, USGS Website Annual Yearbook
The data underlying this chart is shown in Appendix F.

The "averaged consumption" is derived as the consumption averaged over the prior 16-year period. The 16-year assumption for "averaging" the exposure is based on experience specific to the Liable Entities and reflects that, for the Liable Entities, claims have (on average) related to 16 years of exposure.

The analysis supporting the 16-year average exposure period assumption is detailed in Section 4.8.1.

It is the averaged consumption which is used, together with an assumption about the statistical distribution of the latency period, as a basis for projecting future mesothelioma claims numbers.

There is an implicit assumption within the use of the "averaged consumption" to derive the level of future claim notifications that:

- the consumption of asbestos is directly correlated with, and a suitable proxy for, the number of people exposed to asbestos in any year; and

- the rate of incidence of individuals developing an asbestos-related disease arising from exposure to asbestos is the same for each exposure year and is independent of the type of asbestos used.

3.4.2 Latency model

Our assumption is that the latency pattern (from the average date of exposure) for all disease types is statistically distributed with a normal distribution.

The parameters (i.e. the mean and standard deviation) of the distribution have been set by reference to previous work undertaken by Professor Berry et al[3], by Jim Leigh et al[4] and by Yeung et al[5].

The parameters for the mean and, in particular, for the standard deviation have also been set taking into account the claims experience of the Liable Entities to date.

The parameters vary by disease type.

The analysis supporting the selection of these parameters is detailed in Section 4.9.

3.4.3 Projecting the claims notification curve using the exposure and latency model

Our methodology is to take each year of exposure, using "average consumption" of asbestos in tonnage for that year, and project an index of the number of claims we project to emerge in each future reporting year resulting from that exposure year.

The latency period is assumed to be normally distributed with a mean and a standard deviation which vary by disease type.

This means that for any given exposure year, the peak incidence of reporting claims would be (in the case of mesothelioma) 35 years after the average exposure date from that exposure year.

We then aggregate together the claims notification index curves projected for each exposure year to produce an overall curve which shows the index of claim notifications arising from all exposure periods.

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3 Malignant pleural and peritoneal mesotheliomas in former miners and millers of crocidolite at Wittenoom, Western Australia; G Berry, N H de Klerk, et al (2004)

4 Malignant Mesothelioma in Australia: 1945-2000; J. Leigh et al (2002)

5 Distribution of Mesothelioma Cases in Different Occupational Groups and Industries, 1979-1995; P. Yeung, A. Rogers, A. Johnson (1999)

The curve is described as an index because consumption is used as a proxy measure for the number of individuals exposed and because we don't know what proportion of those people who were exposed will develop asbestos-related diseases.

Therefore the methodology produces a shape of the number of claims, rather than an absolute level of the number of claims to be reported.

This methodology provides not only the shape of claims reporting as an index but it also projects the peak year of incidence of mesothelioma claims reported to the Liable Entities and the rate of decay in claims reporting levels after the peak year of incidence.

The model projects the peak year of incidence for mesothelioma claims to be 2010/2011.

For the other claim types, we allow for those diseases having different average latency periods to that of mesothelioma. This results in different projected peak years for the different diseases.

These are summarised in Section 4.10.

3.4.4 Calibrating the curve index to current reporting experience

We take the claim curve index and then calibrate the number of notifications in each future year by reference to the recent levels of claims reporting and the number of claims we have projected for the 2010/11 financial year.

This approach implicitly assumes that:

- The future rate of incidence of asbestos-related diseases manifesting as a result of a past exposure to asbestos will remain stable;
- The "propensity to claim" by individuals will remain stable; and
- The rate of co-joining Liable Entities in claims will remain stable.

Our analysis and assumptions are detailed in Section 4.

3.5 Incidence of claim settlements from future claim notifications

We derive a settlement pattern by considering triangulations of the numbers of settlements and claims payments by delay from the year of notification.

From these settlement pattern analyses, we have estimated the pace at which claims notified in the future will settle, and used this to project the future number, and monetary amount, of settlements in each financial year for each disease type.

Our analysis and assumptions selected are detailed in Section 7.7.

3.6 Average claim costs of IBNR claims

3.6.1 Attritional claims

We define a large claim as those for which the award is greater than or equal to $1m in **2005/06** money terms (this equates to approximately $1.170m in 2009/10 money terms).

We define an attritional claim as a non-nil, non-large claim. We define a nil claim as one for which the award payable by the relevant Liable Entity is zero.

We need to separately consider average settlement costs in respect of future claims and average legal costs of the defendants.

We have estimated the following five components to the average cost assessment:

- Average award (sometimes including plaintiff legal costs) of a non-nil "attritional" claim.
- Average plaintiff legal / other costs of a non-nil "attritional" claim.
- Average defence legal costs of a non-nil "attritional" claim.
- Average defence legal costs of a nil claim.
- Large claim awards and legal cost allowances.

All of our analyses have been constructed using past average awards, which have been inflated to current money terms (i.e. mid 2009/10 money terms) using a base inflation index (of 4% per annum). This allows for basic inflation effects when identifying trends in historic average settlements. We then determine a prospective average cost in current money terms.

We perform the same analysis for the defence legal costs for nil and non-nil claims and for plaintiff legal / other costs in respect of non-nil claims (together "Claims Legal Costs").

Our analysis and assumptions are detailed in Section 5.

3.6.2 Large claims loading

We analyse the historic incidence rate of large claims (being measured as the ratio of the number of large claims to the total number of non-nil claims), and the average claim and legal costs of these claims. We have determined a prospective incidence rate and average cost in current money terms to arrive at a "per claim" loading (being the average cost multiplied by the incidence rate per claim) being the additional amount we need to add to our attritional average claim size to allow for large claims.

Our analysis and assumptions are detailed in Section 5.8.

3.6.3 Future inflation of average claim sizes

Allowance for future claim cost inflation is made. This is modelled as a combination of base inflation plus superimposed inflation. This enables us to project future average settlement costs in each future year, which can then be applied to the IBNR claims as they settle in each future year.

Our analysis and assumptions in relation to claims inflation are detailed in Section 7.

3.7 Proportion of claims settled for nil amounts

We apply a "nil settlement rate" to the overall number of settlements to estimate the number of claims which will be settled for nil claim cost (i.e. other than in relation to legal costs) and those which will be settled for a non-nil claim cost.

The prospective nil settlement rate is estimated by reference to the analysis of past trends in the rate of nil settlements.

Our analysis and assumptions selected are detailed in Section 6.

3.8 Pending claims

3.8.1 Definition of pending claims

At 31 March 2010, there were 529 claims for which claim awards have not yet been fully settled by the Liable Entities. Additionally, there are a number of other claims for which defence legal costs have not yet been settled, even though the awards have been settled.

We have adopted three definitions of settlement status:

- Where there is a closure date, there are not expected to be any further award or legal costs incurred.

- When there is no closure date but the claim has a settlement date, there is a possibility of further emerging defendant legal costs, even though the claim award has been settled.
- When there is no settlement date, there is a possibility of award, plaintiff legal costs and defendant legal costs still being incurred.

3.8.2 Evaluating the liability for pending claims

The excess amount of the liability for pending claims, over the case estimates held, is what the insurance industry terms Incurred But Not Enough Reported ("IBNER").

Depending on the case estimation procedure of the company and the nature of the liabilities, IBNER can be either positive or negative, with a negative IBNER implying that the ultimate cost of settling claims will be less than case estimates, i.e. that there is some degree of redundancy in case estimates.

In assessing the degree of redundancy in case estimates, we have undertaken a projection of the future settlement cost of pending claims and compared this to the case estimates for such claims. Our projection is based on a blending of the following actuarial techniques:

- Projection of future claim payments by year of notification using triangulation techniques as described in Section 3.5 and compare with the case estimates for those claims; and
- Projection of future average cost per claim for reported, but not finalised claims. The average cost is assessed by reference to the delay from when the claim was reported to when the claim settles (this method is known as the PPCF method).

Mesothelioma claims were projected separately from other disease types due to differing reporting and settlement patterns as well as differing average claim awards.

Workers Compensation claims were excluded from the analysis due to limited data volumes and the impact of Workers Compensation insurance upon the data.

3.8.3 Findings

Our analysis has indicated that there is a degree of redundancy in case estimates.

The comparison of current case estimates with actuarially-projected future settlement costs for claims reported to date suggests that potential savings from case estimates in relation to the award component could be of the order of 25%.

Amaca's own analysis also suggests that historically there have also been savings which have typically varied between 20% and 30%.

Furthermore, we have assessed whether the cost of claims reported up to and including 31 March 2009 has deteriorated compared to our prior estimate (as at 31 March 2009).

The table below shows that there has been no deterioration compared to the estimates we previously adopted and are currently adopting (both of which have already made allowance for a 25% saving on case estimates). This analysis lends further support to the view that the allowance we have made for the extent of redundancy in case estimates of 25% is reasonable and is being borne out by the actual experience.

Table 3.1: Change in cost of claims reported prior to 1 April 2009 during 2009/10 financial year

	Undiscounted Liability ($m)
Estimates for pending claims at 31 March 2009	98.7
Payments made in 2009/10 in relation to claims reported up to 31 March 2009	56.6
Estimates for pending claims at 31 March 2010 in relation to claims reported up to 31 March 2009	39.0
Release / (strengthening)	3.1

Based on this analysis, we have maintained our assumption for the level of redundancy in case estimates on currently reported claims at 25% at this valuation (March 2009: 25%).

It should also be noted that making allowance for savings from case estimates is expected to have the most impact on the near term cash flows and a lesser impact on the longer-term cashflows, with more than 90% of the cost of pending claims expected to be settled within the next six years.

3.9 Insurance Recoveries

Insurance Recoveries are defined as proceeds which are estimated to be recoverable under the product and public liability insurance policies of the Liable Entities, and therefore exclude any such proceeds from a Workers Compensation Scheme or Policy in which the Liable Entities participate or which the Liable Entities hold.

In applying the insurance programme we consider only the projected gross cashflows relating to product and public liability.

We split out product liability cashflows from public liability cashflows as they are covered by different sections of the insurance policy under different bases:

- Product liability claims are covered by an aggregate policy which provides cover for all product liability claims costs attached to any one year up to an overall aggregate limit for that year; and
- Public liability claims are covered by an "each and every loss" policy which provides cover for each public liability claim up to an individual limit for that year.

Historical analysis of the claims data suggests that approximately 95% of all liability claims, by number and by cost, have been product liability claims.

We make no allowance for the Workers Compensation cashflows in estimating the Insurance Recoveries, as the insurance programme only provides insurance cover to product and public liability exposures.

3.9.1 Programme overview

Until 31 March 1985, the Liable Entities had in place General and Products liability insurance covers with a $1m primary policy layer.

In addition, until 31 May 1986, the Liable Entities maintained further excess "umbrella" insurance contracts, with varying retentions and policy limits. That is, the contracts paid all costs arising from claims with exposure in a specified year from the retention up to the relevant policy limit. All claim costs in relation to a given exposure year in excess of the limit would be retained by the Liable Entities.

Product liability claims were insured under these contracts on an "in the aggregate" basis whilst public liability claims were insured on an "each and every loss" basis.

These contracts were placed amongst a number of insurance providers on a claims occurring basis.

From 31 May 1986, the insurance contracts were placed on a claims made basis in relation to asbestos-related product and public liability cover.

The policies were placed as follows:

- For the period up to June 1976, the insurance policies were written on a claims occurring basis. The insurance was provided by QBE but the cover provided by these policies was commuted in June 2000 for a consideration of $3.1m per annum for the following 15 years (through to 30 June 2014).
- For the period from June 1976 to 31 May 1986, the insurance policies were written on a claims occurring basis. CE Heath acted as the underwriting agent and insured the risk in Australia and also into Lloyd's of London and the London Market. However, during this period both CE Heath Underwriting Agencies Pty Ltd (CEHUA) and CE Heath Underwriting & Insurance (Australia) Pty Ltd (CEH U&I) also insured some of the risk, reinsuring their placement on a facultative basis.
- For the period 31 May 1986 to 31 March 1989, the insurance policies were written on a claims-made basis. CE Heath acted as the underwriting agent and insured the risk into Lloyd's of London and the London Market.
- For the period 31 March 1989 to 31 March 1997, the insurance policies were written on a claims-made basis. However, CE Heath Casualty & General Insurance Ltd (later HIH Casualty & General) acted as the insurer of the programme and reinsured it on a facultative basis into Lloyd's of London and the London Market. CE Heath Casualty & General retained some share on some of the layers.

3.9.2 Modelling insurance recoveries on the claims occurring programme

Our methodology for projecting the future insurance recoveries to be collected by AICFL involves the following steps:

- Identify the current contract positions for each insurance policy year. This assumes that all monies due have been collected, and does not allow for the impact of commutations that have taken place.

- We allocate the projected future gross cashflows to individual insurance policy years using an allocation basis that has been determined by reference to the exposure methodology used to project future claim numbers and also using a "period of exposure" and "time on risk" allocation.
- This gives a projection of how the insurance programme is utilised over time.

This method allows us to evaluate:

- the total insurance recoveries due by payment year;
- how the insurance recoveries due will be assigned to each layer and therefore to each insurer; and
- identify and allow for when the individual layers are fully exhausted.

We then separately adjust the projected recoveries to exclude those projected future recoveries that are assigned to the participations of insurers who have already commuted their coverage with AICFL and the Liable Entities or who have settled by way of a Scheme of Arrangement.

3.9.3 Commuted Contracts

We have allowed for the value of the QBE commutation entered into in June 2000 which involves the payment of a consideration of $3.1m per annum for 15 years to (and including) 30 June 2014.

3.9.4 Schemes of Arrangement

For the claims occurring period, where a claim filed against a company under a Scheme of Arrangement has been accepted and payment made, we have assumed that the insurance liabilities of that company to the Liable Entities have been fully discharged and no further recoveries fall due.

3.9.5 Unpaid insurance recoveries

We have not included within our estimate any allowance for insurance recoveries under the claims occurring period that are due but have not yet been collected ("unpaid balances"), as these are more appropriately dealt with as a debtor of AICFL. Such monies amount to approximately $4m at 31 March 2010.

3.9.6 Claims made insurance protection from 31 May 1986 onwards

Insurance protection purchased from 31 May 1986 onwards was placed on a “claims made” basis and as such may not provide protection or recoveries against the cost of future claim notifications made by claimants against the Liable Entities. For the purpose of this Report, we have made no allowance for the value of insurance contracts placed from 1986 onwards in our liability assessment.

We note that a claim of approximately $70m has been made by Amaca on behalf of the Liable Entities against HIH and related entities in relation to the insurance programme for the 1989/90 to 1996/97 years. This claim is presently being considered by the liquidators of HIH and we have not, for the purposes of this report, attempted to estimate any recovery for it at this time.

It should be noted that our decision is an actuarial one and is not based on consideration of the legal arguments that might be presented by Amaca, by HIH or by the reinsurers. We present no legal opinion, and have not based our assessment on any such legal opinion, as to the admissibility of the claim or the expected recovery under the claim.

To the extent recovery is made against this claim, the net asset position of the AICF Trust would improve and this would reduce the future funding requirement by James Hardie.

3.9.7 Bad debt allowance on Insurance Recoveries

We have made allowance for bad debts on future Insurance Recoveries within our valuation by use of the default rates in Appendix A. These have been sourced from Standard & Poor’s Global Fixed Income Research, January 2010 and are based on bond default rates.

We have considered the credit rating of the insurers of the Liable Entities as at March 2010 and applied the relevant credit rating default rates to the expected future cashflows by year, treaty and insurer.

Where additional information regarding the expected payout rates of solvent and insolvent Schemes of Arrangement is available, we have instead taken the expected payout rates to assess the credit risk allowance to be made in our liability assessment.

In relation to those claims occurring contracts where CEHUA or CEH U&I insured some of the risks (and then facultatively reinsured that risk), we have assumed, for the purposes of this report, that cut-through from the reinsurers directly to the Liable Entities will not take place and that these Insurance Recoveries will therefore rank alongside other creditors of the HIH Group. We note that this assumption is an actuarial valuation assumption and is not based on legal opinion and we pass no such opinion.

We note the House of Lords decision (*McGrath and Ors and another vs. Riddell and Ors, [2008] UKHL21*) passed down in April 2008 which has had the effect of remitting the reinsurance assets of HIH Group to Australia. Those assets are available for distribution in accordance with Australian law.

Whilst this decision assists in any potential applicability of Section 562A(4) of the Corporations Act to the reinsurance recoveries of the HIH Liquidator, the decision does not in itself enshrine or impose cut-through (any such application would be at the Court's discretion).

Accordingly, given the obstacles that still remain (in relation to any potential cut-through) we have not allowed for this beneficial decision to alter the value we have assigned to these insurance and reinsurance contracts at this valuation.

Were cut-through to be achieved, whether under Section 562A(4) of the Corporations Act or under Section 6 of the Law Reform (Miscellaneous Provisions) Act or on some other basis, this would be expected to increase the level of Insurance Recoveries, as the financial strength of the reinsurers to the HIH Group is generally better than that of the HIH Group itself, so that a lower bad debt charge would apply.

3.10 Cross-claim recoveries

A cross-claim can be brought by, or against, one or more Liable Entities. Cross-claims brought against a Liable Entity ("Contribution Claims") are included in our analysis of the claims experience.

Cross-claims brought by a Liable Entity relate to circumstances where the Liable Entity seeks to join (as a cross-defendant) another party to the claim in which the Liable Entity is already joined.

To the extent that the Liable Entities are successful in joining such other parties to a claim, the contribution to the settlement by the Liable Entities will reduce accordingly.

Our approach in the valuation has been to separately value the rate of recovery ("cross-claims recovery rate") as a percentage of the gross award based on historic experience of such recoveries.

Our analysis and assumptions selected are detailed in Section 7.7.

3.11 Discounting cashflows

Cashflows are discounted on the basis of yields available at the valuation date on Commonwealth fixed interest government bonds of varying coupon rates and durations to maturity (matched to the liability cashflows), with a long-term discount rate of 6.00% per annum assumed.

It should be recognised that the yield curves and therefore the discount rates applied can vary considerably between valuations and can, and do, contribute significant volatility to the present value of the liability at different assessment dates.

Our selected assumptions for the discount rates are detailed in Section 7.5.

4 ANALYSIS OF CLAIMS EXPERIENCE — CLAIM NUMBERS

4.1 Overview

We have begun by analysing the pattern of notifications of claims as shown in Table 4.1. This table shows the number of claim notifications by year and by disease category.

Table 4.1: Number of claims reported annually

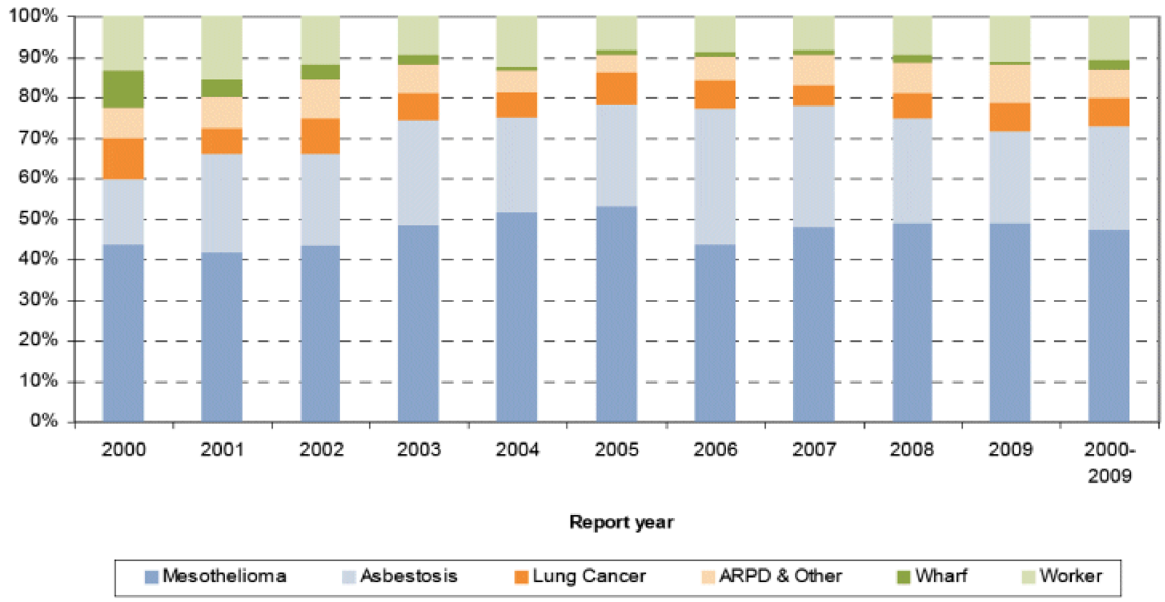
Report Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Wharf	Workers Compensation
2000	126	46	30	21	26	38
2001	162	93	24	30	17	59
2002	182	94	36	41	15	49
2003	189	101	26	27	10	36
2004	266	121	34	26	6	62
2005	217	103	32	17	6	33
2006	220	165	35	30	6	43
2007	276	171	28	43	8	46
2008	304	161	39	46	12	59
2009	262	121	39	51	3	59
All Years	**2,932**	**1,473**	**454**	**515**	**152**	**1,177**

Note: Throughout Sections 4 to 6, the date convention used in tables and charts is that (for example) 2008/09 indicates the financial year running from 1 April 2008 to 31 March 2009. Furthermore, unless clearly identifying a calendar year, the label "2008" in charts or tables would indicate the financial year running from 1 April 2008 to 31 March 2009.

Historically, mesothelioma has accounted for more than 40% of claims by number. This percentage increased from 42% in 2001/02, peaking at 53% in 2005/06, and then falling to 49% in 2009/10.

Asbestosis has shown a significant increase, from less than 20% in 2000/01 to 33% in 2006/07 but reducing to 23% in 2009/10.

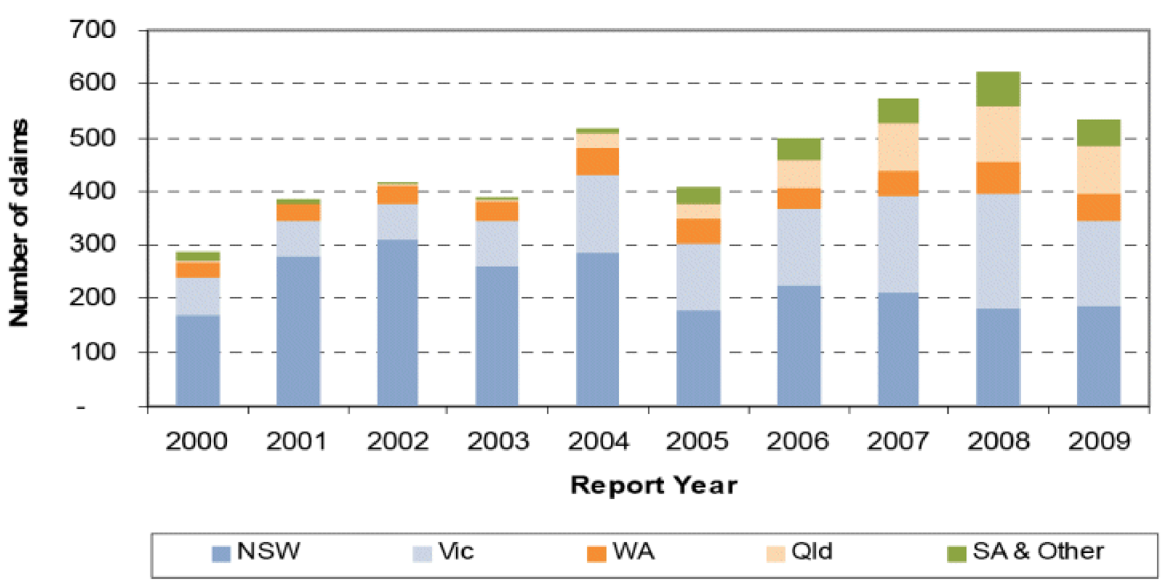
Figure 4.1: Proportion of claims by disease type



Since 1997, NSW has contributed around 50% of all claims reported. However, in the last five years, its proportion has shown a steady reduction and NSW now contributes slightly more than one-third of all claims by number (although a higher proportion by cost).

The reduction in the proportion of claims heard in NSW over the last five years has likely been a consequence of the decision in *BHP Billiton vs Schultz [2004] HCA 61*.

Figure 4.2: Mix of claims by state (all disease types)



4.2 Mesothelioma claims

The incidence of mesothelioma claim notifications showed a steady rate of increase from 2001/02 to the 2003/04 financial year, to 189 claims. There was a further upward step in claim numbers during 2004/05 with 266 claims reported in the year.

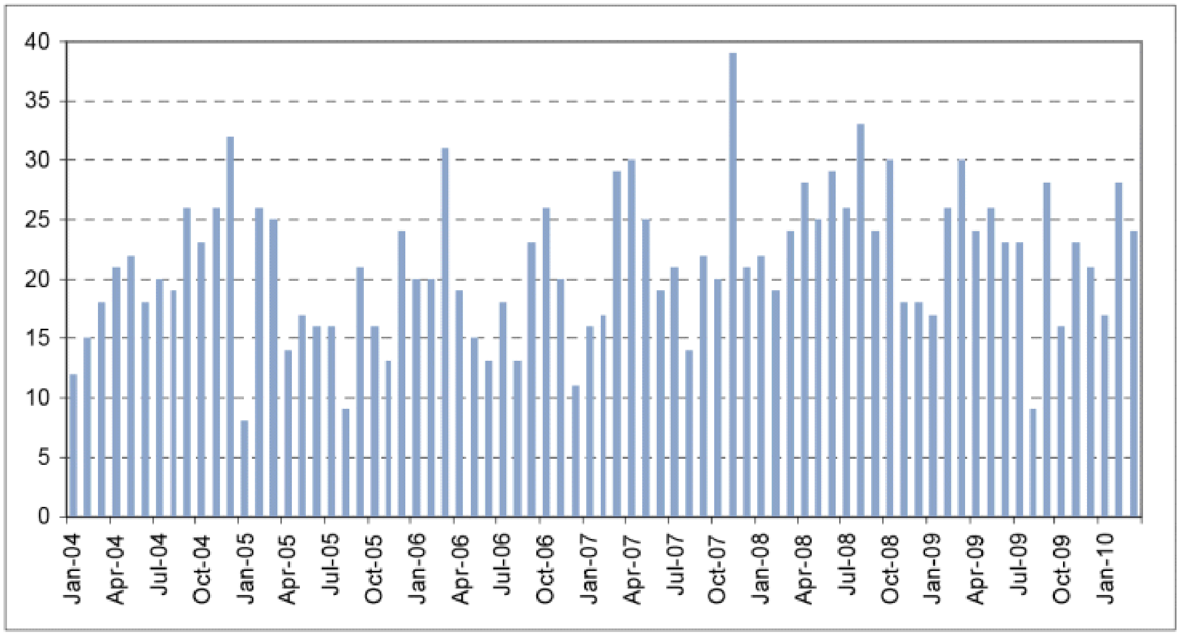
Reporting activity reduced in 2005/06 and 2006/07, but increased to 276 claims reported in 2007/08 and 304 claims reported in 2008/09.

