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, 2011

**1-15240
(Commission File Number)**

JAMES HARDIE INDUSTRIES SE
(Translation of registrant's name into English)

Second Floor, Europa House
Harcourt Centre, Harcourt Street
Dublin 2, Ireland
(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 Statements

This 6K 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 and share buyback;*
- *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 AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;*
- *expectations concerning indemnification obligations;*
- *statements about product or environmental liabilities; and*
- *statements about economic conditions, such as economic or housing recovery, the levels of new home construction, unemployment levels, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence.*

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 current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the company's control. 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 30 June 2010, 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 AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; seasonal fluctuations in the demand for our products; 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; the potential that competitors could copy our products; 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; compliance with and changes in laws and regulations; the effect of the company's transfer of its corporate domicile from The Netherlands to Ireland to become an Irish SE including employee relations, changes in corporate governance, potential tax benefits and the effect of any negative publicity; 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, Irish 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	Q4 FY11 ASX Cover Sheet
99.2	Q4 FY11 Media Release
99.3	Q4 FY11 Management's Analysis
99.4	Q4 FY11 Management's Presentation
99.5	Q4 FY11 Financial Statements
99.6	KPMG Report — 31 March 2011

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, 20 May 2011

By: /s/ Marcin Firek
Marcin Firek
Company Secretary

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Exhibit 99.1

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

Appendix 4E — Preliminary Final Report Year Ended 31 March 2011

Key Information	2011 US$M	2010 US$M	Movement	
	Year Ended 31 March			
Net Sales From Ordinary Activities	1,167.0	1,124.6	Up	4%
(Loss) Profit From Ordinary Activities After Tax Attributable to Shareholders	(347.0)	(84.9)	Down	—
Net (Loss) Profit Attributable to Shareholders	(347.0)	(84.9)	Down	—
Net Tangible Liabilities per Ordinary Share	US$ (1.04)	US$ (0.27)	Down	—

Dividend Information

- No interim dividend for fiscal year 2011 will be paid to share/CUFS holders.
- No final dividend for fiscal year 2011 will be paid to share/CUFS holders.
- No interim or final dividend for fiscal year 2010 was paid to share/CUFS holders.

Movements in Controlled Entities during the year ended 31 March 2011

The following entity was created:

- James Hardie Technology NTL Ltd. (25 March 2011)

The following entities ceased to exist pursuant to a merger, were liquidated or placed into voluntary members liquidation:

- James Hardie International Finance Sub I B.V. (ceased to exist pursuant to a merger on 3 June 2010);
- James Hardie International Finance Sub II B.V. (ceased to exist pursuant to a merger on 4 June 2010);
- James Hardie International Finance B.V. (ceased to exist pursuant to a merger on 7 June 2010);
- Yelrom International Pty Ltd. (placed into voluntary members liquidation on 16 August 2010);
- ACN 001 664 740 (placed into voluntary members liquidation on 16 August 2010);
- Smetsysh Pty Ltd. (placed into voluntary members liquidation on 28 February 2011);
- ACN 082 153 759 (placed into voluntary members liquidation on 28 February 2011); and
- Seapip Pty Ltd (placed into voluntary members liquidation on 28 February 2011);

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 2011
Contents

James Hardie Industries SE is incorporated under the laws of Ireland with its corporate seat in Dublin, Ireland. 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 2010 Annual Report which can be found on the company website at www.jameshardie.com.

MEDIA RELEASE

For analyst and media enquiries, please
call Sean O'Sullivan on +61 2 8274 5246

19 May 2011

4th quarter net operating profit US$33.3m
Full year net operating profit US$116.7m
(Excluding asbestos, ASIC expenses and tax adjustments)

James Hardie today announced a US$33.3 million net operating profit, excluding asbestos, ASIC expenses and tax adjustments, for the quarter ended 31 March 2011. This represents an increase of 41% compared to the corresponding quarter of last year.

The net operating result for the quarter including asbestos, ASIC expenses and tax adjustments was a loss of US$1.8 million, compared to a loss of US$2.3 million for the corresponding quarter of last year. Full year net operating profit excluding asbestos, ASIC expenses and tax adjustments decreased 12% to US$116.7 million from US$133.0 million for the prior year.

Excluding a contribution to AICF of US$63.7 million in fiscal 2011, net operating cash flow for the full year increased to US$210.9 million from US$183.1 million in the prior year. A contribution of approximately US$51.5 million will be made to AICF on 1 July 2011, representing 35% of the company's free cash flow, as defined by the AFFA.

Including asbestos, ASIC expenses and tax adjustments, full year net operating loss moved from US$84.9 million to US$347.0 million. This result reflects a non-cash charge of US$345.2 million recognised in the second quarter in the current financial year for taxes, penalties and interest following RCI Pty Ltd's loss on appeal in the Australian Federal Court against an Australian Taxation Office amended assessment relating to fiscal year 1999. RCI strongly disputes the amended assessment and is pursuing an appeal of the Federal Court's judgment before the Full Court of the Federal Court of Australia. The result for the quarter and full year also reflects a tax adjustment of US$32.6 million resulting from an internal reorganisation as announced on 17 May 2011.

The results include favourable asbestos adjustments of US$5.3 million for the quarter. For the full year, the results include unfavourable asbestos adjustments of US$85.8 million, which are primarily attributable to movements in the value of the Australian dollar against the US dollar. For the quarter from 31 December 2010 to 31 March 2011, the Australian dollar appreciated against the US dollar by 2% to US$1.0334. For the full year from 31 March 2010 to 31 March 2011, the Australian dollar appreciated against the US dollar by 13%, compared to a 33% appreciation in the prior year.

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 8. 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 2011 versus the 4 th quarter and full year of the prior fiscal year.

CEO Commentary

"Operating conditions in the US residential housing market during the quarter and full year have remained challenging, and we are yet to see any substantive evidence that a sustainable recovery has commenced," said James Hardie CEO, Louis Gries.

"Housing starts in the US continued to be weak in the fourth quarter as factors such as relatively high levels of unemployment, low levels of consumer confidence, restricted access to credit and the supply of foreclosed homes continued to dampen demand in the residential housing construction market," Mr Gries added.

"Additionally, raw material input costs, particularly pulp, remain high and freight costs are rising.

"With the exception of New Zealand, the Asia Pacific businesses have enjoyed relatively robust operating environments and have performed strongly both on a quarterly and full-year basis. The Australia business, in particular, grew market share and also increased the sales of its differentiated Scyon™ branded products."

Operating Performance

Total sales for the quarter increased 5% to US$288.4 million, gross profit was up 6% to US$96.9 million and EBIT excluding asbestos and ASIC expenses was 22% higher at US$46.8 million compared to the corresponding quarter of last year. EBIT including asbestos and ASIC expenses for the quarter improved from US$11.8 million in the fourth quarter of last year to US$50.8 million in the final quarter of the current year.

For the full year, total sales increased 4% to US$1,167.0 million, gross profit was down 6% to US$391.9 million and EBIT excluding asbestos and ASIC expenses was 12% lower at US$184.0 million. EBIT including asbestos and ASIC expenses moved from a loss of US$21.0 million to a profit of US$104.7 million.

4th Quarter and Full Year at a Glance

US$ Millions	Q4 FY 2011	Q4 FY 2010	% Change	FY 2011	FY 2010	% Change
Net sales	$288.4	$274.9	5	$1,167.0	$1,124.6	4
Gross profit	96.9	91.4	6	391.9	416.1	(6)
EBIT excluding asbestos and ASIC expenses	46.8	38.3	22	184.0	208.7	(12)
AICF SG&A expenses	(0.5)	(0.5)	—	(2.2)	(2.1)	(5)
Asbestos adjustments	5.3	(24.2)	—	(85.8)	(224.2)	62
ASIC related (expenses) recoveries	(0.8)	(1.8)	55	8.7	(3.4)	—
EBIT	50.8	11.8	—	104.7	(21.0)	—
Net interest expense	(1.1)	(2.1)	48	(4.4)	(4.0)	(10)
Other income (expense)	0.9	0.3	—	(3.7)	6.3	—
Income tax expense	(52.4)	(12.3)	—	(443.6)	(66.2)	—
Net operating loss	(1.8)	(2.3)	22	(347.0)	(84.9)	—
Diluted earnings (loss) per share (US cents)	(0.4)	(0.5)	20	(79.7)	(19.6)	—

Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 41% from US$23.7 million in the prior corresponding quarter to US$33.3 million in the current quarter, and decreased 12% from US$133.0 million in the prior year to US$116.7 million for the full year, as shown in the following table:

US$ Millions	Q4 FY 2011	Q4 FY 2010	% Change	FY 2011	FY 2010	% Change
Net operating loss	$ (1.8)	$ (2.3)	(22)	$(347.0)	$ (84.9)	—
Excluding:						
Asbestos:						
Asbestos adjustments	(5.3)	24.2	—	85.8	224.2	(62)
AICF SG&A expenses	0.5	0.5	—	2.2	2.1	5
AICF interest income	(1.9)	(0.7)	—	(4.3)	(3.3)	(30)
Gain on AICF investments	—	(2.0)	—	—	(6.7)	—
Tax expense related to asbestos adjustments	6.3	1.1	—	6.9	1.1	—
ASIC related expenses (recoveries)	0.7	1.8	(60)	(7.6)	3.4	—
Tax adjustments[1]	34.8	1.1	—	380.7	(2.9)	—
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**$ 33.3**	**$ 23.7**	**41**	**$ 116.7**	**$133.0**	**(12)**
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	7.6	5.4	41	26.7	30.5	(12)

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million for the current quarter and full year arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments for the quarter increased 41% from US5.4 cents in the prior corresponding quarter to US7.6 cents in the current quarter. For the full year, diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments decreased 12% from US30.5 cents in the prior year to US26.7 cents in the current year.

The strength of net operating cash flow in the quarter and full year ended 31 March 2011 enabled the company to reduce net debt by US$17.4 million and US$94.4 million, respectively. At 31 March 2011, the company had net debt of US$40.4 million.

USA and Europe Fibre Cement

According to the US Census Bureau, single family housing starts, which are a key driver of the company's performance, were 104,000 in the March 2011 quarter, 9% below the March 2010 quarter. Similarly, for the full year to 31 March 2011, single family housing starts were 444,000, 8% below the prior year.

Against this background, net sales remained relatively flat at US$197.7 million, compared to US$196.8 million in the corresponding quarter of the prior year. Fourth quarter sales volume decreased 2% to 308.8 million square feet. The average net sales price increased 2% from US$627 to US$640 per thousand square feet.

For the full year, net sales declined 2% to US$814.0 million, compared to the prior year. Sales volume decreased 4% to 1,248.0 million square feet, and the average net sales price increased 3% from US$635 to US$652 per thousand square feet.

USA and Europe Fibre Cement EBIT increased by 11% from US$34.8 million in the corresponding quarter of the prior year to US$38.5 million for the current quarter and decreased by 23% from US$208.5 million in the prior year to US$160.3 million for the full year.

The increase in EBIT for the quarter was primarily driven by a reduction in SG&A expenses compared to the previous corresponding quarter.

For the full year, the decrease in EBIT was primarily due to an increase in input costs (primarily pulp and freight), lower sales volume, unfavourable cost absorption driven by lower production volume and higher labour cost per unit manufactured, and unfavourable manufacturing performance, partially offset by a higher average net sales price and a reduction in SG&A expenses.

The USA and Europe Fibre Cement EBIT margin was 19.5% for the quarter and 19.7% for the full year, compared to 17.7% and 25.2%, respectively, for the corresponding periods of the prior year.

Asia Pacific Fibre Cement

Increases in mortgage interest rates, along with wet weather along the eastern seaboard and the end of the government social housing construction initiative, had a dampening impact on the Australian residential housing construction market in the fourth quarter. According to the Australian Bureau of Statistics (ABS), total dwelling units approved decreased 18% to 35,452 units for the March quarter, compared to the previous corresponding quarter, with detached housing approvals down 17% to 22,057. For the full year, the ABS reported a 2% decrease in total dwelling units approved to 167,332 units, compared to the prior year, with detached houses approved down 11% to 102,270.

In addition, the New Zealand business faced continued challenges as business and consumer confidence deteriorated during the year, leading to historically low levels of new home construction. According to Statistics New Zealand, the number of new detached houses authorised for the quarter fell to just 2,708 houses, down from 3,788 houses in the prior corresponding quarter. The business has also had to contend with increased competition from imported products.

In contrast, the business in the Philippines performed strongly, supported by a favourable operating environment driven by buoyant domestic demand.

Overall, the region delivered improved revenues for the quarter and full year, with a sustained growth in primary demand for fibre cement and gains in market share. In Australia, the Scyon™ branded product range continued to build momentum over the course of the 2011 financial year, with Scyon™ products representing 18% of sales in the current quarter compared to 14% in the prior corresponding quarter.

Net sales increased 16% to US$90.7 million for the quarter. The higher value of the Asia Pacific business' currencies against the US dollar in the fourth quarter accounted for 12% of the increase. In Australian dollars, net sales increased 4% primarily due to an increase in sales volume.

For the full year, net sales increased 19% to US$353.0 million, compared to US$296.5 million for the prior year. In Australian dollars, net sales increased 7% due to an increase in sales volume and average net sales price.

Asia Pacific Fibre Cement EBIT for the quarter increased 36% from US$14.3 million to US$19.4 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 quarter increased 25%, primarily due to higher average net sales price (due to price increases and a favourable shift in product and geographic mix), higher sales volume and improved manufacturing performance, partially offset by higher input costs (primarily pulp) and SG&A expenses.

Asia Pacific Fibre Cement EBIT for the full year increased 35% from US$58.7 million to US$79.4 million. In Australian dollars, Asia Pacific Fibre Cement EBIT for the year increased 22% primarily due to an increase in average net sales price, higher sales volume, lower fixed unit cost of manufacturing as fixed costs were spread over higher production volume of fixed unit cost of manufacturing and improved manufacturing performance, partially offset by higher input costs (primarily pulp) and a mechanical failure in the Philippines facility that temporarily halted production during the second quarter.

Outlook

Despite some recent recovery in the broader US economy as evidenced by incremental improvements in consumer confidence, retail sales and unemployment levels, housing markets remain constrained, in particular by the lack of stability in house values, that have continued to fall.

Input costs are also expected to remain high with pulp prices forecast to remain at or above US$1,000 per ton. Freight costs are expected to rise reflecting supply constraints for trucks, as the broader economy improves, and the higher cost of fuel.

Activity in the US residential housing sector is expected to remain relatively flat in both the construction and the repair and remodel segments for the company's 2012 financial year.

In the Asia Pacific region, increases in mortgage interest rates in Australia have continued to dampen activity in the sector, although the market is expected to remain relatively robust. In the Philippines, domestic demand continues to provide a strong operating environment. In New Zealand, housing activity is likely to remain subdued as housing construction reaches historic lows in response to weak consumer and business confidence.

Capital Management and Simplification of Corporate Structure

On 17 May, the company announced that it had adopted a capital management policy to distribute between 20% and 30% of profits after tax (excluding asbestos adjustments, which are substantially of a non-cash nature in the short-term) in the form of ordinary dividends and to conduct a more active approach to capital management which will likely see the company buy-back or issue shares as the company's capital needs dictate.

The company expects to resume paying dividends starting with an interim dividend to be paid following the November 2011 announcement of the company's second quarter results and is expected to be followed by a final dividend following the May 2012 announcement of the company's results for fiscal year 2012.

In accordance with this policy, James Hardie also announced on 17 May that it will seek to acquire up to 5% of the company's issued capital via an on-market share buyback during the next 12 months.

The effect of the policy announced on 17 May is that, in addition to James Hardie's ongoing obligation to make contributions to AICF, the company expects to be distributing a significant portion of its operating surplus each year in the form of ordinary dividends and share buy-backs. In circumstances where the company determines that share buy-backs are not attractive, special dividends may be considered as an alternative.

To facilitate the ability to access and distribute surplus cash flows of the company's operating subsidiaries more efficiently, including for the purpose of making periodic contributions to AICF, James Hardie has commenced an internal reorganisation involving simplification of the company's corporate structure, including some of the arrangements which were previously part of its Netherlands domicile. As part of this restructure, the company has incurred a tax charge of US$32.6 million, which is included in the fiscal year 2011 accounts but will be paid in fiscal year 2012.

This charge will not impact the contribution to AICF in July 2011, although it is expected to reduce the contribution to AICF in July 2012 by up to approximately US$11 million.

Readers are referred to the company's announcement on 17 May 2011 for additional information.

Further Information

Readers are referred to the company's Consolidated Financial Statements and Management's Analysis of Results for the period ended 31 March 2011 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 2011 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 5246
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 19 May 2011, 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 2010 on Form 20-F with the SEC on 30 June 2010.

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

Non-financial Terms

ABS — Australian Bureau of Statistics.

AFFA — Amended and Restated Final Funding Agreement. In February 2007, the company's shareholders approved the AFFA entered into on 21 November 2006 to provide long-term funding to Asbestos Injuries Compensation Fund (AICF).

AICF — Asbestos Injuries Compensation Fund Ltd; formed in 2006 to implement and administer the agreement between the company and the New South Wales Government, whereby the company committed to funding a new trust which would pay compensation awarded against the former James Hardie companies Amaca, Amaba and ABN 60. The agreement is set out in the Amended and Restated Final Funding Agreement (AFFA). The company has no legal ownership in AICF. The company consolidates AICF due to its pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA.

ASIC — Austrialian Securities and Investments Commission.

ATO — Austrialian Taxation Office

NBSK — Northern Bleached Softwood Kraft; the company's benchmark grade of pulp.

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 2011	Q4 FY 2010	FY 2011	FY 2010
EBIT	$ 50.8	$ 11.8	$ 104.7	$ (21.0)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
ASIC related expenses (recoveries)	0.8	1.8	(8.7)	3.4
EBIT excluding asbestos and ASIC expenses	46.8	38.3	184.0	208.7
Net sales	$288.4	$274.9	$1,167.0	$1,124.6
EBIT margin excluding asbestos and ASIC expenses	16.2%	13.9%	15.8%	18.6%

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 2011	Q4 FY 2010	FY 2011	FY 2010
Net operating loss	$ (1.8)	$ (2.3)	$(347.0)	$ (84.9)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
AICF interest income	(1.9)	(0.7)	(4.3)	(3.3)
Gain on AICF investments	—	(2.0)	—	(6.7)
Tax expense related to asbestos adjustments	6.3	1.1	6.9	1.1
ASIC related expenses (recoveries)	0.7	1.8	(7.6)	3.4
Tax adjustments[1]	34.8	1.1	380.7	(2.9)
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 33.3	$ 23.7	$ 116.7	$133.0

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

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 2011	Q4 FY 2010	FY 2011	FY 2010
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 33.3	$ 23.7	$116.7	$133.0
Weighted average common shares outstanding — Diluted (millions)	437.7	438.9	437.5	436.8
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	7.6	5.4	26.7	30.5

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 2011	Q4 FY 2010	FY 2011	FY 2010
Operating profit (loss) before income taxes	$ 50.6	$ 10.0	$ 96.6	$ (18.7)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
AICF interest income	(1.9)	(0.7)	(4.3)	(3.3)
Gain on AICF investments	—	(2.0)	—	(6.7)
Operating profit before income taxes excluding asbestos	$ 43.9	$ 32.0	$ 180.3	$197.6
Income tax expense	(52.4)	(12.3)	(443.6)	(66.2)
Asbestos:				
Tax expense related to asbestos adjustments	6.3	1.1	6.9	1.1
Tax adjustments[1]	34.8	1.1	380.7	(2.9)
Income tax expense excluding tax adjustments	(11.3)	(10.1)	(56.0)	(68.0)
Effective tax rate excluding asbestos and tax adjustments	25.7%	31.6%	31.1%	34.4%

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

Adjusted 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 2011	Q4 FY 2010	FY 2011	FY 2010
EBIT	$ 50.8	$ 11.8	$104.7	$(21.0)
Depreciation and amortisation	16.0	16.1	62.9	61.7
Adjusted EBITDA	$ 66.8	$ 27.9	$167.6	$ 40.7

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 2011	Q4 FY 2010	FY 2011	FY 2010
General corporate costs	$ 5.8	$ 8.5	$ 26.9	$ 42.9
Excluding:				
ASIC related (expenses) recoveries	(0.8)	(1.8)	8.7	(3.4)
Domicile change related costs	—	(0.7)	(1.8)	(9.1)
General corporate costs excluding ASIC expenses and domicile change related costs	$ 5.0	$ 6.0	$ 33.8	$ 30.4

Disclaimer

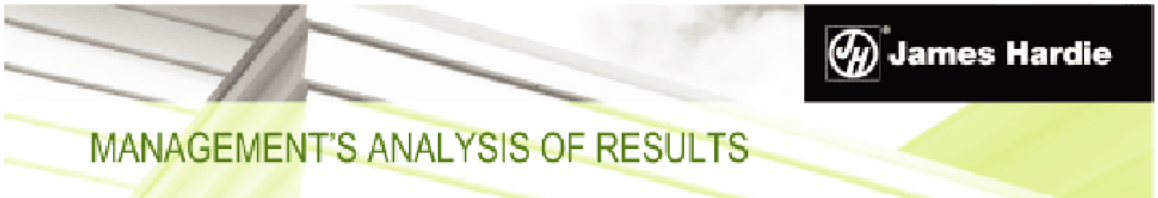
This Media Release contains forward-looking statements. James Hardie may from time to time make forward-looking statements in its periodic reports filed with or furnished to the United States Securities and Exchange Commission on Forms 20-F and 6-K, in the annual reports to shareholders, in offering 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 and share buyback;*
- *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 AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;*
- *expectations concerning indemnification obligations;*
- *statements about product or environmental liabilities; and*
- *statements about economic conditions, such as economic or housing recovery, the levels of new home construction, unemployment levels, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence.*

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 current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the company's control. 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 30 June 2010, 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 AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; seasonal fluctuations in the demand for our products; 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; the potential that competitors could copy our products; 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; compliance with and changes in laws and regulations; the effect of the company's transfer of its corporate domicile from The Netherlands to Ireland to become an Irish SE including employee relations, changes in corporate governance, potential tax benefits and the effect of any negative publicity; 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, Irish 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 99.3



19 May 2011

James Hardie Industries SE
Results for the 4th Quarter and Full Year Ended 31 March 2011

US GAAP - US$ Millions	Q4 FY11	Q4 FY10	% Change	FY11	FY10	% Change
	Three Months and Full Year Ended 31 March					
Net Sales						
USA and Europe Fibre Cement	$ 197.7	$ 196.8	—	$ 814.0	$ 828.1	(2)
Asia Pacific Fibre Cement	90.7	78.1	16	353.0	296.5	19
Total Net Sales	$ 288.4	$ 274.9	5	$1,167.0	$1,124.6	4
Cost of goods sold	(191.5)	(183.5)	(4)	(775.1)	(708.5)	(9)
Gross profit	96.9	91.4	6	391.9	416.1	(6)
Selling, general and administrative expenses	(43.0)	(48.5)	11	(173.4)	(185.8)	7
Research & development expenses	(8.4)	(6.9)	(22)	(28.0)	(27.1)	(3)
Asbestos adjustments	5.3	(24.2)	—	(85.8)	(224.2)	62
EBIT	50.8	11.8	—	104.7	(21.0)	—
Net interest expense	(1.1)	(2.1)	48	(4.4)	(4.0)	(10)
Other income (expense)	0.9	0.3	—	(3.7)	6.3	—
Operating profit (loss) before income taxes	50.6	10.0	—	96.6	(18.7)	—
Income tax expense	(52.4)	(12.3)	—	(443.6)	(66.2)	—
Net operating loss	$ (1.8)	$ (2.3)	22	$ (347.0)	$ (84.9)	—
Loss per share — diluted (US cents)	(0.4)	(0.5)	20	(79.7)	(19.6)	—
Volume (mmsf)						
USA and Europe Fibre Cement	308.8	314.0	(2)	1,248.0	1,303.7	(4)
Asia Pacific Fibre Cement	102.1	97.5	5	407.8	389.6	5
Average net sales price per unit (per msf)						
USA and Europe Fibre Cement	US$640	US$627	2	US$652	US$635	3
Asia Pacific Fibre Cement	A$883	A$887	—	A$916	A$894	2

US$ Millions	FY11	FY10	% Change
	Full Year Ended 31 March 2011		
Net cash provided by operating activities, excluding contribution to AICF (see page 21)	$ 210.9	$ 183.1	15

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 15. 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 and tax adjustments", "Effective tax rate excluding asbestos and tax adjustments", "Adjusted 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 the current financial year versus the 4 th quarter and full year of the prior financial year.

Total Net Sales

Total net sales for the quarter increased 5% compared to the previous corresponding quarter from US$274.9 million to US$288.4 million. For the full year, total net sales increased 4% from US$1,124.6 million to US$1,167.0 million. For the quarter and full year, revenue was favourably impacted by an increase in the average net sales price and an appreciation of the Asia Pacific currencies against the US dollar.

USA and Europe Fibre Cement

Quarter

Net sales remained relatively flat at US$197.7 million, compared to US$196.8 million in the corresponding quarter of the prior year. The change was attributable to the average net sales price, which increased 2% from US$627 per thousand square feet to US$640 per thousand square feet as a result of a favourable shift in product mix and the effect of a price increase announced earlier in the financial year, offset by a reduction in sales volume.

Full year

Net sales decreased 2% from US$828.1 million to US$814.0 million due to lower sales volume, partially offset by a higher average net sales price.

Sales volume decreased 4% from 1,303.7 million square feet to 1,248.0 million square feet, primarily due to weaker demand for the company's products in the US caused by the prolonged weakness in housing construction activity.

The average net sales price increased 3% from US$635 per thousand square feet to US$652 per thousand square feet as a result of a price increase and a favourable shift in product mix.

Discussion

For the quarter, USA and Europe Fibre Cement volume was down 2% compared to the previous corresponding quarter, reflecting the continued subdued residential construction market as well as the favourable impact of tax incentives available to home buyers in the corresponding quarter of the prior year.

For the full year ended 31 March 2011, sales volume decreased 4% from the prior year due to the overall reduced level of activity in the US residential construction.

Despite lower sales volume, USA and Europe Fibre Cement EBIT increased by 11% for the quarter when compared with the previous corresponding quarter. The increase in EBIT for the quarter was primarily driven by a reduction in SG&A expenses when compared to the previous corresponding quarter. Full year EBIT was 23% below prior year due to an increase in input costs (primarily pulp and freight), lower sales volume, unfavourable cost absorption driven by lower production volume and higher labour cost per unit manufactured, and unfavourable manufacturing performance, partially offset by a higher average net sales price and a reduction in SG&A expenses.

USA and Europe Fibre Cement EBIT was favourably impacted by the European business, which delivered a strong result as both sales volume and average net sales price increased for the quarter and full year when compared to the previous corresponding periods.

According to the US Census Bureau, single family housing starts, which are a key driver for the company's performance, were 104,000 in the March 2011 quarter, 9% below the March 2010 quarter. Similarly for the full year to 31 March 2011, single family housing starts were 444,000, 8% below the prior year.

For the full year ended 31 March 2011, the average Northern Bleached Softwood Kraft (NBSK) pulp price was US$978 per ton, up 30.4% compared to US$750 per ton for the prior year. The average pulp price in the fourth quarter was 12.9% higher than in the fourth quarter of financial year 2010, and down 1.3% compared to the third quarter of financial year 2011.

Industry forecasters are now expecting the price of pulp to remain high over the near to medium term. In April 2011, the average NBSK pulp price rose to US$1,020 per ton from US$990 per ton in March 2011.

Similarly, freight costs were higher for the full year compared to the prior year with the majority of the increase impacting the fourth quarter result. Freight costs rose due to higher truck rates attributed to flatbed truck supply constraints (as the broader US economy recovers), higher fuel costs and product mix shifts.

Notwithstanding improved affordability, increasing levels of household formation and falling inventories of new and existing houses for sale, a recovery in the sector continues to be inhibited by a combination of factors such as relatively low levels of consumer confidence, limited access to credit for prospective home buyers, falling housing values and the continued supply of foreclosed properties.

Asia Pacific Fibre Cement

Quarter

Net sales increased 16% from US$78.1 million to US$90.7 million, resulting from the higher value of the Asia Pacific business' currencies against the US dollar. In Australian dollars, net sales increased 4% primarily due to an increase in sales volume.

Full year

Net sales for the full year increased 19% from US$296.5 million to US$353.0 million. The higher value of the Asia Pacific business' currencies against the US dollar accounted for 12% of this increase. The underlying Australian dollar business results accounted for the remaining 7% increase, as both sales volume and average net sales price increased.

Discussion

Asia Pacific Fibre Cement volume was up 5% in both the quarter and full year, compared to the previous corresponding periods, as a strong sales effort across the region and particularly in Australia delivered improved results. When combined with the sustained growth in primary demand for fibre cement and market share gains, these factors helped to offset a moderation in market conditions in the second half of the 2011 financial year.

In Australia, increases in mortgage interest rates, along with wet weather along the eastern seaboard and the end of the government social housing construction initiative, had a dampening effect upon the Australian residential housing construction market in the fourth quarter. According to the Australian Bureau of Statistics (ABS), data for the March quarter showed total dwellings approved decreased 18% compared to the previous corresponding quarter, with detached housing approvals down 17%. For the full year, the ABS reported a 2% decrease in total dwellings approved compared to the prior year, with detached houses down 11%.

In Australia, the Scyon™ branded product range continued to build momentum over the course of the 2011 financial year, with Scyon™ products representing 18% of sales in the March quarter compared to 14% in the prior corresponding quarter.

In New Zealand, the business faced continued challenges as business and consumer confidence fell during the year and subsequently the construction of residential houses fell to historically low levels. The business has also had to contend with increased competition from imported products.

In the Philippines, sales volume increased for the quarter and decreased slightly for the full year when compared to the prior corresponding periods. Improved sales of differentiated products and relatively strong underlying market conditions during the full year were partially offset by a mechanical failure during the second quarter.

Gross Profit

Quarter

Gross profit for the quarter increased 6% from US$91.4 million to US$96.9 million. The gross profit margin increased 0.4 percentage point from 33.2% to 33.6%.

Compared to the prior corresponding quarter, USA and Europe Fibre Cement gross profit decreased 2%, resulting from a 2% detriment due to lower sales volume, 1% due to higher freight costs, and 1% due to an increase in input costs (primarily pulp), partially offset by a 2% benefit due to an increase in average net sales price.

The gross profit margin of the USA and Europe Fibre Cement business decreased by 0.9 percentage points.

Asia Pacific Fibre Cement gross profit for the quarter increased 30% compared to the prior corresponding quarter, of which 13% resulted from favourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar. In Australian dollars, gross profit increased 17%, of which 12% was due to price, product and geographic mix, 5% due to an increase in sales volume, 2% due to lower freight costs and 1% due to improved manufacturing performance, partially offset by a 3% reduction due to increased pulp costs.

The gross profit margin of the Asia Pacific Fibre Cement business increased by 3.6 percentage points.

Full year

Gross profit for the full year decreased 6% from US$416.1 million to US$391.9 million. The gross profit margin decreased 3.4 percentage points from 37.0% to 33.6% .

USA and Europe Fibre Cement gross profit decreased 16% compared to the prior financial year, of which 9% was due to an increase in input costs (primarily pulp and freight), 6% due to lower sales volume and 6% due to unfavourable cost absorption and higher labour cost per unit manufactured driven primarily by lower production volume, partially offset by a 5% benefit from an increase in average net sales price.

The gross profit margin of the USA and Europe Fibre Cement business decreased by 5.6 percentage points.

Asia Pacific Fibre Cement gross profit increased 30% compared to the prior financial year, of which 13% resulted from favourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar. In Australian dollars, gross profit increased 17%, of which 9% was due to an increase in average net sales price, 5% due to higher sales volume, 4% due to improved manufacturing performance and 3% due to lower fixed unit cost of manufacturing as fixed costs were spread over higher production volume, partially offset by a 3% detriment due to increased pulp costs and 1% detriment due to a mechanical failure in the Philippines facility that occurred during the second quarter.

The gross profit margin of the Asia Pacific Fibre Cement business increased by 2.8 percentage points.

Selling, General and Administrative (SG&A) Expenses

Quarter

SG&A expenses decreased 11%, from US$48.5 million to US$43.0 million. Lower SG&A expenses in the USA and Europe Fibre Cement segment and general corporate costs were partially offset by an increase in SG&A expenses in the Asia Pacific Fibre Cement segment. As a percentage of sales, SG&A expenses decreased 2.7 percentage points to 14.9%.

SG&A expenses for the quarter included non-claims handling related operating expenses of the Asbestos Injuries Compensation Fund (AICF) of US$2.2 million.

Full year

SG&A expenses decreased 7%, from US$185.8 million to US$173.4 million. The decrease was primarily due to recoveries from third parties of US$10.3 million related to the costs of bringing and defending appeals for certain of the ten former officers and directors involved in the ASIC proceedings, partially offset by higher SG&A expenses in the Asia Pacific Fibre Cement segment. As a percentage of sales, SG&A expenses declined 1.6 percentage points to 14.9%. Further information on general corporate costs is included below.

ASIC Proceedings

In February 2007, the Australian Securities and Investments Commission ("ASIC") commenced civil proceedings in the Supreme Court of New South Wales 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 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 former directors and officers of the company.

The proceedings commenced on 29 September 2008 before Justice Gzell.

On 23 April 2009, 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.

The company incurred legal costs related to the ASIC proceedings of US$0.8 million for the quarter and US$1.6 million for the full year. The company's cumulative net costs in relation to the ASIC proceedings from their commencement in February 2007 to 31 March 2011 have totaled US$14.4 million.

During the second quarter of the current financial year, the company entered into agreements with third parties and subsequently received payment for US$10.3 million related to the costs of the ASIC proceedings for certain of the ten former officers and directors. This resulted in a net benefit of US$8.7 million for the full year, compared to an expense of US$3.4 million for the prior year. ASIC recoveries are included as a component of selling, general and administrative expenses for the full year ended 31 March 2011.

On 17 December 2010, the New South Wales Court of Appeal dismissed the company's appeal against Justice Gzell's judgment and ASIC's cross appeals against the appellants. On 6 May 2011, the Court of Appeal rendered judgment in the exoneration, penalty and cost matter for certain former officers.

The company was ordered to pay a portion of the costs incurred by ASIC for each of the first instance proceedings and appeal. The amount of such costs the company is required to pay is contingent on a number of factors, which include, without limitation, whether such costs are deemed to be valid and reasonable legal costs relating to each of the first instance and appeal proceedings, whether such costs are properly allocated and directly attributable to each of the first instance proceedings and appeal proceedings and whether such costs are supported by an independent cost assessor.

In light of the uncertainty surrounding the amount of such costs, the company has not recorded any provision for such costs at 31 March 2011. 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.

ASIC subsequently filed applications for special leave to the High Court appealing from the Court of Appeals judgment in favour of the former directors' appeals. Certain former officers have also filed special leave applications to the High Court. The High Court granted ASIC's application for special leave on 13 May 2011. The High Court granted the special leave applications for one of the former executives, and the other former executive withdrew his application.

Readers are referred to Note 13 of the company's 31 March 2011 Consolidated Financial Statements for further information on the ASIC Proceedings.

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 38% higher for the quarter at US$5.5 million, compared to the corresponding quarter of the prior year, and 8% higher for the full year at US$16.9 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 flat for the quarter at US$2.9 million and 3% lower for the full year at US$11.1 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$1.537 billion at 31 March 2010 to A$1.478 billion at 31 March 2011. The reduction in the discounted central estimate of A$59 million is primarily due to 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 2010 to 31 March 2011, the Australian dollar appreciated against the US dollar by 2% to US$1.0334. For the full year from 31 March 2010 to 31 March 2011, the Australian dollar appreciated against the US dollar by 13%, compared to a 33% appreciation 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 2011. The asbestos adjustments for the quarter and full year ended 31 March 2011 are as follows:

US$ Millions	Q4 FY 2011	Q4 FY 2010	FY 2011	FY 2010
Change in actuarial estimates	$ 21.5	$ (3.3)	$ 21.5	$ (3.3)
Effect of foreign exchange movements	$ (16.2)	$ (20.9)	$(107.3)	$(220.9)
Asbestos adjustments	$ 5.3	$ (24.2)	$ (85.8)	$(224.2)

Claims Data

For the quarter, the number of new claims of 96 is lower than new claims of 134 reported for the corresponding quarter of the prior year. For the full year, the number of new claims of 494 is lower than new claims of 535 reported for the prior year, and below actuarial expectations for the full year ended 31 March 2011.

For the quarter, the number of claims settled of 125 is higher than claims settled of 110 in the corresponding quarter of the prior year. For the full year, the number of settled claims of 459 is lower than claims settled of 540 for the same period last year.

The average claim settlement for the full year ended 31 March 2011 of A$204,000 is A$13,000 higher than the same period last year but below the actuarial expectations for the full year.

Asbestos claims paid of A$28.7 million and A$100.6 million for the quarter and full year ended 31 March 2011, respectively, are lower than the actuarial expectation of A$29.2 million and A$117.0 million for the quarter and full year ended 31 March 2011, respectively. The lower-than-expected expenditure was due to lower settlement activity and lower-than-expected claim settlement sizes.

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 2011 Consolidated Financial Statements for further information on asbestos adjustments.

EBIT

EBIT increased from US$11.8 million in the corresponding quarter of the prior year to US$50.8 million for the most recent quarter. EBIT for the most recent quarter includes net favourable asbestos adjustments of US$5.3 million and AICF SG&A expenses of US$0.5 million. For the corresponding quarter in the prior year, EBIT included 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, as shown in the table below.

EBIT for the full year moved from a loss of US$21.0 million in the prior year to income of US$104.7 million for the current financial year. EBIT for the current year includes net unfavourable asbestos adjustments of US$85.8 million, AICF SG&A expenses of US$2.2 million and a net benefit related to the ASIC proceedings of US$8.7 million. In the prior year, the loss included net unfavourable asbestos adjustments of US$224.2 million, AICF SG&A expense of US$2.1 million and ASIC expenses of US$3.4 million, as shown in the table below.

	Three Months and Full Year Ended 31 March					
EBIT — US$ Millions	Q4 FY11	Q4 FY10	% Change	FY11	FY10	% Change
USA and Europe Fibre Cement	$ 38.5	$ 34.8	11	$ 160.3	$ 208.5	(23)
Asia Pacific Fibre Cement	19.4	14.3	36	79.4	58.7	35
Research & Development	(6.1)	(4.1)	(49)	(20.1)	(19.0)	(6)
General Corporate:						
General corporate costs	(5.8)	(8.5)	32	(26.9)	(42.9)	37
Asbestos adjustments	5.3	(24.2)	—	(85.8)	(224.2)	62
AICF SG&A expenses	(0.5)	(0.5)	—	(2.2)	(2.1)	(5)
EBIT	50.8	11.8	—	104.7	(21.0)	—
Excluding:						
Asbestos:						
Asbestos adjustments	(5.3)	24.2	—	85.8	224.2	(62)
AICF SG&A expenses	0.5	0.5	—	2.2	2.1	5
ASIC related expenses (recoveries)	0.8	1.8	(55)	(8.7)	3.4	—
EBIT excluding asbestos and ASIC expenses	**$ 46.8**	**$ 38.3**	**22**	**$ 184.0**	**$ 208.7**	**(12)**
Net sales	$288.4	$274.9	5	$1,167.0	$1,124.6	4
EBIT margin excluding asbestos and ASIC expenses	16.2%	13.9%		15.8%	18.6%	

USA and Europe Fibre Cement EBIT

USA and Europe Fibre Cement EBIT for the quarter increased 11% from US$34.8 million to US$38.5 million compared to the corresponding quarter in the prior year. The increase in EBIT for the quarter was primarily driven by a reduction in SG&A expenses when compared to the corresponding quarter of the prior year.

For the full year, USA and Europe Fibre Cement fell 23% from US$208.5 million to US$160.3 million compared to the prior corresponding year. The decrease was primarily due to an increase in input costs (primarily pulp and freight), lower sales volume, unfavourable cost absorption driven by lower production volume and higher labour cost per unit manufactured, and unfavourable manufacturing performance, partially offset by a higher average net sales price and a reduction in SG&A expenses.

For the quarter, the EBIT margin was 1.8 percentage points higher at 19.5%. For the full year, the EBIT margin was 5.5 percentage points lower at 19.7%.

Asia Pacific Fibre Cement EBIT

Asia Pacific Fibre Cement EBIT for the quarter increased 36% from US$14.3 million to US$19.4 million when compared to the corresponding quarter of the prior year. 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 increased 25%, primarily due to average net sales price (due to price increases and a favourable shift in product and geographic mix), higher sales volume and improved manufacturing performance, partially offset by higher input costs (primarily pulp) and SG&A expenses. The EBIT margin was 3.1 percentage points higher at 21.4%.

For the full year, Asia Pacific Fibre Cement EBIT increased 35% from US$58.7 million to US$79.4 million, of which 13% was attributed to appreciation of the Asia Pacific business' currencies compared to the US dollar. In Australian dollars, Asia Pacific Fibre Cement EBIT increased 22% primarily due to an increase in average net sales price, higher sales volume, lower fixed unit cost of manufacturing as fixed costs were spread over higher production volume and improved manufacturing performance, partially offset by higher input costs (primarily pulp) and a mechanical failure in the Philippines facility that temporarily halted production during the second quarter. The EBIT margin was 2.7 percentage points higher at 22.5%.

General Corporate Costs

General corporate costs for the quarter decreased 32% from US$8.5 million to US$5.8 million when compared to the previous corresponding quarter. For the full year, general corporate costs decreased 37% from US$42.9 million to US$26.9 million. General corporate costs for the current financial year have been materially impacted by US$10.3 million recovered from third parties in respect of prior period ASIC expenses.

For the quarter, ASIC expenses decreased from US$1.8 million in the fourth quarter of the prior year to US$0.8 million in the current quarter. For the full year, ASIC expenses moved from an expense of US$3.4 million in the prior year to a benefit of US$8.7 million in the current year.

General corporate costs excluding ASIC expenses and domicile change related costs for the quarter decreased from US$6.0 million in the corresponding quarter of the prior year to US$5.0 million in the current quarter. General corporate costs excluding ASIC expenses and domicile change related costs for the full year increased from US$30.4 million in the prior year to US$33.8 million in the current year. The increase in general corporate costs excluding ASIC expenses and domicile change related costs for the full year is primarily attributed to a US$7.6 million non-recurring write-back of a legal provision recognised in the prior year.

Net Interest Expense

Net interest expense decreased from US$2.1 million in the corresponding quarter of the prior year to US$1.1 million in the current quarter. Net interest expense for the quarter includes a realised loss of US$1.1 million on interest rate swaps, and interest and borrowing costs of US$1.5 million relating to the company's external credit facilities, partially offset by AICF interest income of US$1.9 million. Net interest expense for the corresponding quarter of the prior year included a realised loss of US$1.3 million on interest rate swaps and AICF interest income of US$0.7 million.

For the full year, net interest expense increased from US$4.0 million in the prior year to US$4.4 million. Net interest expense for the full year includes a realised loss of US$3.9 million on interest rate swaps and interest and borrowing costs relating to the company's external credit facilities of US$5.0 million, partially offset by AICF interest income of US$4.3 million. Net interest expense for the full year ended 31 March 2010 includes a realised loss on interest rate swaps of US$2.5 million and interest and borrowing costs relating to the company's external credit facilities of US$2.2 million, partially offset by AICF interest income of US$3.3 million.

Other Income (Expense)

For the quarter, other income increased from US$0.3 million in the corresponding quarter of the prior year to US$0.9 million in the current quarter. Other income for the corresponding quarter of the prior year included a realised gain of US$2.0 million arising from the sale of restricted short-term investments held by AICF. In addition, the change in the fair value of interest rate swap contracts resulted in an unrealised gain of US$0.8 million in the most recent quarter and an unrealised loss of US$1.7 million in the corresponding quarter of the prior year.

For the full year, other expense moved from income of US$6.3 million in the prior year to an expense of US$3.7 million in the current year. This movement is primarily due to an unrealised loss resulting from a change in the fair value of interest rate swap contracts of US$3.8 million in the current year, compared to an unrealised loss of US$0.4 million for the prior year. In addition, a realised gain of US$6.7 million was recognised in the previous financial year, which resulted from the sale of restricted short-term investments held by AICF that did not recur in the current period.

Income Tax

Income Tax Expense

Income tax expense for the quarter increased from US$12.3 million to US$52.4 million and from US$66.2 million to US$443.6 million for the full year, as further explained below. The company's effective tax rate on earnings excluding asbestos and tax adjustments was 25.7% for the quarter, compared to 31.6% for the corresponding quarter of the prior year, and 31.1% for the full year, compared to 34.4% for the prior year. The change in effective tax rate excluding asbestos and tax adjustments compared with last year is attributable to changes in the geographic mix of earnings and expenses, and reductions in non-tax deductible expenses.

Tax Adjustments

The company recorded unfavourable tax adjustments of US$34.8 million and US$380.7 million for the quarter and full year, respectively, compared to unfavourable tax adjustments of US$1.1 million and favourable tax adjustments of US$2.9 million for the quarter and full year of the prior year, respectively. Income tax expense in the quarter and full year reflect a US$32.6 million tax charge arising from the company's corporate structure simplification, as announced on 17 May 2011, and adjustments in the value of provisions for uncertain tax positions. In addition, income tax expense for the full year reflects adjustments arising from the disputed amended assessment with the ATO (refer below).

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. On 1 September 2010, the Federal Court dismissed RCI's appeal.

Prior to the Federal Court's decision on RCI's appeal, the company believed it was more-likely-than-not that the tax position reported in RCI's tax return for the 1999 financial year would be upheld on appeal. As a result, until 31 August 2010, the company treated the payment of 50% of the amended assessment, general interest charges (GIC) and interest accrued on amounts paid to the ATO with respect to the amended assessment as a deposit on its consolidated balance sheet.

As a result of the Federal Court's decision, the company re-assessed its tax position with respect to the amended assessment and concluded that the 'more-likely-than-not' recognition threshold as prescribed by US GAAP was no longer met. Accordingly, effective 1 September 2010, the company removed the deposit with the ATO from its consolidated balance sheet and recognised a non-cash expense of US$345.2 million (A$388.0 million) on its consolidated statement of operations for the full year ended 31 March 2011. In addition, the company recognised an uncertain tax position of US$190.4 million (A$184.3 million) on its consolidated balance sheet relating to the unpaid portion of the amended assessment.

RCI strongly disputes the amended assessment and is pursuing an appeal of the Federal Court's judgment. RCI's appeal was heard from 16 May 2011 to 18 May 2011 before the Full Court of the Federal Court of Australia.

Prospectively, the company will expense future payments of GIC to the ATO until RCI ultimately prevails on the matter or the remaining outstanding balance of the amended assessment is paid.

Net Operating Profit (Loss)

Net operating loss for the quarter was US$1.8 million, compared to US$2.3 million for the corresponding quarter of the prior year. Net operating profit excluding asbestos, ASIC expenses and tax adjustments increased 41% from US$23.7 million to US$33.3 million for the quarter as shown in the table below.

For the full year, net operating loss was US$347.0 million, compared to US$84.9 million for the prior year. Net operating profit excluding asbestos, ASIC expenses and tax adjustments decreased 12% from US$133.0 million to US$116.7 million for the full year as shown in the table below.

	Three Months and Full Year Ended 31 March					
Net Operating Profit — US$ millions	Q4 FY11	Q4 FY10	% Change	FY11	FY10	% Change
Net operating loss	$ (1.8)	$ (2.3)	22	$(347.0)	$ (84.9)	—
Excluding:						
Asbestos:						
Asbestos adjustments	(5.3)	24.2	—	85.8	224.2	(62)
AICF SG&A expenses	0.5	0.5	—	2.2	2.1	5
AICF interest income	(1.9)	(0.7)	—	(4.3)	(3.3)	(30)
Gain on AICF investments	—	(2.0)	—	—	(6.7)	—
Tax expense related to asbestos adjustments	6.3	1.1	—	6.9	1.1	—
ASIC related expenses (recoveries)	0.7	1.8	(60)	(7.6)	3.4	—
Tax adjustments[1]	34.8	1.1	—	380.7	(2.9)	—
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**$ 33.3**	**$ 23.7**	**41**	**$ 116.7**	**$133.0**	**(12)**

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million for the current quarter and full year arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

Cash Flow

Net operating cash flow declined US$35.9 million from US$183.1 million in the prior year to US$147.2 million for the full year. Net operating cash flow included a contribution of US$63.7 million to AICF on 1 July 2010, compared with nil in the prior year.

Excluding the contribution to AICF, net operating cash flow was US$210.9 million for the full year, an increase of 15% from US$183.1 million in the prior year. The increase in net operating cash flow was primarily due to reductions in trade receivables during the year ended 31 March 2011, partially offset by a decline in earnings from operations relative to the prior year and a payment of US$18.6 million for taxes on re-domicile from The Netherlands to Ireland.