In 2009/10, there were 262 mesothelioma claims reported.

4.2.1 Monthly analysis of notifications

We have examined the number of mesothelioma claims reported on a monthly basis to better understand the nature of the trends.

Figure 4.3: Monthly notifications of mesothelioma claims



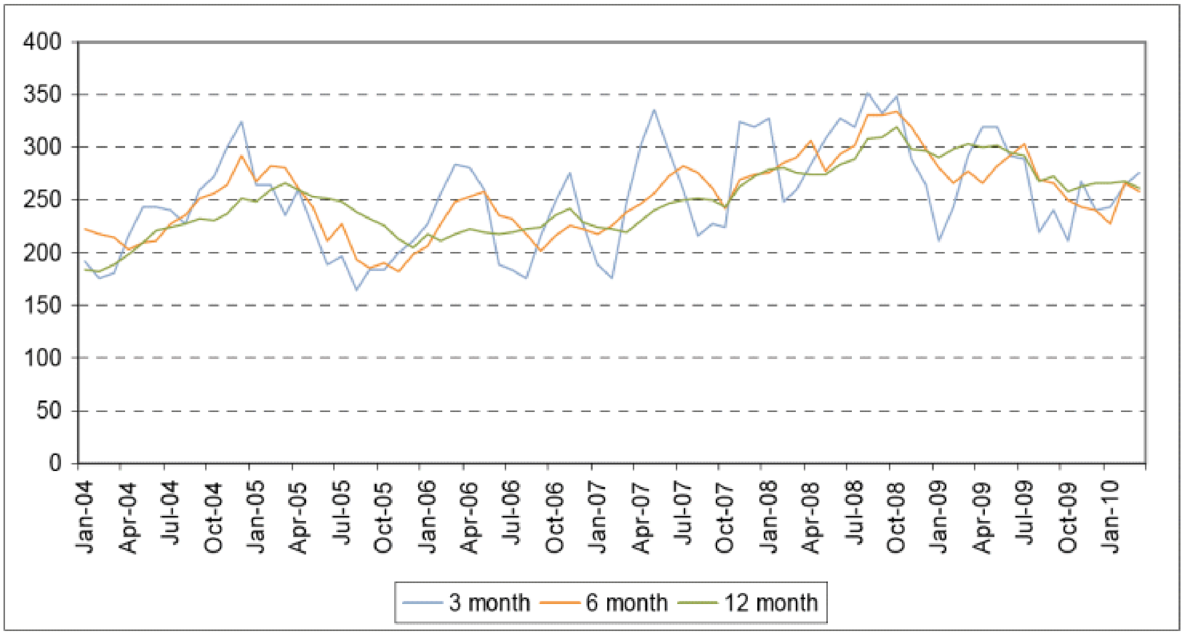
It is observed that:

- The higher level of claims reporting of 2007/08 and 2008/09 has abated to some extent during 2009/10.
- Claims reporting in 2009/10 has been below expectations and in particular it showed a steady downward trend during the first three quarters of the financial year, whilst the fourth quarter returned towards levels typically observed.
- There is typically a degree of late development which takes place in the following financial year (e.g. the number of claims reported in 2008/09 has increased by 6 since the end of that financial year, and since the figures quoted in our previous valuation report).

4.2.2 Rolling averages

We have also reviewed the number of mesothelioma claims reported on a monthly basis and reviewed the rolling 3-month, 6-month and 12-month averages in recent periods.

Figure 4.4: Rolling annualised averages of mesothelioma claim notifications



It can be seen that the current annualised rolling averages are between 258 (6-month average) and 276 (3-month average).

Generally, over the last two years, the 6-month and 12-month averages have remained within the range of 230 to 330 claims per annum, although there was a period when the 6-month and 12-month average increased to between 310 and 330 claims per annum.

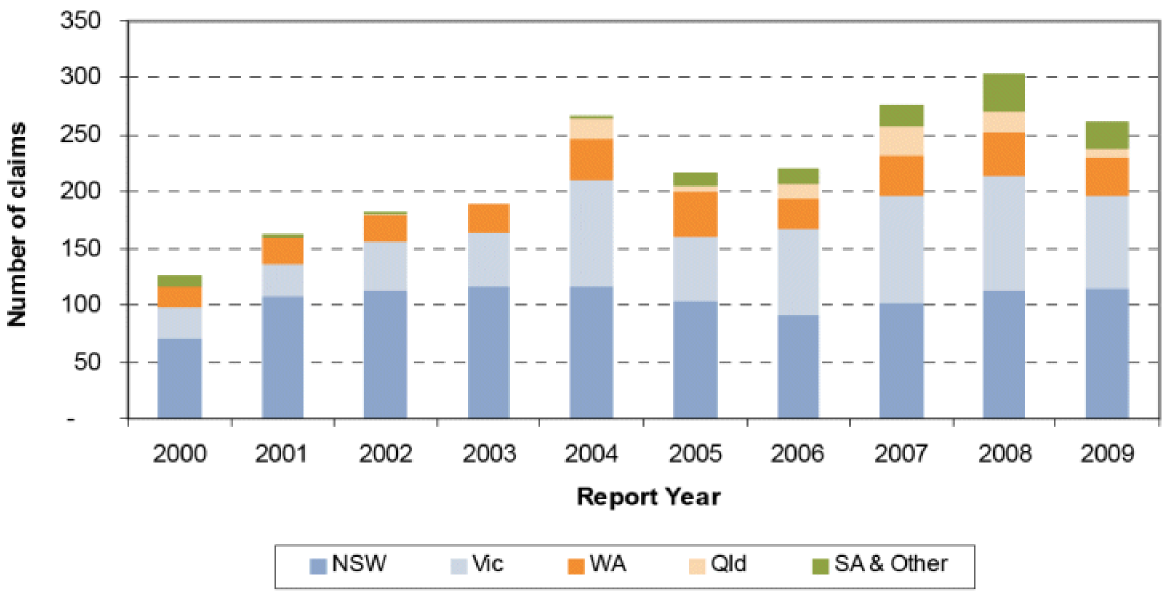
The 3-month averages have, not surprisingly, shown more volatility, varying between 210 and 350 over the last two years.

The 12-month rolling average showed a steady rate of decline from March 2009 through to October 2009 and has remained relatively stable since that time.

4.2.3 Claims notifications by State

We have analysed the number of claim notifications by State in which the claim is filed. Figure 4.5 shows the number of claims notified by year by State.

Figure 4.5: Number of mesothelioma claims by location of claim filing



It is of note that for 2009/10:

- Overall, mesothelioma reporting activity is around 15% below the levels observed in 2008/09.
- Reporting activity in NSW (which contributes the highest number of mesothelioma claims against the Liable Entities) has remained at the levels observed in 2008/09.
- Reporting activity in Victoria has shown a significant reduction, being 19% lower than the level observed in 2007/08 and 2008/09.
- Claim activity in South Australia has also reverted more closely to previous levels, following a significant increase in 2008/09.

4.2.4 Base valuation assumption for number of mesothelioma claims

In setting a base valuation assumption for 2010/11, we need to consider whether the observations in the most recent year were one-off fluctuations or were part of a new trend.

In considering the reduction in activity in Victoria, we have observed that the lower claims activity mainly arose in the second and third quarters of 2009/10 (July through to December). In contrast, the first and fourth quarters were in line with the levels of activity observed in previous years.

Further analysis also indicates that the fall in activity in Victoria was observed for all disease types (25% across all disease types, 40% for asbestosis). This might indicate some general systemic change in Victoria or it might be indicative of an earlier exposure in Victoria, in which the exposure for the Liable Entities predominantly arose from power station exposures.

At this stage, the trend in Victoria is not sufficiently developed to be able to demonstrably support the hypothesis of an earlier exposure in Victoria.

Accordingly, we have given only partial credibility to the experience in 2009/10, until such time that further information emerges that supports the hypothesis of an earlier exposure in Victoria.

Based on the above observations, we have therefore assumed 288 claims for 2010/11, which equates to 24 claims per month. This is a slight reduction from the previous assumption of 25 claims per month.

4.3 Asbestosis claims

It can be seen in Table 4.1 that for asbestosis, the number of claim notifications has shown a step change upwards since 2000/01 and then a gradual increase to 2003/04. There was then another upward step in 2006/07.

For the three years of claims reporting from 2006/07 to 2008/09, claims reporting activity has been reasonably stable, between 161 and 171 claims.

There were 121 claims reported in 2009/10.

As with mesothelioma, there has been much lower reporting activity in 2009/10. Again, we have observed that Victoria (which has historically been the most prevalent State for asbestosis claims, typically contributing more than one-third of all asbestosis claims against the Liable Entities) has shown a significant reduction, with claims reporting activity more than 40% lower than that observed in 2008/09.

It is not yet clear whether the experience in 2009/10 is aberrational or is the beginning of a new trend.

As with mesothelioma, we have given only partial credibility to the experience in 2009/10 at this time.

We have therefore estimated 144 asbestosis claims to be reported in 2010/11.

4.4 Lung cancer claims

For lung cancer claims, claim notifications have been reasonably steady and do not appear to have shown the same pattern of notification as mesothelioma and asbestosis.

There were 39 claims reported in 2008/09 and 2009/10.

We have estimated 36 lung cancer claims to be reported in 2010/11.

4.5 ARPD & Other claims

For ARPD & Other claims, the number of claims reported has been increasing in recent years, with 43 claims reported in 2007/08 and 46 claims reported in 2008/09.

There were 51 claims reported in 2009/10, with particularly high claims reporting in the first quarter (16 claims) and the remaining three quarters being in line with expectations.

We have estimated 48 ARPD & Other claims to be reported in 2010/11.

4.6 Workers Compensation and wharf claims

The number of Workers Compensation claims, including those met in full by the Liable Entities' Workers Compensation insurers, has exhibited some degree of volatility ranging from 33 claims to 62 claims in the last six years.

There were 59 claims reported in 2009/10 and this was in line with expectations for the year, and in line with 2008/09.

We have estimated 60 workers compensation claims to be reported in 2010/11.

It should be noted that the financial impact of this source of claim is not substantial given the proportion of claims which are settled for nil liability against the Liable Entities (typically more than 80%), which results from the insurance arrangements in place.

For wharf claims, we have projected 6 claims to be notified in 2010/11. This compares with 3 claims reported in 2009/10 and 12 claims reported in 2008/09. Again, the financial impact of this source of claim is not material.

4.7 Summary of base claims numbers assumptions

In forming a view on the numbers of claims projected to be reported in 2010/11, we have taken into account the emerging experience in the latest financial year and a revised view of the expected numbers of claims reported based on recent trends.

As outlined in Sections 4.2 to 4.6, our assumptions as to the levels of claims numbers are as follows:

Table 4.2: Claim numbers experience and assumptions for 2010/11

	2008/09	First half of 2009/10 *	Second half of 2009/10 *	2009/10	2010/11 (projected)
Mesothelioma	304	266	258	262	288
Asbestosis	161	130	112	121	144
Lung Cancer	39	46	32	39	36
ARPD & Other	46	56	46	51	48
Wharf	12	4	2	3	6
Workers Compensation	59	74	44	59	60
Total	**621**	**576**	**494**	**535**	**582**

* *Annualised figures do not make allowance for any seasonality of reporting or for late development adjustments. They are calculated by multiplying the half-year experience by a factor of 2.*

It can be seen that the first half of 2009/10 exhibited considerably lower reporting activity for mesothelioma and asbestosis claims, although this was partly offset by higher claims activity for lung cancer, workers compensation and ARPD & Other claims.

The second half of 2009/10 showed substantial reductions in claims reporting (41 fewer claims) relative to that observed in the first half of 2009/10. This reduction predominantly related to non-mesothelioma claims.

Our projection for 2010/11 of 582 claims compares with a previous projection (as at 31 March 2009) for 609 claims in 2010/11.

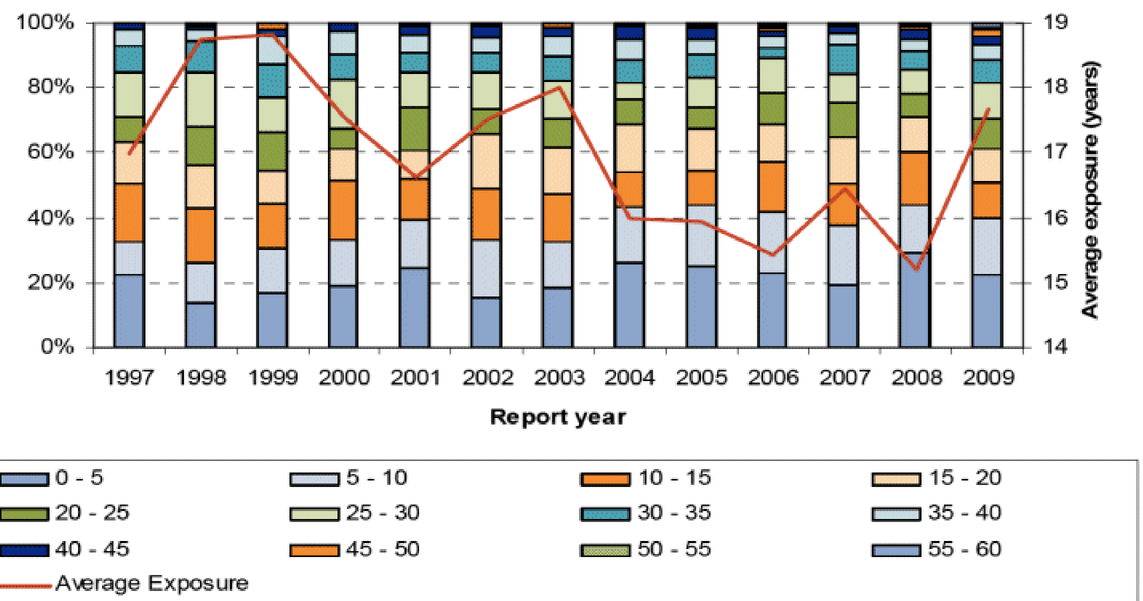
The decrease in the assumption predominantly reflects the lower reporting activity for mesothelioma and asbestosis, and some partial credibility being attached to that experience.

4.8 Exposure information

4.8.1 Average exposure period

The following chart shows the derivation of, and support for, the assertion that claims have resulted from, on average, 16 years of exposure.

Figure 4.6: Mix of claims by duration of exposure (years)

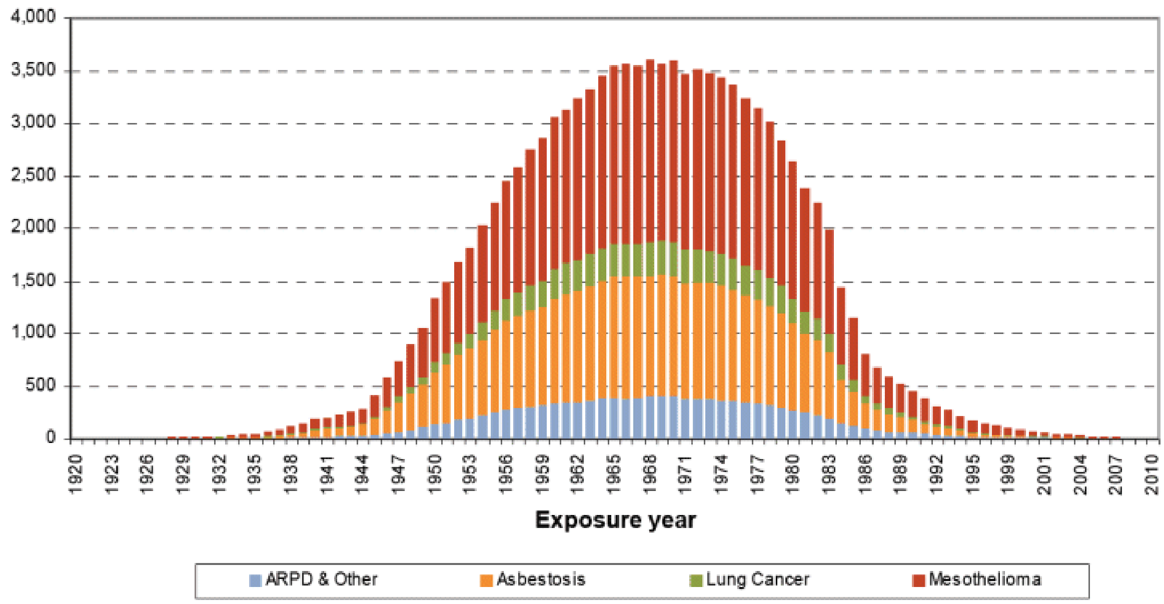


It can be seen that the average duration of exposure has generally varied between 15 years and 19 years, with an average of 16.1 years over the last five years and 16.5 years over the last ten years.

4.8.2 Exposure information from claims notified to date

We have reviewed the actual exposure information available in relation to claims notified to date. This has been conducted by using the exposure dates stored in the claims database at an individual claim level and identifying the number of person-years of exposure in each exposure year. We have reviewed the pattern of exposure for each of the disease types separately, although we note that they tend to follow similar patterns for each disease type.

Figure 4.7: Exposure (person-years) of all Liable Entities' claimants to date



The chart shows that the peak of exposure from claims reported to date has so far arisen in 1968. It should be recognised that there is a degree of bias in this analysis in that the claims notified to date will tend to have arisen from the earlier periods of exposure.

Over time, one would expect this curve to develop to the right hand side and the peak year of exposure to trend towards the early to mid 1970s, whilst also increasing in absolute levels at all periods of exposure as more claims are notified and the associated exposures from these are included in the analysis.

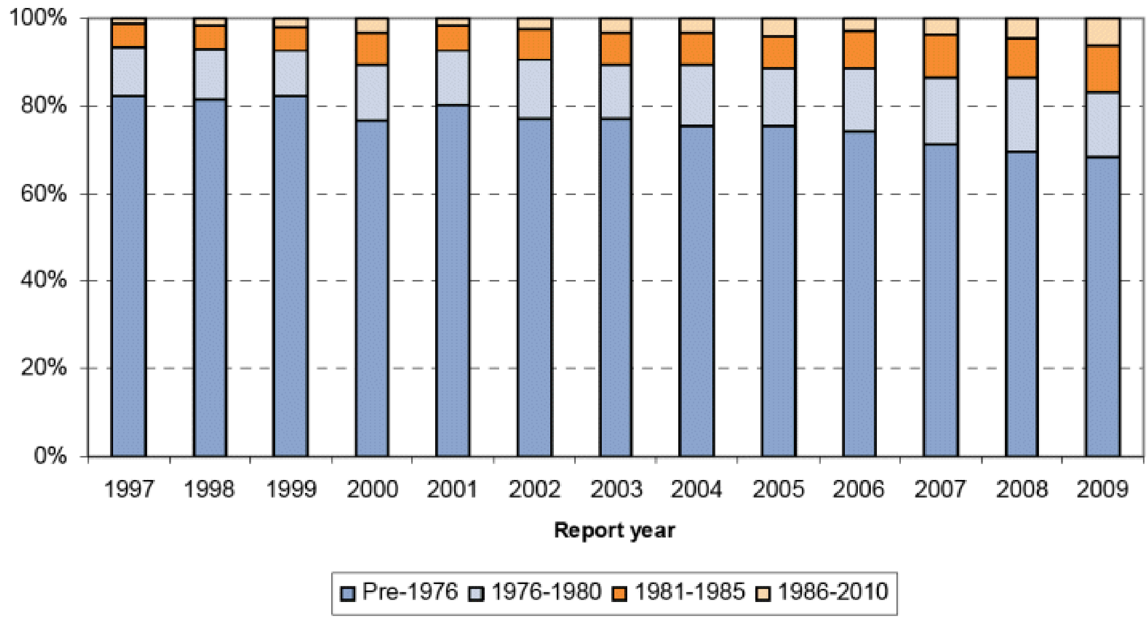
The relatively low level of exposure from 1987 onwards (about 3% of the total) is not unexpected given that all products ceased to be manufactured by 1987 but the exposure after that date likely results from usage of products already produced and sold before that date.

This chart is a cumulative chart of the position to date and does not show temporal trends in the allocation of claims to exposure years.

For example, one would expect that more recently reported claims should be associated with, on average, later exposures; and that claims reported in future years would continue that trend to later exposure periods.

To understand better these temporal trends, we have modelled claimants' exposures for each past claim report year.

Figure 4.8: Exposure (person years) of all claimants to date by report year and exposure year



As can be seen in the above chart, there has been a general increasing shift towards the period after 1975, evident by the downwards trends in the chart from left to right indicating that an increasing proportion of the claimants' exposure relates to more recent exposure periods.

We would expect that such a trend should continue for some time to come and that an increasing proportion of the exposure will relate to the period 1981/82 to 1985/86.

4.9 Latency period of reported claims

Our latency model for mesothelioma is for the latency period from the average date of exposure to be normally distributed with a mean latency of 35 years and a standard deviation of 10 years.

We have analysed the actual latency period of the reported claims of the Liable Entities in order to test the validity of those assumptions.

We have measured the average actual latency period from the average date of exposure to the date of notification of a claim.

In strict epidemiological terms, the latency period should be measured from the date of first exposure to the date of diagnosis.

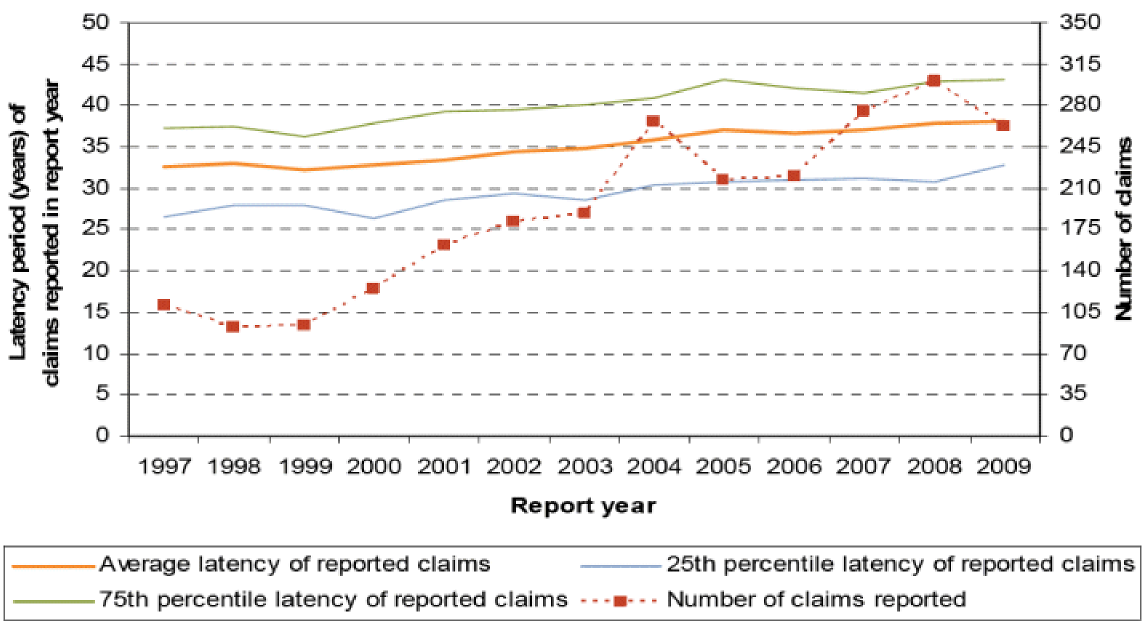
Because our model utilises latency assumptions from the average date of exposure, the latency period reported in the following charts is not directly comparable with that referred to in epidemiological literature.

As indicated in Section 4.8, the average period of exposure for claimants against the Liable Entities is around 16 years. This means the actual latency period from the date of first exposure is around 8 years more than indicated in the following charts.

Furthermore, given that the date of notification lags the date of diagnosis by around 8 months for mesothelioma and by about 2 to 3 years for non-mesothelioma disease types, the latency trends shown in the following charts might slightly overstate the latency to diagnosis.

The charts below show the average latency observed for claims reported in each report year from 1997 to 2009, and the 25th percentile and 75th percentile observations.

Figure 4.9: Latency of mesothelioma claims



The above chart indicates that the observed average latency period from the average exposure is currently around 38 years for mesothelioma.

For claims reported in 2009/10, the chart shows that the observed average latency period was 38 years.

Epidemiological studies tend to suggest that the observed latency period (from first exposure) for mesothelioma is between 4 and 75 years, with an average latency of around 35 to 40 years and an implied standard deviation of around 11 years.

Given that the average period of exposure is 16 years, this implies our mean latency assumption from the date of first exposure is approximately 43 years (being 35 + $^{1}/_{2}$*16). Our model therefore generally accords with epidemiological literature and, if anything, assumes slightly longer latencies than epidemiological studies suggest.

At present, given that we are some 30 to 40 years after the main period of exposure, claims currently being reported reflect a broad mix of claims of varying latency periods. Accordingly, any analysis of the observed average latency period of reported claims during the most recent 5 to 10 report years:

- Should provide a good indicator of the underlying average latency period of each disease type; and
- Should have shown upwards trends given the fall-off in exposure in the late 1970s and 1980s.

Over the last ten years, the observed average latency of mesothelioma claims reported in a report year has increased from 33 years to 38 years, increasing at a rate of about 0.5 years with every year that passes.

The observed average latency of claims reported in future report years should also be expected to show further upward trends in the coming years.

The currently observed standard deviation of the latency period is 7.8 years.

The claims experience to date and the assumptions selected seem to accord with epidemiological research in relation to mesothelioma, once the relevant adjustments to standardise onto a consistent terminology are made.

The trend in latency periods for other disease types is shown in the following charts.

Figure 4.10: Latency of asbestosis claims

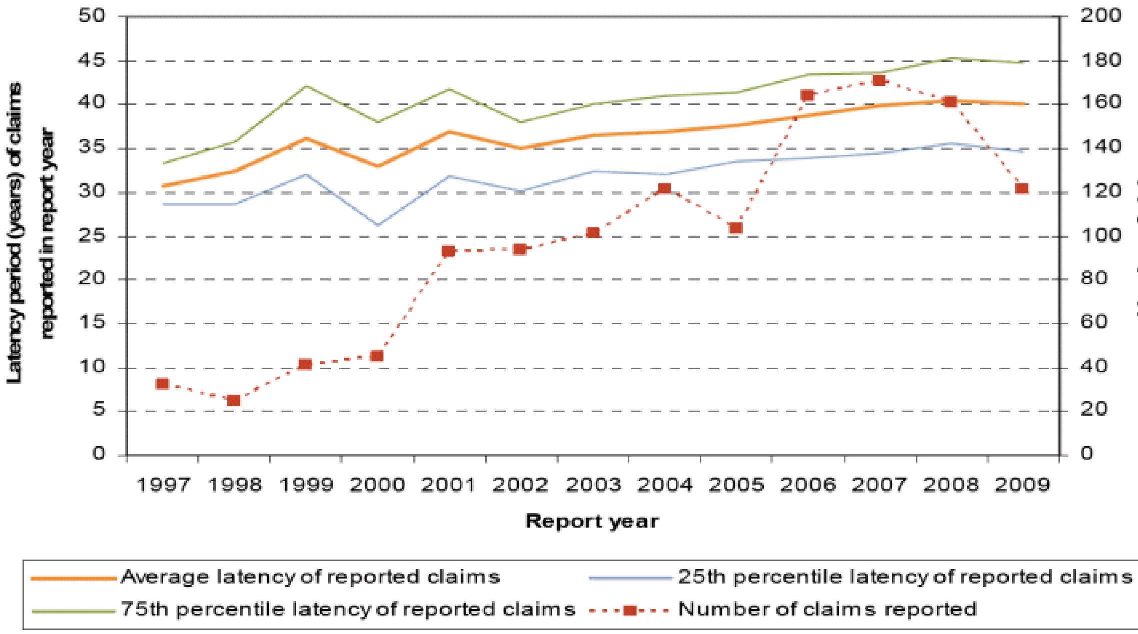


Figure 4.11: Latency of lung cancer claims

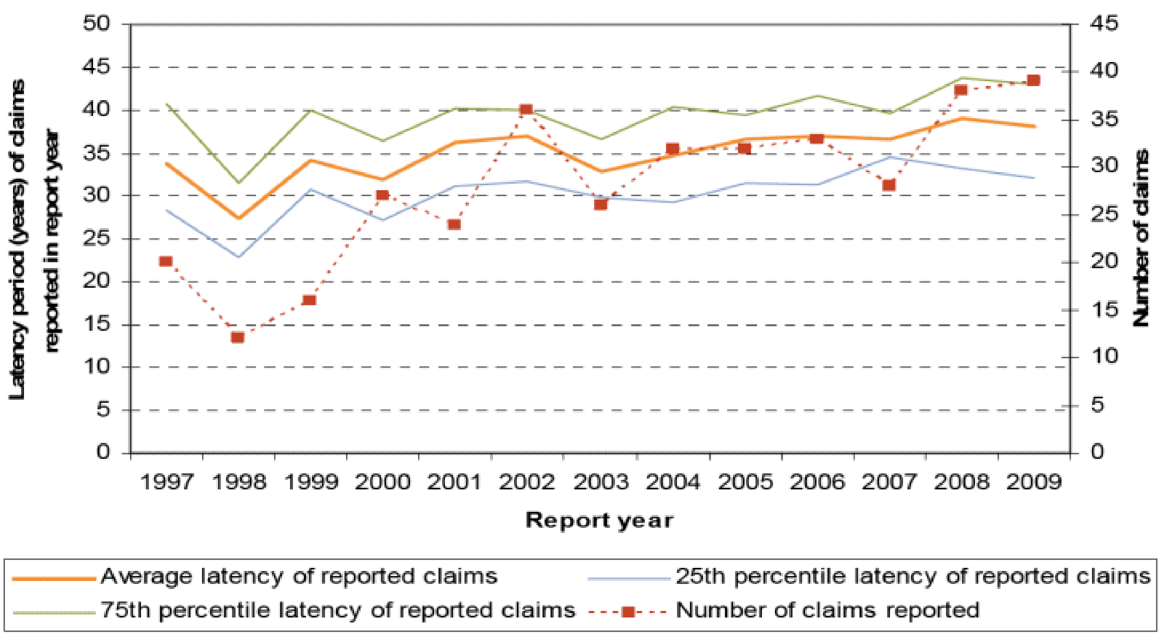
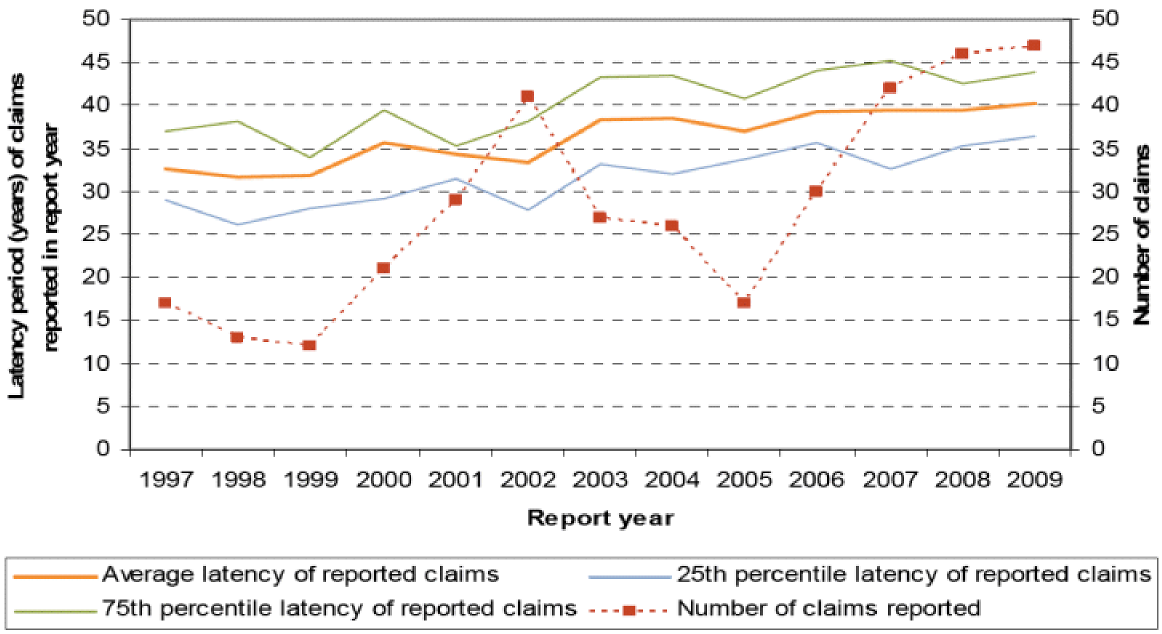


Figure 4.12: Latency of ARPD & Other claims



The average observed latency periods for the other disease types show a more surprising trend, appearing to be longer than epidemiological literature has tended to suggest.

A summary of our underlying latency assumptions by disease type are shown below. The mean and standard deviation values quoted are applied to a normal distribution model for the latency period.

Table 4.3: Assumed underlying latency distribution parameters from average date of exposure to date of notification

	Mean (years)	Std Dev (years)
Mesothelioma	35	10
Asbestosis	35	8
Lung Cancer	35	10
ARPD & Other	32	10
Wharf	n/a	n/a
Workers Compensation	n/a	n/a

These assumptions are unchanged from the previous valuation.

As an indication of the impact of how different assumptions would affect the incidence curve and therefore the number of IBNR claims:

- A lower standard deviation would lead to a faster decay in the number of claims being reported after the peak year (i.e. fewer IBNR claims).
- A higher mean latency period would increase the peak year (i.e. a higher number of IBNR claims).

4.10 Peak year of claims and estimated future notifications

Based on the application of our exposure model and our latency model, and the assumptions contained explicitly or implicitly within those models, as described in detail in Section 3.4, the peak year of notification of claims reporting against the Liable Entities for each disease type is projected to be as follows:

Table 4.4: Peak year of claim notifications

	Current valuation	Previous valuation
Mesothelioma	2010/11	2010/11
Asbestosis	2008/09	2008/09
Lung Cancer	2010/11	2010/11
ARPD & Other	2007/08	2007/08
Wharf	2000/01	2000/01
Workers Compensation	2007/08	2007/08

In adopting these assumptions, we also considered various epidemiological views and models from both Australia and the UK, recognising that there are conflicting and widely diverging views as to when the peak might arise: with some projecting earlier peaks than we have assumed (e.g. Leigh & Driscoll 2003), whilst others project peak activity will be later than we have assumed (e.g. Clements et al, 2007).

In considering the relevance of the findings of the various epidemiological studies, we note the following:

- Many of the studies are based on developing an Australia-wide model of incidence of people who may develop mesothelioma based on the exposures that took place in Australia. Australia continued importing and using Chrysotile asbestos until 31 December 2003, when a ban came into effect.

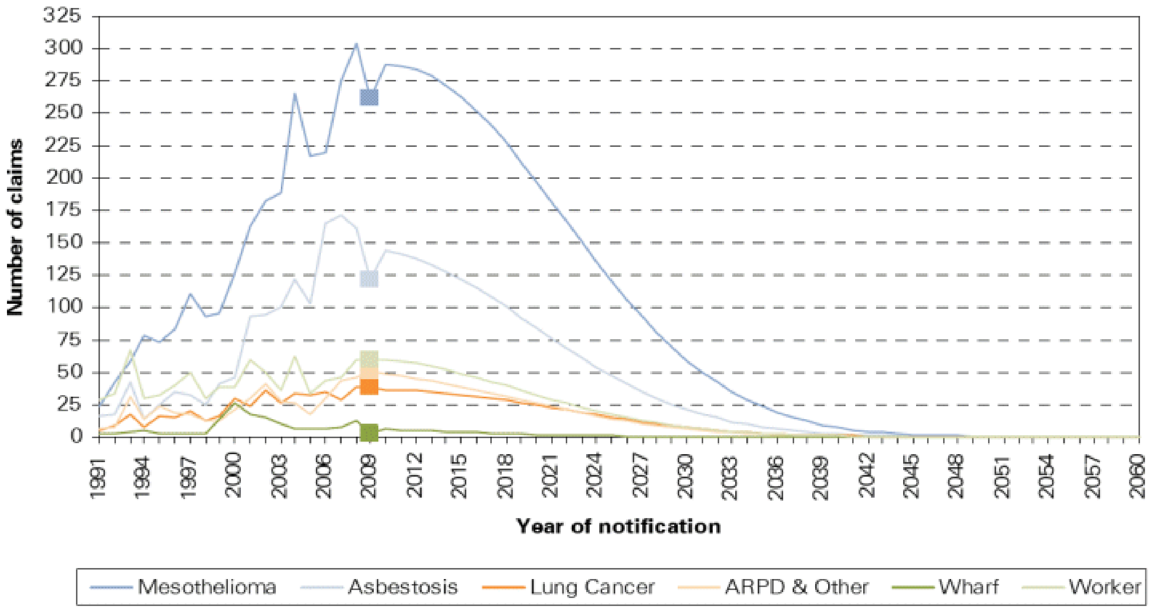
- The KPMG Actuaries model is a model for the Liable Entities', and not the whole of Australia's, exposures. Our model recognises the timing of the involvement of the former James Hardie entities with asbestos. The insulation business was closed in 1974; the building products business ceased using asbestos in 1985; the pipes business ceased using asbestos in 1987; and the brakes business ceased using asbestos in 1984 and was sold in 1987.

- A national model of incidence may not be relevant to individual populations of claimants, as the timing of the exposure in an individual population of claimants may be different to the exposure profile for Australia as a whole.

We have projected the future number of claim notifications from the curve we have derived using our exposure model and our latency model. We have applied this curve to the base number of claims we have estimated for each disease type for 2010/11 as summarised in Section 4.7.

Figure 4.13 shows the pattern of future notifications which have resulted from the application of our exposure and latency model and the recalibration of the curve to our revised expectations of claims reporting activity for 2010/11.

Figure 4.13: Expected future claim notifications by disease type



Note: The square dots indicate the claim notifications in 2009/10 for each disease type.

The partial recognition of the emerging experience in 2009/10 has decreased our projected ultimate number of claims compared with our previous valuation by 351 claims, the majority of which results from mesothelioma (189) and asbestosis (209) offset by some moderate increases in projected claim numbers for other disease types.

4.11 Baryulgil

Almost half of the claims settled which relate to asbestos mining activities at Baryulgil (as discussed previously in Section 1.2.3) have been settled with no liability against the Liable Entities; and for the remaining settled claims, the Liable Entities have typically borne around one-third to one-half of the settlement amount, reflecting the contribution by other defendants to the overall settlement (including those which have since been placed in liquidation).

For the purposes of our valuation, we have estimated there to be 21 future claims reported, comprising 7 mesothelioma claims, 7 other product and public liability claims and 7 Workers Compensation claims.

We have assumed average claims and legal costs, net of Workers Compensation insurances, broadly in line with those described in Section 5.

Our projected liability assessment at 31 March 2010 of the additional provision (for claims not yet reported) that could potentially be required is an undiscounted liability of $6.8m and a discounted liability of $4.5m, all of which is deemed to be a liability of Amaca.

5 ANALYSIS OF EXPERIENCE — AVERAGE CLAIMS COSTS

5.1 Overview

We have analysed the average claim awards and plaintiff and defendant legal costs (where separately disclosed) by disease type in arriving at our valuation assumptions.

Table 5.1 shows how the average settlement costs for non-nil attritional claims have varied by client settlement year. All data have been converted into current money terms (i.e. mid 2009/10 money terms) using base inflation at 4% per annum.

The reader's attention is drawn to the fact that the average amounts shown hereafter relate to the average amounts of the contribution made by the Liable Entities, and do not reflect the total award payable to the plaintiff unless this is clearly stated to be the case.

In particular, for Workers Compensation the average awards reflect the average contribution by the Liable Entities for claims in which they are joined but relate only to that amount of the award determined against the Liable Entities which is not met by a Workers Compensation Scheme or Policy.

Table 5.1: Average attritional non-nil claim award (inflated to current money terms)

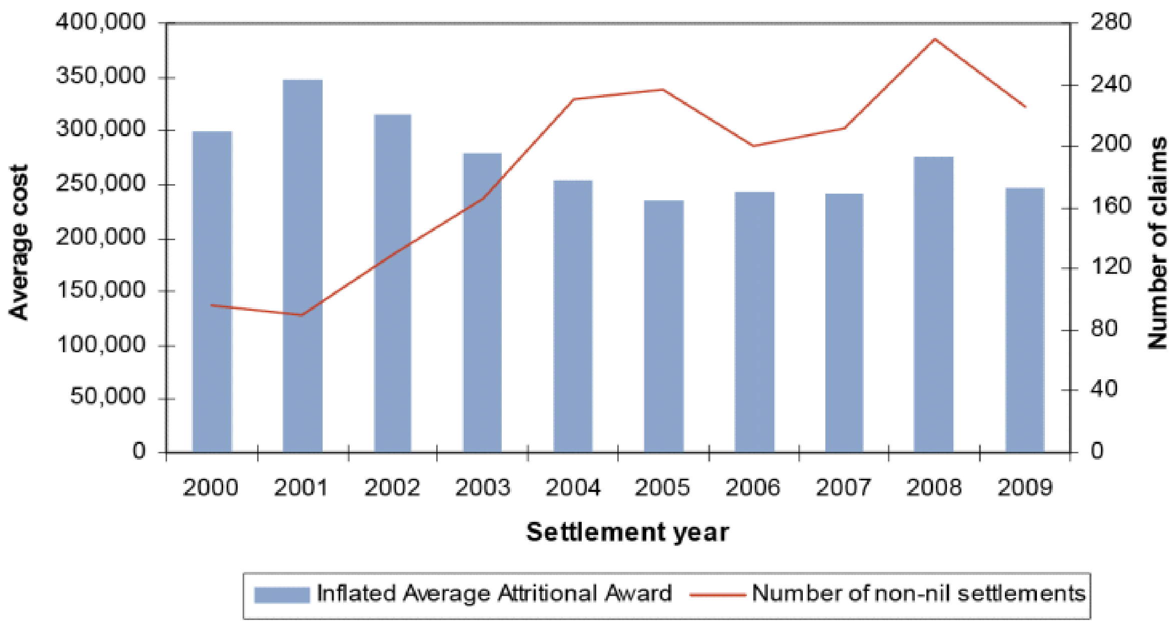
Client Settlement Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Wharf	Workers Compensation
2000	299,331	94,217	131,288	74,865	103,190	114,577
2001	348,209	129,736	155,547	149,618	69,949	49,855
2002	315,393	121,256	103,705	111,291	189,856	121,943
2003	279,410	127,341	139,786	114,820	132,036	131,593
2004	254,105	89,801	133,227	90,406	89,809	154,712
2005	235,874	82,329	62,303	83,381	91,234	141,614
2006	243,261	93,857	100,767	71,070	132,246	106,862
2007	241,527	85,124	118,327	51,696	34,214	282,761
2008	275,437	89,163	85,667	93,099	139,675	57,200
2009	246,395	99,740	104,757	89,275	58,401	105,700

Note: The figures in this table and in the charts that follow have changed since the previous valuation because we are now using a different definition to segment the data: client settlement year as opposed to plaintiff settlement year. This has the effect of claims now being allocated to different years than they were previously.

5.2 Mesothelioma claims

In setting our assumption for mesothelioma, we have considered average awards over the last 3, 4 and 5 years.

Figure 5.1: Inflated average awards and number of non-nil claims settlements for mesothelioma claims



The chart above shows the historic variability in average claim sizes for mesothelioma varying from $230,000 to $350,000 in 2009/10 money terms, although the last seven years have shown a greater degree of stability.

The average of the last three years is $256,000; the average of the last four years is $253,000 and the average of the last five years is $250,000.

Additional analysis we have conducted demonstrates that the variation in awards has reflected changes in the contribution rate of the Liable Entities (i.e. the proportion of the total settlement costs for which the Liable Entities are held liable).

The reduction in the average size between 2008/09 and 2009/10 reflected:

- A lower contribution rate, reducing from 76% in 2008/09 to 72% in 2009/10;
- A higher incidence of claims settled for less than $100,000 in 2009/10 (25% compared to 19% in 2008/09). Claims settled in 2008/09 also contained significantly more clams settled for between $500,000 and $1m.

Taking the above averages into consideration, and in particular noting the experience in 2008/09, we have adopted a valuation assumption of $270,000 for mesothelioma claims in 2009/10 money terms, particularly noting the experience in 2008/09.

This assumption represents a 4% reduction in inflation-adjusted terms.

Table 5.2: Average mesothelioma claims assumptions

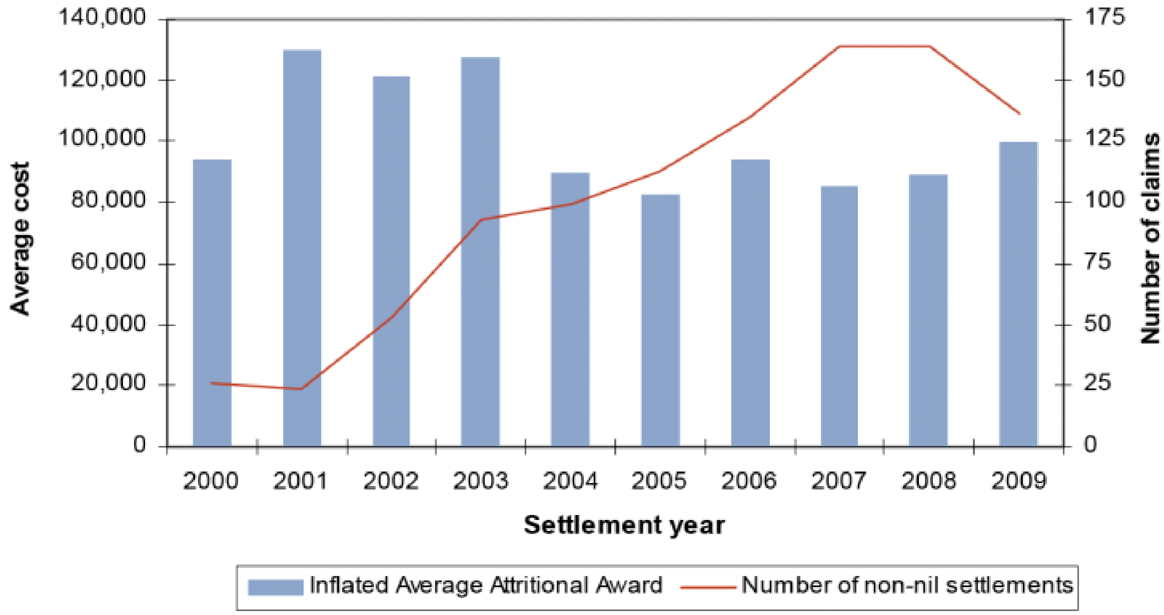
	Claim settlement year	
Valuation Report	**2008/09**	**2009/10**
31-Mar-09	265,000	281,200
31-Mar-10	n/a	270,000

Note: 2008/09 settlements are in 2008/09 dollars whilst 2009/10 settlements are in 2009/10 dollars. The rate of inflation applied to the previous assumption of $265,000 to convert into 2009/10 dollars is 6.1%. This is because at the previous valuation we had assumed that wage inflation would be 3.75% for 2009/10 owing to the GFC which, together with a 2.25% superimposed inflation assumption, led to a total claim inflation assumption for 2009/10 of 6.1%.

5.3 Asbestosis claims

For asbestosis, it can be seen from Table 5.1 that in 2003/04 the average claim settlement was high relative to recent experience.

Figure 5.2: Inflated average awards and number of non-nil claims settlements for asbestosis claims



The chart shows the substantial variation in average awards though in part this is affected by the low numbers of claims settled in the earlier years.

The average of the last three years is $91,000; the average of the last four years is $92,000 and the average of the last five years is $90,000. These averages are affected by the high number of claims settlements and the lower observed average settlement size for 2007/08.

We have adopted an assumption of $100,000 in light of the recent increasing average claim size experience in 2009/10, whilst giving less credibility to the experience in 2007/08. This assumption represents a 2% increase in inflation-adjusted terms.

Table 5.3: Average asbestosis claims assumptions

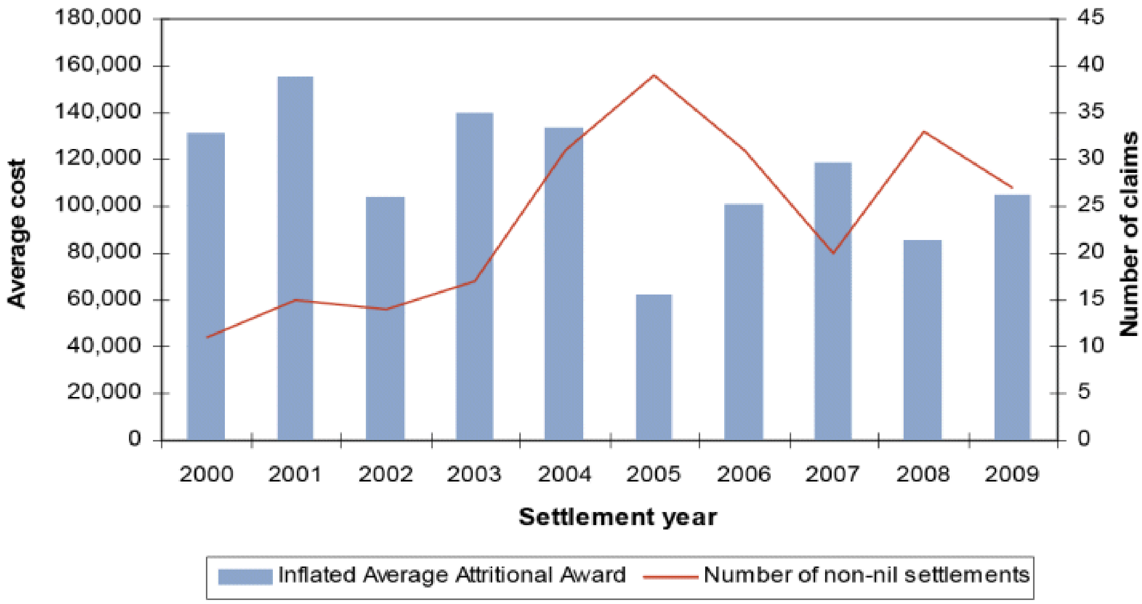
	Claim settlement year	
Valuation Report	**2008/09**	**2009/10**
31-Mar-09	92,500	98,100
31-Mar-10	n/a	100,000

Note: 2008/09 settlements are in 2008/09 dollars whilst 2009/10 settlements are in 2009/10 dollars.

5.4 Lung cancer claims

Lung cancer average claims costs appear to have experienced some volatility in the last five years, although this is not unexpected given the small volume of claim settlements (usually approximately 25 to 30 claims per annum).

Figure 5.3: Inflated average awards and number of non-nil claims settlements for lung cancer claims



The average of the last three years is $100,000; the average of the last four years is $100,000 and the average of the last five years is $91,000.

At this valuation, we have adopted an average award size of $110,000, taking into account the experience in 2009/10 and the volatility in past experience. This assumption represents a 10% reduction in inflation-adjusted terms.

Table 5.4: Average lung cancer claims assumptions

	Claim settlement year	
Valuation Report	**2008/09**	**2009/10**
31-Mar-09	115,000	122,000
31-Mar-10	n/a	110,000

Note: 2008/09 settlements are in 2008/09 dollars whilst 2009/10 settlements are in 2009/10 dollars.