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, 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.

For the full year ended 31 March 2011, net capital expenditures were US$50.3 million, down slightly from US$50.5 million in the prior year.

Liquidity and Capital Resources

At 31 March 2011, the company had net debt of US$40.4 million, a decrease of US$94.4 million, compared to net debt of US$134.8 million at 31 March 2010.

Excluding restricted cash, the company had cash and cash equivalents of US$18.6 million at 31 March 2011. At that date, it also had credit facilities totalling US$320.0 million, of which US$59.0 million was drawn. The credit facilities are all uncollateralised and consist of the following:

Description	Effective Interest Rate	At 31 March 2011 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 September 2012	—	$ 50.0	$ —
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	1.02%	90.0	59.0
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2014	—	50.0	—
Total		**$ 320.0**	**$ 59.0**

On 16 June 2010, US$161.7 million of the company's term facilities matured, which included US$95.0 million of term facilities that were outstanding at 31 March 2010. The company did not refinance these facilities; accordingly, amounts outstanding under these facilities were repaid by using longer-term facilities.

The company replaced term facilities in the amount of US$45.0 million that matured in February 2011 with new term facilities totaling US$100.0 million. These facilities became available to the company in February 2011. US$50.0 million of these facilities mature in September 2012 and US$50.0 million of these facilities mature in February 2014. At 31 March 2011, no amounts were outstanding under these new term facilities.

The company draws on and repays amounts available under its term facilities throughout the financial year. During the full year, the company drew down US$460.0 million and repaid US$555.0 million of its term facilities. The weighted average remaining term of the total credit facilities of US$320.0 million at 31 March 2011 was 1.9 years.

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 and anticipated operating cash flows arising during the year. The company anticipates that any additional cash requirements will be met from unutilised committed credit facilities and anticipated future net operating cash flow.

Asbestos Compensation

On 9 December 2010, AICF, Amaca, Amaba and ABN 60 entered into a secured loan facility with The State of New South Wales, Australia whereby AICF may borrow, subject to certain conditions, up to an aggregate amount of A$320.0 million (US$330.7 million, based on the exchange rate at 31 March 2011). In accordance with the terms of the Facility, drawings under the Facility may only be used by AICF to fund the payment of asbestos claims and certain operating and legal costs of AICF, Amaca, Amaba and ABN 60.

The term of the Facility expires on 1 November 2030, at which time all amounts outstanding under the Facility become due and payable. As of 19 May 2011, all substantive conditions precedent to drawdown of the facility have been satisfied with only procedural matters remaining. There are no amounts outstanding under the Facility. Further, from the time of signing through 19 May 2011, there have not been any drawings on the Facility by AICF.

Any drawings, repayments, or payments of accrued interest under the Facility by AICF will not impact the company's net operating cash flow, as defined in the AFFA, on which annual contributions remitted by the company to AICF are based. James Hardie Industries SE and its wholly-owned subsidiaries are not a party to, guarantor of, or security provider in respect of the Facility.

Readers are referred to Note 11 of the company's 31 March 2011 Consolidated Financial Statements for further information on the secured loan facility.

During the current financial year, the company made a contribution of US$63.7 million (A$72.8 million) to AICF. James Hardie anticipates it will make a further contribution of approximately US$51.5 million to AICF on 1 July 2011. This amount represents 35% of the company's free cash flow for financial year 2011, as defined by the AFFA. Since AICF was established in February 2007, the company has contributed A$375 million to the fund.

END

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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 an audio webcast of the Management Presentation on 19 May 2011, 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 2010 with the Securities and Exchange Commission on 30 June 2010.

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

Non-financial Terms

ABS — Australian Bureau of Statistics.

AFFA — Amended and Restated Final Funding Agreement. In February 2007, the company's shareholders approved the AFFA entered into on 21 November 2006 to provide long-term funding to Asbestos Injuries Compensation Fund (AICF).

AICF — Asbestos Injuries Compensation Fund Ltd; formed in 2006 to implement and administer the agreement between the company and the New South Wales Government, whereby the company committed to funding a new trust which would pay compensation awarded against the former James Hardie companies Amaca, Amaba and ABN 60. The agreement is set out in the Amended and Restated Final Funding Agreement (AFFA). The company has no legal ownership in AICF. The company consolidates AICF due to its pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA.

ASIC — Austrialian Securities and Investments Commission.

ASIC — Austrialian Taxation Office

NBSK — Northern Bleached Softwood Kraft; the company's benchmark grade of pulp.

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 2011	Q4 FY 2010	FY 2011	FY 2010
EBIT	$ 50.8	$ 11.8	$ 104.7	$ (21.0)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
ASIC related expenses (recoveries)	0.8	1.8	(8.7)	3.4
EBIT excluding asbestos and ASIC expenses	46.8	38.3	184.0	208.7
Net sales	$288.4	$274.9	$1,167.0	$1,124.6
EBIT margin excluding asbestos and ASIC expenses	16.2%	13.9%	15.8%	18.6%

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 2011	Q4 FY 2010	FY 2011	FY 2010
Net operating loss	$ (1.8)	$ (2.3)	$(347.0)	$ (84.9)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
AICF interest income	(1.9)	(0.7)	(4.3)	(3.3)
Gain on AICF investments	—	(2.0)	—	(6.7)
Tax expense related to asbestos adjustments	6.3	1.1	6.9	1.1
ASIC related expenses (recoveries)	0.7	1.8	(7.6)	3.4
Tax adjustments[1]	34.8	1.1	380.7	(2.9)
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 33.3	$ 23.7	$ 116.7	$133.0

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

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 2011	Q4 FY 2010	FY 2011	FY 2010
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 33.3	$ 23.7	$116.7	$133.0
Weighted average common shares outstanding — Diluted (millions)	437.7	438.9	437.5	436.8
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	7.6	5.4	26.7	30.5

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 2011	Q4 FY 2010	FY 2011	FY 2010
Operating profit (loss) before income taxes	$ 50.6	$ 10.0	$ 96.6	$ (18.7)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
AICF interest income	(1.9)	(0.7)	(4.3)	(3.3)
Gain on AICF investments	—	(2.0)	—	(6.7)
Operating profit before income taxes excluding asbestos	$ 43.9	$ 32.0	$ 180.3	$197.6
Income tax expense	(52.4)	(12.3)	(443.6)	(66.2)
Asbestos:				
Tax expense related to asbestos adjustments	6.3	1.1	6.9	1.1
Tax adjustments[1]	34.8	1.1	380.7	(2.9)
Income tax expense excluding tax adjustments	(11.3)	(10.1)	(56.0)	(68.0)
Effective tax rate excluding asbestos and tax adjustments	25.7%	31.6%	31.1%	34.4%

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

Adjusted EBITDA — Adjusted 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 adjusted EBITDA in the same manner as James Hardie has and, accordingly, adjusted EBITDA may not be comparable with other companies. The company has included information concerning adjusted 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 2011	Q4 FY 2010	FY 2011	FY 2010
EBIT	$ 50.8	$ 11.8	$104.7	$(21.0)
Depreciation and amortisation	16.0	16.1	62.9	61.7
Adjusted EBITDA	$ 66.8	$ 27.9	$167.6	$ 40.7

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 2011	Q4 FY 2010	FY 2011	FY 2010
General corporate costs	$ 5.8	$ 8.5	$ 26.9	$ 42.9
Excluding:				
ASIC related (expenses) recoveries	(0.8)	(1.8)	8.7	(3.4)
Domicile change related costs	—	(0.7)	(1.8)	(9.1)
General corporate costs excluding ASIC expenses and domicile change related costs	$ 5.0	$ 6.0	$ 33.8	$ 30.4

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 financial year 2006 and believes that security holders will do the same.

As set forth in Note 11 of the 31 March 2011 Consolidated Financial Statements, the net AFFA 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-US GAAP and are not intended to be used or viewed in any respect as substitutes for the company's US GAAP consolidated financial statements. These non-US GAAP measures should only be viewed as a supplement to reported US GAAP financial statements, and, in all cases, the corresponding US GAAP amounts are shown on the same line as the non-US GAAP measure, to avoid any possible confusion.

The following tables should be read in conjunction with JHI SE's financial statements and related notes contained in the company's 31 March 2011 Consolidated Financial Statements.

James Hardie Industries SE
Consolidated Balance Sheet
31 March 2011 (unaudited)

US$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
ASSETS			
Current assets			
Cash and cash equivalents	$ 250.3	$ (231.7)	$ 18.6
Restricted cash and cash equivalents	0.8	—	0.8
Restricted cash and cash equivalents — Asbestos	—	56.1	56.1
Restricted short-term investments — Asbestos	—	5.8	5.8
Accounts and other receivables, net of allowance for doubtful accounts of $2.7 million	137.9	0.2	138.1
Inventories	161.5	—	161.5
Prepaid expenses and other current assets	31.3	0.3	31.6
Insurance receivable — Asbestos	—	13.7	13.7
Workers' compensation — Asbestos	—	0.3	0.3
Deferred income taxes	21.1	—	21.1
Deferred income taxes — Asbestos	—	10.5	10.5
Total current assets	**602.9**	**(144.8)**	**458.1**
Restricted cash and cash equivalents	4.5	—	4.5
Property, plant and equipment, net	705.3	2.4	707.7
Insurance receivable — Asbestos	—	188.6	188.6
Workers' compensation — Asbestos	—	90.4	90.4
Deferred income taxes	27.3	—	27.3
Deferred income taxes — Asbestos	—	451.4	451.4
Other assets	32.6	—	32.6
Total assets	**$ 1,372.6**	**$ 588.0**	**$ 1,960.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	$ 105.1	$ 1.3	$ 106.4
Accrued payroll and employee benefits	40.6	0.3	40.9
Accrued product warranties	6.1	—	6.1
Income taxes payable	(14.7)	18.6	3.9
Asbestos liability	—	111.1	111.1
Workers' compensation — Asbestos	—	0.3	0.3
Other liabilities	53.8	—	53.8
Total current liabilities	**190.9**	**131.6**	**322.5**
Long-term debt	59.0	—	59.0
Deferred income taxes	108.1	—	108.1
Accrued product warranties	20.1	—	20.1
Asbestos liability	—	1,587.0	1,587.0
Workers' compensation — Asbestos	—	90.4	90.4
Australian Taxation Office — amended assessment	190.4	—	190.4
Other liabilities	35.1	2.5	37.6
Total liabilities	**603.6**	**1,811.5**	**2,415.1**
Commitments and contingencies			
Shareholders' equity (deficit)			
Common stock	222.5	—	222.5
Additional paid-in capital	52.5	—	52.5
Retained earnings (accumulated deficit)	441.3	(1,226.0)	(784.7)
Accumulated other comprehensive income	52.7	2.5	55.2
Total shareholders' equity (deficit)	769.0	(1,223.5)	(454.5)
Total liabilities and shareholders' equity (deficit)	**$ 1,372.6**	**$ 588.0**	**$ 1,960.6**

James Hardie Industries SE
Consolidated Statement of Operations
For the year ended 31 March 2011
(unaudited)

US$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
Net Sales	$ 1,167.0	$ —	$ 1,167.0
Cost of goods sold	(775.1)	—	(775.1)
Gross profit	391.9	—	391.9
Selling, general and administrative expenses	(171.2)	(2.2)	(173.4)
Research and development expenses	(28.0)	—	(28.0)
Asbestos adjustments	—	(85.8)	(85.8)
EBIT	192.7	(88.0)	104.7
Net Interest (expense) income	(8.7)	4.3	(4.4)
Other expense	(3.7)	—	(3.7)
Operating profit before income taxes	180.3	(83.7)	96.6
Income tax expense[1]	(436.7)	(6.9)	(443.6)
Net Operating Loss	**$ (256.4)**	**$ (90.6)**	**$ (347.0)**

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

James Hardie Industries SE
Consolidated Statement of Cash Flows
For the year ended 31 March 2011
(unaudited)

US$ Millions	Total Fibre Cement Operations- excluding Asbestos Compensation	Asbestos Compensation	As Reported
Cash Flows from Operating Activities			
Net loss	(256.4)	(90.6)	$ (347.0)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortisation	62.9	—	62.9
Deferred income taxes	(28.8)	6.9	(21.9)
Prepaid pension cost	1.3	—	1.3
Stock-based compensation	9.1	—	9.1
Asbestos adjustments	—	85.8	85.8
Tax benefit from stock options exercised	(0.4)	—	(0.4)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	—	63.3	63.3
Restricted short-term investments	—	9.7	9.7
Payment to the AICF	—	(63.7)	(63.7)
Accounts and other receivables	25.2	(0.3)	24.9
Inventories	(8.1)	—	(8.1)
Prepaid expenses and other assets	6.3	—	6.3
Insurance receivable — Asbestos	—	22.9	22.9
Accounts payable and accrued liabilities	(7.6)	(0.1)	(7.7)
Asbestos liability	—	(97.8)	(97.8)
Deposit with Australian Taxation Office	254.3	—	254.3
Australian Taxation Office — amended assessment	190.4	—	190.4
Other accrued liabilities	(37.3)	0.2	(37.1)
Net cash provided by (used in) operating activities	$ 210.9	$ (63.7)	$ 147.2
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	(50.3)	—	(50.3)
Proceeds from sale of property, plant and equipment	0.7	—	0.7
Net cash used in investing activities	$ (49.6)	$ —	$ (49.6)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	460.0	—	460.0
Repayments of long-term borrowings	(555.0)	—	(555.0)
Proceeds from issuance of shares	4.9	—	4.9
Tax benefit from stock options exercised	0.4	—	0.4
Net cash used in financing activities	$ (89.7)	$ —	$ (89.7)
Effect of exchange rate changes on cash	(8.5)	—	(8.5)
Net increase (decrease) in cash and cash equivalents	63.1	(63.7)	(0.6)
Cash and cash equivalents at beginning of period	19.2	—	19.2
Cash and cash equivalents at end of period	$ 82.3	$ (63.7)	$ 18.6
Components of Cash and Cash Equivalents			
Cash at bank and on hand	73.2	(63.7)	9.5
Short-term deposits	9.1	—	9.1
Cash and cash equivalents at end of period	$ 82.3	$ (63.7)	$ 18.6

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 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 and share buy-back;
- 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 AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;
- expectations concerning indemnification obligations;
- statements about product or environmental liabilities; and
- statements about economic conditions, such as economic or housing recovery, the levels of new home construction, unemployment levels, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "likely," "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 current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the company's control. 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 30 June 2010, 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 AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; seasonal fluctuations in the demand for our products; 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; the potential that competitors could copy our products; 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; compliance with and changes in laws and regulations; the effect of the company's transfer of its corporate domicile from The Netherlands to Ireland to become an Irish SE including employee relations, changes in corporate governance, potential tax benefits and the effect of any negative publicity; 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, Irish 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

Q4 FY11 Management Presentation

19 May 2011

Disclaimer

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- 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;
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- statements about product or environmental liabilities; and
- statements about economic conditions, such as economic or housing recovery, the levels of new home construction, unemployment levels, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence.

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James Hardie

Agenda

- 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 49. 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 ASIC expenses and domicile change related costs"). Unless otherwise stated, results and comparisons are of the 4th quarter and full year of the current fiscal year versus the 4th quarter and full year of the prior fiscal year.

Operating Review

Louis Gries, CEO

Group Overview

- The net operating result excluding asbestos, ASIC expenses and tax adjustments, which includes withholding tax of US$32.6 million, for the 4th quarter ended 31 March 2011 increased 41% to US$33.3 million
- The 4th quarter operating result reflects the seasonal slowdown and continuing difficult conditions in the US housing market and a stronger contribution by the Asia Pacific businesses
- For the full year, the net operating result, excluding asbestos, ASIC expenses and tax adjustments decreased 12% to US$116.7 million

US$ Millions	Q4 FY 2011	Q4 FY 2010	% Change	FY 11	FY 10	% Change
Net operating loss	(1.8)	(2.3)	22	(347.0)	(84.9)	-
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**33.3**	**23.7**	41	**116.7**	**133.0**	(12)
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	7.6	5.4	41	26.7	30.5	(12)

USA and Europe Fibre Cement

4th Quarter Result *

Net Sales	flat	at US$197.7 million
Sales Volume	down	2% to 308.8 mmsf
Average Price	up	2% to US$640 per msf
EBIT	up	11% to US$38.5 million
EBIT Margin	up	1.8 pts to 19.5%

*Comparisons are of the 4th quarter of fiscal year 2011 versus the 4th quarter of the prior fiscal year

USA and Europe Fibre Cement

Full Year Result *

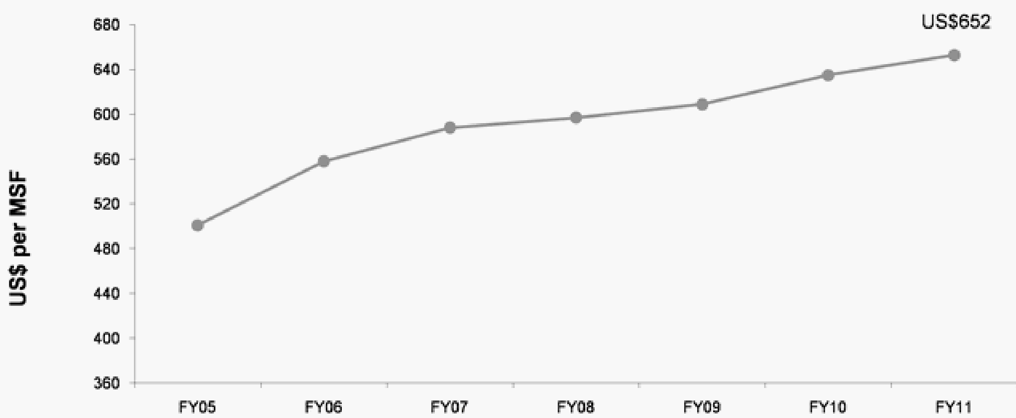
Net Sales	down	2% to US$814.0 million
Sales Volume	down	4% to 1,248.0 mmsf
Average Price	up	3% to US$652 per msf
EBIT	down	23% to US$160.3 million
EBIT Margin	down	5.5 pts to 19.7%

*Comparisons are of the full year results fiscal year 2011 versus the full year results of the prior fiscal year

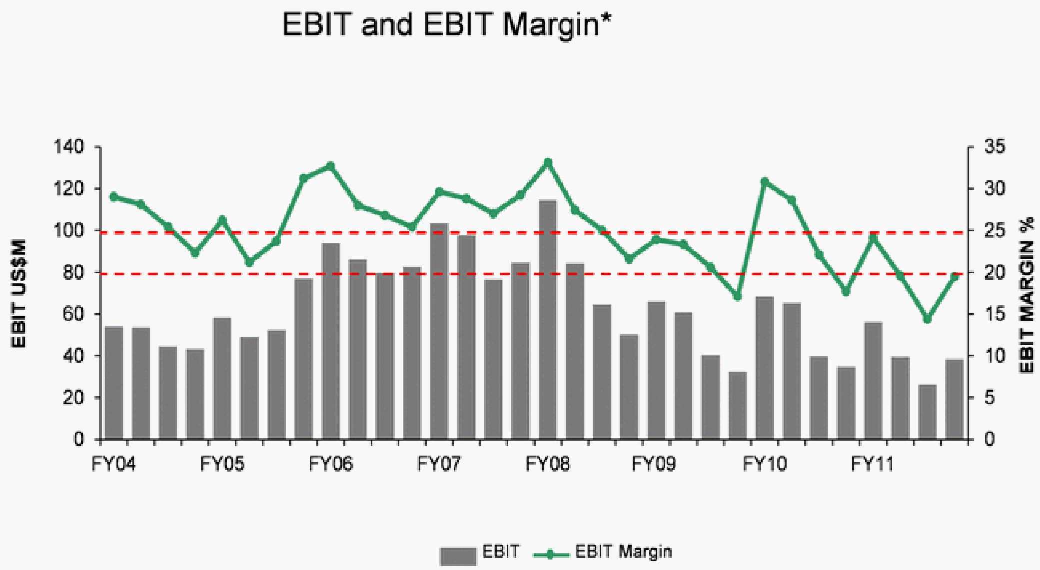
James Hardie

USA and Europe Fibre Cement

Average Net Sales Price



USA and Europe Fibre Cement

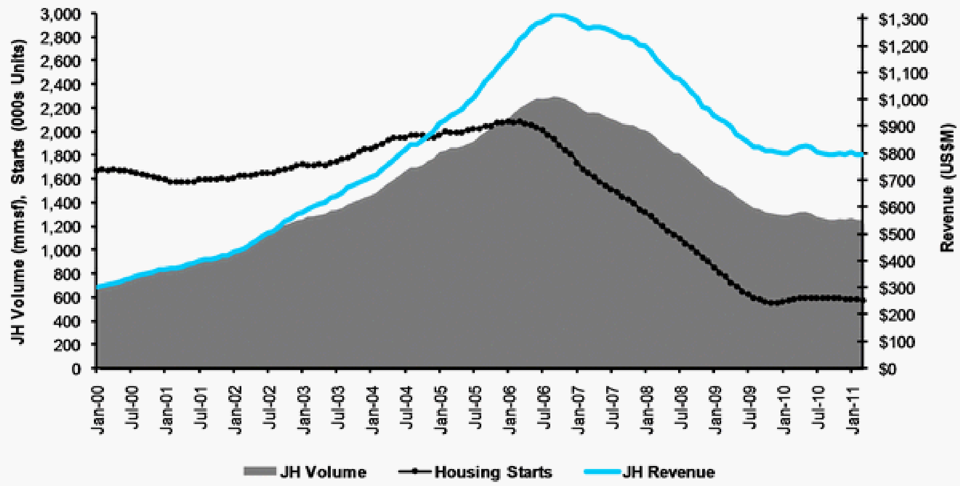


* Excludes impairment charges of US$45.6 million in Q4 FY08

James Hardie

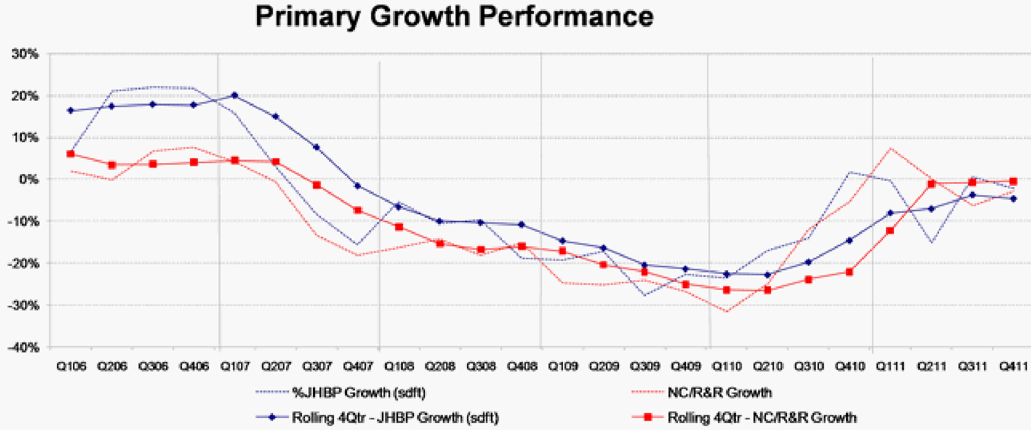
USA Fibre Cement

Top Line Growth



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

USA and Europe Fibre Cement



All market and market share figures are management estimates.