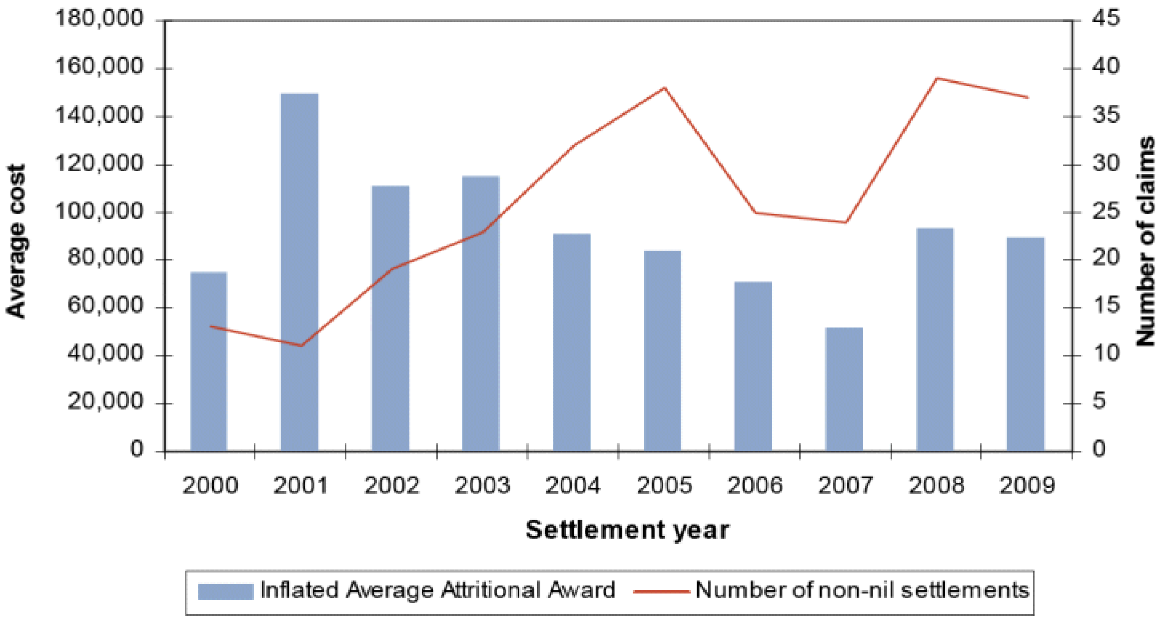
We are aware of the recent decisions in *Amaca v Ellis (Cotton) [2010] HCA 5* and *Evans v Queanbeyan City Council and Anor [2010] NSWDDT 7*.

However, we have made no adjustment for these cases because we understand that the decisions in these two cases are consistent with the previous judgment in *Judd v Amaca [2002] NSWDDT 25*.

5.5 ARPD & Other claims

Average award sizes over the last six years have been relatively stable, with the exception of 2007/08.

Figure 5.4: Inflated average awards and number of non-nil claims settlements for ARPD & Other claims



For ARPD & Other claims, the average of the last three years is \$82,000; the average of the last four years is \$80,000 and the average of the last five years is \$80,000.

We have adopted an average award size of \$90,000 recognising the experience between 2002/03 and 2009/10 (and largely ignoring the experience in 2006/07 and 2007/08). This assumption represents a very small reduction in inflation-adjusted terms.

Table 5.5: Average ARPD & Other claims assumptions

	Claim settlement year	
Valuation Report	**2008/09**	**2009/10**
31-Mar-09	85,000	90,200
31-Mar-10	n/a	90,000

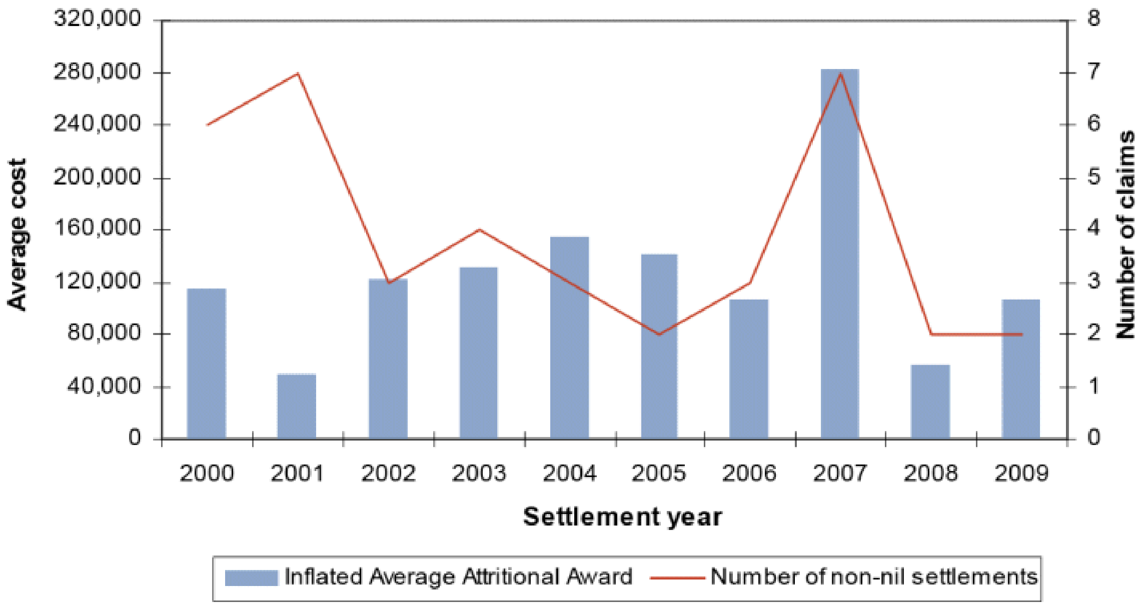
Note: 2008/09 settlements are in 2008/09 dollars whilst 2009/10 settlements are in 2009/10 dollars.

5.6 Workers Compensation claims

The average award for non-nil Workers Compensation claims has shown a large degree of volatility.

In 2007/08, there was a significant increase in average awards, although this is predominantly due to the impact of one large claim.

Figure 5.5: Inflated average awards and number of non-nil claims settlements for Workers Compensation claims



The average of the last three years is $210,000; the average of the last four years is $188,000 and the average of the last five years is $182,000. These averages are affected by the higher volume of claim settlements in relation to 2007/08 which was also associated with a higher average award size, particularly due to the impact of that one large claim.

We have adopted $130,000 as our valuation assumption. This represents a 2% reduction in inflation-adjusted terms. This assumption is not material to the overall liability given the high proportion of claims which are settled with no retained liability against the Liable Entities.

Table 5.6: Average Workers Compensation claims assumptions

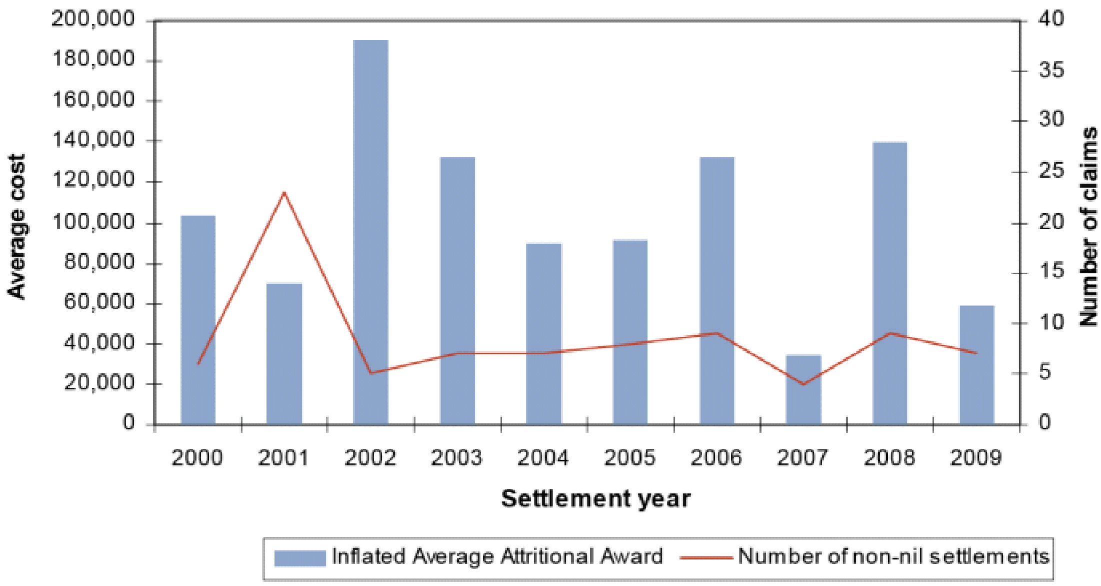
	Claim settlement year	
Valuation Report	**2008/09**	**2009/10**
31-Mar-09	125,000	132,600
31-Mar-10	n/a	130,000

Note: 2008/09 settlements are in 2008/09 dollars whilst 2009/10 settlements are in 2009/10 dollars.

5.7 Wharf claims

For wharf claims, the average of the last three years has been $90,000; the average of the last four years has been $103,000 and the average of the last five years has been $101,000.

Figure 5.6: Inflated average awards and number of non-nil claims settlements for Wharf claims



The experience in 2008/09 was impacted by one large claim of almost $500,000. In the absence of this claim, the average claim size would have been $95,000.

We have adopted a valuation assumption of $100,000 in current money terms. This assumption represents a 6% reduction in inflation-adjusted terms.

Given the small volume of wharf claims, this assumption is not financially significant.

Table 5.7: Average wharf claims assumptions

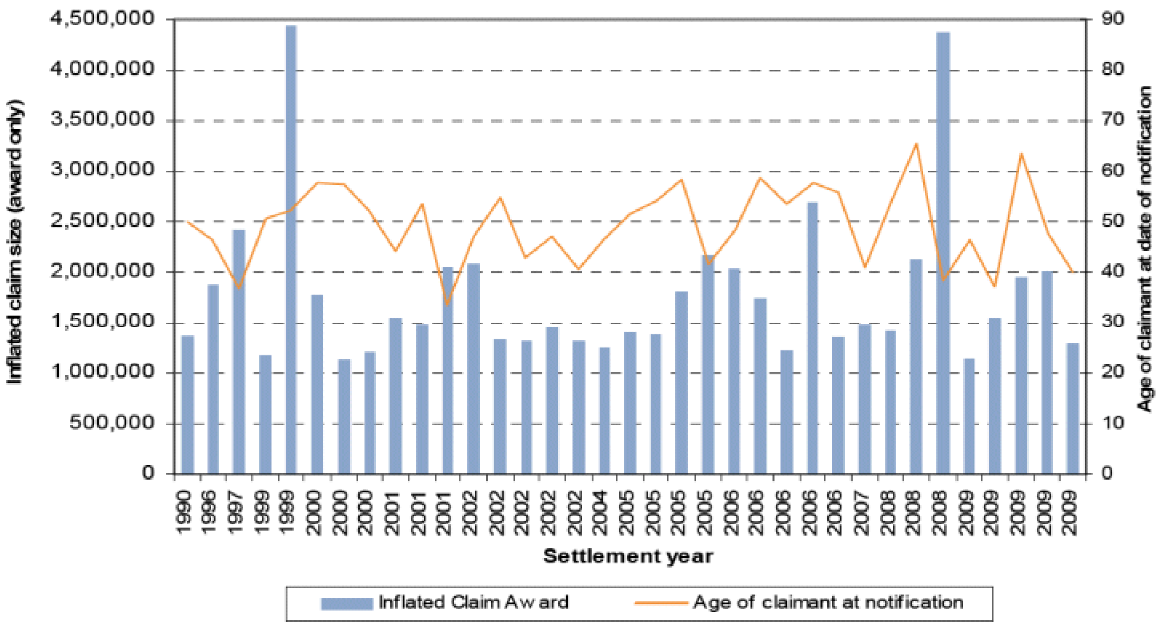
	Claim settlement year	
Valuation Report	**2008/09**	**2009/10**
31-Mar-09	100,000	106,100
31-Mar-10	n/a	100,000

Note: 2008/09 settlements are in 2008/09 dollars whilst 2009/10 settlements are in 2009/10 dollars.

5.8 Large claim size and incidence rates

There have been 35 settled claims with claims awards in excess of $1m in 2005/06 money terms. All of these claims are product and public liability claims and the disease diagnosed in every case is mesothelioma.

Figure 5.7: Distribution of individual large claims by settlement year



In aggregate these claims have been settled for $62.3m in current money terms, at an average cost of approximately $1.78m. We have noted two claims of more than $4m in current money terms.

There are three mesothelioma claims (all reported in 2009/10) which have not yet been settled and for which the current case estimate is in excess of $1m.

The incidence rate of large claims to non-nil settlements in any one year has been variable, dependent on the random incidence of large claims by settlement year:

- Over the period 1997-2009 there have been 33 large claims at an incidence rate of 1.60% (i.e. the ratio of the number of large claims to the total number of non-nil mesothelioma claims).
- Over the period 2001-2009 there have been 27 large claims at an incidence rate of 1.51%.

We have assumed that there will be a large claim incidence rate of 1.67% prospectively over all future years. This is unchanged from our previous valuation assumption.

With approximately 300 mesothelioma claims settlements per annum projected, we are therefore projecting to observe 5 large claims per annum.

We have taken the average large claim size experienced from all years as our base assumption, given the small volume of such claims. This has resulted in an assumption of $1.80m for the claim award.

Implicitly, this allows for the occasional $4m claim at an incidence rate broadly equivalent to past experience (approximately one such claim every five years).

In relation to legal costs, we have made an additional allowance of $50,000 per claim for plaintiff legal costs where such costs are made additional to, rather than inclusive with, the claims award. We have also made a separate allowance for defendant legal costs of $100,000 per claim. We note that in the most recent three years, the average defence legal costs incurred for large claims has been approximately $50,000 per claim. However, we note that prior to the most recent three years, average defence legal costs for large claims were considerably higher (in the order of $150,000).

As a consequence, the overall loading per non-nil mesothelioma claim (including additional plaintiff legal costs) to make allowance for large claims is $31,000 (being 1.67% x $1,850,000).

We note that the actual incidence of, and settlement of, large claims is not readily predictable and it should be expected that deviations will occur from year to year due to random fluctuations because of the small numbers of large claims (about 5 per annum).

For other disease types, there have been no claims settled which have exceeded $550,000 in actual money terms. Therefore we have made no allowance for large claims for other disease types.

5.9 Summary assumptions

The following table provides a summary of our average claim cost assumptions at this valuation, and those assumed at the previous valuation.

Table 5.8: Summary average claim cost assumptions

	Current Valuation	Previous Valuation
Mesothelioma	270,000	281,200
Asbestosis	100,000	98,100
Lung Cancer	110,000	122,000
ARPD & Other	90,000	90,200
Wharf	100,000	106,100
Workers Compensation	130,000	132,600
Mesothelioma Large Claims	Average Size: $1.80m. Frequency: 1.67%	Average Size: $1.86m. Frequency: 1.67%

Note: Both the current valuation assumption and the previous valuation assumption are expressed in 2009/10 money terms.

6 ANALYSIS OF CLAIMS EXPERIENCE — NIL SETTLEMENT RATES

6.1 Overview

We have analysed the nil settlement rates, being the number of nil settlements expressed as a percentage of the total number of settlements (nil and non-nil).

The following table shows the observed nil settlement rates by disease type and by settlement year.

Table 6.1: Nil settlement rates

Client Settlement Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Wharf	Workers Compensation
2000	12%	16%	8%	19%	0%	87%
2001	28%	29%	42%	21%	18%	84%
2002	8%	9%	13%	17%	38%	80%
2003	7%	4%	23%	12%	67%	96%
2004	9%	8%	23%	9%	0%	94%
2005	10%	10%	26%	19%	20%	95%
2006	14%	10%	24%	40%	0%	95%
2007	13%	9%	29%	20%	76%	72%
2008	8%	9%	23%	13%	0%	91%
2009	9%	8%	18%	3%	0%	75%

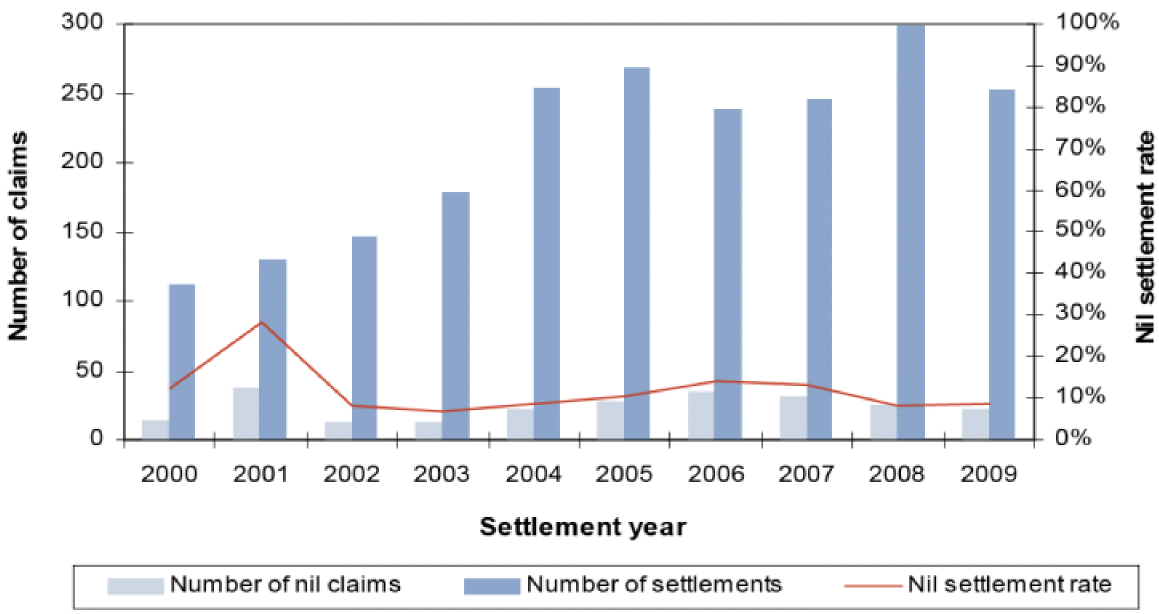
Note: The figures in this table and in the charts that follow have changed since the previous valuation because we are now using a different definition to segment the data: client settlement year as opposed to plaintiff settlement year. This has the effect of claims now being allocated to different years than they were previously.

6.2 Mesothelioma claims

The nil settlement rates for mesothelioma have shown some degree of volatility between settlement years.

Figure 6.1 shows the number of claims settled for nil cost, the total number of claims settled and the implied nil settlement rate for each settlement year.

Figure 6.1: Mesothelioma nil claims experience



During the last six years, the nil settlement rate has varied between 8% and 14%.

In considering the future nil settlement rate assumption, we note the following:

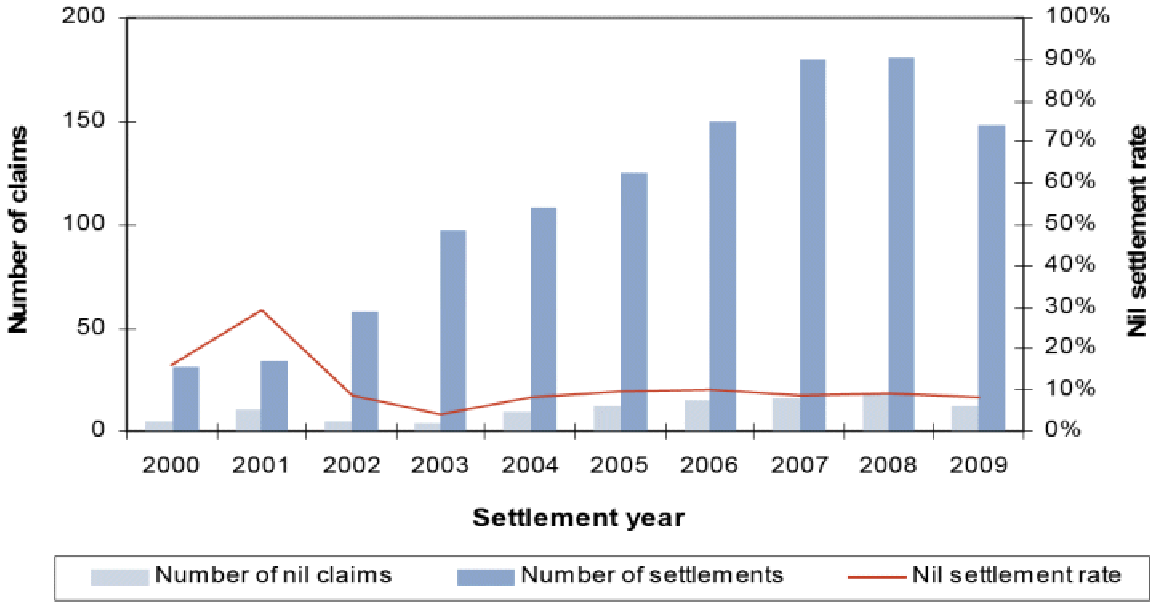
- The last three years have averaged 10%, the last four years have averaged 11% and the last five years have averaged 11%;
- The experience in 2006/07 and 2007/08 showed an increased nil settlement rate to around 14%; and
- In 2008/09, the nil settlement rate fell to 8%, and in 2009/10 the nil settlement rate has been 9%.

Taking all of these factors into consideration and in particular the variability from year to year, we have reduced the assumed future nil settlement rate to 10% compared with our previous assumption of 12%.

6.3 Asbestosis claims

As with mesothelioma, the historic asbestosis nil settlement rates have been fairly volatile, albeit with some stability being observed in recent years.

Figure 6.2: Asbestosis nil claims experience



We have reviewed the average rate over the last 3, 4 and 5 years in determining our assumption.

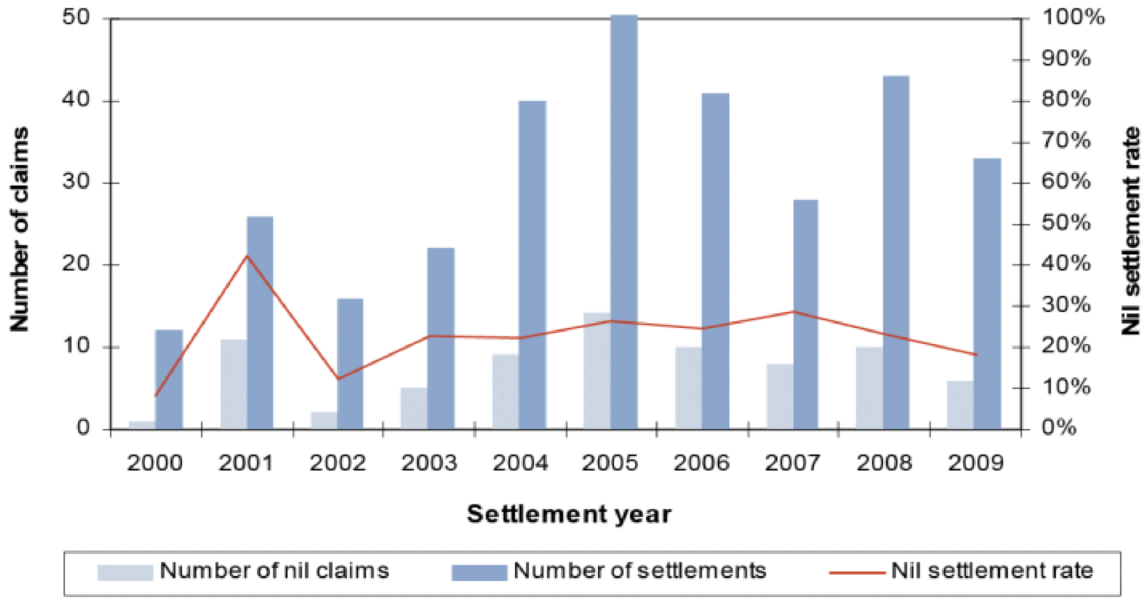
The last three years have averaged 9%, the last four years have averaged 9% and the last five years have averaged 9%.

In these circumstances we have assumed a nil settlement rate of 9%, a reduction from our previous valuation assumption of 11%.

6.4 Lung cancer claims

Given the small volumes of claims, volatility in nil settlement rates for lung cancer claims is to be expected.

Figure 6.3: Lung cancer nil claims experience



The average nil settlement rate of the last three years has been 23%, the last four years have averaged 23% and the last five years have averaged 24%.

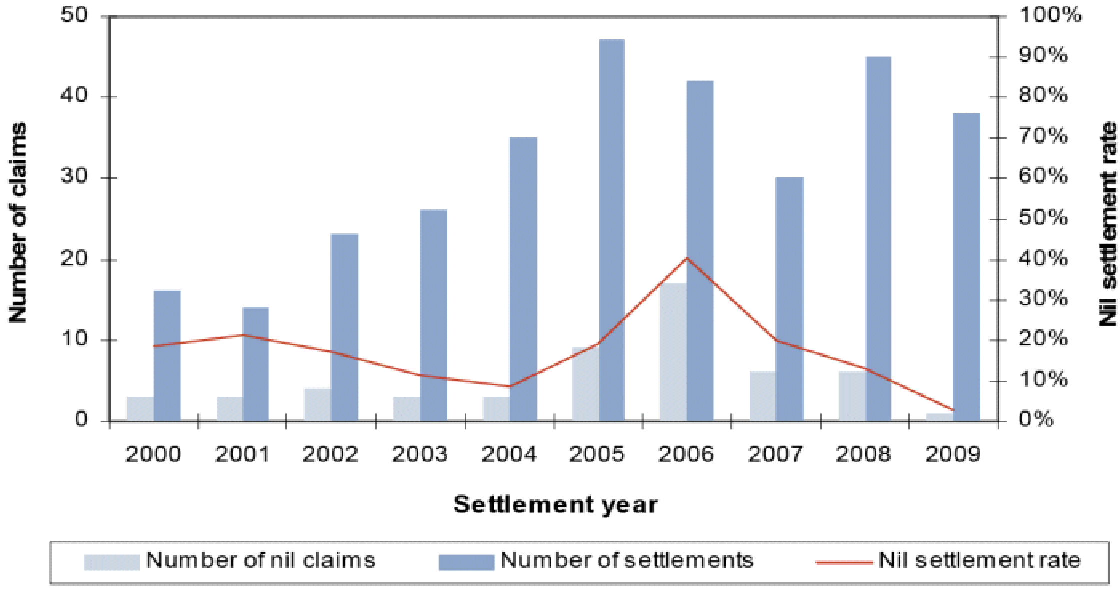
The chart shows a downward trend since 2007/08. In these circumstances we have selected 25% as the future nil settlement rate. This is a reduction from 30% at the previous valuation.

We note that this rate could be affected in the future by legal changes to the division and acceptability of claims in relation to claimants who have also smoked and the contribution of smoking to the incidence of lung cancer. At this time, we have no evidence to make any specific adjustment to the assumption for that factor.

6.5 ARPD & Other claims

As with other disease types, there has been significant volatility in the historic nil settlement rates, given the low numbers of claims for this disease.

Figure 6.4: ARPD & Other nil claims experience



The average for the last three years for ARPD & Other claims has been 12%, the average for the last four years has been 19% and the average for the last five years has been 19%.

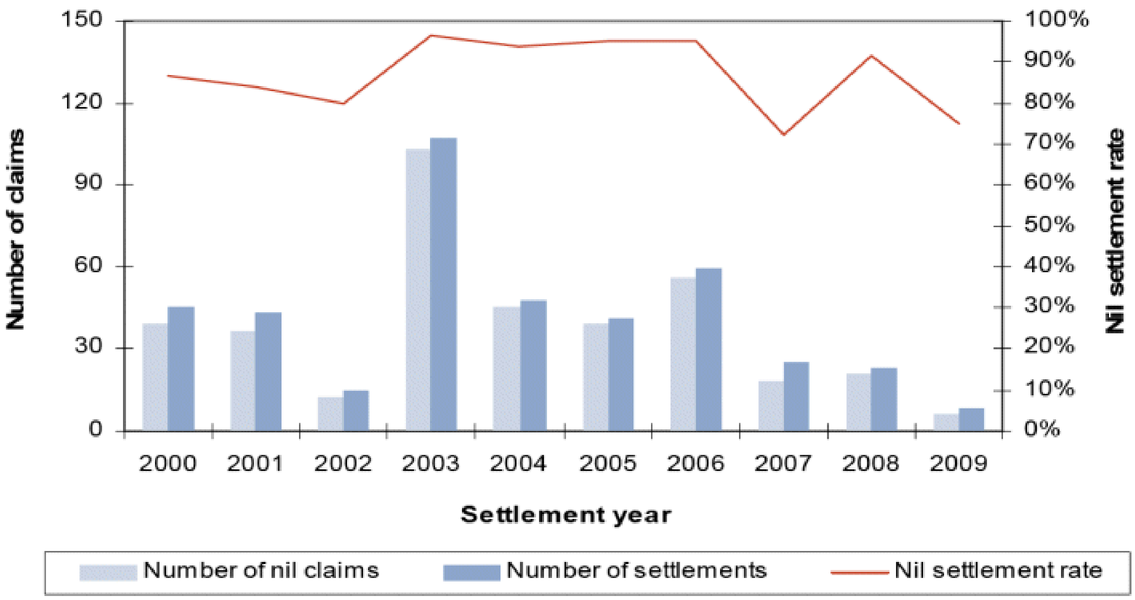
In these circumstances, we have selected 18% as our nil settlement rate assumption for this class of disease. This is a reduction from our previous valuation assumption of 20%.

6.6 Workers Compensation claims

The nil settlement rates for Workers Compensation are high and are reflective of the portion of claims whose costs are fully met by a Workers Compensation Scheme or Policy. The proportion of such claims which are fully met by insurance have been relatively stable since 1997/98, typically varying between 80% and 90%.

The nil settlement rate has been in excess of 90% for five of the last seven years, and it has been above 80% for ten of the last twelve years.

Figure 6.5: Workers Compensation nil claims experience



The average nil settlement rate of the last three years is 80%, the average of the last four years is 88% and the average of the last five years is 90%.

In these circumstances, we have selected a rate of 87% at this valuation, unchanged from our previous valuation assumption.

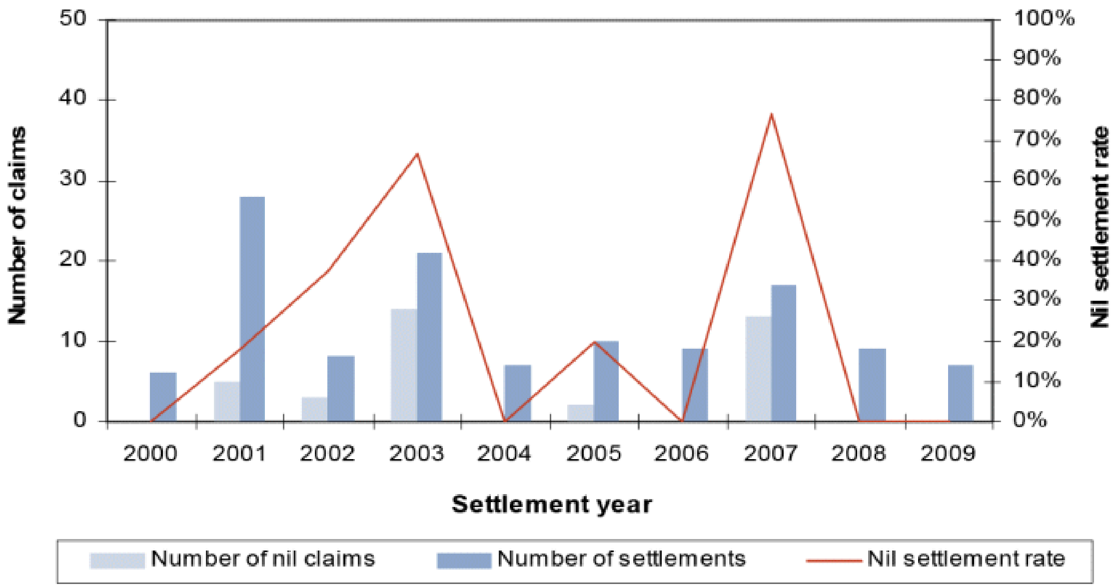
6.7 Wharf claims

For wharf claims, the average of the last three years is 39%, the average of the last four years is 31% and the average of the last five years is 29%, although these are affected by the high nil settlement rate in 2007/08.

We have selected 18% as our valuation assumption which is reduced from our previous valuation assumption of 20%. This has been selected based on the downward trends in the nil settlement rates observed (and prospectively assumed) for other disease types.

Given the extremely low volume of claims activity for Wharf claims, this assumption is highly subjective but is also not material to the liability assessment.

Figure 6.6: Wharf nil claims experience



6.8 Summary assumptions

The following table provides a summary of our nil settlement rate assumptions at this valuation, and those assumed at the previous valuation.

Table 6.2: Summary nil settlement rate assumptions

	Current Valuation	Previous Valuation
Mesothelioma	10.0%	12.0%
Asbestosis	9.0%	11.0%
Lung Cancer	25.0%	30.0%
ARPD & Other	18.0%	20.0%
Wharf	18.0%	20.0%
Workers Compensation	87.0%	87.0%

7 ECONOMIC AND OTHER ASSUMPTIONS

7.1 Overview

The two main economic assumptions required for our valuation are:

- The underlying claims inflation assumptions adopted to project the future claims settlement amounts and related costs.
- The discount rate adopted for the present value determinations.

These are considered in turn in Sections 7.2 to 7.5.

We also discuss the basis of derivation of other assumptions, being:

- The cross-claim recovery rate; and
- The pattern of settlement of future reported claims and pending claims.

7.2 Claims inflation

We are required to make assumptions about the future rate of inflation of claims costs. We have adopted a standard Australian actuarial claims inflation model for liabilities of the type considered in this report that is based on:

- An underlying, or base, rate of general economic inflation relevant to the liabilities, in this case based on wage/salary (earnings) inflation; and
- A rate of superimposed inflation, i.e. the rate at which claims costs inflation exceeds base inflation.

7.2.1 Base inflation basis

Ideally, we would aim to derive our long term base inflation assumptions based on observable market indicators or other economic benchmarks. Unfortunately, such indicators and benchmarks typically focus on inflation measures such as CPI (e.g. CPI index bond yields and RBA inflation targets).

We have therefore derived our base inflation assumption from CPI based indicators and long term CPI / AWOTE[6] relativities.

6 AWOTE = Average Weekly Ordinary Time Earnings

7.2.2 CPI assumption

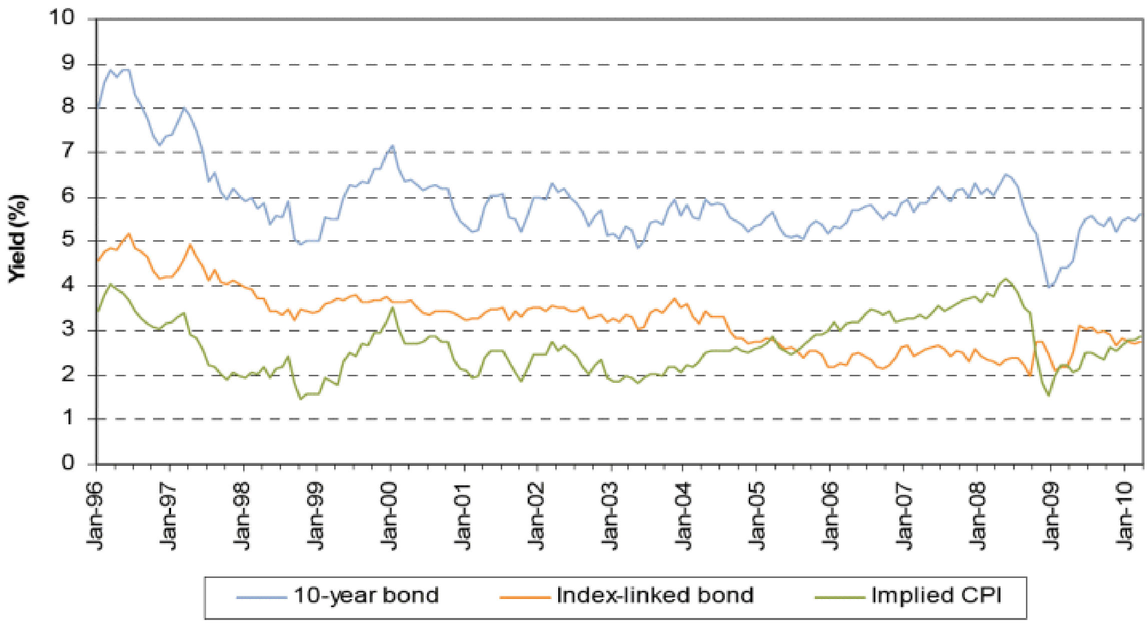
We have considered two indicators for our CPI assumption:

- Market implied CPI measures.
- RBA CPI inflation targets.

We have measured the financial market implied expectations of the longer-term rate of CPI by reference to the gap between the yield on Commonwealth government bonds and the real yield on Commonwealth government CPI index-linked bonds.

The chart below shows the yields available for 10-year Commonwealth bonds and Index-linked bonds. The gap between the two represents the implied market expectation for CPI at the time.

Figure 7.1: Trends in Bond Yields



Source: http://www.rba.gov.au/Statistics/Bulletin/index.html

It can be seen that the implied rate of CPI has varied between 1.5% per annum and 4% per annum during the last 11 years, although it broadly remained between 2% and 3% per annum from March 2000 to January 2006.

Currently, the effective annual yield on long-term government bonds is approximately 5.6% p.a. and the equivalent effective real yields on long-term index-linked bonds is approximately 2.7% per annum. This would imply current market expectations for the long-term rate of CPI were of the order of 2.9% per annum.

In considering this result we note that:

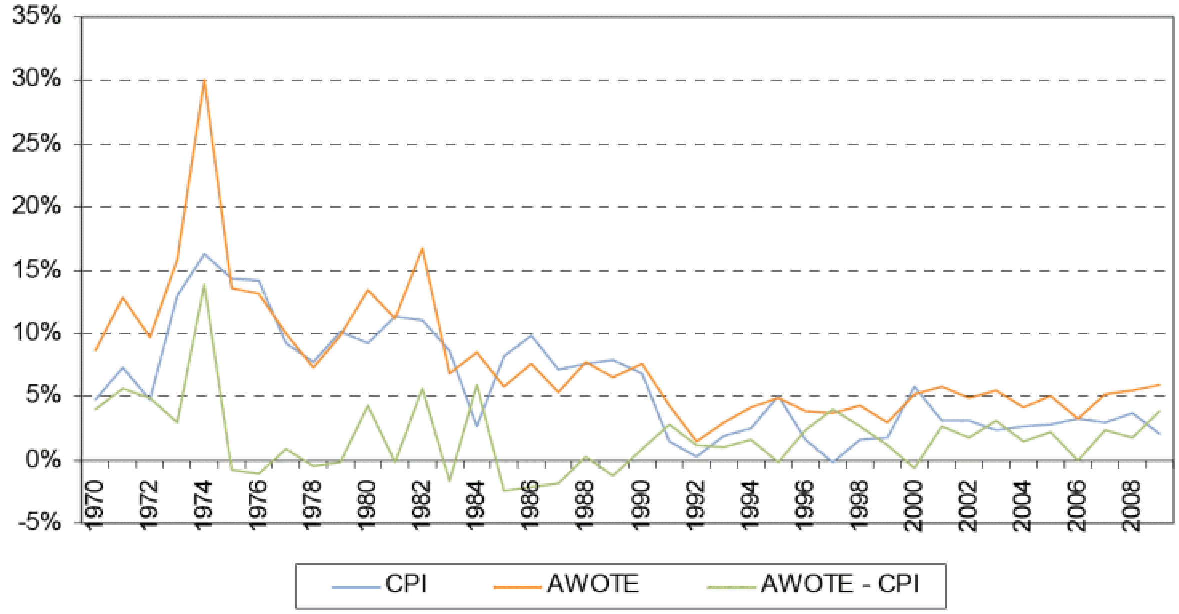
- The implied CPI rate stayed consistently above 3.2% per annum from March 2006 until October 2008.
- The yields on both nominal and CPI-linked government bonds are driven by supply and demand. The yields on both, and their relativities, are subject to some volatility.
- The RBA's long term target is for CPI to be maintained between 2% and 3% per annum.
- The implied rate of CPI showed a prolonged trend upwards from the early part of 2003, which coincides when it last was towards the bottom end of the RBA's target range, and May 2008 when it peaked at almost 4.2%.
- Since May 2008, the implied rate of CPI has shown a significant reduction from 4.2% to 1.5% at 31 December 2008 and has consistently increased since that time, increasing to 2.9% at 31 March 2010.
- Recent actual CPI figures show reductions to 2.1% per annum at December 2009, and an increase to 2.9% per annum at March 2010.

Weighing this evidence together, this suggests a long term CPI inflation benchmark of 2.50% to 3.00% per annum.

7.2.3 Wages (AWOTE) / CPI relativity

The following chart summarises the annualised rates of AWOTE and CPI inflation, and their relativities, for the 1970 to 2009 period.

Figure 7.2: Trends in CPI and AWOTE



In considering the above, we note:

- The period from 1995 reflects largely a continuous period of economic growth which may not be reflective of longer term trends.
- The longer periods cover a range of business cycles, albeit that the period from 1970 includes the unique events of the early 1970's (i.e. general inflationary pressures, both locally and worldwide, and the impact of high oil prices owing to the Oil Crisis in 1973).

Allowing for these factors, the historic data suggests a CPI / AWOTE relativity, or gap, of approximately 1.75% to 2.00% per annum.

On this basis, given a longer term CPI benchmark of 2.50% to 3.00%, it would suggest a longer-term wage inflation (AWOTE) assumption of 4.25% to 5.00% p.a.

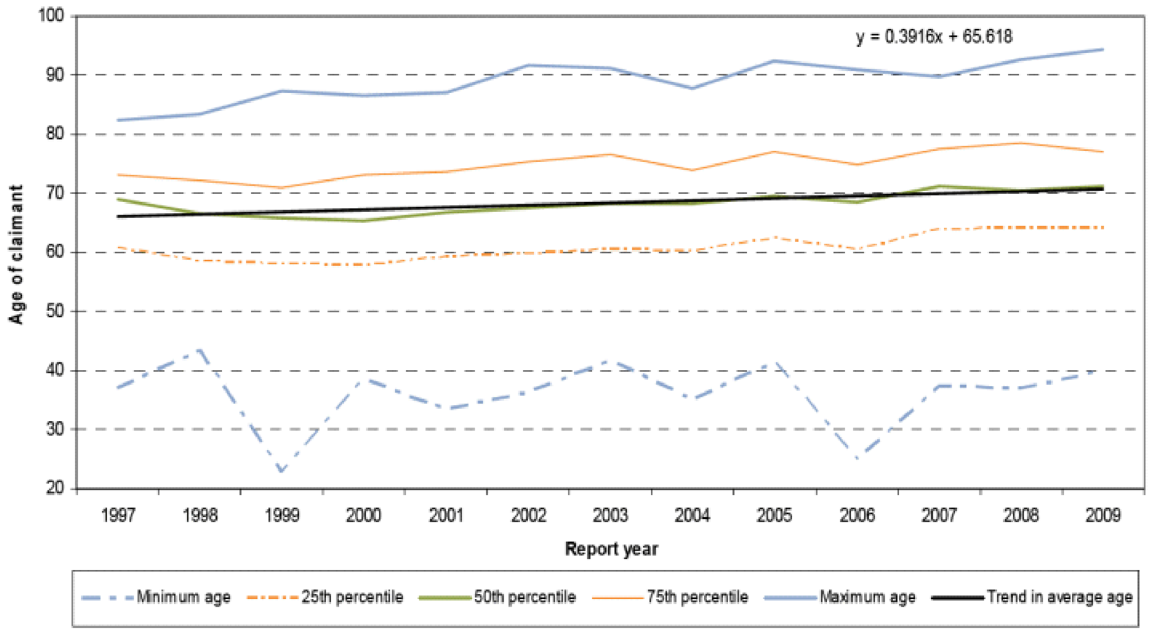
7.2.4 Impact of claimant ageing and non-AWOTE inflation effects

The overall age profile of claimants is expected to rise over future years with the consequent impact that, other factors held constant, claims amounts should tend to increase more slowly than average wage inflation (excluding any societal changes, e.g. changes in retirement age). This is due to both reduced compensation for years of income or life lost, and a tendency for post retirement age benefits to possibly increase closer to CPI than AWOTE.

Furthermore, we note that:

- some heads of damage, such as general damages and compensation for loss of expectation of life, would typically be expected to rise at CPI or lower;
- other heads of damage, including loss of earnings, would be expected to rise at AWOTE (ignoring the ageing effect); and
- medical expenses and care costs would be expected to rise in line with medical cost inflation which in recent years has been considerably in excess of AWOTE.

Figure 7.3: Age profile of mesothelioma claimants by report year



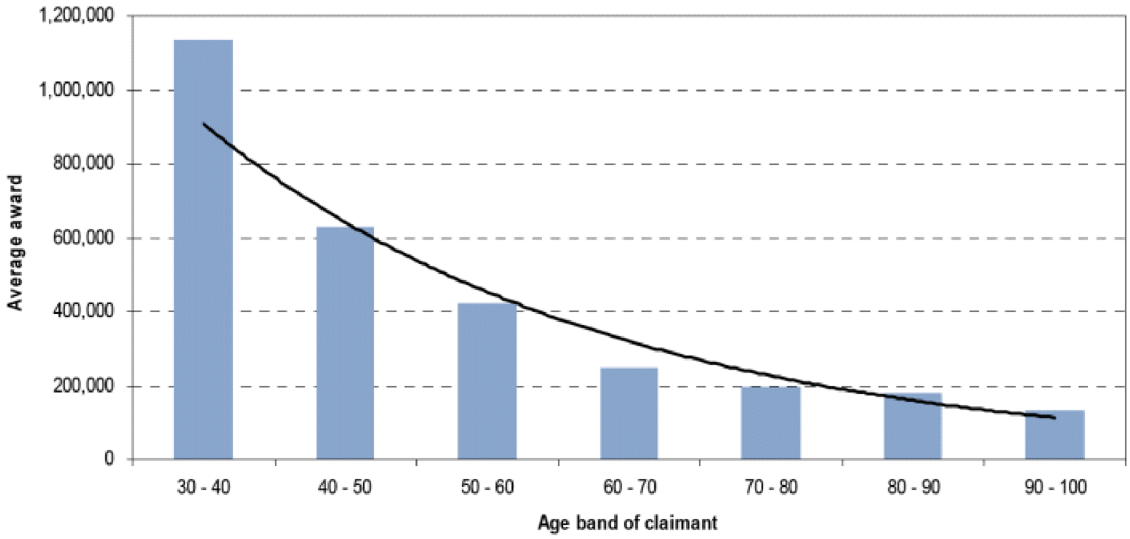
The chart indicates that mesothelioma claimants are generally continuing to age.

The claims experience does not indicate a considerable increase in the number (and proportion) of younger claimants. We note the claim reported in 2006/07 involving a 23-year old claimant. However, the chart indicates that the trend for all of the lines in the graph (other than the minimum age) is upwards, indicating that there is a gradual ageing of the population of claimants.

The chart also indicates that the average age of claimants is increasing by around 0.40 years each year, with the average age now in excess of 70 years.

We have reviewed how average claim sizes vary by decade of age.

Figure 7.4: Average mesothelioma awards by decade of age



The analysis suggests that average mesothelioma awards reduce by around 20% to 30% for each increasing decade of age when considering the typical age range of the claimants (i.e. over 60 years of age).

Analysis also suggests that mesothelioma claimants are typically ageing by around 0.40 years every year.

Weighing these various factors together, and allowing for the relative mix of claims between mesothelioma and non-mesothelioma, we consider that a reasonable assumption for the deflationary allowance for the impact of ageing on average sizes is around 0.75% to 1.00% per annum.

Taking all of these factors into account, we have adopted a base inflation assumption of 4.25% per annum. This assumption is therefore set after having taken into account the negative effect of ageing upon claims awards.

This is unchanged from our previous long-term assumption for base inflation.

7.3 Superimposed inflation

7.3.1 Overview

Superimposed inflation is a term used by actuaries to measure the rate at which claims escalate over and above a base (usually wage) inflation measure.

As a result, superimposed inflation is a "catch-all" for a range of potential factors affecting claims costs, including (but not limited to):

- Courts making compensation payments in relation to new heads of damage;
- Courts changing the levels of compensation paid for existing heads of damage;
- Advancements in medical treatments — for example, this could lead to higher medical treatment costs (e.g. the cost of the use of new drug treatments);
- Allowance for medical costs to rise faster than wages because of the use of enhanced medical technologies;
- Changes in life expectancy;
- Changes in retirement age — this would have the potential to increase future economic loss awards;
- Changes in the relative share of the liability to be borne by the Liable Entities' (which we refer to as "the contribution rate"); and
- Changes in the mix of claims costs by different heads of damage.

Additionally, we have considered the potential for these factors to be offset to some extent by:

- The potential for existing heads of damage to be removed, or for the contraction of these heads of damage (e.g.*CSR vs. Eddy*); and
- The effect of an ageing population of claimants on the rate of inflation of overall damages, a component of which relates to economic loss. We have already made some allowance for this by way of an adjustment to the base inflation assumption

Whilst the future rate of superimposed inflation is uncertain, and not predictable from one year to the next, it is of note that the average claim costs appear to have been stable in the last few years, although the emergence of new or expanding heads of damage does not tend to proceed smoothly but progresses in "steps", depending on the outcome of legislative and other developments.

7.3.2 Analysis of past rates of superimposed inflation

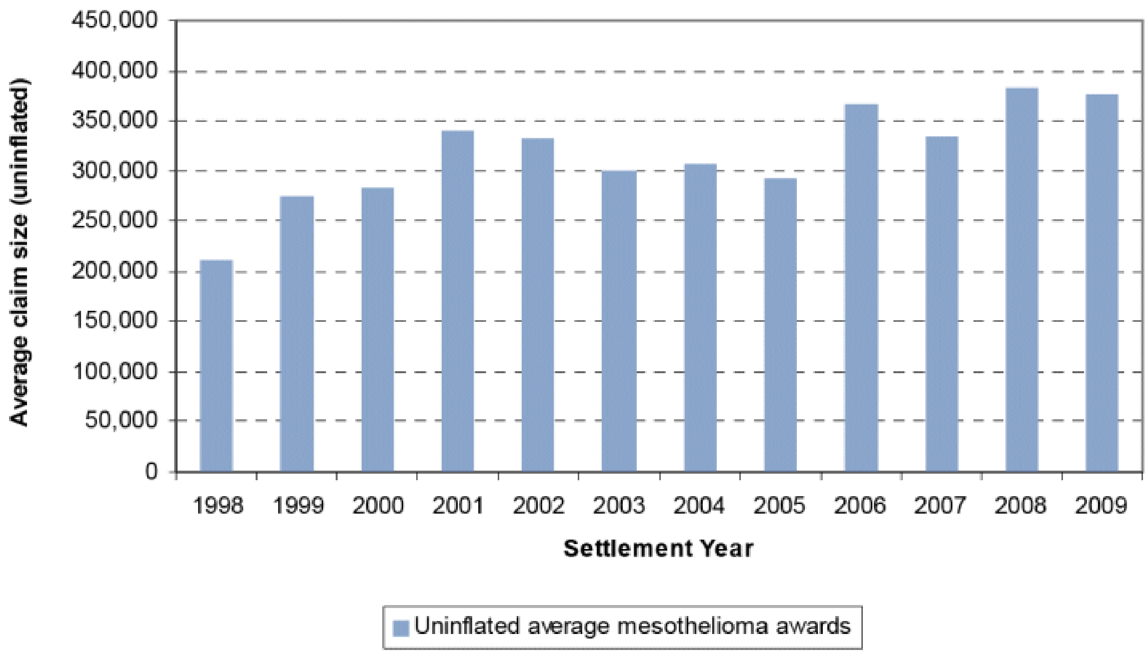
We have reviewed the rate of inflation of claims costs by settlement year for the last 12 years for mesothelioma claims. We have assessed this by analysing uninflated claim costs and therefore the chart measures the trends in the total rate of claims inflation.

The chart can then be used to imply the rate of inflation of claim awards over and above base inflation (i.e. measuring the rate of superimposed inflation) in any one year or an annualised rate of superimposed inflation over a longer term. The rate of inflation of claims costs measured by these charts therefore includes the negative effect of ageing upon claim awards.

We have reviewed the average settlement sizes for:

- The total settlement amounts received by claimants; and
- The settlement amounts borne by the Liable Entities.