Asia Pacific Fibre Cement

4th Quarter Result *

Net Sales	up	16% to US$90.7 million
Sales Volume	up	5% to 102.1 mmsf
Average Price	flat	at A$883 per msf
EBIT	up	36% to US$19.4 million
EBIT Margin	up	3.1 pts to 21.4%

*Comparisons are of the 4th quarter of fiscal year 2011 versus the 4th quarter of the prior fiscal year

Asia Pacific Fibre Cement

Full Year Result *

Net Sales	up	19% to US$353.0 million
Sales Volume	up	5% to 407.8 mmsf
Average Price	up	2% to A$916 per msf
EBIT	up	35% to US$79.4 million
EBIT Margin	up	2.7 pts to 22.5%

*Comparisons are of the full year results fiscal year 2011 versus the full year results of the prior fiscal year

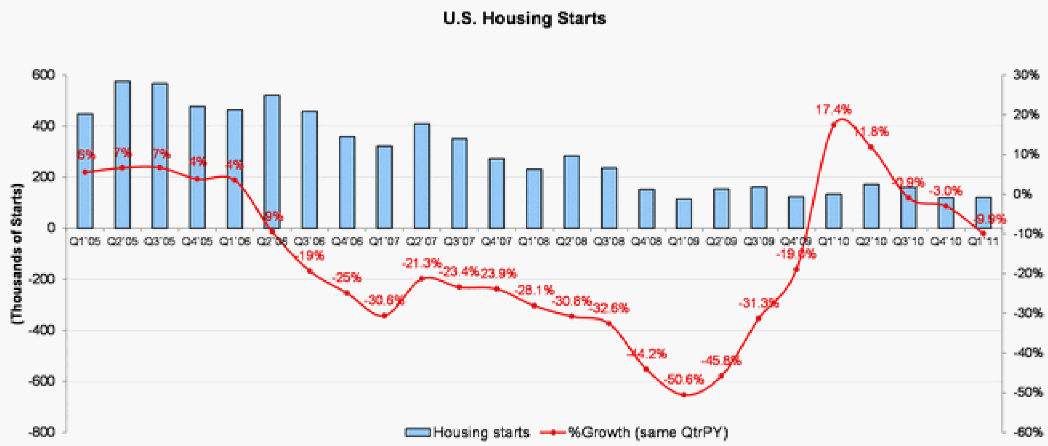
Group 4th Quarter Summary *

- USA and Europe Fibre Cement business results reflected:
  - Higher average net sales price
  - Lower SG&A expenses
  - Lower sales volume
  - Increased pulp and freight costs
  - A continuing challenging operating environment
- Asia Pacific Fibre Cement business results reflected:
  - Higher sales volume
  - Rises in Australian mortgage interest rates
  - Continued wet weather along Australia's eastern seaboard
  - Higher input costs, particularly pulp
  - Increased sales of differentiated product
  - The appreciation of Asia Pacific business currencies against the US dollar

*Comparisons are of the 4th quarter of fiscal year 2011 versus the 4th quarter of the prior fiscal year

Total USA Housing Starts – US Census Bureau

- US housing starts data remained weak in the fourth quarter



James Hardie

Group Outlook

United States

- Despite some recovery in the broader US economy, the US residential housing construction market remains constrained, in particular, by the lack of stability in house values
- Activity in the US residential market is expected to remain relatively flat this year, with no substantive evidence emerging that a sustainable recovery has commenced
- Input costs are expected to remain high with pulp prices forecast to remain at or above US$1,000 per ton. Freight costs are also rising

Asia Pacific

- Australia: Higher mortgage interest rates, along with the cessation of government social housing building programs, continues to dampen activity. FY12 starts are expected to be lower than in FY11
- Philippines: Domestic demand continues to provide a robust operating environment
- New Zealand: Activity is extremely weak with housing starts falling to historic lows

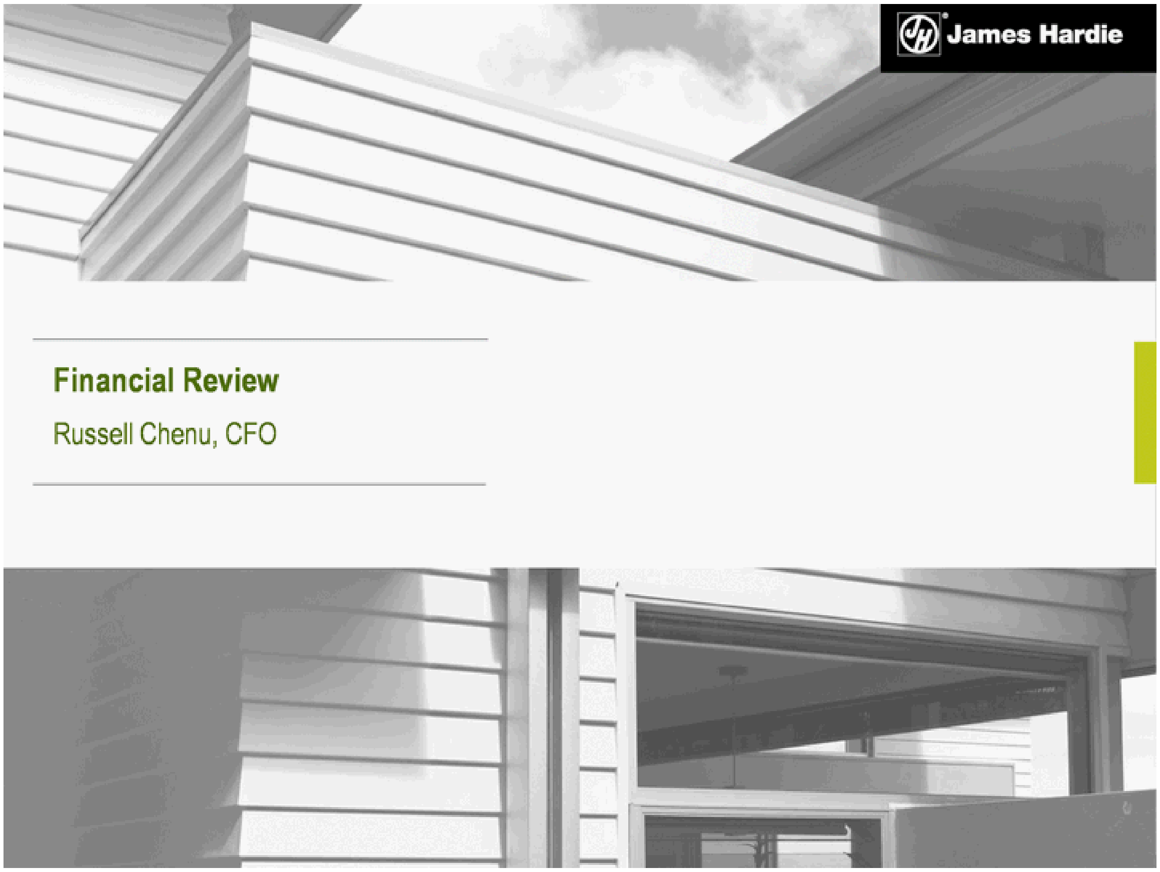
Group Outlook

Key Priorities

- The company's key medium term priorities in the US are:
  - Grow primary demand and exterior cladding market share – with focus on repair and remodel and non-metro markets
  - Increase market penetration of our ColorPlus® products

Overall Group Strategy

- The company remains focussed on:
  - Delivering primary demand growth
  - Continuing to shift to a higher value product mix
  - Increasing manufacturing efficiency
  - Building the operational strength and flexibility to deliver and sustain earnings in a low demand environment and increase output should a stronger than expected recovery eventuate


James Hardie
Financial Review
Russell Chenu, CFO

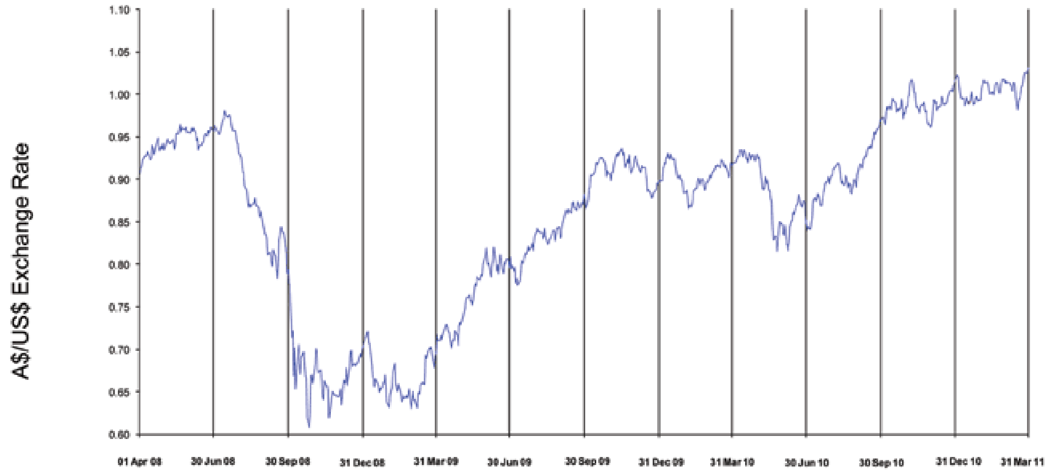
James Hardie

Overview

Operations

- Results for the full year reflect the weak US housing construction market, partially offset by the strong performance of the Asia Pacific businesses and lower SG&A expenses
- Strong net cash flow generation in the full year has enabled a further reduction in net debt by US$94.4 million to US$40.4 million since March 2010
- The reduced level of debt, along with a reduction in the number of company specific contingencies and a strengthened confidence in the business' ability to adapt and meet the challenges of the continuing tough operating environment has enabled the Board to announce the resumption of an active approach to capital management
- Reinstatement of dividends in FY12 – 20% to 30% payout ratio
- Share buyback of up to 5% of issued capital

Consequences of changes – A$ versus US$



	Earnings	Balance Sheet
▪ Favourable impact from translation of Asia Pacific results – Q4 FY11 vs Q4 FY10	√	
▪ Unfavourable impact from corporate costs incurred in Australian dollars – Q4 FY11 vs Q4 FY10	√	
▪ Unfavourable impact from translation of asbestos liability balance – 31 March 2011 vs 31 March 2010	√	√

James Hardie

Results – Q4

US$ Millions	Q4 '11	Q4 '10	% Change
Net sales	288.4	274.9	5
Gross profit	96.9	91.4	6
SG&A expenses	(43.0)	(48.5)	11
Research & development expenses	(8.4)	(6.9)	(22)
Asbestos adjustments	5.3	(24.2)	-
EBIT	**50.8**	**11.8**	**-**
Net interest expense	(1.1)	(2.1)	48
Other income	0.9	0.3	-
Income tax expense [1]	(52.4)	(12.3)	-
Net operating loss	**(1.8)**	**(2.3)**	**22**

[1] Includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year

Results – Q4 (continued)

US$ Millions	Q4 '11	Q4 '10	% Change
Net operating loss	(1.8)	(2.3)	22
Asbestos:			
Asbestos adjustments	(5.3)	24.2	-
Other asbestos [1]	(1.4)	(2.2)	36
Tax expense related to asbestos adjustments	6.3	1.1	-
ASIC related expenses	0.7	1.8	(60)
Tax adjustments [2]	34.8	1.1	-
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**33.3**	**23.7**	41

1 Includes AICF SG&A, interest income and gain on investments

2 Includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year

James Hardie

Results – Full Year

US$ Millions

	FY2011	FY2010	% Change
Net sales	1,167.0	1,124.6	4
Gross profit	391.9	416.1	(6)
SG&A expenses	(173.4)	(185.8)	7
Research & development expenses	(28.0)	(27.1)	(3)
Asbestos adjustments	(85.8)	(224.2)	62
EBIT	**104.7**	**(21.0)**	**-**
Net interest expense	(4.4)	(4.0)	(10)
Other (expense) income	(3.7)	6.3	-
Income tax expense [1]	(443.6)	(66.2)	-
Net operating loss	**(347.0)**	**(84.9)**	**-**

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

James Hardie

Results – Full Year (continued)

US$ Millions	FY2011	FY2010	% Change
Net operating loss	(347.0)	(84.9)	-
Asbestos:			
Asbestos adjustments	85.8	224.2	(62)
Other asbestos [1]	(2.1)	(7.9)	-
Tax expense related to asbestos adjustments	6.9	1.1	-
ASIC related (recoveries) expenses	(7.6)	3.4	-
Tax adjustments [2]	380.7	(2.9)	-
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	**116.7**	**133.0**	**(12)**

1 Includes AICF SG&A, interest income and gain on investments.

2 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

James Hardie

Segment Net Sales – Q4

US$ Millions

	Q4 '11	Q4 '10	% Change
USA and Europe Fibre Cement	197.7	196.8	-
Asia Pacific Fibre Cement	90.7	78.1	16
Total	**288.4**	**274.9**	**5**

James Hardie

Segment Net Sales – Full Year

US$ Millions

	FY2011	FY2010	% Change
USA and Europe Fibre Cement	814.0	828.1	(2)
Asia Pacific Fibre Cement	353.0	296.5	19
Total	**1,167.0**	**1,124.6**	**4**

Segment EBIT – Q4

US$ Millions

	Q4 '11	Q4 '10	% Change
USA and Europe Fibre Cement	38.5	34.8	11
Asia Pacific Fibre Cement	19.4	14.3	36
Research & development[1]	(6.1)	(4.1)	(49)
Total segment EBIT	51.8	45.0	15
General corporate excluding asbestos and ASIC expenses	(5.0)	(6.7)	25
Total EBIT excluding asbestos and ASIC expenses	**46.8**	**38.3**	**22**
Asbestos adjustments	5.3	(24.2)	-
AICF SG&A expenses	(0.5)	(0.5)	-
ASIC expenses	(0.8)	(1.8)	55
Total EBIT	50.8	11.8	-

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

James Hardie

Segment EBIT – Full Year

US$ Millions

	FY 2011	FY 2010	% Change
USA and Europe Fibre Cement	160.3	208.5	(23)
Asia Pacific Fibre Cement	79.4	58.7	35
Research & development[1]	(20.1)	(19.0)	(6)
Total segment EBIT	219.6	248.2	(12)
General corporate excluding asbestos and ASIC expenses	(35.6)	(39.5)	10
Total EBIT excluding asbestos and ASIC expenses	**184.0**	**208.7**	**(12)**
Asbestos adjustments	(85.8)	(224.2)	62
AICF SG&A expenses	(2.2)	(2.1)	(5)
ASIC expenses	8.7	(3.4)	-
Total EBIT	104.7	(21.0)	-

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

Income Tax Expense – Q4

US$ Millions	Q4 '11	Q4 '10
Operating profit before income taxes	50.6	10.0
Asbestos:		
Asbestos adjustments	(5.3)	24.2
Other asbestos [1]	(1.4)	(2.2)
Operating profit before income taxes excluding asbestos	43.9	32.0
Income tax expense		
Asbestos:	(52.4)	(12.3)
Tax expense related to asbestos adjustments	6.3	1.1
Tax adjustments [2]	34.8	1.1
Income tax expense excluding tax adjustments	(11.3)	(10.1)
Effective tax rate excluding asbestos and tax adjustments	25.7%	31.6%

1 Includes AICF SG&A, interest income and gain on investments

2 Includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year

Income Tax Expense – Full Year

US$ Millions	FY 2011	FY 2010
Operating profit (loss) before income taxes	96.6	(18.7)
Asbestos:		
Asbestos adjustments	85.8	224.2
Other asbestos [1]	(2.1)	(7.9)
Operating profit before income taxes excluding asbestos	180.3	197.6
Income tax expense	(443.6)	(66.2)
Asbestos:		
Tax expense related to asbestos adjustments	6.9	1.1
Tax adjustments [2]	380.7	(2.9)
Income tax expense excluding tax adjustments	(56.0)	(68.0)
Effective tax rate excluding asbestos and tax adjustments	31.1%	34.4%

1 Includes AICF SG&A, interest income and gain on investments.

2 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

James Hardie

Cash Flow

US$ Millions	FY 2011	FY 2010
EBIT	**104.7**	**(21.0)**
Non-cash items:		
Asbestos adjustments	85.8	224.2
Other non-cash items	51.0	87.8
Net working capital movements	19.3	5.0
Cash Generated By Trading Activities	**260.8**	**296.0**
Tax payments	(38.7)	(48.5)
Change in asbestos-related assets & liabilities	(2.1)	(27.9)
Payment to the AICF	(63.7)	-
Deposit with ATO	-	(29.3)
Interest paid (net)	(9.1)	(7.2)
Net Operating Cash Flow	**147.2**	**183.1**
Purchases of property, plant & equipment	(50.3)	(50.5)
Proceeds from sale of property, plant & equipment	0.7	-
Equity issued	5.3	11.0
Effect of exchange rate on cash	(8.5)	3.2
Movement In Net Cash	**94.4**	**146.8**
Beginning Net Debt	(134.8)	(281.6)
Ending Net Debt	**(40.4)**	**(134.8)**

James Hardie

Debt

- At 31 March 2011

US$ Millions		
Total facilities		320.0
Gross debt	59.0	
Cash	18.6	
Net debt		40.4
Unutilised facilities and cash		**279.6**

- Net debt decreased by US$94.4 million compared to net debt at 31 March 2010
- Net debt decreased by US$17.4 million compared to net debt at 31 December 2010
- Weighted average remaining term of total facilities of US$320.0 million was 1.9 years at 31 March 2011 down from 2.6 years at 31 March 2010
- James Hardie remains well within its financial debt covenants

James Hardie

Asbestos Compensation Funding Arrangements

- Updated actuarial report completed as at 31 March 2011
- Discounted central estimate decreased to A$1.478 billion from A$1.537 billion
- As per AFFA, a contribution of approximately US$51.5 million will be made to AICF in July 2011

James Hardie

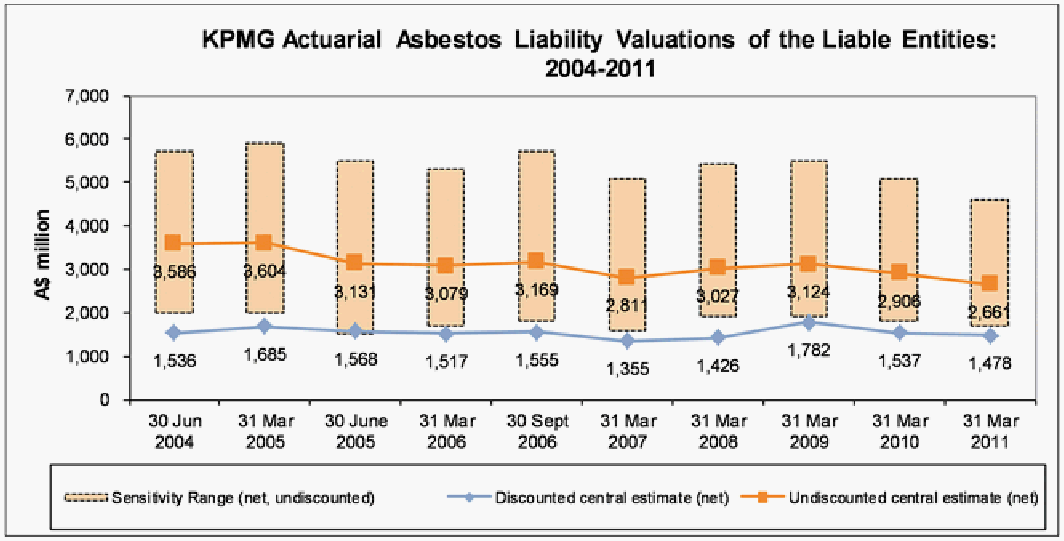
Updated Actuarial Estimate

Net accounting liability under AFFA

A$ millions (except where stated)	31-Mar-11	31-Mar-10
Central Estimate – Discounted	1,477.6	1,536.7
Discounting and inflation allowance	(113.3)	(94.1)
Provision for claims handling costs of AICF	55.2	69.9
Other US GAAP adjustments	27.8	35.2
Net assets of AICF (excluding funding payment)	(1.2)	(0.9)
Contributions for asbestos research and education	2.5	2.9
Effect of tax	(464.9)	(494.7)
Net post-tax liability	983.7	1,055.0
Exchange rate A$ to US$	*1.0334*	*0.9158*
Net post-tax liability in US$ millions	1,016.6	966.2

James Hardie

Updated Actuarial Estimate



James Hardie

Asbestos Fund Update

- AICF holdings at 31 March 2011
  - A$59.9 million – cash and short-term investments (A$63.1 million at 31 March 2010)
- Net claims paid full year FY 2011:

A$ Millions	AICF Full Year 2011	KPMG Actuarial Estimate For FY 2011*	AICF Full Year 2010
Claims Paid	91.3	110.9	95.1
Legal Costs	9.3	6.2	8.1
Insurance and cross claim recoveries	(24.2)	(17.3)	(16.9)
Total net claims costs	76.4	99.8	86.3

*FY 2011 Actuarial Estimate as at 31 March 2010

Capital Management and Simplification of Corporate Structure

- New policy to distribute between 20% and 30% of profits after tax (excluding asbestos adjustments) in the form of ordinary dividends
- Expect to resume paying dividends following 2nd quarter FY12 results
- On market buy-back seeking to acquire up to 5% of company stock during the next 12 months
- Simplification of company structure to incur a one-off tax charge of US$32.6 million included in FY11 accounts but paid in FY12

James Hardie

Legacy Issues Update

ATO – 1999 Disputed Amended Assessment

- James Hardie's initial appeal dismissed in September 2010
- Charge of US$345.2 million effective 1 September 2010 (no impact to net operating cash flow in FY11)
- Appeal to full bench of the Federal Court heard on 16 – 18 May 2011; decision awaited

ASIC Proceedings

- Court of Appeal judgement handed down on 17 December 2010
- Company's appeal dismissed
- Non-executive directors' appeals upheld
- ASIC and one former executive granted special leave to appeal to the High Court of Australia
- High Court hearing expected later this year

Asbestos

- NSW and Australian Governments announced on 7 December 2010 that a standby loan facility of up to A$320 million for the AICF had been formalised
- Agreement executed and all substantive conditions precedent to draw down have been resolved

James Hardie

Key Ratios

	FY 2011	FY 2010	FY 2009
EPS (Diluted)[1]	26.7c	30.5c	23.1c
Dividend Paid per share	N/A	N/A	8.0c
Return on Shareholders' Funds[1]	10.0%	13.3%	11.6%
Return on Capital Employed[2]	19.7%	17.4%	16.7%
EBIT/ Sales (EBIT margin)[2]	15.8%	18.6%	14.2%
Gearing Ratio[1]	3.2%	10.9%	24.0%
Net Interest Expense Cover[2]	22.9x	28.6x	18.2x
Net Interest Paid Cover[2]	21.8x	29.0x	21.9x
Net Debt Payback[3]	0.2yrs	0.7yrs	4.3yrs

[1] Excludes asbestos adjustments, AICF SG&A expenses, AICF interest income, gain / impairment on AICF investments, tax expense / benefit related to asbestos adjustments, ASIC expense / recoveries and tax adjustments

[2] Excludes asbestos adjustments, AICF SG&A expenses and ASIC expenses

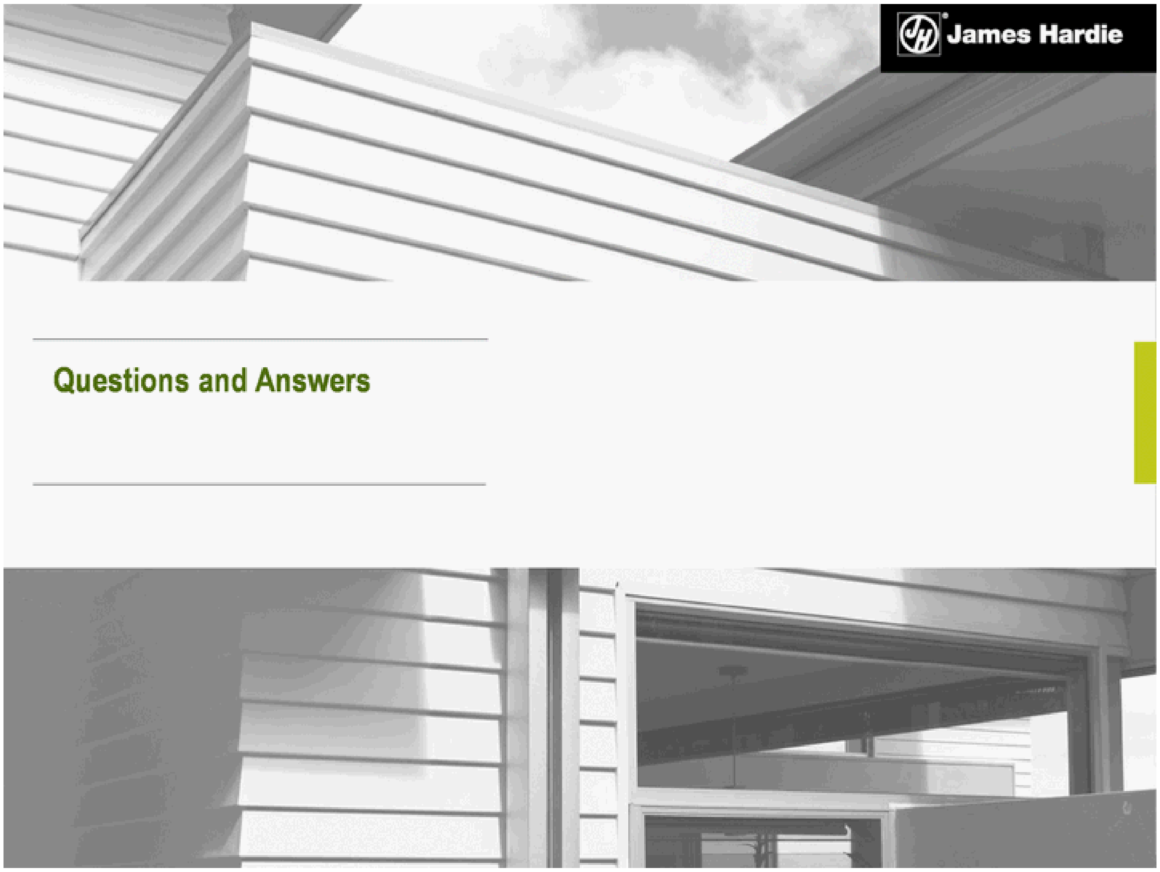
[3] Excludes payments under the AFFA

James Hardie

Summary *

- The net operating profit, excluding asbestos, ASIC expenses and tax adjustments for the 4th quarter FY11 increased 41% to US$33.3 million
- Full year net operating result excluding asbestos, ASIC expenses and tax adjustments decreased 12% to US$116.7 million
- The full year results reflected:
  - an increase in input costs, primarily pulp, higher freight costs, lower sales volume and unfavourable cost absorption driven by lower production volumes, in the US and European businesses
  - partially offset by a benefit from increases in the average sales price across the businesses, a reduction in SG&A expenses in the US and a strong contribution from the Asia Pacific businesses, assisted by currency appreciation vs US dollar
- New capital management policies and simplification of corporate structure announced