Figure 7.5: Average mesothelioma total settlement awards (uninflated)

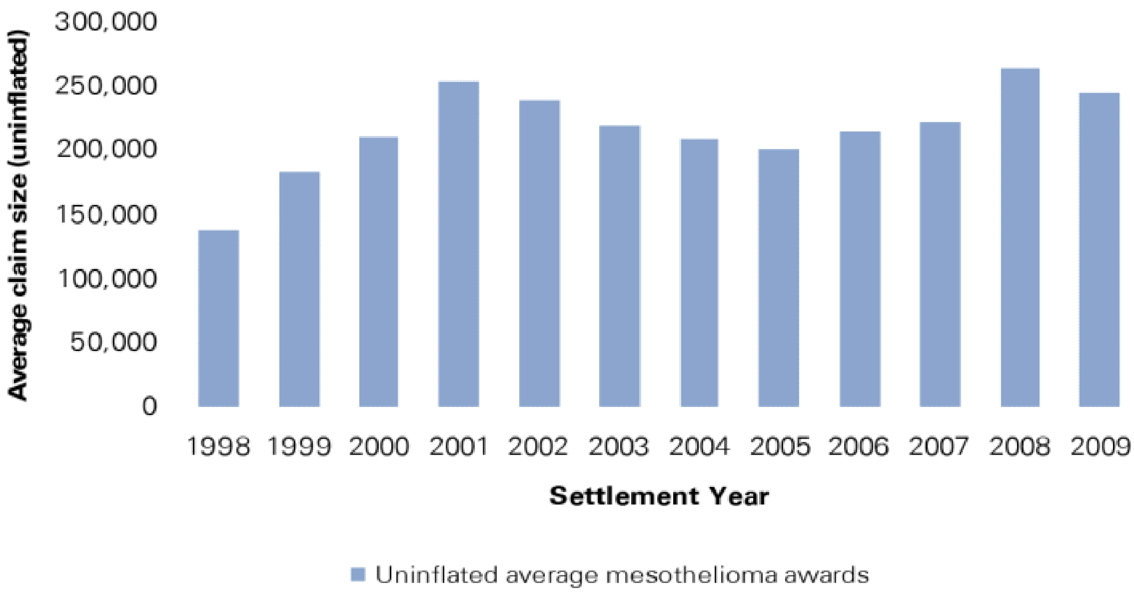


Note: The amounts in the above chart relate to the average for "total settlements", i.e. the amount paid to claimants, not just the Liable Entities' share of those amounts.

- Between 1998 and 2001, claims inflation averaged approximately 17% per annum, as a result of changes in the levels of awards in Australia. This was mainly due to increasing utilisation of *Griffith vs. Kerkemeyer* and *Sullivan vs. Gordon* benefits. This implies very high levels of superimposed inflation during this period.
- Between 2001 and 2009, claims inflation averaged around 1.3% per annum, reflecting a more benign claims environment with no new heads of damage introduced. This overall result implies that superimposed inflation has been negative during this period.
- The average rate of claims inflation of the claims awards from 1998 to 2008 was around 6.1% per annum, which would imply a superimposed inflation rate of around 1.8% per annum (using a base inflation assumption of 4.25% per annum).
- The average rate of claims inflation of the claims awards from 1998 to 2009 was around 5.4% per annum, which would imply a superimposed inflation rate of around 1.1% per annum (using a base inflation assumption of 4.25% per annum).

The following chart shows the trends in the Liable Entities' share of the awards.

Figure 7.6: Average mesothelioma awards of the Liable Entities (uninflated)



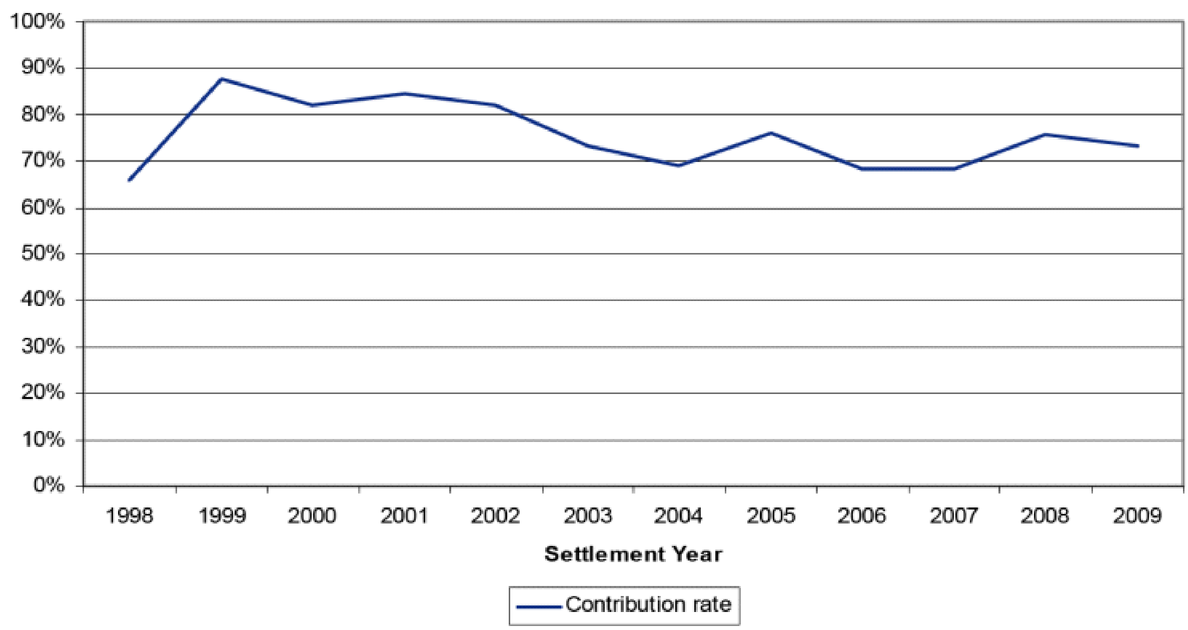
Note: This table excludes large claims against the Liable Entities and therefore Figure 7.5 and Figure 7.7 in combination cannot be directly compared with Figure 7.6 or Table 5.1.

Using the chart, we have the following observations in relation to the rate of claim inflation of the Liable Entities' share of claims awards[7]:

- Between 1998 and 2001, claims inflation for the Liable Entities averaged approximately 23% per annum.
- Between 2001 and 2009, claims inflation averaged around -0.5% per annum, reflecting a more benign claims environment with no new heads of damage introduced.
- The average rate of claims inflation of the Liable Entities' share of claims awards from 1998 to 2008 was around 6.7% per annum, which would imply a superimposed inflation rate of around 2.4% per annum (using a base inflation assumption of 4.25% per annum).
- The average rate of claims inflation of the Liable Entities' share of claims awards from 1998 to 2009 was around 5.4% per annum, which would imply a superimposed inflation rate of around 1.1% per annum (using a base inflation assumption of 4.25% per annum).

The following chart shows the trends in the contribution rate of the Liable Entities over time.

Figure 7.7: Average contribution rate of the Liable Entities' mesothelioma claims



Note: This table includes large claims against the Liable Entities and therefore Figure 7.5 and Figure 7.7 in combination cannot be directly compared with Figure 7.6 or Table 5.1.

7 Claim inflation comprises both base (or wage) inflation and superimposed inflation.

The actuarial approach for this report is to take an average view for superimposed inflation to be applied over the long-term, noting that there will necessarily be deviations from this average on an annual basis.

Weighing all of the evidence together, and in particular recognising that the period since 2001 has been benign and may not therefore be reflective of a longer-term assumption, we have adopted an assumed long-term rate of future superimposed inflation of 2.25% per annum.

7.4 Summary of claims inflation assumptions

The table below summarises the claims inflation assumptions we have adopted within our current and previous liability assessments.

Table 7.1: Claims inflation assumptions

	Current Valuation	Previous Valuation
Base inflation	4.25%	4.25%
Superimposed inflation	2.25%	2.25%
Total inflation	6.60%	6.60%

*Base and superimposed Inflation are applied multiplicatively in our models so that claim cost inflation is calculated as 1.0425 * 1.0225 — 1.*

Base inflation is net of the negative effect of ageing upon claims awards.

At our previous valuation, we made some short-term downward adjustments to base inflation as a result of the Global Financial Crisis.

At this valuation, we have removed those adjustments.

7.5 Discount rates: Commonwealth bond zero coupon yields

We have calculated the zero coupon yield curve at 31 March 2010, underlying the prices, coupons and durations of certain Australian government bonds for the purpose of discounting the liabilities for this report.

The use of such discount rates is consistent with standard Australian actuarial practice for such liabilities, is in accordance with the Institute of Actuaries of Australia's Professional Standard PS300 and is also consistent with our understanding of the Australian accounting standards.

Table 7.2: Zero coupon yield curve by duration

Year	Current Valuation	Previous Valuation
1	4.58%	2.69%
2	5.49%	3.35%
3	6.03%	4.06%
4	6.07%	4.53%
5	6.11%	4.76%
6	6.15%	4.87%
7	6.18%	4.99%
8	6.21%	5.11%
9	6.23%	5.24%
long-term	6.00%	6.00%

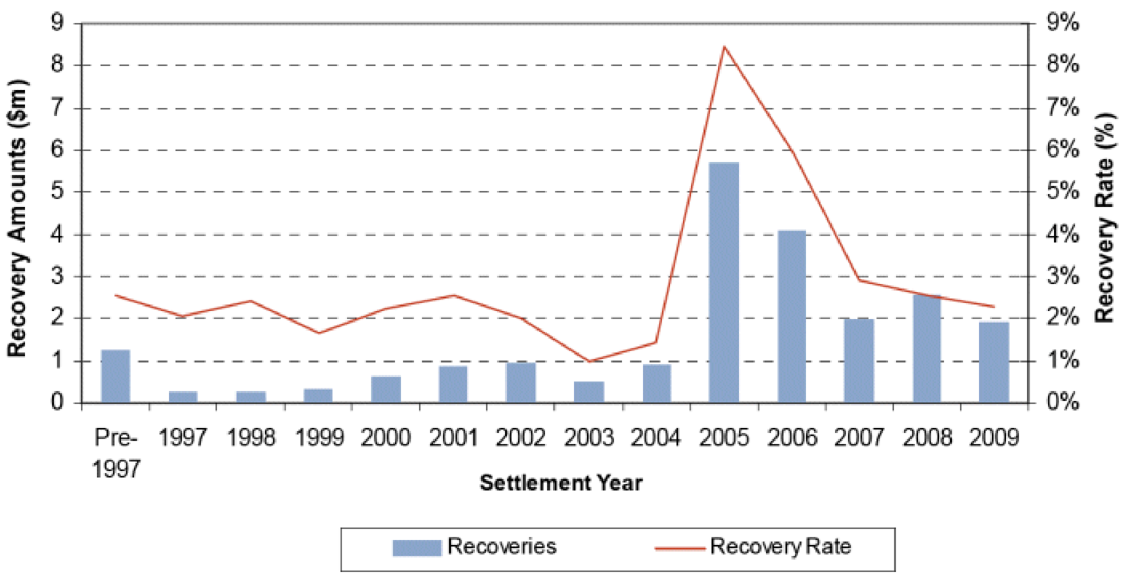
7.6 Cross-claim recovery rates

Cross-claim recoveries have totalled $22m to date. This represents 3.1% of gross claims costs and 2.7% of gross expenditure.

The majority of cross-claim recoveries have been in relation to the Hardie-BI Joint Venture with CSR, including more than $4m paid in 2005/06 and more than $2m paid in 2006/07 in relation to cross-claims against CSR and Bradford Insulation in relation to the Hardie-BI Joint Venture.

The following chart shows how the experience of cross-claim recoveries has varied over time, both in monetary terms and expressed as a percentage of gross payments.

Figure 7.8: Cross-claim recovery experience



Cross-claim recoveries in 2005/06 ($5.7m) and 2006/07 ($4.1m) were significantly impacted by recoveries from CSR and also due to the impact of the Hardie-BI Joint Venture.

Our analysis indicates that such recoveries in part relate to recoveries that ought to have been made earlier (i.e. they reflected an element of catch-up). Therefore, the rate of recovery exhibited in those two years is currently not believed to be a good guide to the likely future level of recovery.

Taking this and the recent levels of cross-claims recoveries (which have averaged 2.55% over the last three years) into account we have assumed that future levels of cross-claim recoveries will be 2.5% of the average award. This is unchanged from the previous valuation assumption at 31 March 2009.

7.7 Settlement Patterns

Triangulation methods are used to derive the past pattern of settlement of claims and are used in forming a view on future settlement patterns.

The following triangles provide an illustrative example of how we perform this:

Figure 7.9: Settlement pattern derivation for mesothelioma claims: paid as % of ultimate cost

Yr of Notification	0	1	2	3	4	5	6	7	8	9	10	11	12
1996	47.5%	96.1%	96.6%	99.2%	99.2%	99.2%	99.2%	99.2%	99.2%	100.0%	100.0%	100.0%	100.0%
1997	33.2%	70.7%	70.7%	71.3%	71.3%	77.9%	80.7%	89.7%	96.6%	99.5%	99.5%	99.5%	99.5%
1998	50.5%	82.3%	87.2%	87.4%	90.9%	90.9%	96.1%	97.4%	100.0%	100.0%	100.0%	100.0%	
1999	60.9%	92.2%	92.3%	92.5%	95.3%	96.3%	99.3%	100.0%	100.0%	100.0%	100.0%		
2000	60.3%	90.0%	95.7%	97.4%	99.4%	100.0%	100.0%	100.0%	100.0%	100.0%			
2001	52.0%	88.2%	91.3%	94.4%	95.5%	98.5%	98.5%	98.5%	99.6%				
2002	54.8%	90.2%	95.7%	98.7%	99.6%	99.9%	100.0%	100.0%					
2003	55.2%	90.5%	95.6%	99.3%	99.3%	100.0%	100.0%						
2004	51.8%	93.8%	97.5%	98.6%	99.7%	100.0%							
2005	57.9%	92.4%	97.6%	97.7%	98.1%								
2006	58.0%	88.0%	91.6%	94.1%									
2007	49.6%	90.5%	92.5%										
2008	63.6%	90.7%											
2009	52.5%												

Figure 7.10: Settlement pattern derivation for non-mesothelioma claims: paid as % of ultimate cost

Yr of Notification	0	1	2	3	4	5	6	7	8	9	10	11	12
1996	6.6%	23.2%	37.1%	54.7%	58.2%	58.2%	69.5%	85.4%	90.9%	93.1%	99.7%	99.7%	100.0%
1997	4.4%	36.4%	67.4%	72.7%	82.4%	85.6%	92.2%	97.8%	100.0%	100.0%	100.0%	100.0%	100.0%
1998	4.9%	43.2%	72.2%	76.8%	83.4%	90.4%	92.5%	98.0%	98.4%	98.4%	98.4%	98.4%	
1999	9.0%	54.3%	78.3%	86.8%	88.3%	93.2%	95.9%	96.5%	96.5%	96.5%	96.5%		
2000	15.6%	45.4%	64.2%	79.6%	83.1%	85.9%	88.9%	88.9%	92.8%	92.8%			
2001	21.3%	53.4%	77.6%	80.7%	85.0%	87.4%	89.0%	92.0%	92.0%				
2002	12.8%	61.8%	83.3%	91.0%	95.2%	97.6%	98.8%	99.5%					
2003	17.4%	68.5%	86.3%	92.1%	95.4%	98.9%	99.2%						
2004	17.2%	57.8%	81.9%	91.0%	93.6%	94.8%							
2005	18.4%	80.3%	93.4%	96.8%	98.7%								
2006	21.5%	69.1%	87.7%	90.7%									
2007	26.1%	75.2%	83.6%										
2008	23.9%	76.1%											
2009	23.0%												

We have therefore estimated the settlement pattern from future claim reporting as follows:

Table 7.3: Settlement pattern of claims awards by delay from claim reporting

Delay (years)	Mesothelioma	Non-Mesothelioma
0	59%	23%
1	31%	49%
2	3%	13%
3	3%	6%
4	2%	3%
5	1%	1%
6	1%	1%
7	1%	1%
8	1%	1%
9	0%	1%
10	0%	1%
11	0%	1%
12	0%	0%

Note: The above table shows figures that are rounded and therefore the figures appear to add to 102% and 101% for mesothelioma and non-mesothelioma respectively. However, the actual (unrounded) figures sum to 100% and are used in the valuation model.

These assumed settlements patterns have been modified slightly since our previous valuation.

8 VALUATION RESULTS

8.1 Central estimate liability

At 31 March 2010, our projected central estimate of the liabilities of the Liable Entities (the Discounted Central Estimate) to be met by the AICF Trust is $1,536.7m (March 2009: $1,781.6m).

We have not allowed for the future Operating Expenses of the AICF Trust or the Liable Entities in the liability assessment.

The following table shows a summary of our central estimate liability assessment and compares the current assessment with our previous valuation.

Table 8.1: Comparison of central estimate of liabilities

	Mar-10			Mar-09
	$m			$m
	Gross of insurance recoveries	Insurance recoveries	Net of insurance recoveries	Net of insurance recoveries
Total projected cashflows (uninflated)	1,660.8	218.2	1,442.6	1,524.3
Future inflation allowance	1,680.5	216.7	1,463.8	1,599.2
Total projected cash-flows with inflation	3,341.2	434.9	2,906.4	3,123.5
Discounting allowance	(1,584.1)	(214.5)	(1,369.6)	(1,341.8)
Net present value liabilities	**1,757.1**	**220.4**	**1,536.7**	**1,781.6**

8.2 Comparison with previous valuation

In the absence of any change to the claim projection assumptions from our 31 March 2009 valuation, other than allowing for the changes in the discount rate, we would have projected a Discounted Central Estimate liability of $1,609.2m as at 31 March 2010, i.e. a reduction of $172.4m from our 31 March 2009 valuation result.

This reduction of $172.4m is due to:

- A reduction of $49.8m, being the net impact of expected claims payments (which reduce the liability) and the "unwind of discount" (which increases the liability and reflects the fact that cashflows are now one year nearer and therefore are discounted by one year less). The lower discount rates assumed at 31 March 2009 resulted in a low "unwind of discount" charged between 31 March 2009 and 31 March 2010.
- A reduction of $122.6m resulting from the higher discount rates prevailing at 31 March 2010 compared with those at 31 March 2009.

Our liability assessment at 31 March 2010 of $1,536.7m represents a further decrease of $72.5m, which arises from changes to the claim projection assumptions.

The decrease of $72.5m is principally a consequence of:

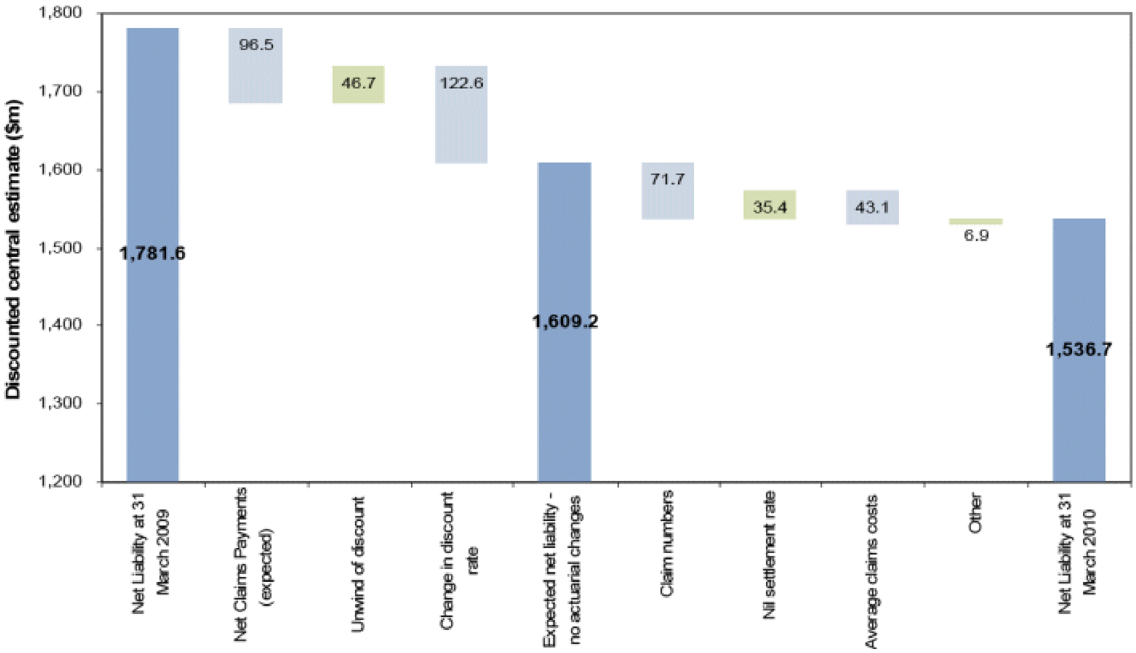
- A reduction in the projected future number of mesothelioma and asbestosis claims; and
- A reduction in average claim awards and legal costs for most disease types

offset by

- Lower assumed future nil settlement rates; and
- The rate of wage inflation being assumed for the three years to 31 March 2013 has increased (this had previously been lowered as a result of the Global Financial Crisis).

The following chart shows an analysis of the change in our liability assessments from March 2009 to March 2010.

Figure 8.1: Analysis of change in central estimate liability



Note: Green bars signal that this factor has given rise to an increase in the liability whilst light blue bars signal that this factor has given rise to a reduction in the liability

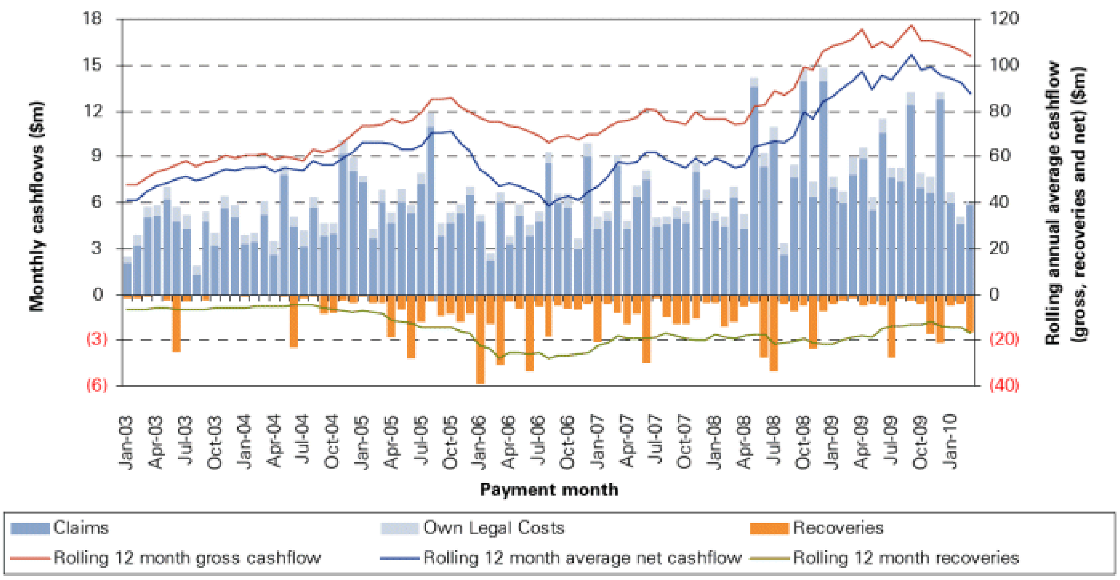
On an undiscounted basis, the liability has reduced from $3,027m to $2,906m, a reduction of $121m (4% of the undiscounted liability).

8.3 Cashflow projections

8.3.1 Historical cashflow expenditure

The following chart shows the monthly rate of expenditure relating to asbestos-related claim settlements over the last seven years.

Figure 8.2: Historical claim-related expenditure of the Liable Entities



Cashflow payments in the 12 months to 31 March 2010 were approximately $103m gross of insurance and other recoveries (2008/09: $112m) and $86m net of insurance and other recoveries (2008/09: $91m).

Actual net cashflow in 2009/10 ($86.3m) was $10m lower than expectations ($96.5m), with the variation being almost entirely attributable to the fourth quarter of the financial year. At the end of the third quarter, actual net cashflow ($72.0m) was almost exactly in line with expectations ($72.4m). However, net cashflow in the fourth quarter was only $14m (compared with an expectation of $24m).

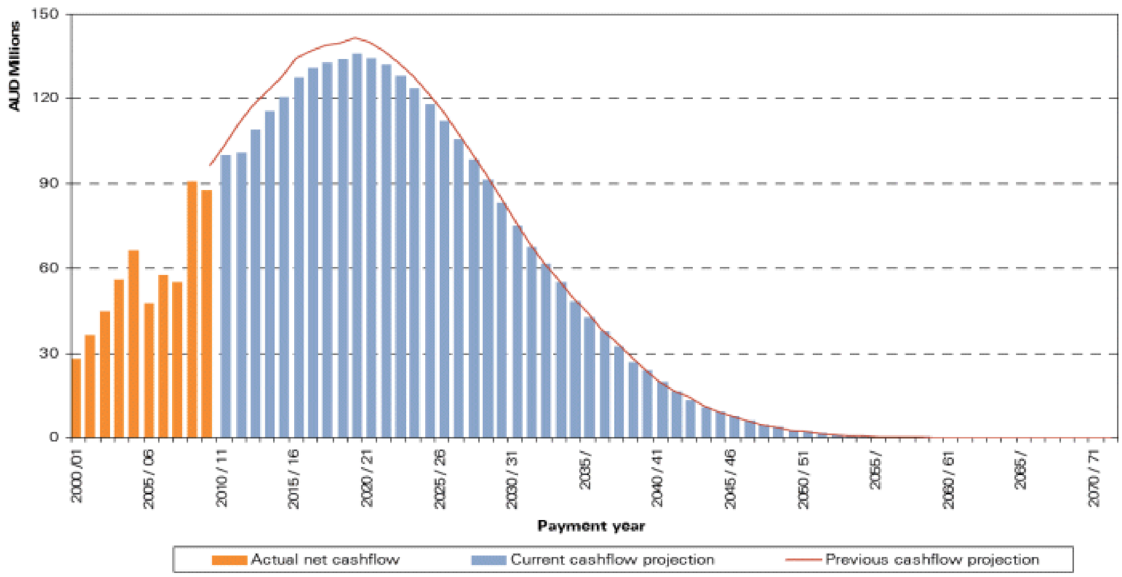
We have investigated this and have identified that the number of claim settlements (110) in the fourth quarter was approximately 25% below expectations and 25% below the level of settlement activity experienced in the first three quarters. Furthermore, 20% of these claims settled for nil amounts, i.e. only 88 claims were settled for a non-nil amount.

These trends can be further explained by the lower claims reporting activity observed for mesothelioma in the first three quarters of this year, as it is these claims that typically give rise to the settlement activity in the fourth quarter.