* Compared to prior corresponding periods


James Hardie
Questions and Answers

Appendix

James Hardie

General Corporate Costs – Q4

US$ Millions	Q4 '11	Q4 '10	% Change
Stock compensation expense	2.3	2.4	4
Other costs	2.7	3.6	25
General corporate costs excluding ASIC expenses and domicile change related costs	5.0	6.0	17
ASIC related expenses	0.8	1.8	56
Domicile change related costs	-	0.7	-
General corporate costs	5.8	8.5	32

General Corporate Costs – Full Year

US$ Millions	FY2011	FY2010	% Change
Stock compensation expense	11.3	9.2	(23)
Legal provision write back	-	(7.6)	-
Other costs	22.5	28.8	22
General corporate costs excluding ASIC expenses and domicile change related costs	33.8	30.4	(11)
ASIC related (recoveries) expenses *	(8.7)	3.4	-
Domicile change related costs	1.8	9.1	80
General corporate costs	26.9	42.9	37

* FY2011 includes US$10.3 million recovery from third parties

EBITDA – Q4

US$ Millions	Q4 '11	Q4 '10	% Change
EBIT			
USA and Europe Fibre Cement	38.5	34.8	11
Asia Pacific Fibre Cement	19.4	14.3	36
Research & development	(6.1)	(4.1)	(49)
General corporate excluding asbestos and ASIC expenses	(5.0)	(6.7)	25
Depreciation and Amortisation			
USA and Europe Fibre Cement	13.3	13.5	(1)
Asia Pacific Fibre Cement	2.7	2.6	4
Total EBITDA excluding asbestos and ASIC expenses	**62.8**	**54.4**	**15**
Asbestos adjustments	5.3	(24.2)	-
AICF SG&A expenses	(0.5)	(0.5)	-
ASIC expenses	(0.8)	(1.8)	56
Total EBITDA	**66.8**	**27.9**	-

James Hardie

EBITDA – Full Year

US$ Millions	FY 2011	FY 2010	% Change
EBIT			
USA and Europe Fibre Cement	160.3	208.5	(23)
Asia Pacific Fibre Cement	79.4	58.7	35
Research & development	(20.1)	(19.0)	(6)
General corporate excluding asbestos and ASIC expenses	(35.6)	(39.5)	10
Depreciation and Amortisation			
USA and Europe Fibre Cement	52.9	51.9	2
Asia Pacific Fibre Cement	10.0	9.8	2
Total EBITDA excluding asbestos and ASIC expenses	**246.9**	**270.4**	**(9)**
Asbestos adjustments	(85.8)	(224.2)	62
AICF SG&A expenses	(2.2)	(2.1)	(5)
ASIC expenses	8.7	(3.4)	-
Total EBITDA	**167.6**	**40.7**	**-**

James Hardie

Capital Expenditure

US$ Millions	FY 2011	FY 2010	% Change
USA and Europe Fibre Cement	39.5	42.3	(7)
Asia Pacific Fibre Cement	9.9	6.7	48
General Corporate	0.9	1.5	(40)
Total	**50.3**	**50.5**	-

Net Interest Expense

US$ Millions	Q4 '11	Q4 '10	FY 2011	FY 2010
Gross interest expense	(2.0)	(1.7)	(5.2)	(5.4)
Capitalised interest	-	0.1	-	0.2
Interest income	0.1	0.1	0.4	0.4
Realised loss on interest rate swaps	(1.1)	(1.3)	(3.9)	(2.5)
Net interest expense excluding AICF interest income	**(3.0)**	**(2.8)**	**(8.7)**	**(7.3)**
AICF interest income	1.9	0.7	4.3	3.3
Net interest expense	(1.1)	(2.1)	(4.4)	(4.0)

Endnotes

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 the Management's Analysis of Results, Media Release and Consolidated Financial Statements.

Definitions

Non-financial Terms

ABS – Australian Bureau of Statistics.

AFFA – Amended and Restated Final Funding Agreement. In February 2007, the company's shareholders approved the AFFA entered into on 21 November 2006 to provide long-term funding to Asbestos Injuries Compensation Fund (AICF).

AICF – Asbestos Injuries Compensation Fund Ltd; formed in 2006 to implement and administer the agreement between the company and the New South Wales Government, whereby the company committed to funding a new trust which would pay compensation awarded against the former James Hardie companies Amaca, Amaba and ABN 60. The agreement is set out in the Amended and Restated Final Funding Agreement (AFFA). The company has no legal ownership in AICF. The company consolidates AICF due to its pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA.

ASIC – Austrialian Securities and Investments Commission.

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.

Financial Measures – US GAAP equivalents (continued)

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.

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 2011	Q4 FY 2010	FY 2011	FY 2010
EBIT	$ 50.8	$ 11.8	$ 104.7	$ (21.0)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
ASIC related expenses (recoveries)	0.8	1.8	(8.7)	3.4
EBIT excluding asbestos and ASIC expenses	46.8	38.3	184.0	208.7
Net sales	$ 288.4	$ 274.9	$ 1,167.0	$ 1,124.6
EBIT margin excluding asbestos and ASIC expenses	16.2%	13.9%	15.8%	18.6%

James Hardie

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 2011	Q4 FY 2010	FY 2011	FY 2010
Net operating loss	$ (1.8)	$ (2.3)	$ (347.0)	$ (84.9)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
AICF interest income	(1.9)	(0.7)	(4.3)	(3.3)
Gain on AICF investments	-	(2.0)	-	(6.7)
Tax expense related to asbestos adjustments	6.3	1.1	6.9	1.1
ASIC related expenses (recoveries)	0.7	1.8	(7.6)	3.4
Tax adjustments[1]	34.8	1.1	380.7	(2.9)
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 33.3	$ 23.7	$ 116.7	$ 133.0

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million for the current quarter and full year arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

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 2011	Q4 FY 2010	FY 2011	FY 2010
Net operating profit excluding asbestos, ASIC expenses and tax adjustments	$ 33.3	$ 23.7	$ 116.7	$ 133.0
Weighted average common shares outstanding - Diluted (millions)	437.7	438.9	437.5	436.8
Diluted earnings per share excluding asbestos, ASIC expenses and tax adjustments (US cents)	7.6	5.4	26.7	30.5

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 2011	Q4 FY 2010	FY 2011	FY 2010
Operating profit (loss) before income taxes	$ 50.6	$ 10.0	$ 96.6	$ (18.7)
Asbestos:				
Asbestos adjustments	(5.3)	24.2	85.8	224.2
AICF SG&A expenses	0.5	0.5	2.2	2.1
AICF interest income	(1.9)	(0.7)	(4.3)	(3.3)
Gain on AICF investments	-	(2.0)	-	(6.7)
Operating profit before income taxes excluding asbestos	$ 43.9	$ 32.0	$ 180.3	$ 197.6
Income tax expense	(52.4)	(12.3)	(443.6)	(66.2)
Asbestos:				
Tax expense related to asbestos adjustments	6.3	1.1	6.9	1.1
Tax adjustments[1]	34.8	1.1	380.7	(2.9)
Income tax expense excluding tax adjustments	(11.3)	(10.1)	(56.0)	(68.0)
Effective tax rate excluding asbestos and tax adjustments	25.7%	31.6%	31.1%	34.4%

1 Includes a charge of US$345.2 million recognised in the second quarter of the current financial year following the dismissal of RCI's appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the year ended 31 March 2011. Also includes a charge of US$32.6 million for the current quarter and full year arising from the company's corporate structure simplification, as announced on 17 May 2011, which will be paid during the 2012 financial year.

Non-US GAAP Financial Measures (continued)

Adjusted 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 adjusted EBITDA in the same manner as James Hardie has and, accordingly, adjusted EBITDA may not be comparable with other companies. The company has included information concerning adjusted 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 2011	Q4 FY 2010	FY 2011	FY 2010
EBIT	$ 50.8	$ 11.8	$ 104.7	$ (21.0)
Depreciation and amortisation	16.0	16.1	62.9	61.7
Adjusted EBITDA	$ 66.8	$ 27.9	$ 167.6	$ 40.7

James Hardie

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 2011	Q4 FY 2010	FY 2011	FY 2010
General corporate costs	$ 5.8	$ 8.5	$ 26.9	$ 42.9
Excluding:				
ASIC related (expenses) recoveries	(0.8)	(1.8)	8.7	(3.4)
Domicile change related costs	-	(0.7)	(1.8)	(9.1)
General corporate costs excluding ASIC expenses and domicile change related costs	$ 5.0	$ 6.0	$ 33.8	$ 30.4

Q4 FY11 Management Presentation

19 May 2011

Exhibit 99.5

James Hardie Industries SE and Subsidiaries
Consolidated Financial Statements
as of and for the Year Ended 31 March 2011

James Hardie Industries SE and Subsidiaries
Index

Item 1. Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of
James Hardie Industries SE and Subsidiaries

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 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' deficit, and cash flows for each of the three years in the period ended 31 March 2011. 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.

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 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended 31 March 2011 in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Orange County, California
19 May 2011

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

Item 1. Financial Statements

James Hardie Industries SE and Subsidiaries
Consolidated Balance Sheets

	(Millions of US dollars) **31 March 2011**	31 March 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 18.6**	$ 19.2
Restricted cash and cash equivalents	**0.8**	0.6
Restricted cash and cash equivalents — Asbestos	**56.1**	44.5
Restricted short-term investments — Asbestos	**5.8**	13.3
Accounts and other receivables, net of allowance for doubtful accounts of $2.7 million and $2.3 million as of 31 March 2011 and 31 March 2010, respectively	**138.1**	155.0
Inventories	**161.5**	149.1
Prepaid expenses and other current assets	**31.6**	25.6
Insurance receivable — Asbestos	**13.7**	16.7
Workers' compensation — Asbestos	**0.3**	0.1
Deferred income taxes	**21.1**	24.0
Deferred income taxes — Asbestos	**10.5**	16.4
Total current assets	**458.1**	464.5
Restricted cash and cash equivalents	**4.5**	4.7
Property, plant and equipment, net	**707.7**	710.6
Insurance receivable — Asbestos	**188.6**	185.1
Workers' compensation — Asbestos	**90.4**	98.8
Deferred income taxes	**27.3**	3.2
Deferred income taxes — Asbestos	**451.4**	420.0
Deposit with Australian Taxation Office	**—**	247.2
Other assets	**32.6**	44.7
Total assets	**$ 1,960.6**	$ 2,178.8
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 106.4**	$ 100.9
Current portion of long-term debt	**—**	95.0
Accrued payroll and employee benefits	**40.9**	42.1
Accrued product warranties	**6.1**	6.7
Income taxes payable	**3.9**	34.9
Asbestos liability	**111.1**	106.7
Workers' compensation — Asbestos	**0.3**	0.1
Other liabilities	**53.8**	27.7
Total current liabilities	**322.5**	414.1
Long-term debt	**59.0**	59.0
Deferred income taxes	**108.1**	113.5
Accrued product warranties	**20.1**	18.2
Asbestos liability	**1,587.0**	1,512.5
Workers' compensation — Asbestos	**90.4**	98.8
Australian Taxation Office — amended assessment	**190.4**	—
Other liabilities	**37.6**	80.6
Total liabilities	**2,415.1**	2,296.7
Commitments and contingencies (Note 13)		
Shareholders' deficit:		
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 436,386,587 shares issued at 31 March 2011 and 434,524,879 shares issued at 31 March 2010	**222.5**	221.1
Additional paid-in capital	**52.5**	39.5
Accumulated deficit	**(784.7)**	(437.7)
Accumulated other comprehensive income	**55.2**	59.2
Total shareholders' deficit	**(454.5)**	(117.9)
Total liabilities and shareholders' deficit	**$ 1,960.6**	$ 2,178.8

James Hardie Industries SE and Subsidiaries
Consolidated Statements of Operations

(Millions of US dollars, except per share data)	Years Ended 31 March 2011	2010	2009
Net sales	**$ 1,167.0**	$ 1,124.6	$ 1,202.6
Cost of goods sold	**(775.1)**	(708.5)	(813.8)
Gross profit	**391.9**	416.1	388.8
Selling, general and administrative expenses	**(173.4)**	(185.8)	(208.8)
Research and development expenses	**(28.0)**	(27.1)	(23.8)
Asbestos adjustments	**(85.8)**	(224.2)	17.4
Operating income (loss)	**104.7**	(21.0)	173.6
Interest expense	**(9.0)**	(7.7)	(11.2)
Interest income	**4.6**	3.7	8.2
Other (expense) income	**(3.7)**	6.3	(14.8)
Income (loss) before income taxes	**96.6**	(18.7)	155.8
Income tax expense	**(443.6)**	(66.2)	(19.5)
Net (loss) income	**$ (347.0)**	$ (84.9)	$ 136.3
Net (loss) income per share — basic	**$ (0.80)**	$ (0.20)	$ 0.32
Net (loss) income per share — diluted	**$ (0.80)**	$ (0.20)	$ 0.31
Weighted average common shares outstanding (Millions):			
Basic	**435.6**	433.1	432.3
Diluted	**435.6**	433.1	434.5

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)	Years Ended 31 March 2011	2010	2009
Cash Flows From Operating Activities			
Net (loss) income	**$ (347.0)**	$ (84.9)	$ 136.3
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortisation	**62.9**	61.7	56.4
Deferred income taxes	**(21.9)**	19.2	(58.2)
Pension cost	**1.3**	0.1	0.7
Stock-based compensation	**9.1**	7.7	7.2
Asbestos adjustments	**85.8**	224.2	(17.4)
Tax benefit from stock options exercised	**(0.4)**	(0.9)	—
Other-than-temporary impairment on investments	**—**	—	14.8
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	**63.3**	14.9	69.0
Restricted short-term investments	**9.7**	54.4	—
Payment to the AICF	**(63.7)**	—	(110.0)
Accounts and other receivables	**24.9**	(30.1)	6.6
Inventories	**(8.1)**	(12.2)	40.3
Prepaid expenses and other assets	**6.3**	(48.1)	5.7
Insurance receivable — Asbestos	**22.9**	14.4	16.5
Accounts payable and accrued liabilities	**(7.7)**	35.4	(11.4)
Asbestos liability	**(97.8)**	(91.0)	(91.1)
Deposit with Australian Taxation Office	**254.3**	(29.3)	(9.9)
ATO settlement payment	**—**	—	(101.6)
Australian Taxation Office — amended assessment	**190.4**	—	—
Other accrued liabilities	**(37.1)**	47.6	0.9
Net cash provided by (used in) operating activities	**$ 147.2**	$ 183.1	$ (45.2)
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	**$ (50.3)**	$ (50.5)	$ (26.1)
Proceeds from sale of property, plant and equipment	**0.7**	—	—
Net cash used in investing activities	**$ (49.6)**	$ (50.5)	$ (26.1)
Cash Flows From Financing Activities			
Proceeds from short-term borrowings	**$ —**	$ —	$ 128.8
Repayments of short-term borrowings	—	(93.3)	(125.5)
Proceeds from long-term borrowings	**460.0**	274.0	431.6
Repayments of long-term borrowings	**(555.0)**	(350.7)	(375.4)
Proceeds from issuance of shares	**4.9**	10.1	0.1
Tax benefit from stock options exercised	**0.4**	0.9	—
Dividends paid	**—**	—	(34.6)
Net cash (used in) provided by financing activities	**$ (89.7)**	$ (159.0)	$ 25.0
Effects of exchange rate changes on cash	**$ (8.5)**	$ 3.2	$ 53.3
Net (decrease) increase in cash and cash equivalents	**(0.6)**	(23.2)	7.0
Cash and cash equivalents at beginning of period	**19.2**	42.4	35.4
Cash and cash equivalents at end of period	**$ 18.6**	$ 19.2	$ 42.4
Components of Cash and Cash Equivalents			
Cash at bank and on hand	**$ 9.5**	$ 13.1	$ 8.9
Short-term deposits	**9.1**	6.1	33.5
Cash and cash equivalents at end of period	**$ 18.6**	$ 19.2	$ 42.4
Supplemental Disclosure of Cash Flow Activities			
Cash paid during the year for interest, net of amounts capitalised	**$ 9.1**	$ 7.4	$ 7.8
Cash paid during the year for income taxes, net	**$ 38.7**	$ 48.5	$ 23.2

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 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)
Equity awards 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
Equity awards exercised	1.9	8.2	—	—	—	10.1
Balances as of 31 March 2010	**$ 221.1**	**$ 39.5**	**$ (437.7)**	**$ —**	**$ 59.2**	**$ (117.9)**
Comprehensive income:						
Net loss	—	—	(347.0)	—	—	(347.0)
Pension and post-retirement benefit adjustments	—	—	—	—	1.3	1.3
Unrealised gain on investments	—	—	—	—	1.3	1.3
Foreign currency translation loss	—	—	—	—	(6.6)	(6.6)
Other comprehensive income	—	—	—	—	(4.0)	(4.0)
Total comprehensive loss						(351.0)
Stock-based compensation	0.7	8.4	—	—	—	9.1
Tax benefit from stock options exercised	—	0.4	—	—	—	0.4
Equity awards exercised/released	0.7	4.2	—	—	—	4.9
Balances as of 31 March 2011	**$ 222.5**	**$ 52.5**	**$ (784.7)**	**$ —**	**$ 55.2**	**$ (454.5)**

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 21 August 2009, James Hardie Industries N.V. ("JHI NV") shareholders approved a plan to transform the Company into a Societas Europaea ("SE") and, subsequently, change its domicile from The Netherlands to Ireland. On 19 February 2010, the Company was transformed from a Dutch "NV" company to a Dutch "SE" Company, and on 17 June 2010, the Company moved its corporate domicile from The Netherlands to Ireland and, in so doing, became an Irish "SE" Company. The Company became an Irish tax resident on 29 June 2010 and operates under the name of James Hardie Industries SE ("JHI SE").

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.

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.

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 qualifying 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

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$7.9 million, US$9.1 million and US$9.9 million during the years ended 31 March 2011, 2010 and 2009, 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$11.3 million, US$9.3 million and US$7.2 million for the years ended 31 March 2011, 2010 and 2009, respectively. Included in stock-based compensation expense for the years ended 31 March 2011, 2010 and 2009 is an expense of US$2.2 million, US$1.6 million and nil, respectively, 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)	**2011**	2010	2009
Basic common shares outstanding	**435.6**	433.1	432.3
Dilutive effect of stock awards	—	—	2.2
Diluted common shares outstanding	**435.6**	433.1	434.5

(US dollars)	**2011**	2010	2009
Net (loss) income per share — basic	**$ (0.80)**	$ (0.20)	$ 0.32
Net (loss) income per share — diluted	**$ (0.80)**	$ (0.20)	$ 0.31

Potential common shares of 13.8 million, 13.7 million and 19.0 million for the years ended 31 March 2011, 2010 and 2009, 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 Final Funding Agreement ("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. Since fiscal year 2007, the Company has classified the expense related to the increase of the asbestos liability as asbestos adjustments and the Company has 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 2011, the Company did not provide financial or other support to the AICF that it was not previously contractually required to provide. Future funding of the AICF by the Company 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 in 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 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 Actuarial. 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 Actuarial 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 records insurance receivables that are deemed probable of being realised.

Included in insurance receivable is US$10.8 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 Actuarial 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.

AICF — Other Assets and Liabilities

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.

Deferred Income Taxes

The Performing Subsidiary is able to claim a tax 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 January 2010, the FASB issued ASU No. 2010-06, which requires new fair value disclosures pertaining to significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers and activity. For Level 3 fair value measurements, purchases, sales, issuances and settlements must be reported on a gross basis. Further, additional disclosures are required by class of assets or liabilities, as well as inputs used to measure fair value and valuation techniques. ASU No. 2010-06 is effective for interim and annual reporting periods beginning after 15 December 2009, except for the disclosures about purchases, sales, issuances and settlements on a gross basis, which is effective for fiscal years beginning after 15 December 2010. The adoption of the effective portions of this ASU did not result in a material impact on the Company's consolidated financial position, results of operations or cash flows. The Company does not anticipate that the adoption of the remaining portions of this ASU will result in a material impact to its reported consolidated financial position, results of operations or cash flows.

In April 2010, the FASB issued ASU No. 2010-13, which provides additional guidance concerning the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. This update clarifies that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments included in this update do not expand the recurring disclosure requirements already in effect. The amendments in this update are effective for fiscal years and interim periods beginning on or after 15 December 2010. The Company does not anticipate that the adoption of this ASU will result in a material impact on its reported consolidated financial position, results of operations or cash flows.

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 2011	31 March 2010
Cash at bank and on hand	$ **9.5**	$ 13.1
Short-term deposits	**9.1**	6.1
Total cash and cash equivalents	$ **18.6**	$ 19.2

4. Restricted Cash

Included in restricted cash and cash equivalents is US$5.3 million related to an insurance policy at 31 March 2011 and 2010, which restricts the cash from use for general corporate purposes.

5. Accounts and Other Receivables

Accounts and other receivables consist of the following components:

(Millions of US dollars)	**31 March 2011**	31 March 2010
Trade receivables	$ **118.3**	$ 122.8
Other receivables and advances	**22.5**	34.5
Allowance for doubtful accounts	**(2.7)**	(2.3)
Total accounts and other receivables	$ **138.1**	$ 155.0

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 issues.

The following are changes in the allowance for doubtful accounts:

(Millions of US dollars)	**31 March 2011**	31 March 2010
Balance at beginning of period	$ **2.3**	$ 1.4
Charged to expense	**0.4**	0.9
Balance at end of period	$ **2.7**	$ 2.3

6. Inventories

Inventories consist of the following components:

(Millions of US dollars)	**31 March 2011**	31 March 2010
Finished goods	**$ 104.5**	$ 99.8
Work-in-process	**5.9**	4.8
Raw materials and supplies	**57.3**	52.0
Provision for obsolete finished goods and raw materials	**(6.2)**	(7.5)
Total inventories	**$ 161.5**	$ 149.1

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 2009:					
Cost	18.0	201.6	826.2	51.6	**1,097.4**
Accumulated depreciation	—	(47.3)	(349.3)	—	**(396.6)**
Net book value	$ 18.0	$ 154.3	$ 476.9	$ 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	$ 205.2	$ 897.9	$ 47.7	**$ 1,168.9**
Accumulated depreciation	—	(57.0)	(401.3)	—	**(458.3)**
Net book value	18.1	148.2	496.6	47.7	**710.6**
Changes in net book value:					
Capital expenditures	0.2	4.4	58.9	(13.2)	**50.3**
Retirements and sales	—	—	(0.7)	—	**(0.7)**
Depreciation	—	(9.5)	(53.4)	—	**(62.9)**
Foreign currency translation adjustments	—	—	10.4	—	**10.4**
Total changes	0.2	(5.1)	15.2	(13.2)	**(2.9)**
Balance at 31 March 2011:					
Cost	18.3	209.6	966.5	34.5	**1,228.9**
Accumulated depreciation	—	(66.5)	(454.7)	—	**(521.2)**
Net book value	$ 18.3	$ 143.1	$ 511.8	$ 34.5	**$ 707.7**

1 Construction in progress consists of plant expansions and upgrades.

Depreciation expense for the year ended 31 March 2011 was US$62.9 million. Included in property, plant and equipment are restricted assets of the AICF with a net book value of US$2.4 million and US$2.3 million as of 31 March 2011 and 2010.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following components:

(Millions of US dollars)	31 March 2011	2010
Trade creditors	**$ 57.7**	$ 71.3
Other creditors and accruals	**48.7**	29.6
Total accounts payable and accrued liabilities	**$ 106.4**	$ 100.9

9. Long-Term Debt

At 31 March 2011, 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 September 2012	—	$ 50.0	$ —
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	1.02%	90.0	59.0
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2014	—	50.0	—
Total		**$ 320.0**	**$ 59.0**

The weighted average fixed interest rate on the Company's interest rate swap contracts is set forth in Note 12. The weighted average interest rate on the Company's total debt was 1.02% and 0.92% at 31 March 2011 and 2010, respectively, and the weighted average term of all debt facilities is 1.9 years at 31 March 2011.

On 16 June 2010, US$161.7 million of the Company's term facilities matured, which included US$95.0 million of term facilities that were outstanding at 31 March 2010. The Company did not refinance these facilities. Accordingly, amounts outstanding under these facilities were repaid by using longer-term facilities.

The Company replaced term facilities in the amount of US$45.0 million that matured in February 2011 with new term facilities totaling US$100.0 million. These facilities became available to the Company in February 2011. US$50.0 million of these facilities mature in September 2012 and US$50.0 million of these facilities mature in February 2014. At 31 March 2011, no amounts were outstanding under these new term facilities.

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 2011, there was US$59.0 million drawn under the combined facilities and US$261.0 million was unutilised and available.

At 31 March 2011, 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$0.9 million and US$1.2 million as of 31 March 2011 and 2010, respectively.

The following are the changes in the product warranty provision:

(Millions of US dollars)	Years Ended 31 March 2011	2010	2009
Balance at beginning of period	**$ 24.9**	$ 24.9	17.7
Accruals for product warranties	**9.1**	8.1	14.6
Settlements made in cash or in kind	**(7.8)**	(8.4)	(7.1)
Foreign currency translation adjustments	**—**	0.3	(0.3)
Balance at end of period	**$ 26.2**	$ 24.9	$ 24.9

11. Asbestos

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

Asbestos Adjustments

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

(Millions of US dollars)	Years Ended 31 March 2011	2010	2009
Change in estimates:			
Change in actuarial estimate — asbestos liability	**$ 9.8**	$ (3.8)	$ (180.9)
Change in actuarial estimate — insurance receivable	**(0.5)**	1.9	19.8
Change in estimate — AICF claims-handling costs	**12.2**	(1.4)	(1.2)
Subtotal — Change in estimates	**21.5**	(3.3)	(162.3)
(Loss) gain on foreign currency exchange	**(107.3)**	(220.9)	179.7
Total Asbestos Adjustments	**$ (85.8)**	$ (224.2)	$ 17.4

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 2011**	31 March 2010
Asbestos liability — current	**$ (111.1)**	$ (106.7)
Asbestos liability — non-current	**(1,587.0)**	(1,512.5)
Asbestos liability — Total	**(1,698.1)**	(1,619.2)
Insurance receivable — current	**13.7**	16.7
Insurance receivable — non-current	**188.6**	185.1
Insurance receivable — Total	**202.3**	201.8
Workers' compensation asset — current	**0.3**	0.1
Workers' compensation asset — non-current	**90.4**	98.8
Workers' compensation liability — current	**(0.3)**	(0.1)
Workers' compensation liability — non-current	**(90.4)**	(98.8)
Workers' compensation — Total	**—**	—
Deferred income taxes — current	**10.5**	16.4
Deferred income taxes — non-current	**451.4**	420.0
Deferred income taxes — Total	**461.9**	436.4
Income tax payable	**18.6**	16.5
Other net liabilities	**(1.3)**	(1.7)
Net Amended FFA liability	**(1,016.6)**	(966.2)
Restricted cash and cash equivalents and restricted short-term investment assets of the AICF	**61.9**	57.8
Unfunded Net Amended FFA liability	**$ (954.7)**	$ (908.4)

On 1 July 2010, the Company contributed US$63.7 million to the AICF in accordance with the terms of the Amended FFA.

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 Actuarial. 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 2011.

The changes in the asbestos liability for the year ended 31 March 2011 are detailed in the table below:

(Millions of US dollars)	A$ Millions	A$ to US$ rate	US$ Millions
Asbestos liability — 31 March 2010	A$ (1,768.0)	1.0919	$ (1,619.2)
Asbestos claims paid[1]	100.6	1.0584	95.0
AICF claims-handling costs incurred[1]	3.0	1.0584	2.8
Change in actuarial estimate[2]	9.5	0.9676	9.8
Change in estimate of AICF claims-handling costs[2]	11.8	0.9676	12.2
Loss on foreign currency exchange			(198.7)
Asbestos liability — 31 March 2011	**A$ (1,643.1)**	0.9676	**$ (1,698.1)**

Insurance Receivable — Asbestos

The changes in the insurance receivable for the year ended 31 March 2011 are detailed in the table below:

(Millions of US dollars)	A$ Millions	A$ to US$ rate	US$ Millions
Insurance receivable — 31 March 2010	A$ 220.3	1.0919	$ 201.8
Insurance recoveries[1]	(24.1)	1.0584	(22.9)
Change in actuarial estimate[2]	(0.5)	0.9676	(0.5)
Gain on foreign currency exchange			23.9
Insurance receivable — 31 March 2011	**A$ 195.7**	0.9676	**$ 202.3**

Deferred Income Taxes — Asbestos

The changes in the deferred income taxes — asbestos for the year ended 31 March 2011 are detailed in the table below:

(Millions of US dollars)	A$ Millions	A$ to US$ rate	US$ Millions
Deferred tax assets — 31 March 2010	A$ 476.5	1.0919	$ 436.4
Amounts offset against income tax payable[1]	(22.3)	1.0584	(21.1)
AICF earnings[1]	(7.3)	1.0584	(6.9)
Gain on foreign currency exchange			53.5
Deferred tax assets — 31 March 2011	**A$ 446.9**	0.9676	**$ 461.9**

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 2011 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 2011 and 2010, this amount was US$21.1 million and US$15.3 million, respectively. During the year ended 31 March 2011, there was a US$2.1 million unfavourable effect of foreign currency exchange.

Other Net Liabilities

Other net liabilities include a provision for asbestos-related education and medical research contributions of US$2.5 million and US$2.6 million at 31 March 2011 and 2010, 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$1.3 million and US$0.9 million at 31 March 2011 and 2010, respectively. During the year ended 31 March 2011, there was a US$0.1 million net favourable effect of foreign currency exchange on these other assets and 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.

At 31 March 2011, the Company revalued the AICF's short-term investments available-for-sale resulting in a positive mark-to-market fair value adjustment of US$1.3 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 2011 are detailed in the table below:

(Millions of US dollars)	A$ Millions	A$ to US$ rate	US$ Millions
Restricted cash and cash equivalents and restricted short-term investments — 31 March 2010	A$ 63.1	1.0919	$ 57.8
Asbestos claims paid[1]	(100.6)	1.0584	(95.0)
Payments received in accordance with AFFA[2]	72.8	1.1430	63.7
AICF operating costs paid — claims-handling[1]	(2.9)	1.0584	(2.8)
AICF operating costs paid — non claims-handling[1]	(2.3)	1.0584	(2.2)
Insurance recoveries[1]	24.1	1.0584	22.9
Interest and investment income[1]	4.5	1.0584	4.3
Unrealised gain on investments[1]	1.4	1.0584	1.3
Other[1]	(0.2)	1.0584	(0.1)
Gain on foreign currency exchange			12.0
Restricted cash and cash equivalents and restricted short-term investments — 31 March 2011	**A$ 59.9**	0.9676	**$ 61.9**

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 on the date of payment is used to convert the Australian dollar amount to US dollars.

Actuarial Study; Claims Estimate

The AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2011. Based on KPMG Actuarial's assumptions, KPMG Actuarial 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$1.5 billion). The undiscounted (but inflated) value of the central estimate of the asbestos-related liabilities of Amaca and Amaba as determined by KPMG Actuarial was approximately A$2.7 billion (US$2.8 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 Actuarial as of 31 March 2011 and to adjust for payments made to claimants during the year then ended.

In estimating the potential financial exposure, KPMG Actuarial made assumptions related to the total number of claims which were reasonably estimated to be asserted through 2074, 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 Actuarial 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 2011, KPMG Actuarial's undiscounted (but inflated) central estimate of asbestos-related liabilities was A$2.7 billion (US$2.8 billion). This undiscounted (but inflated) central estimate is net of expected insurance recoveries of A$388.1 million (US$401.1 million) after making a general credit risk allowance for insurance carriers for A$58.6 million (US$60.6 million) and an allowance for A$56.3 million (US$58.2 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$1.0 billion) to A$2.3 billion (US$2.4 billion). The undiscounted (but inflated) estimates could be in a range of A$1.7 billion (US$1.8 billion) to A$4.6 billion (US$4.8 billion) as of 31 March 2011. 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 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				
	2011	2010	2009	2008	2007
Number of open claims at beginning of period	529	534	523	490	564
Number of new claims	494	535	607	552	463
Number of closed claims	459	540	596	519	537
Number of open claims at end of period	564	529	534	523	490
Average settlement amount per settled claim	A$ 204,366	A$ 190,627	A$ 190,638	A$ 147,349	A$ 166,164
Average settlement amount per case closed	A$ 173,199	A$ 171,917	A$ 168,248	A$ 126,340	A$ 128,723
Average settlement amount per settled claim	US$ 193,090	US$ 162,250	US$ 151,300	US$ 128,096	US$ 127,163
Average settlement amount per case closed	US$ 163,642	US$ 146,325	US$ 133,530	US$ 109,832	US$ 98,510

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.

AICF — NSW Government Secured Loan Facility

On 9 December 2010, the AICF, Amaca, Amaba and ABN 60 (together, the "Obligors") entered into a secured standby loan facility and related agreements (the "Facility") with The State of New South Wales, Australia ("NSW") whereby the AICF may borrow, subject to certain conditions, up to an aggregate amount of A$320.0 million (US$330.7 million, based on the exchange rate at 31 March 2011).

The amount available to be drawn depends on the value of the insurance policies benefiting the Obligors and may be adjusted upward or downward, subject to a ceiling of A$320.0 million. At 31 March 2011, the discounted value of insurance policies was A$177.3 million (US$183.2 million, based on the exchange rate at 31 March 2011).

In accordance with the terms of the Facility, drawings under the Facility may only be used by the AICF to fund the payment of asbestos claims and certain operating and legal costs of the Obligors. The amount available to be drawn is subject to periodic review by NSW. The Facility is available to be drawn up to the tenth anniversary of signing and must be repaid on or by 1 November 2030.

Interest accrues daily on amounts outstanding. Interest is calculated based on a 365-day year and is payable monthly. The AICF may, at its discretion, elect to capitalise interest payable on amounts outstanding under the Facility on the date interest becomes due and payable. In addition, if the AICF does not pay interest on a due date, it is taken to have elected to capitalise the interest.

NSW will borrow up to 50% of the amount made available under the Facility from the Commonwealth of Australia ("Commonwealth").

To the extent that NSW's source of funding the Facility is from the Commonwealth, the interest rate on the Facility is calculated by reference to the cost of NSW's borrowings from the Commonwealth for that purpose, being calculated with reference to the Commonwealth Treasury fixed coupon bond rate for a period determined as appropriate by the Commonwealth.

In summary, to the extent that NSW's source of funding is not from the Commonwealth, the interest rate on drawings under the Facility is calculated as (i) during the period to (but excluding) 1 May 2020, a yield percent per annum calculated at the time of the first drawdown of the Facility by reference to the NSW Treasury Corporation's 6% 1/05/2020 Benchmark Bonds, (ii) during the period after 1 May 2020, a yield percent per annum calculated by reference to NSW Treasury Corporation bonds on issue at that time and maturing in 2030, or (iii) in any case, if the relevant bonds are not on issue, a yield percent per annum in respect of such other source of funding for the Facility determined by the NSW Government in good faith to be used to replace those bonds, including any guarantee fee payable to the Commonwealth in respect of the bonds (where the bonds are guaranteed by the Commonwealth) or other source of funding.

Under the Facility, Amaca, Amaba and ABN 60 each guarantee the payment of amounts owed by the AICF and the AICF's performance of its obligations under the Facility. Each Obligor has granted a security interest in certain property including cash accounts, proceeds from insurance claims, payments remitted by the Company to the AICF and contractual rights under certain documents including the Amended FFA. Each Obligor may not deal with the secured property until all amounts outstanding under the Facility are paid, except as permitted under the terms of the security interest.

Under the terms of the Facility, each Obligor must, upon receipt of proceeds from insurance claims and payments remitted by the Company under the Amended FFA, apply all of such proceeds in repayment of amounts owing under the Facility. NSW may, at its sole discretion, waive or postpone (in such manner and for such period as it determines) the requirement for the Obligors to apply proceeds of insurance claims and payments remitted by the Company to repay amounts owed under the Facility to ensure the AICF has sufficient liquidity to meet its future cash flow needs.

The Obligors are subject to certain operating covenants under the Facility and the terms of the security interest, including, without limitation, (i) positive covenants relating to providing corporate reporting documents, providing particular notifications and complying with the terms of the Amended FFA, and (ii) negative covenants restricting them from voiding, canceling, settling, or adversely affecting existing insurance policies, disposing of assets and granting security to secure any other financial indebtedness, other than in accordance with the terms and conditions of the Facility.

Upon an event of default, NSW may cancel the commitment and declare all amounts outstanding as immediately due and payable. The events of default include, without limitation, failure to pay or repay amounts due in accordance with the Facility, breach of covenants, misrepresentation, cross default by an obligor and an adverse judgment (other than a personal asbestos or Marlew claim) against an Obligor.

The term of the Facility expires on 1 November 2030. At that time, all amounts outstanding under the Facility become due and payable. As of 19 May 2011, all substantive conditions precedent to drawdown of the facility have been satisfied with only procedural matters remaining. There are no amounts outstanding under the Facility. Further, from the time of signing through 19 May 2011, there have not been any drawings on the Facility by the AICF.

Any drawings, repayments, or payments of accrued interest under the Facility by the AICF do not impact the Company's net operating cash flow, as defined in the Amended FFA, on which annual contributions remitted by the Company to the AICF are based. James Hardie Industries SE and its wholly-owned subsidiaries are not a party to, guarantor of, or security provider in respect of the Facility.

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 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 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 vale compared to the cost of the assets. Accordingly, for the year ended 31 March 2009, the Company recognised an other-than-temporary impairment charge on these investments of US$14.8 million within *Other Expense*. The Company recorded an unrealised gain on these restricted short-term investments of US$1.3 million for the year ended 31 March 2011. 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 2011, the Company had interest rate swap contracts with a total notional 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.

The fair value of interest rate swap contracts is calculated based on the fixed rate, notional principal, settlement date and present value of the future cash inflows and outflows based on the terms of the agreement and the future floating interest rates as determined by a future interest rate yield curve. The model used to value the interest rate swap contracts is based upon well recognised financial principles, and interest rate yield curves can be validated through readily observable data by external sources. Although readily observable data is used in the valuations, different valuation methodologies could have an effect on the estimated fair value. Accordingly, the interest rate swap contracts are categorised as Level 2.

At 31 March 2011, the weighted average fixed interest rate of these contracts is 2.4% and the weighted average remaining life is 2.6 years. These contracts have a fair value of US$6.1 million, which is included in *Accounts Payable*. For the year ended 31 March 2011, the Company included in *Other Income* an unrealised loss on interest rate swaps of US$3.8 million. Included in *Interest Expense* is a realised loss on settlements of interest rate swap contracts of US$3.9 million for the year ended 31 March 2011.

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 2011 according to the valuation techniques the Company used to determine their fair values.

		Fair Value Measurements Using Inputs Considered as		
(Millions of US dollars)	Fair Value at 31 March 2011	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 18.6	$ 18.6	$ —	$ —
Restricted cash and cash equivalents	61.4	61.4	—	—
Restricted short-term investments	5.8	5.8	—	—
Total Assets	**$ 85.8**	**$ 85.8**	**$ —**	**$ —**
Liabilities				
Interest rate swap contracts included in Accounts Payable	6.1	—	6.1	—
Total Liabilities	**$ 6.1**	**$ —**	**$ 6.1**	**$ —**

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, including litigation concerning its products. 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 Australian Securities and Investments Commission ("ASIC") proceedings, the matters described in the Environmental and Legal section below, the amended assessment from the Australian Taxation Office ("ATO") 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 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 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.

On 30 September 2010, the Company entered into agreements with third parties and subsequently received payment for US$10.3 million relating to the costs of the ASIC proceedings for certain former officers. These recoveries are reflected as a reduction to selling, general and administrative expenses for the year ended 31 March 2011. The Company notes that other recoveries may be available resulting from repayments by third parties, including former directors and officers, in accordance with the terms of their indemnities.

On 17 December 2010, the New South Wales Court of Appeal dismissed the Company's appeal against Justice Gzell's judgment and ASIC's cross appeals against the appellants. On 6 May 2011, the Court of Appeal rendered judgment in the exoneration, penalty and cost matter for certain former officers.

In regard to the Court of Appeal judgments, ASIC was ordered to pay the costs of the former directors whose appeals were successful and the Company was ordered to pay 90% of the costs incurred by ASIC in connection with the Company's appeal.

The amount of the costs the Company may be required to pay to ASIC following the Court of Appeal judgments is contingent on a number of factors, which include, without limitation, whether such costs (including the costs orders in ASIC's favour against the Company in the first instance hearing, which orders were not disturbed by the Court of Appeal) are reasonable having regard to the issues pursued in the case by ASIC against the Company, the associated legal work undertaken specifically in respect of those issues (as distinct from the legal costs of a previous claim and related order against the Company that was withdrawn by ASIC in September 2008 just prior to the commencement of the first instance trial, the legal costs incurred by ASIC in connection with similar or overlapping claims against other parties in the first instance or appeal proceedings and the successful interlocutory appeal by the Company against ASIC during the course of the first instance hearing), the number of legal practitioners involved in such legal work and their applicable fee rates.

In light of the uncertainty surrounding the amount of such costs, the Company has not recorded any provision for these costs at 31 March 2011. 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.

ASIC subsequently filed applications for special leave to the High Court appealing from the Court of Appeals judgment in favour of the former directors' appeals. Certain former officers have also filed special leave applications to the High Court. The High Court granted ASIC's application for special leave on 13 May 2011. The High Court granted the special leave applications for one of the former executives, and the other former executive withdrew his application.

As with the first instance proceedings, the Company will pay a portion of the costs of bringing and defending appeals, with the remaining costs being met by third parties, including former directors and executives, in accordance with the terms of their applicable indemnities. It is the Company's policy to expense legal costs as incurred.

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 addition, the Company is involved from time to time in various legal proceedings and administrative actions concerning the Company's operations and products, including putative class action lawsuits. With respect to asserted claims, the Company believes it has made adequate provision on its consolidated balance sheet as of 31 March 2011 for asserted claims that are reasonably estimable. Although it is reasonably possible that the Company could experience an unexpected increase in the cost of asserted claims and may be subject to new asserted claims in the future, the Company is unable to estimate an amount or range of loss in relation to such matters. Management is of the opinion that, based on information presently known, the 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 2011:

Years ending 31 March (Millions of US dollars):	
2012	$ 18.0
2013	16.5
2014	15.6
2015	15.1
2016	14.0
Thereafter	24.6
Total	**$ 103.8**

Rental expense amounted to US$15.3 million, US$13.2 million and US$14.5 million for the years ended 31 March 2011, 2010 and 2009, respectively.

Capital Commitments

Commitments for the acquisition of plant and equipment and other purchase obligations contracted for but not recognised as liabilities and generally payable within one year, were US$0.6 million at 31 March 2011.

14. Australian Taxation Office — Amended Assessment

In March 2006, RCI Pty Ltd ("RCI"), a wholly-owned subsidiary of the Company, received an amended assessment from the Australian Taxation Office ("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.

The ATO conceded that RCI has a reasonably arguable position that the amount of net capital gains arising as a result of the corporate restructure carried out in 1998 was reported correctly in the fiscal year 1999 tax return and that Part IVA does not apply.

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.

On 1 September 2010, the Federal Court of Australia dismissed RCI's appeal.

Prior to the Federal Court's decision on RCI's appeal, the Company believed it was more-likely-than-not that the tax position reported in RCI's tax return for the 1999 fiscal year would be upheld on appeal. As a result, until 31 August 2010, the Company treated the payment of 50% of the amended assessment, GIC and interest accrued on amounts paid to the ATO with respect to the amended assessment as a deposit on its consolidated balance sheet.

As a result of the Federal Court's decision, the Company re-assessed its tax position with respect to the amended assessment and concluded that the 'more-likely-than-not' recognition threshold as prescribed by US GAAP was no longer met. Accordingly, with effect from 1 September 2010, the Company removed the deposit with the ATO from its consolidated balance sheet and recognised an expense of US$345.2 million (A$388.0 million) on its consolidated statement of operations, which did not result in a cash outflow for the year ended ended 31 March 2011. In addition, the Company recognised an uncertain tax position of US$190.4 million (A$184.3 million) on its consolidated balance sheet relating to the unpaid portion of the amended assessment.

RCI strongly disputes the amended assessment and is pursuing an appeal of the Federal Court's judgment. RCI's appeal was heard from 16 May 2011 to 18 May 2011 before the Full Court of the Federal Court of Australia.

With effect from 1 September 2010, the Company has expensed payments of GIC to the ATO as incurred. The Company will continue to expense GIC as incurred until RCI ultimately prevails on the matter or the remaining outstanding balance of the amended assessment is paid.

The ATO was awarded costs in connection with RCI's appeal of the objection decision to the Federal Court of Australia. The Company has made a provision for such costs within other non-current liabilities on the Company's consolidated balance sheet at 31 March 2011.

15. 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:

	Years Ended 31 March		
(Millions of US dollars)	**2011**	2010	2009
(Loss) income from operations before income taxes:			
Domestic[1]	**$ 66.5**	$ 12.8	$ 24.6
Foreign	**30.1**	(31.5)	131.2
Total income (loss) before income taxes	**$ 96.6**	$ (18.7)	$ 155.8
Income tax (expense) benefit:			
Current:			
Domestic[1]	**$ (15.6)**	$ 0.6	$ (0.1)
Foreign	**(447.4)**	(137.7)	37.4
Current income tax (expense) benefit	**(463.0)**	(137.1)	37.3
Deferred:			
Domestic[1]	**(22.2)**	(0.9)	(0.1)
Foreign	**41.6**	71.8	(56.7)
Deferred income tax benefit (expense)	**19.4**	70.9	(56.8)
Total income tax expense	**$ (443.6)**	$ (66.2)	$ (19.5)

1 Since JHI SE became an Irish parent holding company during fiscal year 2011, domestic represents both Ireland and The Netherlands for fiscal year 2011. For fiscal years 2010 and 2009, 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 at 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 2011	2010	2009
Income tax (expense) benefit at statutory tax rates	**$ (18.3)**	$ 8.3	$ (47.0)
US state income taxes, net of the federal benefit	**(1.7)**	(3.7)	(2.9)
Asbestos — effect of foreign exchange	**(31.7)**	(66.4)	51.2
Benefit from Dutch financial risk reserve regime	—	3.2	1.8
Expenses not deductible	**(4.0)**	(3.7)	(7.8)
Non-assessable items	—	2.0	1.6
Income (losses) not available for carryforward	**0.7**	(0.6)	(4.1)
Repatriation of foreign earnings	**(32.6)**	—	—
Change in reserves	**(0.2)**	(2.2)	(13.4)
Amortisation of intangibles	**(5.9)**	—	—
Taxes on foreign income	**(2.0)**	(1.6)	(2.7)
State amended returns and audit	—	(2.2)	3.0
Tax assessment in dispute	**(349.1)**	—	—
Other permanent items	**1.2**	0.7	0.8
Total income tax expense	**$ (443.6)**	$ (66.2)	$ (19.5)
Effective tax rate	**-459.2%**	354.0%	12.5%

Deferred tax balances consist of the following components:

(Millions of US dollars)	31 March 2011	2010
Deferred tax assets:		
Asbestos liability	**$ 461.9**	$ 436.6
Other provisions and accruals	**35.7**	37.4
Net operating loss carryforwards	**32.5**	9.9
Capital loss carryforwards	**34.3**	30.4
Prepayments	—	2.8
Other	—	0.2
Total deferred tax assets	**564.4**	517.3
Valuation allowance	**(43.1)**	(39.2)
Total deferred tax assets, net of valuation allowance	**521.3**	478.1
Deferred tax liabilities:		
Depreciable and amortisable assets	**(114.9)**	(115.7)
Accrued interest income	—	(12.0)
Foreign currency movements	—	(0.3)
Unremitted earnings	**(32.6)**	—
Other	**(4.2)**	—
Total deferred tax liabilities	**(151.7)**	(128.0)
Net deferred tax assets	**$ 369.6**	$ 350.1

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$3.9 million during fiscal year 2011 due to foreign currency movements.