8.3.2 Future cashflow projections

Figure 8.3 shows a comparison of the actual annual net cashflows for all financial years since 2000/01, the projected net cashflows underlying our current valuation and the projected net cashflow projection underlying our previous valuation.

Figure 8.3: Annual cashflow projections ($m)



The underlying projected cashflows for this chart are detailed in Appendix B.

The decrease in projected future cashflow between the previous valuation and our current valuation is predominantly a result of the slightly lower number of future mesothelioma and asbestosis claims which we are now assuming.

The projected cashflow reaches a peak in 2019/20. This is somewhat later than the peak in claims reporting which is assumed to occur in 2010/11. The reason for cashflow continuing to increase after the assumed peak in claims reporting is because the rate of inflation of claims awards (6.6% per annum) is higher than the rate of reduction in claims reporting for a number of years after the assumed peak. Therefore, the cashflow (which is, in simple terms, the numbers of claims multiplied by the average sizes) continues to increase for a number of years after the peak in claims reporting.

Given the extremely long-tail nature of asbestos-related liabilities, a small change in an individual assumption can have a significant impact upon the cashflow profile of the liabilities.

8.4 Amended Final Funding Agreement calculations

The Amended Final Funding Agreement sets out the basis on which payments will be made to the AICF Trust.

Additionally, there are a number of other figures specified within the Amended Final Funding Agreement that we are required to calculate. These are[8]:

- Discounted Central Estimate;
- Term Central Estimate; and
- Period Actuarial Estimate.

Table 8.2: Amended Final Funding Agreement calculations

	$m	
Discounted Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries)	1,536.7	
Period Actuarial Estimate (net of cross-claim recoveries, gross of Insurance and Other Recoveries) comprising:	328.8	
Discounted value of cashflow in 2010/11		111.8
Discounted value of cashflow in 2011/12		107.3
Discounted value of cashflow in 2012/13		109.7
Term Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries)	1,534.1	

The actual funding amount due at a particular date will depend upon a number of factors, including:

- the net asset position of the AICF Trust at that time;
- the free cash flow amount of the James Hardie Group in the preceding financial year; and
- the Period Actuarial Estimate in the latest Annual Actuarial Report.

8 See Glossary of Terms in Appendix H for description of these items

8.5 Insurance Recoveries

Our liability valuation has made allowance for a discounted central estimate of Insurance Recoveries of $220m.

This estimate is comprised as follows:

Table 8.3: Insurance recoveries at 31 March 2010

$m	Undiscounted central estimate	Discounted central estimate
Gross liability	**3,341.2**	**1,757.1**
Product liability recoveries	430.4	217.2
Public liability recoveries	50.5	23.4
QBE commutation	15.5	13.6
Bad debt charge	(61.5)	(33.9)
Insurance asset	**434.9**	**220.4**
Net liability	**2,906.4**	**1,536.7**
Insurance recovery rate		14.5%
Bad debt rate		14.1%

The bad debt rate is around 14% and more than half of this amount relates to bad debt charges in relation to the HIH Group of Companies.

8.6 Accounting liability calculations: James Hardie

The accounting liability for James Hardie is determined in accordance with US GAAP which differs from Australian actuarial standards of liability determination.

The determination of the accounting liability to be established by James Hardie is ultimately a decision for the Board of James Hardie.

However, the Board of James Hardie has indicated that the calculation of the accounting liability will, in part, be based upon the liabilities we have estimated within this report.

The basis upon which the US GAAP accounting liability is calculated is set out in Appendix D.

9 UNCERTAINTY

9.1 Overview

There is uncertainty involved in any valuation of the liabilities of an insurance company or a self-insurer. The sources of such uncertainty include:

- Parameter error — this is the risk that the parameters and assumptions chosen ultimately prove not to be reflective of future experience.
- Model error — this is the risk that the model selected for the valuation of the liabilities ultimately proves not to be adequate for the projection of the liabilities.
- Legal and social developments — this is the risk that the legal environment in which claims are settled changes relative to its current and historic position thereby causing significantly different awards.
- Future actual rates of inflation.
- The general economic environment.
- Potential sources of exposure — this is the risk that there exist sources of exposure which are as yet unknown or unquantifiable, or for which no liabilities have yet been observed, but which may trigger future claims.

In the case of asbestos liabilities, these uncertainties are exacerbated by the extremely long latency period from exposure to onset of disease and notification of a claim. Asbestos-related claims often take in excess of 40 years from original exposure to become notified and then settled, compared with an average delay from exposure to settlement of 4-5 years for many other compensation-type liabilities such as Comprehensive Third-Party injury liabilities or other Workers Compensation liabilities.

Specific forms of uncertainty relating to asbestos-related disease liabilities include:

- The difficulty in quantifying the extent and pattern of past asbestos exposures and the number and incidence of the ultimate number of lives that may be affected by asbestos related diseases arising from such past asbestos exposures;

- The timing of the peak level of claims reporting for mesothelioma, particularly in light of the high level of claims reporting activity in 2008/09 and the reduction in claims reporting activity in 2009/10;
- The propensity of individuals affected by diseases arising from such exposure to file common law claims against defendants;
- The extent to which the Liable Entities will be joined in such future common law claims;
- The fact that the ultimate severity of the impact of the disease and the quantum of the claims that will be awarded will be subject to the outcome of events that have not yet occurred, including:
    - medical and epidemiological developments;
    - court interpretations;
    - legislative changes;
    - changes to the form and range of benefits for which compensation may be awarded ("heads of damage");
    - public attitudes to claiming;
    - the potential for future procedural reforms in NSW and other States affecting the legal costs incurred in managing and settling claims;
    - potential third-wave exposures; and
    - social and economic conditions such as inflation.

9.2 Sensitivity testing

As we have noted above, there are many sources of uncertainty. Actuaries often perform "sensitivity testing" to identify the impact of different assumptions as to future experience, thereby providing an indication of the degree of parameter error risk to which the valuation assessment is exposed.

Sensitivity testing may be considered as being a mechanism for testing "what will the liabilities be if instead of choosing [x] for assumption [a] we choose [y]?" It is also a mechanism for identifying how the result will change if experience turns out different in a particular way relative to that which underlies the central estimate expectations. As such, it provides an indication of the level of variability inherent in the valuation.

We have performed some sensitivity tests of the results of our central estimate valuation. We have sensitivity tested the following factors:

- ***number of claims notified***: 5% above and below our best estimate assumption.
- ***nil settlement rate***: 5 percentage points above and below our best estimate assumption.
- ***average claim cost of a non-nil claim***: 10% above and below our best estimate assumption.
- ***claims inflation (being the aggregate impact of base inflation and superimposed inflation)***: 2 percentage points above and below our best estimate assumption in each future year. Much of this uncertainty predominantly relates to the possibility of higher or lower superimposed inflation than our best estimate assumption.
- ***peak year of claims***: increase/decrease by 1, 3 and 5 years.
- ***discount rates***: 1 percentage point above and below our best estimate assumption. This produces a financially similar outcome to a 1 percentage point difference in claims inflation.

There are other factors which influence the liability assessment and which could be sensitivity tested, including:

- The cross-claim recovery rate;
- The pattern of claim notifications; and
- The pattern and delay of claim settlements from claim notification.

We have not sensitivity tested these factors, viewing them as being of less financial significance individually, although in aggregate they could be of more significance.

We have not sensitivity tested the value of Insurance Recoveries as their uncertainties relate to legal risks and disputation risks, and it is not possible to parameterise a sensitivity test in an informed manner.

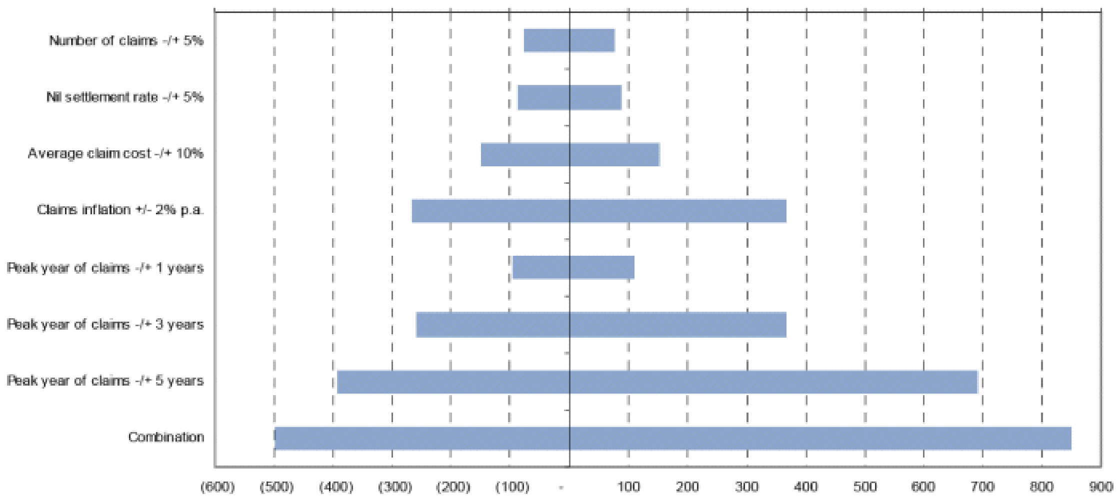
9.3 Results of sensitivity testing

Figure 9.1 shows the impact of various individual sensitivity tests on the Discounted Central Estimate of the liabilities, and of a combined sensitivity test of a number of factors.

It should be noted that although we have tested multiple scenarios of each assumption, one cannot gauge an overall potential range by simply adding these tests together.

It should also be noted that because of the interactions between assumptions, the maximum range will not be the sum of the constituent parts. Rather it is important to recognise that it is unlikely that all assumptions would deteriorate together, and there may be compensating upsides to the downsides that can arise. This is especially so when considering the inter-dependencies and correlations between parameters, such as higher inflation often being associated with higher discount rates: the former would increase the liabilities whilst the latter would decrease the liabilities.

Figure 9.1: Sensitivity testing results — Impact around the Discounted Central Estimate (in $m)



Whilst our combined sensitivity test of a number of factors (including superimposed inflation, average claim costs and numbers of claims) indicates a range around the Discounted Central Estimate of liabilities of -$500m to +$900m (i.e. $1.0bn to $2.4bn), the actual cost of liabilities could fall outside that range depending on the out-turn of the actual experience.

We further note that these sensitivity test ranges are not intended to correspond to a specified probability of sufficiency nor are they intended to indicate an upper bound or a lower bound of all possible outcomes.

The single most sensitive assumption shown in the above chart is potentially the peak year of mesothelioma claims reporting against the Liable Entities. Shifting the peak year of mesothelioma claims reporting by 5 years from 2010/11 to 2015/2016 for mesothelioma could imply an increase in the future number of mesothelioma claims reported of around 50%. This would lead to a corresponding increase in the Discounted Central Estimate.

However, we note that the impact upon near-term cashflows (and the Period Actuarial Estimate) from an assumption of a peak in mesothelioma claims 5 years later than our central estimate scenario, would be much less significant.

For example, the Period Actuarial Estimate would increase by $7m (or 2%).

Table 9.1: Summary results of sensitivity analysis

	Undiscounted	Discounted
Central estimate	$2.91bn	$1.54bn
Range around the central estimate	-$1.1bn to $2.2bn	-$0.5bn to $0.9bn
Range of liability estimates	$1.8bn to $5.1bn	$1.0bn to $2.4bn

APPENDICES

A. Credit rating default rates by duration

Rating	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Yr. 11	Yr. 12	Yr. 13	Yr. 14	Yr. 15
AAA	0.00%	0.03%	0.14%	0.26%	0.39%	0.51%	0.58%	0.68%	0.74%	0.82%	0.86%	0.90%	0.94%	1.04%	1.14%
AA+	0.00%	0.06%	0.06%	0.13%	0.19%	0.26%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%
AA	0.02%	0.04%	0.06%	0.16%	0.25%	0.31%	0.41%	0.50%	0.58%	0.66%	0.71%	0.74%	0.84%	0.87%	0.91%
AA-	0.04%	0.12%	0.24%	0.35%	0.46%	0.61%	0.71%	0.79%	0.88%	0.98%	1.08%	1.20%	1.24%	1.34%	1.39%
A+	0.07%	0.13%	0.29%	0.48%	0.64%	0.78%	0.96%	1.13%	1.33%	1.55%	1.76%	1.97%	2.23%	2.56%	2.84%
A	0.09%	0.22%	0.36%	0.51%	0.68%	0.91%	1.14%	1.38%	1.65%	1.98%	2.25%	2.42%	2.56%	2.66%	2.95%
A-	0.09%	0.25%	0.41%	0.60%	0.87%	1.17%	1.59%	1.90%	2.15%	2.37%	2.55%	2.75%	2.94%	3.07%	3.16%
BBB+	0.17%	0.48%	0.84%	1.20%	1.63%	2.13%	2.50%	2.89%	3.35%	3.75%	4.13%	4.37%	4.72%	5.28%	5.92%
BBB	0.24%	0.59%	0.91%	1.42%	1.98%	2.52%	3.04%	3.58%	4.18%	4.76%	5.41%	5.98%	6.51%	6.70%	7.06%
BBB-	0.41%	1.21%	2.14%	3.26%	4.38%	5.43%	6.38%	7.33%	8.10%	8.96%	9.79%	10.54%	11.25%	12.39%	13.18%
BB+	0.53%	1.49%	2.81%	4.21%	5.51%	6.88%	8.09%	8.86%	9.97%	11.10%	11.90%	12.74%	13.43%	13.91%	14.79%
BB	0.82%	2.55%	4.91%	7.09%	9.22%	11.11%	12.71%	14.15%	15.40%	16.43%	17.48%	18.44%	19.00%	19.34%	19.73%
BB-	1.34%	4.12%	7.02%	9.76%	12.14%	14.51%	16.60%	18.72%	20.55%	22.03%	23.19%	24.07%	25.11%	26.12%	27.05%
B+	2.70%	7.22%	11.54%	15.35%	18.29%	20.55%	22.66%	24.53%	26.22%	27.93%	29.36%	30.50%	31.62%	32.63%	33.59%
B	6.26%	13.32%	18.75%	22.51%	25.09%	27.61%	29.12%	30.32%	31.26%	32.26%	33.26%	34.12%	34.98%	35.77%	36.64%
B-	9.86%	17.94%	23.95%	28.04%	31.05%	32.96%	34.84%	35.93%	36.83%	37.45%	38.15%	38.78%	39.12%	39.49%	40.09%
CCC/C	27.98%	36.95%	42.40%	45.57%	48.05%	49.19%	50.26%	51.09%	52.44%	53.41%	54.32%	55.33%	56.38%	57.28%	57.28%
L	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
NR	4.44%	8.68%	12.42%	15.46%	17.90%	19.96%	21.72%	23.25%	24.67%	25.96%	27.08%	28.02%	28.91%	29.68%	30.45%
CEHUA	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
CEHU&I	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%	92.50%
CIC	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%	55.00%
R	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Standard and Poor's 2009 Annual Global Corporate Default Study and Rating Transitions, January 2010.

CEHUA, CEHU&I and CIC default rates have been estimated based on HIH Scheme Information, available at www.hih.com.au

Notes:

L relates to Lloyds' of London and Equitas; NR relates to companies which are Not Rated; R relates to companies which have been subject to Regulatory Action regarding solvency.

B. Projected cashflows ($m)

Payment Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Defendant Legal Costs	Workers Compensation Claims	Workers Compensation Legal Costs	Wharf Claims	Wharf Legal Costs	Baryulgil	Cross Claim Recoveries	Gross	Insurance	Net
2010 / 2011	85.2	12.3	5.5	5.0	5.7	1.8	0.4	0.4	0.1	0.6	2.7	114.3	14.6	99.8
2011 / 2012	85.7	13.8	4.2	4.2	7.3	1.4	0.3	0.5	0.1	0.6	2.7	115.2	14.1	101.1
2012 / 2013	92.4	15.2	4.0	4.3	8.8	1.3	0.3	0.5	0.1	0.5	2.9	124.6	15.4	109.2
2013 / 2014	97.9	16.1	4.0	4.4	10.1	1.3	0.3	0.5	0.1	0.5	3.0	132.1	16.5	115.6
2014 / 2015	102.4	16.4	4.1	4.4	10.8	1.3	0.3	0.5	0.1	0.5	3.2	137.6	17.3	120.4
2015 / 2016	106.5	16.9	4.3	4.5	11.3	1.3	0.3	0.5	0.1	0.4	3.3	142.9	15.3	127.6
2016 / 2017	109.7	17.3	4.5	4.6	11.6	1.3	0.3	0.5	0.1	0.4	3.4	147.0	16.2	130.8
2017 / 2018	112.3	17.6	4.6	4.6	11.7	1.4	0.3	0.5	0.1	0.4	3.5	149.9	17.2	132.7
2018 / 2019	113.9	17.8	4.7	4.6	11.7	1.4	0.3	0.4	0.1	0.4	3.5	151.7	17.6	134.1
2019 / 2020	114.4	17.8	4.8	4.6	11.6	1.3	0.2	0.4	0.1	0.3	3.5	152.1	16.2	135.8
2020 / 2021	114.1	17.7	4.8	4.5	11.5	1.3	0.2	0.4	0.1	0.3	3.5	151.4	17.0	134.3
2021 / 2022	112.7	17.5	4.8	4.4	11.2	1.3	0.2	0.4	0.1	0.3	3.5	149.3	17.4	131.9
2022 / 2023	110.5	17.0	4.7	4.2	10.8	1.2	0.2	0.3	0.1	0.2	3.4	145.9	17.8	128.1
2023 / 2024	107.5	16.4	4.6	4.1	10.3	1.2	0.2	0.3	0.1	0.2	3.3	141.4	17.8	123.7
2024 / 2025	103.7	15.7	4.5	3.8	9.7	1.1	0.2	0.3	0.1	0.2	3.2	136.0	17.8	118.2
2025 / 2026	99.2	14.9	4.3	3.6	9.1	1.1	0.2	0.2	0.0	0.2	3.0	129.7	17.6	112.1
2026 / 2027	94.0	14.0	4.1	3.4	8.5	1.0	0.2	0.2	0.0	0.1	2.9	122.7	17.3	105.4
2027 / 2028	88.5	13.1	3.9	3.1	7.8	0.9	0.1	0.2	0.0	0.1	2.7	115.1	16.8	98.3
2028 / 2029	82.5	12.1	3.7	2.9	7.2	0.8	0.1	0.2	0.0	0.1	2.5	107.1	16.2	90.9
2029 / 2030	76.2	11.1	3.4	2.6	6.5	0.8	0.1	0.1	0.0	0.1	2.3	98.7	15.7	83.0
2030 / 2031	69.8	10.1	3.2	2.4	5.9	0.7	0.1	0.1	0.0	0.1	2.1	90.2	15.0	75.2
2031 / 2032	63.3	9.1	2.9	2.1	5.3	0.6	0.1	0.1	0.0	0.1	1.9	81.7	14.3	67.4
2032 / 2033	57.0	8.2	2.7	1.9	4.7	0.5	0.1	0.1	0.0	0.1	1.7	73.4	11.6	61.8
2033 / 2034	50.8	7.2	2.4	1.6	4.1	0.5	0.1	0.1	0.0	0.0	1.5	65.3	10.2	55.1
2034 / 2035	44.9	6.4	2.1	1.4	3.6	0.4	0.1	0.1	0.0	0.0	1.4	57.7	9.5	48.1
2035 / 2036	39.4	5.6	1.9	1.2	3.1	0.4	0.0	0.0	0.0	0.0	1.2	50.5	8.0	42.4
2036 / 2037	34.2	4.8	1.7	1.1	2.7	0.3	0.0	0.0	0.0	0.0	1.0	43.8	6.2	37.6
2037 / 2038	29.5	4.1	1.5	0.9	2.3	0.3	0.0	0.0	0.0	0.0	0.9	37.7	5.7	32.0
2038 / 2039	25.1	3.5	1.3	0.8	1.9	0.2	0.0	0.0	0.0	0.0	0.8	32.1	5.2	27.0
2039 / 2040	21.3	3.0	1.1	0.6	1.6	0.2	0.0	0.0	0.0	0.0	0.6	27.2	3.4	23.8
2040 / 2041	17.8	2.5	0.9	0.5	1.3	0.2	0.0	0.0	0.0	0.0	0.5	22.8	2.9	19.8
2041 / 2042	14.8	2.1	0.8	0.4	1.1	0.1	0.0	0.0	0.0	0.0	0.4	18.9	2.6	16.3
2042 / 2043	12.2	1.7	0.6	0.4	0.9	0.1	0.0	0.0	0.0	0.0	0.4	15.6	2.3	13.3
2043 / 2044	10.0	1.4	0.5	0.3	0.7	0.1	0.0	0.0	0.0	0.0	0.3	12.7	2.0	10.8
2044 / 2045	8.1	1.1	0.4	0.2	0.6	0.1	0.0	0.0	0.0	0.0	0.2	10.3	1.2	9.1
2045 / 2046	6.5	0.9	0.4	0.2	0.5	0.1	0.0	0.0	0.0	0.0	0.2	8.3	0.7	7.5
2046 / 2047	5.1	0.7	0.3	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.2	6.6	0.6	6.0
2047 / 2048	4.1	0.6	0.2	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.1	5.2	0.5	4.7
2048 / 2049	3.2	0.4	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	4.1	0.4	3.7
2049 / 2050	2.5	0.3	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	3.1	0.3	2.9
2050 / 2051	1.9	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	2.4	0.2	2.2
2051 / 2052	1.4	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.2	1.7
2052 / 2053	1.1	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.1	1.3
2053 / 2054	0.8	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.1	1.0
2054 / 2055	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.1	0.7
2055 / 2056	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.1	0.5
2056 / 2057	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4
2057 / 2058	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3
2058 / 2059	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
2059 / 2060	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
2060 / 2061	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
2061 / 2062	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
2062 / 2063	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2063 / 2064	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2064 / 2065	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2065 / 2066	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2066 / 2067	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2067 / 2068	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2068 / 2069	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2069 / 2070	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2070 / 2071	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2071 / 2072	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2072 / 2073	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**2,536.3**	**385.4**	**113.1**	**98.6**	**234.9**	**29.3**	**5.3**	**7.8**	**1.5**	**6.8**	**77.7**	**3,341.2**	**434.9**	**2,906.4**

C. Projected discounted cashflows ($m)

Payment Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Defendant Legal Costs	Workers Compensation Claims	Workers Compensation Legal Costs	Wharf Claims	Wharf Legal Costs	Baryulgil	Cross Claim Recoveries	Gross	Insurance	Net
2010 / 2011	83.3	12.0	5.4	4.9	5.6	1.8	0.4	0.4	0.1	0.6	2.6	111.8	14.2	97.6
2011 / 2012	79.7	12.9	3.9	3.9	6.8	1.3	0.3	0.4	0.1	0.5	2.5	107.3	13.1	94.1
2012 / 2013	81.4	13.4	3.5	3.8	7.8	1.1	0.3	0.4	0.1	0.5	2.5	109.7	13.5	96.2
2013 / 2014	81.3	13.3	3.3	3.6	8.3	1.1	0.2	0.4	0.1	0.4	2.5	109.6	13.7	95.9
2014 / 2015	80.2	12.8	3.2	3.4	8.4	1.0	0.2	0.4	0.1	0.4	2.5	107.7	13.5	94.2
2015 / 2016	78.5	12.4	3.2	3.3	8.3	1.0	0.2	0.4	0.1	0.3	2.4	105.4	11.3	94.1
2016 / 2017	76.2	12.0	3.1	3.2	8.1	0.9	0.2	0.3	0.1	0.3	2.4	102.1	11.3	90.8
2017 / 2018	73.5	11.5	3.0	3.0	7.7	0.9	0.2	0.3	0.1	0.3	2.3	98.1	11.3	86.8
2018 / 2019	70.1	11.0	2.9	2.8	7.2	0.8	0.2	0.3	0.1	0.2	2.2	93.4	10.9	82.5
2019 / 2020	66.4	10.3	2.8	2.7	6.7	0.8	0.1	0.2	0.0	0.2	2.0	88.2	9.4	78.8
2020 / 2021	62.4	9.7	2.6	2.5	6.3	0.7	0.1	0.2	0.0	0.2	1.9	82.8	9.3	73.5
2021 / 2022	58.2	9.0	2.5	2.3	5.8	0.7	0.1	0.2	0.0	0.1	1.8	77.1	9.0	68.1
2022 / 2023	53.8	8.3	2.3	2.1	5.2	0.6	0.1	0.2	0.0	0.1	1.7	71.1	8.7	62.4
2023 / 2024	49.4	7.5	2.1	1.9	4.7	0.5	0.1	0.1	0.0	0.1	1.5	65.0	8.2	56.8
2024 / 2025	44.9	6.8	1.9	1.7	4.2	0.5	0.1	0.1	0.0	0.1	1.4	59.0	7.7	51.2
2025 / 2026	40.6	6.1	1.8	1.5	3.7	0.4	0.1	0.1	0.0	0.1	1.2	53.0	7.2	45.9
2026 / 2027	36.3	5.4	1.6	1.3	3.3	0.4	0.1	0.1	0.0	0.1	1.1	47.3	6.7	40.7
2027 / 2028	32.2	4.8	1.4	1.1	2.9	0.3	0.1	0.1	0.0	0.0	1.0	41.9	6.1	35.8
2028 / 2029	28.3	4.2	1.3	1.0	2.5	0.3	0.0	0.1	0.0	0.0	0.9	36.8	5.6	31.2
2029 / 2030	24.7	3.6	1.1	0.8	2.1	0.2	0.0	0.0	0.0	0.0	0.8	32.0	5.1	26.9
2030 / 2031	21.3	3.1	1.0	0.7	1.8	0.2	0.0	0.0	0.0	0.0	0.6	27.6	4.6	23.0
2031 / 2032	18.3	2.6	0.8	0.6	1.5	0.2	0.0	0.0	0.0	0.0	0.6	23.6	4.1	19.4
2032 / 2033	15.5	2.2	0.7	0.5	1.3	0.1	0.0	0.0	0.0	0.0	0.5	20.0	3.1	16.8
2033 / 2034	13.0	1.9	0.6	0.4	1.1	0.1	0.0	0.0	0.0	0.0	0.4	16.8	2.6	14.2
2034 / 2035	10.9	1.5	0.5	0.3	0.9	0.1	0.0	0.0	0.0	0.0	0.3	14.0	2.3	11.7
2035 / 2036	9.0	1.3	0.4	0.3	0.7	0.1	0.0	0.0	0.0	0.0	0.3	11.5	1.8	9.7
2036 / 2037	7.4	1.0	0.4	0.2	0.6	0.1	0.0	0.0	0.0	0.0	0.2	9.4	1.3	8.1
2037 / 2038	6.0	0.8	0.3	0.2	0.5	0.1	0.0	0.0	0.0	0.0	0.2	7.7	1.2	6.5
2038 / 2039	4.8	0.7	0.2	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.1	6.2	1.0	5.2
2039 / 2040	3.8	0.5	0.2	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.1	4.9	0.6	4.3
2040 / 2041	3.0	0.4	0.2	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	3.9	0.5	3.4
2041 / 2042	2.4	0.3	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	3.0	0.4	2.6
2042 / 2043	1.9	0.3	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.1	2.4	0.3	2.0
2043 / 2044	1.4	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.5
2044 / 2045	1.1	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.2	1.2
2045 / 2046	0.8	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.1	1.0
2046 / 2047	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.1	0.7
2047 / 2048	0.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.1	0.5
2048 / 2049	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.4
2049 / 2050	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.3
2050 / 2051	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
2051 / 2052	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
2052 / 2053	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
2053 / 2054	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
2054 / 2055	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
2055 / 2056	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2056 / 2057	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2057 / 2058	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2058 / 2059	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2059 / 2060	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2060 / 2061	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2061 / 2062	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2062 / 2063	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2063 / 2064	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2064 / 2065	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2065 / 2066	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2066 / 2067	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2067 / 2068	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2068 / 2069	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2069 / 2070	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2070 / 2071	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2071 / 2072	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2072 / 2073	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**1,324.4**	**204.6**	**58.7**	**54.8**	**125.5**	**16.5**	**3.2**	**4.8**	**1.0**	**4.5**	**40.7**	**1,757.1**	**220.4**	**1,536.7**

D. Derivation of US GAAP net accounting liability of James Hardie

The following tables show how the net US GAAP accounting liability established by James Hardie is derived from the valuation estimates contained within this report. For comparison, we have shown the derivation of the net liability figures for 31 March 2009.