At 31 March 2011, the Company had Australian and Irish tax loss carry-forwards of approximately US$47.1 million and US$23.6 million, respectively, that will never expire. The Company has a US tax loss carry-forward of US$18.7 million that will expire in 2031.

At 31 March 2011, the Company had US$114.3 million in Australian capital loss carry-forwards which will never expire. At 31 March 2011, the Company had a 100% valuation allowance against the Australian capital loss carry-forwards.

At 31 March 2011, the Company had European tax loss carry-forwards of approximately US$33.3 million that are available to offset future taxable income, of which US$24.0 million will never expire. Carry-forwards of US$9.4 million will expire in fiscal years 2014 through 2019. At 31 March 2011, 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 2011. 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 2011, the undistributed earnings of non-Irish subsidiaries approximated US$930.5 million. Subsequent to 31 March 2011, the Company adopted a plan to reorganise its subsidiary holding company structure. As a result, the Company has recognised deferred taxes of US$32.6 million on undistributed earnings of its US subsidiaries, as it intends to remit US earnings as part of the Company's plan. At 31 March 2011, the undistributed earnings of US subsidiaries approximated US$651.4 million. Except as noted above, the Company intends to indefinitely reinvest its undistributed earnings of other non-Irish subsidiaries and 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 2011, 2010 and 2009, the Company recorded an income tax expense of nil, US$2.2 million, and an income tax benefit of US$3.0 million, 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, the Philippines and Ireland. The Company is no longer subject to US federal examinations by US Internal Revenue Service ("IRS") for tax years prior to tax year 2008. 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.

In connection with the Company's re-domicile from The Netherlands to Ireland, the Company became an Irish tax resident on 29 June 2010. While the Company was domiciled in The Netherlands, the Company derived 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 provided, among other things, requirements that the Company must meet for the Company 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 was in compliance and qualified for treaty benefits while the Company was domiciled in The Netherlands. However, if during a subsequent tax audit or related process, the Internal Revenue Service ("IRS") determines that these changes did 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 in which the Company was domiciled in The Netherlands.

The Company believes that it is more likely than not that it was in compliance and should qualify for treaty benefits for calendar year 2008 and subsequent periods in which the Company was domiciled in The Netherlands. 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 2011.

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 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 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 tax liability, which has been deferred and included in non-current *Other Assets*, net of amortisation, on the Company's consolidated balance sheet as of 31 March 2011 and is being 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 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)**
Additions for tax positions of the current year	0.1	—
Additions for tax positions of prior year	153.3	195.8
Other reductions for the tax positions of prior periods	(0.4)	(0.2)
Foreign currency translation adjustment	24.8	27.6
Balance at 31 March 2011	**$ 185.5**	**$ 196.3**

As of 31 March 2011, 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$185.5 million and US$196.3 million, respectively.

The Company recognises penalties and interest accrued related to unrecognised tax benefits in income tax expense. During the year ended 31 March 2011 and 2010, the total amount of interest and penalties recognised in tax expense was an expense of US$195.6 million and a benefit of US$4.7 million, respectively.

Except for the liability associated with the ATO amended assessment as disclosed in Note 14, 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.

16. Stock-Based Compensation

At 31 March 2011, the Company had the following equity award plans: the Executive Share Purchase Plan; the JHI SE 2001 Equity Incentive Plan and the Long-Term Incentive Plan 2006 as amended in 2009.

Compensation expense arising from equity-based award grants as estimated using pricing models was US$9.1 million, US$7.7 million and US$7.2 million for the years ended 31 March 2011, 2010 and 2009, respectively. As of 31 March 2011, the unrecorded deferred stock-based compensation related to equity awards was US$9.8 million after estimated forfeitures and will be recognised over an estimated weighted average amortisation period of 2.5 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.

Under the 2001 Equity Incentive Plan, 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.

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.

Under the 2001 Equity Incentive Plan, the Company granted 348,426 and 278,569 restricted stock units to its employees in the years ended 31 March 2011 and 2010, 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 2011, there were 854,409 restricted stock units outstanding under this plan.

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 certain members of senior management (“Executives”). The shareholders also approved, in accordance with certain LTIP rules, the issue of options in the Company to Executives of the Company. 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 Executives, 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 unless an Executive ceases employment with the Company.

The Company granted the following restricted stock units under the LTIP:

Grant Date	Restricted Stock Units Granted
15 September 2008	1,023,865
17 December 2008	545,757
29 May 2009	1,066,595
15 September 2009	522,000
11 December 2009	181,656
7 June 2010	807,457
15 September 2010	951,194
	5,098,524

These restricted stock units 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 2011, there were 1,937,000 options and 4,257,686 restricted stock units outstanding under this plan.

Stock Options

The Company estimates the fair value of each stock option 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"). The Company's stock based-compensation expense is the estimated fair value of options granted over the periods in which the stock options vest. There were no stock options granted during the years ended 31 March 2011, 2010 and 2009.

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

		Outstanding Options	
	Shares Available for Grant	Number	Weighted Average Exercise Price (A$)
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**
Exercised		(530,984)	5.19
Forfeited		(2,558,159)	8.10
Forfeitures available for re-grant	1,468,159		
Balance at 31 March 2011	**26,756,207**	**11,355,295**	**7.40**

The total intrinsic value of stock options exercised was A$0.6 million, A$4.7 million and nil for the years ended 31 March 2011, 2010 and 2009, respectively.

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$0.4 million, US$0.9 million and nil for the years ended 31 March 2011, 2010 and 2009, respectively.

The following table summarises outstanding and exercisable options under both the 2001 Equity Incentive Plan and the LTIP as of 31 March 2011:

	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$)	Aggregate Intrinsic Value (A$)
5.06	100,673	0.7	5.06	104,700	100,673	5.06	104,700
5.99	1,321,250	3.7	5.99	145,337	1,321,250	5.99	145,337
6.30	93,000	3.9	6.30	—	93,000	6.30	—
6.38	2,250,317	6.7	6.38	—	2,250,317	6.38	—
6.45	723,500	1.7	6.45	—	723,500	6.45	—
7.05	1,534,250	2.7	7.05	—	1,534,250	7.05	—
7.83	1,016,000	6.4	7.83	—	794,680	7.83	—
8.40	2,402,205	5.7	8.40	—	2,225,805	8.40	—
8.90	1,899,100	4.7	8.90	—	1,899,100	8.90	—
9.50	15,000	4.9	9.50	—	15,000	9.50	—
Total	**11,355,295**	**4.8**	**7.40**	**250,037**	**10,957,575**	**7.38**	**250,037**

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$6.10 as of 31 March 2011, 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 fair value of restricted stock units on the date of grant and recognises this estimated fair value as compensation expense over the periods in which the restricted stock vests.

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

	Shares	Weighted Average Fair Value at Grant Date (A$)
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**
Granted	2,107,077	5.85
Vested	(970,793)	4.94
Forfeited	(760,910)	5.15
Non-vested at 31 March 2011	**5,112,095**	**4.94**

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
7 December 2010	2001 Equity Incentive Plan	348,426
		3,585,625

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.

Restricted Stock — performance vesting

The Company issued 807,457 restricted stock units with a performance vesting condition under the LTIP to senior executives of the Company for the year ended 31 March 2011. The vesting of the restricted stock units is deferred for two years and the amount of restricted stock units that will vest at that time is dependent on the scorecard rating of the award recipient. The scorecard reflects a number of key qualitative and quantitative performance objectives and the outcomes the Board expects to see achieved at the end of the vesting period.

When the scorecard is applied at the conclusion of fiscal year 2012, the award recipients may receive all, some, or none of their awards. The scorecard can only be applied by the Board to exercise discretion at the percentage of restricted stock units that will vest. The scorecard may not be applied to enhance the maximum award that was originally granted to the award recipient.

The fair value of each restricted stock unit (performance vesting) is adjusted for changes in JHI SE's common stock price at each balance sheet date until the scorecard is applied at the conclusion of fiscal year 2012.

Restricted Stock — market condition

Under the terms of the LTIP, the Company granted 951,194 and 703,656 restricted stock units (market condition) to members of the Company's Managing Board and senior managers during the years ended 31 March 2011 and 2010, 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 2011 and 2010:

Date of grant	15 Sep 2010	11 Dec 2009	15 Sep 2009
Expected volatility	50.6%	49.9%	42.1%
Risk free interest rate	1.5%	2.1%	2.5%
Expected life in years	3.0	3.0	3.0
JHX stock price at grant date (A$)	5.94	8.20	7.04
Number of restricted stock units	951,194	181,656	522,000

Scorecard LTI — Cash Settled Units

Under the terms of the LTIP, the Company granted awards equivalent to 821,459 and 1,089,265 Scorecard LTI units during the years ended 31 March 2011 and 2010, 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 450 and 35,741 cash settled units (service vesting) to employees during the years ended 31 March 2011 and 2010, 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 2011 and 2010 was US$2.2 million and US$1.6 million, respectively.

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 Company's management team. 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 (Israel, Kuwait, Qatar and United Arab Emirates), 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 2011	2010	2009
USA & Europe Fibre Cement	**$ 814.0**	$ 828.1	$ 929.3
Asia Pacific Fibre Cement	**353.0**	296.5	273.3
Worldwide total	**$ 1,167.0**	$ 1,124.6	$ 1,202.6

(Millions of US dollars)	Income (Loss) Before Income Taxes Years Ended 31 March 2011	2010	2009
USA & Europe Fibre Cement[2]	**$ 160.3**	$ 208.5	$ 199.3
Asia Pacific Fibre Cement[2]	**79.4**	58.7	47.1
Research and Development[2]	**(20.1)**	(19.0)	(18.9)
Segments total	**219.6**	248.2	227.5
General Corporate[3]	**(114.9)**	(269.2)	(53.9)
Total operating income (loss)	**104.7**	(21.0)	173.6
Net interest expense[4]	**(4.4)**	(4.0)	(3.0)
Other (expense) income	**(3.7)**	6.3	(14.8)
Worldwide total	**$ 96.6**	$ (18.7)	$ 155.8

(Millions of US dollars)	Total Identifiable Assets 31 March 2011	2010
USA & Europe Fibre Cement	**$ 752.0**	$ 780.8
Asia Pacific Fibre Cement	**235.0**	216.9
Research and Development	**14.4**	14.2
Segments total	**1,001.4**	1,011.9
General Corporate[5, 6]	**959.2**	1,166.9
Worldwide total	**$ 1,960.6**	$ 2,178.8

(Millions of US dollars)	Net Sales to Customers[1] Years Ended 31 March 2011	2010	2009
USA	**$ 789.2**	$ 808.9	$ 912.2
Australia	**266.4**	214.3	193.2
New Zealand	**52.9**	50.6	50.0
Other Countries	**58.5**	50.8	47.2
Worldwide total	**$ 1,167.0**	$ 1,124.6	$ 1,202.6

(Millions of US dollars)	Total Identifiable Assets 31 March 2011	2010
USA	**$ 752.1**	$ 783.6
Australia	**155.5**	131.6
New Zealand	**45.8**	49.8
Other Countries	**48.0**	46.9
Segments total	**1,001.4**	1,011.9
General Corporate[5, 6]	**959.2**	1,166.9
Worldwide total	**$ 1,960.6**	$ 2,178.8

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

2 Research and development costs of US$9.7 million, US$10.4 million and US$8.0 million in fiscal years 2011, 2010 and 2009, respectively, were expensed in the USA and Europe Fibre Cement segment. Research and development costs of US$1.4 million, US$1.0 million and US$1.2 million in fiscal years 2011, 2010 and 2009, respectively, were expensed in the Asia Pacific Fibre Cement segment. Research and development costs of US$16.9 million, US$15.7 million and US$14.4 million in fiscal years 2011, 2010 and 2009, respectively, were expensed in the Research and Development segment. The Research and Development segment also included selling, general and administrative expenses of US$3.2 million, US$3.3 million and US$4.5 million in fiscal years 2011, 2010 and 2009, respectively.

Research and development expenditures are expensed as incurred and in total amounted to US$28.0 million, US$27.1 million and US$23.8 million for the years ended 31 March 2011, 2010 and 2009, respectively.

3 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 2011 are unfavourable asbestos adjustments of US$85.8 million, AICF SG&A expenses of US$2.2 million and a net benefit of US$8.7 million related to the ASIC proceedings. 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.

4 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$4.3 million, US$3.3 million and US$6.4 million in fiscal years 2011, 2010 and 2009, respectively. See Note 11.

5 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.

6 Asbestos-related assets at 31 March 2011 and 2010 are US$819.7 million and US$797.7 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 two 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 two customers' accounts receivable represented 20% and 29% of the Company's trade accounts receivable at 31 March 2011 and 2010, respectively. The following are gross sales generated by these two customers, which are all from the USA and Europe Fibre Cement segment:

	Years Ended 31 March					
(Millions of US dollars)	**2011**		2010		2009	
		%		%		%
Customer A	**$ 208.9**	17.9%	$ 224.4	20.0%	$ 277.1	23.0%
Customer B	**134.0**	11.5%	144.5	12.8%	149.6	12.4%
	$ 342.9		$ 368.9		$ 426.7	

Approximately 32% of the Company's fiscal year 2011 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 2011**	31 March 2010
Pension and post-retirement benefit adjustments	**$ (0.3)**	$ (1.6)
Unrealised gain on restricted short-term investments	**2.5**	1.2
Foreign currency translation adjustments	**53.0**	59.6
Total accumulated other comprehensive income	**$ 55.2**	$ 59.2

James Hardie Industries SE and Subsidiaries

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 and share buy-back;
- 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;
- statements about product or environmental liabilities; and
- statements about economic conditions, such as economic or housing recovery, the levels of new home construction, unemployment levels, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates and consumer confidence.

Words such as "believe," "anticipate," "plan," "expect," "intend," "target," "estimate," "project," "predict," "forecast," "guideline," "aim," "will," "should," "likely," "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 current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the Company's control. 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 30 June 2010, 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; governmental loan facility to the AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the Company operates; seasonal fluctuations in the demand for our products; 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; the potential that competitors could copy our products; 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; compliance with and changes in laws and regulations; the effect of the Company’s transfer of its corporate domicile from The Netherlands to Ireland to become an Irish SE including employee relations, changes in corporate governance, potential tax benefits and the effect of any negative publicity; 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, Irish 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.

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Valuation of Asbestos-Related Disease Liabilities of former James Hardie entities (“the Liable Entities”) to be met by the AICF Trust

Prepared for Asbestos Injuries Compensation Fund Limited (“AICFL”)

Effective as at 31 March 2011

19 May 2011

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Cc Russell Chenu, Chief Financial Officer, James Hardie Industries SE

Paul Miller, General Counsel, 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 2011 and has taken into account claims data and information provided to us by AICFL as at 31 March 2011.

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

Yours sincerely

N Donlevy

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Important Note: Basis of Report

This valuation report ("***the Report***") has been prepared by KPMG Actuarial Pty Limited (ABN 91 144 686 046) ("***KPMG Actuarial***") 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 "***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 judgment as of the date of the Report.

In preparing the Report, KPMG Actuarial has relied on information supplied to it from various sources and has assumed that the information is accurate and complete in all material respects. KPMG Actuarial 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 Actuarial, its executives, 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 Actuarial 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 24 November 2010.

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 the “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 2011. It has been based on claims data and information as at 31 March 2011 provided to us by AICFL.

Overview of Recent Claims Experience and comparison with previous valuation projections

In this section we will compare the actual experience in 2010/11 with the projections for 2010/11 that were contained within our previous valuation report at 31 March 2010. We will refer to these projections for 2010/11 as “Expected” in the tables that follow.

Claim numbers

The number of mesothelioma claims reported has shown a reduction in the year. There have been 265 claims reported in 2010/11 compared with 270 claims reported in 2009/10.

For non-mesothelioma claims, there have been 229 claims reported in 2010/11 compared to 267 claims reported in 2009/10. Within this, there has been a significant reduction in reporting activity for lung cancer and workers compensation 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	265	288	92%
Asbestosis	135	144	94%
Lung Cancer	13	36	36%
ARPD & Other	47	48	98%
Wharf	7	6	117%
Workers	27	60	45%
Total	**494**	**582**	**85%**

Average Claim Awards

Average claims awards in 2010/11 have typically been below expectations.

There have been four large mesothelioma claim settlements (being claims in excess of $1m) in 2010/11. This is slightly below our annual allowance of five large claims. Total claims expenditure on large claims has been 42% below expectations, reflecting the 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 which had been forecast at the previous valuation.

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

	Actual ($)	Expected ($)	Ratio of Actual to Expected (%)
Mesothelioma	260,320	287,800	90%
Asbestosis	87,502	106,600	82%
Lung Cancer	134,372	117,300	115%
ARPD & Other	70,843	95,900	74%
Wharf	55,448	106,600	52%
Workers	0	138,600	0%
Mesothelioma Large Claims Costs	4 claims @ $1,395,400 = $5,581,400	5 claims @ $1,918,800 = $9,594,000	58%

Cashflow expenditure: gross and net

Gross cashflow expenditure, at $100.6m, was 14% below expectations.

Net cashflow expenditure, at $76.5m, was 23% below expectations.

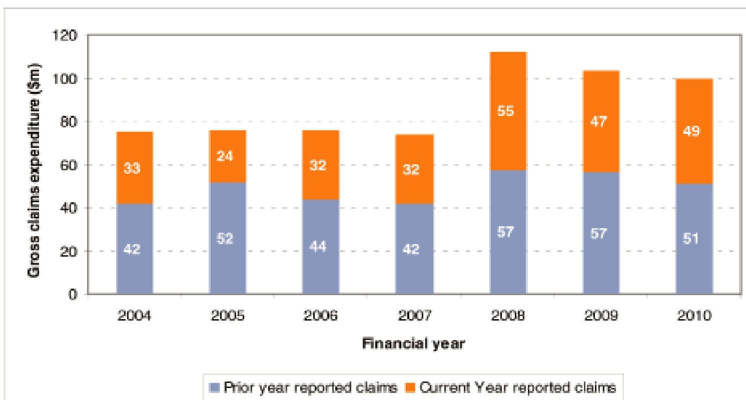
Table E.3. Comparison of cashflow

	Actual ($M)	Expected ($M)	Ratio of Actual to Expected (%)
Gross Cashflow	100.6	117.0	86%
Insurance and Other Recoveries	(24.1)	(17.2)	140%
Net Cashflow	76.5	99.8	77%

Insurance and Other Recoveries have been considerably higher than expected. This is entirely due to proceeds from commutations of insurance policies that the Liable Entities had held with two insurers. In the absence of these two commutations, Insurance and Other Recoveries would have been 85% of the expected value, which would have been consistent with the result for gross cashflow.

The following chart shows the composition of the cashflow between current and prior years' reporting claims over the past seven years.

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



Payments in relation to claims reported in the financial year have shown a slight increase compared with the previous year. This is because whilst claim numbers reported have fallen by approximately 10%, an increased proportion of reported claims have related to mesothelioma, and such claims are typically quicker to settle.

Payments in relation to prior years' reported claims have shown a reduction compared with previous years' experience. This is consistent with the lower numbers of claims being settled in the first half of the financial year.

Liability Assessment

At 31 March 2011, our projected central estimate of the liabilities of the Liable Entities (the Discounted Central Estimate) to be met by the AICF Trust is $1,477.6m (March 2010: $1,536.7m).

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

		31 March 2011 $ m		31 March 2010 $ m
	Gross of insurance recoveries	Insurance recoveries	Net of insurance recoveries	Net of insurance recoveries
Total projected cashflows (uninflated)	1,560.1	195.7	1,364.4	1,442.6
Future inflation allowance	1,489.4	192.4	1,297.0	1,463.8
Total projected cash-flows with inflation	3,049.5	388.1	2,661.4	2,906.4
Discounting allowance	(1,368.2)	(184.5)	(1,183.7)	(1,369.6)
Net present value liabilities	**1,681.2**	**203.6**	**1,477.6**	**1,536.7**

Comparison with previous valuation

In the absence of any change to the claim projection assumptions from our 31 March 2010 valuation, other than allowing for the changes in the discount rate, we would have projected a Discounted Central Estimate liability of $1,554.2m as at 31 March 2011, i.e. an increase of $17.5m from our 31 March 2010 valuation result.

This increase of $17.5m is due to:

- A reduction of $31.6m, 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).
- An increase of $49.1m resulting from the lower discount rates prevailing at 31 March 2011 compared with those adopted at 31 March 2010.

Our liability assessment at 31 March 2011 of $1,477.6m represents a decrease of $76.6m, which arises from changes to the claim projection assumptions.

The decrease of $76.6m is principally a consequence of:

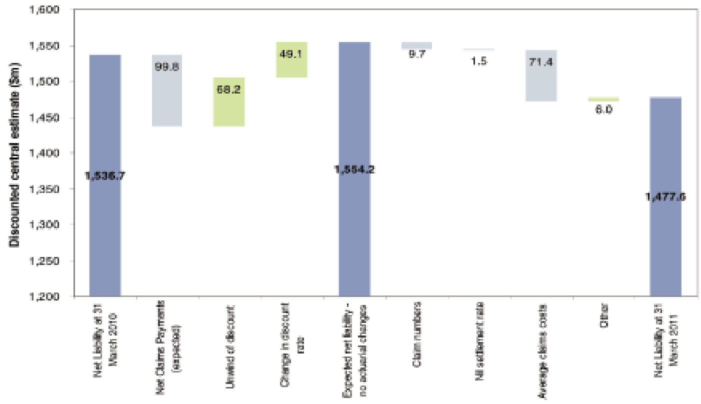
- A reduction in average claim awards and legal costs for most disease types; and
- A reduction in the projected future number of asbestosis and lung cancer claims;

offset by

- Lower future insurance recoveries (predominantly as a result of the impact of the two commutations previously discussed); and
- Lower assumed future cross-claims recoveries.

The following chart shows an analysis of the change in our liability assessments from March 2010 to March 2011.

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.

The undiscounted liability as of 31 March 2011 has reduced from $2,807m (based on the 31 March 2010 valuation) to $2,661m. This represents a reduction of $146m (5% 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:

- 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)	1,477.6
Period Actuarial Estimate (net of cross-claim recoveries, gross of Insurance and Other Recoveries) comprising:	325.3
Discounted value of cashflow in 2011/12	104.0
Discounted value of cashflow in 2012/13	109.9
Discounted value of cashflow in 2013/14	111.4
Term Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries)	1,474.2

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.

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.

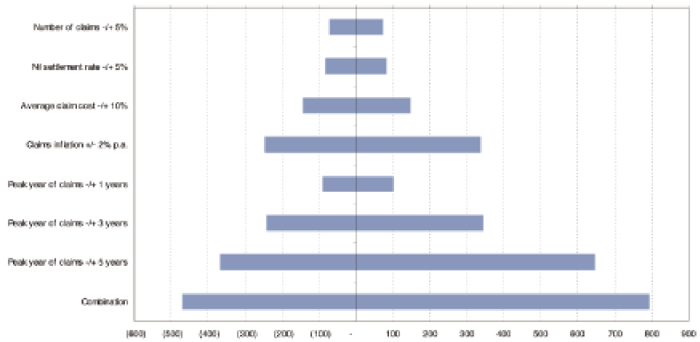
It should therefore be expected that the actual emergence of the liabilities will vary from any estimate. As indicated in Figure E.3, depending on the actual out-turn of experience relative to that currently forecast, the variation could potentially be substantial.

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. 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 the peak year of claims reporting against the Liable Entities. Shifting the peak year of claims reporting by 5 years (e.g. for mesothelioma, it would be equivalent to shifting the peak year from 2010/11 to 2015/2016) could imply an increase in the future number of mesothelioma claims reported of approximately 50%.

Table E.6. Summary results of sensitivity analysis

	Undiscounted	Discounted
Central estimate	$2.66bn	$1.48bn
Range around the central estimate	- $1.0bn to $2.0bn	- $0.5bn to $0.8bn
Range of liability estimates	$1.7bn to $4.6bn	$1.0bn to $2.3bn

Whilst the table above indicates a range around the discounted central estimate of liabilities of -$500m and +$800m, the actual cost of liabilities could fall outside that range depending on the actual experience.

Data, Reliances and Limitations

We have been provided with the following data by AICFL:

- Claims dataset at 31 March 2011 with individual claims listings;
- Accounting transactions dataset at 31 March 2011 (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 2011.