Note that the tables do not show the split between current and non-current liabilities and nor do they show the breakdown of the exact composition of the accounting liability between the gross liability and any corresponding insurance assets. Readers are referred to the financial statements of James Hardie for specific details of the required US GAAP disclosures.

Step 1 — KPMGA estimate of uninflated and undiscounted liabilities (AUD)

	31 March 2010			31 March 2009	
	Gross	**Insurance**	**Net**	**Net**	**Change**
Discounted Central Estimate	1,757.1	220.4	1,536.7	1,781.6	(244.9)
Discounting allowance	1,584.1	214.5	1,369.6	1,341.8	27.8
Inflated, Undiscounted Central Estimate	3,341.2	434.9	2,906.4	3,123.5	(217.1)
Inflation allowance	(1,680.5)	(216.7)	(1,463.8)	(1,599.2)	135.4
Uninflated and Undiscounted liability	**1,660.8**	**218.2**	**1,442.6**	**1,524.3**	**(81.7)**

Step 2 — US GAAP adjustments (AUD)

These include adjustments for:

- Adjustment to value QBE receivable on a discounted basis as the timing and monetary amounts of the receivable is known;
- Removal of recoveries arising from cross-claims;
- Future direct claims handling allowance on uninflated & undiscounted basis; and
- Gross-up for recoveries from workers compensation insurers — although the net liability impact is zero.

	31 March 2010 Gross	Insurance	Net	31 March 2009 Net	Change
Uninflated and Undiscounted liability	1,660.8	218.2	1,442.6	1,524.3	(81.7)
Adjustment for QBE insurance receivable (as timing of receipts is fixed)	0.0	(1.9)	1.9	1.8	0.1
Other insurance receivables adjustment	0.0	4.0	(4.0)	(3.5)	(0.5)
Cross-claim recoveries (on UIUD basis)	37.3	0.0	37.3	39.4	(2.1)
Claims Handling Costs	69.9	0.0	69.9	72.0	(2.1)
Asbestos Liability	**1,768.0**	**220.3**	**1,547.7**	**1,634.0**	**(86.3)**
Workers Compensation Additional Liability	108.0	108.0	0.0	0.0	0.0
Net Accounting Liability (pre-tax)	**1,876.0**	**328.3**	**1,547.7**	**1,634.0**	**(86.3)**

Step 3 — Conversion to US Dollars

	31 March 2010 Gross	Insurance	Net	31 March 2009 Net	Change
Net accounting liability (pre-tax) — AUD	**1,876.0**	**328.3**	**1,547.7**	**1,634.0**	**(86.3)**
Exchange rate	1.0919	1.0919	1.0919	1.4552	
Net accounting liability (pre-tax) — USD	**1,718.0**	**300.7**	**1,417.4**	**1,122.9**	**294.5**

Further adjustments are then required to establish the liability, allowing for:

- Deferred Income Tax Assets (USD452.9m); and
- Other net liabilities (primarily reflecting commitments in the Amended Final Funding Agreement to provide certain educational and medical research funding) (USD1.7m).

This results in a net liability of USD966.2m (2009: USD756.6m). In arriving at the unfunded liability, allowance is then made for the existing net assets of the AICF (USD57.8m) at 31 March 2010 (2009: USD98.3m) to leave an unfunded net liability of USD908.4m (2009: USD658.3m).

E. Allocation of central estimate liabilities to AICFL entities

We have been requested to provide an actuarially-assessed allocation of the central estimate liabilities set out in this report to each of the three entities (namely Amaca, Amaba and ABN60).

We have also been asked to split this between current and non-current liabilities and to separately identify the gross liabilities and the associated recoveries.

Table 1: Allocation of central estimate liabilities by Liable Entity (A$m)

Central Estimate Basis ($ million)	Amaca	Amaba	ABN 60	Total
Current liabilities				
Gross	111.6	2.8	0.0	114.4
QBE receivable	2.9	0.1	0.0	3.0
Insurance receivable	10.9	0.3	0.0	11.2
Other receivable	2.5	0.1	0.0	2.6
Net	**95.3**	**2.3**	**0.0**	**97.6**
Non-current liabilities				
Gross	1,639.7	42.0	1.7	1,683.4
QBE receivable	10.2	0.4	0.0	10.6
Insurance receivable	190.5	4.9	0.2	195.6
Other receivable	37.1	1.0	0.0	38.1
Net	**1,401.9**	**35.7**	**1.5**	**1,439.1**
Total liabilities				
Gross	1,751.3	44.8	1.7	1,797.8
QBE receivable	13.1	0.5	0.0	13.6
Insurance receivable	201.4	5.2	0.2	206.8
Other receivable	39.6	1.1	0.0	40.7
Net	**1,497.2**	**38.0**	**1.5**	**1,536.7**

Note: These figures make no allowance for claims handling expenses.

F. Australian asbestos consumption and production data: 1920-2002

Figures in this table are in 000's metric tonnes

Year	Production	Import	Export	Consumption
1920	0	0	0	0
1921	1,182	0	0	1,182
1922	742	0	0	742
1923	217	0	0	217
1924	78	0	0	78
1925	51	0	0	51
1926	0	0	0	0
1927	11	0	0	11
1928	12	0	0	12
1929	255	3,679	0	3,934
1930	82	0	0	82
1931	128	1,200	0	1,328
1932	130	0	0	130
1933	279	2,676	0	2,955
1934	170	2,471	0	2,641
1935	170	4,423	0	4,593
1936	239	7,817	0	8,056
1937	298	6,199	0	6,497
1938	173	11,179	0	11,352
1939	78	10,081	0	10,159
1940	489	14,097	0	14,586
1941	251	14,220	0	14,471
1942	331	20,176	0	20,507
1943	678	14,229	0	14,907
1944	764	14,091	0	14,855
1945	1,629	9,131	32	10,728
1946	620	18,697	496	18,821
1947	1,377	14,246	652	14,971
1948	1,327	14,857	278	15,906
1949	1,645	14,767	346	16,066
1950	1,617	29,536	385	30,768
1951	2,558	25,289	588	27,259
1952	4,059	24,686	868	27,877
1953	4,970	28,784	1,631	32,123
1954	4,713	26,406	2,298	28,821
1955	5,352	42,677	3,287	44,742
1956	8,670	32,219	6,859	34,030
1957	13,098	23,235	11,644	24,689
1958	13,900	34,721	9,315	39,306
1959	15,959	34,223	11,584	38,598
1960	13,940	36,609	7,410	43,139
1961	14,952	32,947	7,196	40,703
1962	16,443	34,915	8,695	42,663
1963	11,941	32,704	2,347	42,298
1964	12,191	38,299	6,500	43,990
1965	10,326	46,179	4,295	52,210
1966	12,024	49,243	4,146	57,121
1967	647	46,950	2,254	45,343
1968	799	59,590	718	59,671
1969	734	52,739	162	53,311
1970	739	57,250	367	57,622
1971	756	71,777	174	72,359
1972	16,884	61,682	2,387	76,179
1973	43,529	61,373	27,810	77,092
1974	30,863	57,051	29,191	58,723
1975	47,922	69,794	24,524	93,192
1976	60,642	60,490	40,145	80,987
1977	50,601	54,267	20,510	84,358
1978	62,383	42,061	37,094	67,350
1979	79,721	23,735	54,041	49,415
1980	92,418	25,239	51,172	66,485
1981	45,494	20,960	38,576	27,878
1982	18,587	20,853	15,578	23,862
1983	3,909	10,113	4,460	9,562
1984	0	14,432	22	14,410
1985	0	12,194	0	12,194
1986	0	10,597	0	10,597
1987	0	6,294	0	6,294
1988	0	2,072	0	2,072
1989	0	2,128	0	2,128
1990	0	1,706	0	1,706
1991	0	1,342	0	1,342

1992	0	1,533	0	1,533
1993	0	2,198	0	2,198
1994	0	1,843	0	1,843
1995	0	1,488	0	1,488
1996	0	1,366	0	1,366
1997	0	1,556	0	1,556
1998	0	1,471	0	1,471
1999	0	1,316	0	1,316
2000	0	1,246	0	1,246
2001	0	945	0	945
2002	0	515	0	515

G. Data provided by AICFL

Claims Dataset

Claim Details	
State	State of jurisdiction of the claim
Old Claim ID	Claim number under the old IT system
New claim ID	Claim number under the new IT system
Include?	This defines whether we count the claim record - we exclude insurance recovery records and cross-claim records
Date of Birth	Date of Birth
Date of Death	Date of Death
Start 1st Exp	Start Date of the first Exposure
End 1st Exp	End Date of the first Exposure
Days 1st Exp	Number of days exposed during the first exposure
Start 2nd Exp	Start Date of the second exposure
End 2nd Exp	End Date of the second exposure
Days 2nd Exp	Number of days exposed during the second exposure
Start 3rd Exp	Start Date of the third exposure
End 3rd Exp	End Date of the third exposure
Days 3rd Exp	Number of days exposed during the third exposure
Start 4th Exp	Start Date of the fourth exposure
End 4th Exp	End Date of the fourth exposure
Days 4th Exp	Number of days exposed during the fourth exposure
Start 5th Exp	Start Date of the fifth exposure
End 5th Exp	End Date of the fifth exposure
Days 5th Exp	Number of days exposed during the fifth exposure
Start 6th Exp	Start Date of the sixth exposure
End 6th Exp	End Date of the sixth exposure
Days 6th Exp	Number of days exposed during the sixth exposure
Start 7th Exp	Start Date of the seventh exposure
End 7th Exp	End Date of the seventh exposure
Days 7th Exp	Number of days exposed during the seventh exposure
Start 8th Exp	Start Date of the eighth exposure
End 8th Exp	End Date of the eighth exposure
Days 8th Exp	Number of days exposed during the eighth exposure
Start 9th Exp	Start Date of the ninth exposure
End 9th Exp	End Date of the ninth exposure
Days 9th Exp	Number of days exposed during the ninth exposure
Start 10th Exp	Start Date of the tenth exposure
End 10th Exp	End Date of the tenth exposure
Days 10th Exp	Number of days exposed during the tenth exposure
Start 11th Exp	Start Date of the eleventh exposure
End 11th Exp	End Date of the eleventh exposure
Days 11th Exp	Number of days exposed during the eleventh exposure
Start 12th Exp	Start Date of the twelfth exposure
End 12th Exp	End Date of the twelfth exposure
Days 12th Exp	Number of days exposed during the twelfth exposure
ClaimsPOE::OccupationType_c	Occupations of claimant
ClaimsPOE::ExposureNature_c	Nature of Exposures of claimant
Pure Home Renovator	Home renovator indicator field
MedicalAsbestosDiseases_c	A list of all the diseases specified by the claimant
Disease	Disease grouping based on hierarchy (mesothelioma, cancer, asbestosis, ARPD&Other)
DefendantAICF_c	Name of Liable Entity liable for claim
Notification Date	Date claim was received by Liable Entity
Client Sett Date	Date claim was settled by the Liable Entity with the claimant
Closure Date	Date claim record was closed (settled all legal costs, no more activity)
Date of Diag	Date of diagnosis of asbestos disease
Claim Type	Standard claim, Cross-claim, Recovery claim, Insurance claim
Transaction Fields	
Settled Damages	Total Damages awarded to claimant (by all defendants)
AICF Damages	Total Damages awarded to claimant (by AICF/JH Liable Entities)
Amount Actual Paid Damages	Total Damages paid to claimant (by AICF/JH Liable Entities)
Settled Costs	Total Costs (by all defendants)
AICF Costs	Total Costs to be borne by AICF/JH Liable Entities
Amount Actual Paid Costs	Total Costs paid by AICF/JH Liable Entities
Settled DDB	Total DDB Reimbursement Costs (by all defendants)
AICF DDB	Total DDB Reimbursement Costs to be borne by AICF/JH Liable Entities
Amount Actual Paid DDB	Total DDB Reimbursement Costs paid by AICF/JH Liable Entities
Settled Other	Total Other Costs (by all defendants)
AICF Other	Total Other Costs to be borne by AICF/JH Liable Entities
Amount Actual Paid Other	Total Other Costs paid by AICF/JH Liable Entities
AICF Legal Costs Total	Total Defence Legal Costs to be borne by AICF/JH Liable Entities
Amount Actual Paid Legal Costs Total	Total Defence Legal Costs paid by AICF/JH Liable Entities
Case Estimate Fields	
Reserve Damages	Case estimate of damages
Reserve Costs	Case estimate of costs
Reserve Legal Fees	Case estimate of defence legal costs

Reserve Disbursements	Case estimate of other disbursements
Reserve DDB	Case estimate of payments to DDB

Accounting Transactions Datasets

Accruals File

Date	Date of transaction entry
Claim ID	Claim number under new IT system
Transaction Ref	Transaction reference number
Type	Expense or Income
Description	This contains the values as follows: Bank Fees, Consulting Costs, Costs, Damages, DDB, Interest, Legal Fees, Medicare, Other Bank Charges, Recoveries (or Recovery)
Amount	Amount of transaction
GST	GST component of transaction
Amount — GST	Amount of transaction, net of GST
Account	Which AICF (or MRCF) account the money is credit to or drawn from
Drawer of cheque	The name of the party who has drawn the cheque or from whom a cheque has been received

Transactions File

Date	Date of transaction entry into system
Claim ID	Claim number under new IT system
Transaction Ref	Transaction reference number
Type	Payment of Receipt
Date Cheque Drawn	Date Cheque Drawn
Date Cheque Banked	Date Cheque Banked
Description	Description of transaction
Amount	Amount of transaction
GST	GST component of transaction
Amt — GST	Amount of transaction, net of GST
Drawer of cheque	The name of the party who has drawn the cheque or from whom a cheque has been received

H. Glossary of terms used in the AFFA

The following provides a glossary of terms upon which we have relied in preparing our report.

The operation of these definitions cannot be considered in isolation but instead need to be considered in the context of the totality of the Amended Final Funding Agreement.

AICF means the trustee of the Asbestos Injuries Compensation Fund from time to time, in its capacity as trustee, initially being Asbestos Injuries Compensation Fund Limited.

AICF Funded Liability means:

(a) any Proven Claim;

(b) Operating Expenses;

(c) Claims Legal Costs;

(d) any claim that was made or brought in legal proceedings against a Former James Hardie Company commenced before 1 December 2005;

(e) Statutory Recoveries within the meaning and subject to the limits set out in the Amended Final Funding Agreement;

(f) a claim or category of claim which James Hardie and the NSW Government agree in writing is a "AICF Funded Liability" or a category of "AICF Funded Liability".

but in the cases of paragraphs (a), (c) and (d) excludes any such liabilities or claims to the extent that they have been recovered or are recoverable under a Worker's Compensation Scheme or Policy

Claims Legal Costs means all costs, charges, expenses and outgoings incurred or expected to be borne by AICF or the Former James Hardie Companies, in respect of legal advisors, other advisors, experts, court proceedings and other dispute resolution methods in connection with Personal Asbestos Claims and Marlew Claims but in all cases excluding any costs included as a component of calculating a Proven Claim.

Concurrent Wrongdoer in relation to a personal injury or death claim for damages under common law or other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government in accordance with Amended Final Funding Agreement), means a person whose acts or omissions, together with the acts or omissions of one or more Former James Hardie Companies or Marlew or any member of the James Hardie Group (whether or not together with any other persons) caused, independently of each other or jointly, the damage or loss to another person that is the subject of that claim.

Contribution Claim means a cross-claim or other claim under common law or other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government in accordance with Amended Final Funding Agreement):

(a) for contribution by a Concurrent Wrongdoer against a Former James Hardie Company or a member of the James Hardie Group in relation to facts or circumstances which give rise to a right of a person to make a Personal Asbestos Claim or a Marlew Claim; or

(b) by another person who is entitled under common law (including by way of contract) to be subrogated to such a first mentioned cross-claim or other claim;

Discounted Central Estimate means the central estimate of the present value (determined using the discount rate used within the relevant actuarial report) of the liabilities of the Former James Hardie Companies and Marlew in respect of expected Proven Claims and Claims Legal Costs, calculated in accordance with the Amended Final Funding Agreement.

Excluded Claims are any of the following liabilities of the Former James Hardie Companies:

(i) personal injury or death claims arising from exposure to Asbestos outside Australia;

(ii) personal injury or death claims arising from exposure to Asbestos made outside Australia;

(iii) claims for economic loss (other than any economic loss forming part of the calculation of an award of damages for personal injury or death) or loss of property, including those relating to land remediation and/or Asbestos or Asbestos products removal, arising out of or in connection with Asbestos or Asbestos products manufactured, sold, distributed or used by or on behalf of the Liable Entities;

(iv) any Excluded Marlew Claim;

(v) any liabilities of the Liable Entities other than AICF Funded Liabilities.

Excluded Marlew Claim means a Marlew Claim:

(a) covered by the indemnities granted by the Minister of Mineral Resources under the deed between the Minister, Fuller Earthmoving Pty Limited and James Hardie Industries Limited dated 11 March 1996; or

(b) by a current or former employee of Marlew in relation to an exposure to Asbestos in the course of such employment to the extent:

  (i) the loss is recoverable under a Worker's Compensation Scheme or Policy; or

  (ii) the Claimant is not unable to recover damages from a Marlew Joint Tortfeasor in accordance with the Marlew Legislation;

(c) by an individual who was or is an employee of a person other than Marlew arising from exposure to Asbestos in the course of such employment by that other person where such loss is recoverable from that person or under a Worker's Compensation Scheme or Policy; or

(d) in which another defendant (or its insurer) is a Marlew Joint Tortfeasor from whom the plaintiff is entitled to recover compensation in proceedings in the Dust Diseases Tribunal, and the Claimant is not unable to recover damages from that Marlew Joint Tortfeasor in accordance with the Marlew Legislation.

Former James Hardie Companies means Amaca, Amaba and ABN 60.

Insurance and Other Recoveries means any proceeds which may reasonably be expected to be recovered or recoverable for the account of a Former James Hardie Company or to result in the satisfaction (in whole or part) of a liability of a Former James Hardie Company (of any nature) to a third party, under any product liability insurance policy or public liability insurance policy or commutation of such policy or under any other contract, including any contract of indemnity, but excluding any such amount recovered or recoverable under a Worker's Compensation Scheme or Policy.

Liable Entities see Former James Hardie Companies

Marlew means Marlew Mining Pty Ltd (in liquidation), ACN 000 049 650, previously known as Asbestos Mines Pty Ltd.

Marlew Claim means, subject to the limitation on Statutory Recoveries, a claim which satisfies one of the following paragraphs and which is not an Excluded Marlew Claim:

(a) any present or future personal injury or death claim by an individual or the legal personal representative of an individual, for damages under common law or other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government in accordance with the Amended Final Funding Agreement) which:

(i) arose or arises from exposure to Asbestos in the Baryulgil region from Asbestos Mining Activities at Baryulgil conducted by Marlew, provided that:

A. the individual's exposure to Asbestos occurred wholly within Australia; or

B. where the individual has been exposed to Asbestos both within and outside Australia, the amount of damages included in the Marlew Claim shall be limited to the amount attributable to the proportion of the exposure which caused or contributed to the loss or damage giving rise to the Marlew Claim which occurred in Australia;

(ii) is commenced in New South Wales in the Dust Diseases Tribunal; and

(iii) is or could have been made against Marlew had Marlew not been in external administration or wound up, or could be made against Marlew on the assumption (other than as contemplated under the Marlew legislation) that Marlew will not be in the future in external administration;

(b) any claim made under compensation to relatives legislation by a relative of a deceased individual (or personal representative of such a relative) or (where permitted by law) the legal personal representative of a deceased individual in each case where the individual, but for such individual's death, would have been entitled to bring a claim of the kind described in paragraph (a); or

(c) a Contribution Claim relating to a claim described in paragraphs (a) or (b).

Marlew Joint Tortfeasor means any person who is or would be jointly and severally liable with Marlew in respect of a Marlew Claim, had Marlew not been in external administration or wound up, or on the assumption that Marlew will not in the future be, in external administration or wound up other than as contemplated under the Marlew Legislation.

Payable Liability means any of the following:

(a) any Proven Claim (whether arising before or after the date of this deed);

(b) Operating Expenses;

(c) Claims Legal Costs;

(d) any liability of a Former James Hardie Company to the AICFL, however arising, in respect of any amounts paid by the AICFL in respect of any liability or otherwise on behalf of the Former James Hardie Company;

(e) any claim that was made or brought in legal proceedings against a Former James Hardie Company commenced before 1 December 2005;

(f) if regulations are made pursuant to section 30 of the Transaction Legislation and if and to the extent the AICFL and James Hardie have notified the NSW Government that any such liability is to be included in the scope of Payable Liability, any liability of a Former James Hardie Company to pay amounts received by it from an insurer in respect of a liability to a third party incurred by it for which it is or was insured under a contract of insurance entered into before 2 December 2005; and

(g) Statutory Recoveries within the meaning and subject to the limits set out in the Amended Final Funding Agreement,

but in the cases of paragraphs (a), (c) and (e) excludes any such liabilities or claims to the extent that they have been recovered or are recoverable under a Worker's Compensation Scheme or Policy.

Period Actuarial Estimate means, in respect of a period, the central estimate of the present value (determined using the discount rate used in the relevant actuarial report) of the liabilities of the Former James Hardie Companies and Marlew in respect of expected Proven Claims and Claims Legal Costs (in each case which are reasonably expected to become payable in that period), before allowing for Insurance and Other Recoveries, calculated in accordance with the Amended Final Funding Agreement.

Personal Asbestos Claim means any present or future personal injury or death claim by an individual or the legal personal representative of an individual, for damages under common law or under other law (excluding any law introduced or imposed in breach of the restrictions on adverse regulatory or legislative action against the James Hardie Group under the Amended Final Funding Agreement, and which breach has been notified to the NSW Government under the Amended Final Funding Agreement) which:

(a) arises from exposure to Asbestos occurring in Australia, provided that:

  (i) the individual's exposure to Asbestos occurred wholly within Australia; or

  (ii) where the individual has been exposed to Asbestos both within and outside Australia, damages included in the Marlew Claim shall be limited to the amount attributable to the proportion of the exposure which caused or contributed to the loss or damage giving rise to the Personal Asbestos Claim which occurred in Australia;

(b) is made in proceedings in an Australian court or tribunal; and

(c) is made against:

  (i) all or any of the Liable Entities; or

  (ii) any member of the James Hardie Group from time to time;

(d) any claim made under compensation to relatives legislation by a relative of a deceased individual (or personal representative of such a relative) or (where permitted by law) the legal personal representative of a deceased individual in each case where the individual, but for such individual's death, would have been entitled to bring a claim of the kind described in paragraph (a); or

(e) a Contribution Claim made in relation to a claim described in paragraph (a) or (b)

but excludes all claims covered by a Worker's Compensation Scheme or Policy.

Proven Claim means a proven Personal Asbestos Claim in respect of which final judgment has been given against, or a binding settlement has been entered into by, a Former James Hardie Company, to the extent to which that entity incurs liability under that judgment or settlement, or a Proven Marlew Claim.

Statutory Recoveries means any statutory entitlement of the NSW Government or any Other Government or any governmental agency or authority of any such government ("Relevant Body") to impose liability on or to recover an amount or amounts from any person in respect of any payments made or to be made or benefits provided by a Relevant Body in respect of claims (other than as a defendant or in settlement of any claim, including a cross-claim or claim for contribution).

Term means the period

(i) from the date on which the principal obligations under the Amended Final Funding Agreement will commence to 31 March 2045,

(ii) as may be extended in accordance with the terms of the Amended Final Funding Agreement.

Term Central Estimate means the central estimate of the present value (determined using the discount rate used in the relevant Annual Actuarial Report) of the liabilities of the Former James Hardie Companies and Marlew in respect of expected Proven Claims and Claims Legal Costs (in each case reasonably expected to become payable in the relevant period) after allowing for Insurance and Other Recoveries during that period, from and including the day following the end of the Financial Year preceding that Payment Date up to and including the last day of the Term (excluding any automatic or potential extension of the Term, unless or until the Term has been extended).

Workers Compensation Scheme or Policy means any of the following:

(a) any worker's compensation scheme established by any law of the Commonwealth or of any State or Territory;

(b) any fund established to cover liabilities under insurance policies upon the actual or prospective insolvency of the insurer (including without limitation the Insurer Guarantee Fund established under the Worker's Compensation Act 1987 (NSW)); and

(c) any policy of insurance issued under or pursuant to such a scheme.