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.

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.

1 Scope and Purpose

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 documented in Section 1.2 and in Appendix H of this Report.

1.1.3 Purpose of report

KPMG Actuarial 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 24 November 2010.

The prior written consent of KPMG Actuarial 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 2011 and has been based on claims data and information as at 31 March 2011 provided to us by AICFL.

1.2 Scope of report

We have been requested to provide an actuarial assessment as at 31 March 2011 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 2011.

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 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 for 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 policies placed from 1986 onwards which were placed on a "claims made" basis.
  - 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.
  - 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 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 a future Workers Compensation claim 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 policies 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 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 Disease 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 an 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 (aggregated across the DDB and Workers Compensation Schemes), 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 any reimbursements that will not be met by the AICF Trust owing to the application of these limits and 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; and, in the case of Amaca, includes claims made in relation to the joint venture (Asbestos Mines Pty Ltd) established with Wunderlich in 1944 to begin mining at Baryulgil.

- 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 many non-insurance companies elect to, hold insurance 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 2011 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 2011) 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) it 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 such 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, but are not limited to:

- 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. In this regard, we note the recent decision by the Supreme Court (in relation to two cases: *Tamaresis v Amaca* and *Galea v Amaca*) which indicates that the AICF Trust is not required to meet the cost of nervous shock claims brought by individuals who have not been exposed to asbestos;
- 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 the removal of asbestos or the 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 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).

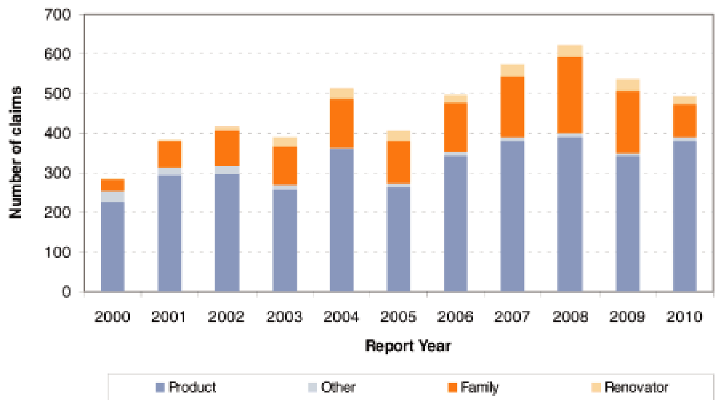
Nonetheless, some implicit allowance is made in respect of some of these items in the allowance for superimposed inflation included in our liability assessment, and to the extent that some of these have emerged in past claims experience.

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 is not required to 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 the increase in claims reporting from 2004/05 to 2008/09. However, in the past two years, these claims have reduced in number, reducing by 19% in 2009/10 and a further reduction of 47% in 2010/11.

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 as to 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 is not required to be met by the AICF Trust.

1.4 Data reliances and limitations

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

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.

Therefore, it should 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. Any such variation may be significant.

1.6 Distribution and use

The purpose of this Report is as stated in Section 1.1.

This Report should not be used for any purpose other than those specified.

This Report will 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 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 Actuarial consents to this Report being 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, neither KPMG Actuarial nor its Executives, directors or employees will be responsible to third parties for the consequences of any actions they take based upon the opinions expressed with this Report, including any use of or purported reliance upon this Report not contemplated in Section 1.2. Any reliance placed is that party's sole responsibility.

Where distribution of this Report is permitted by KPMG Actuarial, 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 Actuarial.

1.7 Author of the report

This Report is authored by Neil Donlevy, an Executive of KPMG Actuarial Pty Limited, 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, an Executive of KPMG Actuarial Pty Limited 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 focuses on ensuring 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, nor of its likely funding needs and its use of the loan facility to be provided by the NSW Government.

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. we should assume that AICFL will be able to meet the cost of the liabilities of the Liable Entities as they fall due).

2 Data

2.1 Data provided to KPMG Actuarial

We have been provided with the following data by AICFL:

- Claims dataset at 31 March 2011 with individual claims listings;
- Accounting transactions dataset at 31 March 2011 (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 2011.

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 2011 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. Section 2.3 outlines the nature of the testing 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 Data reconciliation and testing

We have performed a reconciliation of the data provided at 31 March 2011 with the data provided at 31 March 2010.

We have undertaken a number of tests and reconciliations to test the accuracy of the data to the extent possible, noting the limitations outlined above.

2.3.1 Reconciliation with previous valuation's data

We have performed a reconciliation of the claims database as at 31 March 2011 with that provided at 31 March 2010. Our findings are:

- Claims notifications: There is 1 new claim with a report date prior to 31 March 2010 that was not included in the dataset at 31 March 2010.
- Portfolio Category: 19 claims changed category. Of these, 8 claims have been re-labelled as mesothelioma.
- Notification Date: 1 claim has changed its notification date by a material amount (which we have defined as a change of greater than one month).
- Settlement date: 26 claims have changed their settlement 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 or extent of the changes to be unreasonable.

2.3.2 Reconciliation of claims settlement amounts between claims and accounting databases

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.

The claims database extract contains the following fields:

- Damages — which in some cases are net of cross-claim recoveries, and which in others are gross of cross-claim recoveries. We are 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.

We then mapped 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

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 ($m)

CLAIMS DATABASE		ACCOUNTING DATABASE	
Damages (gross of recoveries, excluding medicare)	768.4	Damages (gross of recoveries)	773.9
Costs	22.6	Costs	22.9
DDB	5.9	DDB	5.9
Other (inc Medicare)	5.8	Consulting	2.7
		Medicare	3.0
Defence legal costs	117.7	Defence legal costs	117.7
Total Value	**920.3**	**Total Value**	**926.1**
Standardisation			
Award plus Medicare plus DDB	777.3	Award plus Medicare plus DDB	782.8
Costs / Other	25.4	Costs / Other	25.6
Defence legal costs	117.7	Defence legal costs	117.7
Total Value	**920.3**	**Total Value**	**926.1**

The standardisation is the most relevant comparison because, as noted earlier, the two database extracts allocate the information (particularly in relation to Medicare) in slightly different ways.

Once the standardisation has been undertaken, the two datasets reconcile closely — with reconciliation differences totalling approximately 0.6% ($5.8m).

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:

- $784.0m for the claims award component;
- $25.7m for the costs / other component; and
- $117.8m 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 significant 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.

2.4 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 2010).

Based on that testing and reconciliation, and subject to the limitations described in Section 1.4, we have formed the view that:

- Generally, the data is 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 dataset and the accounting dataset);
- Any data issues that have emerged are not significant in relation to the size of the liabilities; and
- Therefore, the data is appropriate for use for the purposes of this Report.

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 2010.

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 ("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 mid 2010/11 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 mid 2010/11 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 historical average plaintiff and defendant legal costs for non-nil claim settlements;

- Analyse past historical 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 2010 settlement would be a claim settled in the period 1 April 2010 to 31 March 2011.

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 in the claims dataset 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. We have, however, made separate, explicit allowance in the valuation for insurance recoveries.

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 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 policies 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 are likely to have a different exposure and incidence profile compared with 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 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 only. 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 cancer 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.

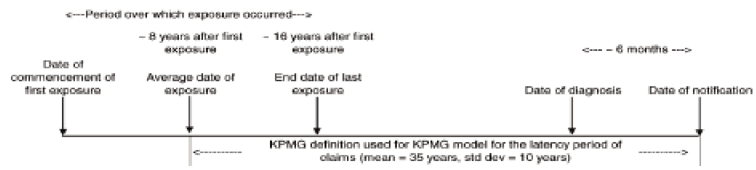
Statistically speaking, the projected peak incidence of mesothelioma is not equal to the peak year of production (or consumption) plus the average latency of mesothelioma.

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 "modelled 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.

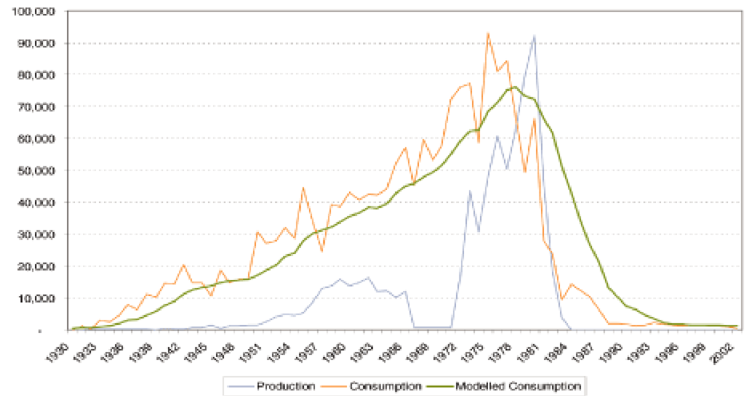
We start by constructing an exposure index from the annual consumption of asbestos within Australia from 1900-2002. We split this between the various asbestos types and by year of consumption.

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 3.2 shows measures of the production and consumption of asbestos in Australia in the period 1930 to 2002.

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 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 "modelled consumption" is derived as the consumption averaged over the previous eight years, i.e. from the implied start date of exposure to the average date of exposure.

This selection of eight years is based on the analysis contained in Section 4.8.1 which shows that a typical claimant has an average exposure period of 16 years and that the average date of exposure is therefore typically eight years after the start date of exposure.

It is the "modelled consumption" which is used, together with an assumption about the statistical distribution of the latency period, as a basis for projecting future mesothelioma claim numbers.

There is an implicit assumption within the use of the "modelled 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, by Jim Leigh et al and by Yeung et al.

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 summarised 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 "modelled 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 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.

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 reporting 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 2011/12 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 summarised in Section 4.7.

3.5 Incidence of claim settlements from future claim notifications

We derive a settlement pattern by analysing 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 summarised in Section 7.7.

3.6 Average claim costs of IBNR claims

3.6.1 Attritional claims

We define a large claim as one for which the award is greater than or equal to $1m in 2005/06 money terms (which equates to approximately $1.22m in mid 2010/11 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 mid 2010/11 money terms using a historical base inflation index (of 4% per annum). This allows for basic inflation effects when identifying trends in historical average settlements. We then determine a prospective average cost in mid 2010/11 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 summarised in Section 5.

3.6.2 Large claims loading

We analyse the historical 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 size and legal costs of these claims. We have determined a prospective incidence rate and average cost in mid 2010/11 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 summarised 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 summarised in Sections 7.2 to 7.4.

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 defence 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 summarised in Section 6.

3.8 Pending claims

3.8.1 Definition of pending claims

At 31 March 2011, there were 668 claims for which claim awards have not yet been fully settled by the Liable Entities, although this includes a large number of workers compensation claims (157), the majority for which the liability to be met by AICF is expected to be zero. 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.
- Where there is no closure date but the claim has a settlement date, there is the possibility of further emerging defendant legal costs, even though the claim award has been settled.
- Where there is no settlement date, there is the possibility of award, plaintiff legal costs and defendant legal costs 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 a 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 for AICFL, 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 comparison 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 2010 has deteriorated compared to our prior estimate (as at 31 March 2010).

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 borne out by the actual experience.

We have maintained our assumption for the level of redundancy in case estimates on currently reported claims at 25% at this valuation (March 2010: 25%).

Table 3.1: Change in cost of claims during 2010/11 financial year ($m)

Figures in $ millions	Current year reported claims	Prior year reported claims	Total
Estimates for pending claims at 31 March 2010 (undiscounted)	0.0	102.8	102.8
Paid amounts in year to 31 March 2011	48.4	51.1	99.5
Estimates for pending claims at 31 March 2011 (undiscounted)	46.1	48.9	95.1
Incurred Cost in the financial year	**94.5**	**(2.8)**	**91.8**

It should also be noted that making allowance for savings from case estimates is expected to have a more significant 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 more than 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 policies with a $1m primary policy layer.

In addition, until 31 May 1986, the Liable Entities maintained further excess "umbrella" insurance policies, with varying retentions and policy limits. That is, the insurance policies 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 insurance policies on an "in the aggregate" basis whilst public liability claims were insured on an "each and every loss" basis.

These insurance policies were placed amongst a number of insurance providers on a claims occurring basis.

From 31 May 1986, the insurance policies were placed on a claims made basis in relation to asbestos-related product and public liability cover.

The insurance 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.
- 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;
- determine 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 projected to be fully exhausted.

We then make an additional adjustment to the projected recoveries to exclude those projected future insurance recoveries that are assigned to the participations of insurers who have already commuted their coverage with AICFL and the Liable Entities or insurers who have settled the coverage by way of a Scheme of Arrangement.

3.9.3 Commutations

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.

Other commutations have been entered into, but these commutations have involved the payment of a lump sum amount, rather than an annual cashflow amount paid over a period of time.

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 $1m at 31 March 2011.

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 policies 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 being considered by the liquidators of HIH and we have not, for the purposes of this report, attempted to estimate any recovery for it.

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 and doubtful debt allowance on Insurance Recoveries

We have made allowance for bad and doubtful debts on future Insurance Recoveries within our valuation by use of the default rates in Appendix A. These have been sourced from Standard & Poors' 2010 Annual Global Corporate Default Study and Rating Transitions, March 2011 and they are based on bond default rates.

We have considered the credit rating of the insurers of the Liable Entities as at March 2011 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 policies 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 recent decision of *Amaca Pty Ltd v McGrath & Anor as liquidators of HIH Underwriting and Insurance (Australia) Pty Ltd [2011] NSWSC 90*

In that decision, Justice Barrett determined that Section 562A(4) could apply in relation to proceeds already collected by the liquidator of HIH on the relevant reinsurance policies.

However, Justice Barrett also said that the Court did not have the power to make a general order under Section 562A(4) in relation to future proceeds collected by the liquidator of HIH from relevant reinsurance policies.

Accordingly, our approach for this Report is to continue to assume that future cut-through is not achieved given the obstacles that still remain.

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 historical experience of such recoveries.

Our analysis and assumptions selected are summarised in Section 7.6.

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 valuation dates.

Our selected assumptions for the discount rates are summarised in Section 7.5.

4 Claims Experience — Claim Numbers

4.1 Overview

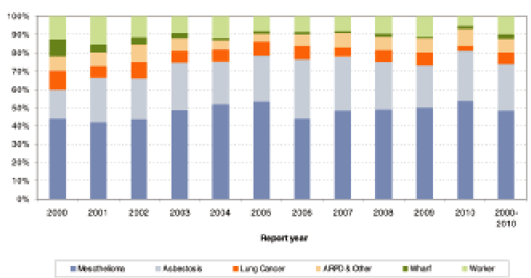
We have begun by analysing the pattern of notifications of claims as shown in Table 4.1. This table shows the number of claims reported by year of notification and by disease category.

Table 4.1: Number of claims reported annually

Report Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Wharf	Worker	Total
1997	111	32	20	17	2	50	232
1998	93	25	12	13	3	30	176
1999	95	41	16	12	14	39	217
2000	126	46	30	22	26	37	287
2001	162	93	24	30	17	59	385
2002	182	94	36	41	15	49	417
2003	189	101	26	27	10	36	389
2004	266	121	34	26	6	62	515
2005	217	103	32	17	6	33	408
2006	220	161	36	31	7	43	498
2007	276	170	28	44	8	46	572
2008	304	162	40	46	11	59	622
2009	270	121	40	42	3	61	537
2010	265	135	13	47	7	27	494
2000-2010	2,477	1,307	339	373	116	512	5,124
All Years	3,207	1,603	468	552	159	1,203	7,192

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.

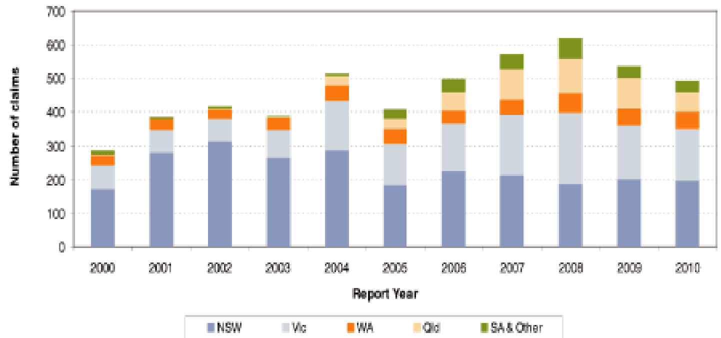
Figure 4.1: Proportion of claims by disease type



Historically, mesothelioma has accounted for almost 45% of claims by number. This percentage increased from 42% in 2001/02, and was 54%, the highest proportion to date, in 2010/11.

Asbestosis has shown a significant increase, from less than 20% in 2000/01 to 32% in 2006/07 but reducing to 25% on average over the past three years.

Figure 4.2: Mix of claims by state (all disease types)



Since 1997, NSW has contributed approximately 50% of all claims reported. However, in the past five years, its proportion has declined and NSW now contributes typically 35% to 40% of all claims by number (although a higher proportion by cost).

The reduction in the proportion of claims which have a jurisdiction of NSW over the past five years has likely been a consequence of the decision in *BHP Billiton vs Schultz [2004] HCA 61*.

4.2 Mesothelioma claims

The incidence of mesothelioma claim notifications increased steadily from 2001/02 (126 claims) to 2003/04 (189 claims). There was a further upward step in claim numbers during 2004/05 with 266 claims reported.

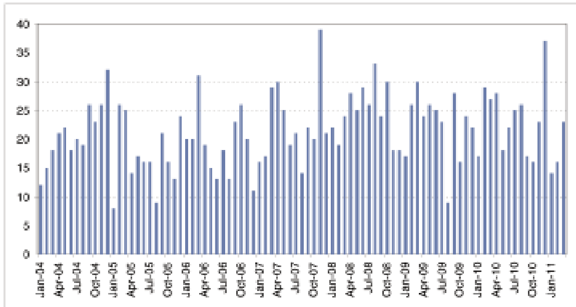
Reporting activity reduced in 2005/06 (217 claims) and 2006/07 (220 claims), but increased to 276 claims in 2007/08 and 304 claims in 2008/09.

In 2009/10, there were 270 mesothelioma claims and in 2010/11 there were 265 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



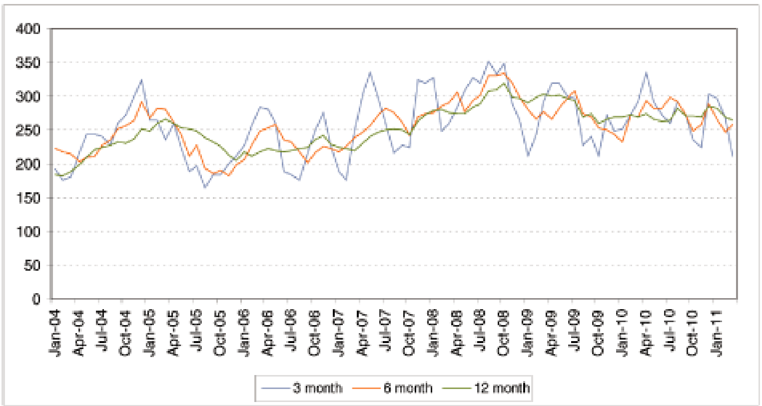
It is observed that:

- The number of claims reported in 2010/11 (265 claims) has been slightly below previous expectations (288 claims). In particular it showed a steady level of activity during the first three quarters of the financial year (approximately 70 claims per quarter), whilst the fourth quarter showed a significant reduction (to 53 claims).
- Typically there is a degree of late development which takes place in the following financial year (e.g. the number of claims reported in 2009/10 has increased by 8 since the end of that financial year, and since the figures quoted in our previous valuation report — previously these 8 claims had been recorded in other disease categories).

4.2.2 Rolling averages

We have 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 212 (3-month average) and 265 (12-month average).

Generally, over the past two years, the 6-month and 12-month averages have remained within the range of 230 to 310 claims per annum.

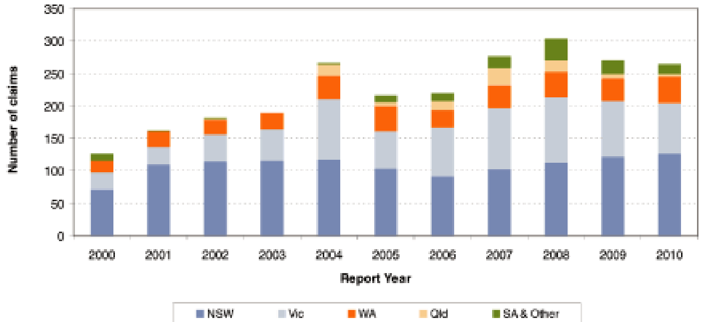
Not surprisingly, the 3-month averages have shown more volatility, varying between 210 and 340 over the past two years.

The 12-month rolling average declined steadily from March 2009 to October 2009 but has remained relatively stable since that time.

4.2.3 Claims notifications by state

We have analysed the number of mesothelioma claim notifications by the state in which the claim is filed. Figure 4.5 shows the number of claims notified by year of notification and by state.

Figure 4.5: Number of mesothelioma claims by state



It is of note that for 2010/11:

- Overall, mesothelioma reporting activity is approximately 15% below the levels observed in 2008/09 and is at the same level as 2009/10.
- Claim activity in Queensland has continued to reduce from the level observed in 2007/08.
- Claim activity in South Australia has also reverted more closely to levels observed prior to 2008/09, following a significant increase in 2008/09.

Furthermore, reporting activity in NSW (which contributes the highest number of mesothelioma claims against the Liable Entities) has remained broadly stable in the past three years.

4.2.4 Base valuation assumption for number of mesothelioma claims

In setting a base valuation assumption for 2011/12, we need to consider whether the observations in the most recent year were one-off fluctuations or were part of a new trend.

We have observed that the total number of claims from NSW, Victoria and WA have remained broadly stable over the past three years (at approximately 245 claims annually), but are at a higher level than was experienced prior to 2008/09.

Both Queensland and South Australia have seen reductions in claim activity in the past two years, although it is not clear whether this reduction will continue.

Based on the above observations, we have assumed 288 claims for 2011/12, which equates to 24 claims per month. This is unchanged from the previous assumption.

4.3 Asbestosis claims

For asbestosis, the number of claim notifications showed a step change upwards from 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 was reasonably stable, between 161 and 170 claims.

There were 121 claims reported in 2009/10 and 135 claims reported in 2010/11.

We have observed that Victoria (which historically has been the most prevalent state for asbestosis claims, typically contributing more than one-third of all asbestosis claims against the Liable Entities) showed a significant reduction in claim activity in 2009/10, falling by 40%. This trend has reversed in 2010/11, and claim activity in Victoria in 2010/11 has returned to more typical levels (at approximately 50 asbestosis claims per annum).

We have continued to observe reductions in claims activity in Queensland, with some stability in claim activity in NSW and WA.

We have assumed 138 asbestosis claims will be reported in 2011/12.

4.4 Lung cancer claims

For lung cancer claims, claim notifications have fallen significantly in 2010/11 with just 13 claims reported (compared with 40 claims reported in 2008/09 and in 2009/10).

It is unclear to what extent this reduction has arisen from the decisions in *Amaca v Ellis [2010] HCA 5* and *Evans v Queanbeyan City Council [2010] NSWDDT 7*.

We have assumed 30 lung cancer claims will be reported in 2011/12.

4.5 ARPD & Other claims

For ARPD & Other claims, the number of claims reported in the past four years has been broadly stable, varying between 42 and 47 claims.

We have assumed 48 ARPD & Other claims will be reported in 2011/12.

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 61 claims in the five years preceding the latest year (2010/11).

There were 27 claims reported in 2010/11 and this was considerably below expectations for the year.

We have assumed 48 Workers Compensation claims will be reported in 2011/12.

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 around 90%), which results from the insurance arrangements in place.

For wharf claims, we have assumed 6 claims will be notified in 2011/12. This compares with 7 claims reported in 2010/11. Again, the financial impact of this source of claim is not significant.

4.7 Summary of base claims numbers assumptions

In forming a view on the numbers of claims projected to be reported in 2011/12, 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 level of claim numbers are as follows:

Table 4.2: Claim numbers experience and assumptions for 2011/12

	2009/10	2010/11 H1 (annualised)	2010/11 H2 (annualised)	2010/11	2010/11 Assumption	2011/12 Assumption
Mesothelioma	270	272	258	265	288	288
Asbestosis	121	146	124	135	144	138
Lung Cancer	40	12	14	13	36	30
ARPD & Other	42	46	48	47	48	48
Wharf	3	10	4	7	6	6
Worker	61	30	24	27	60	48
Total	**537**	**516**	**472**	**494**	**582**	**558**

* *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.*

* *2010/11 Assumption is the assumption selected for 2010/11 in our valuation report of 31 March 2010.*

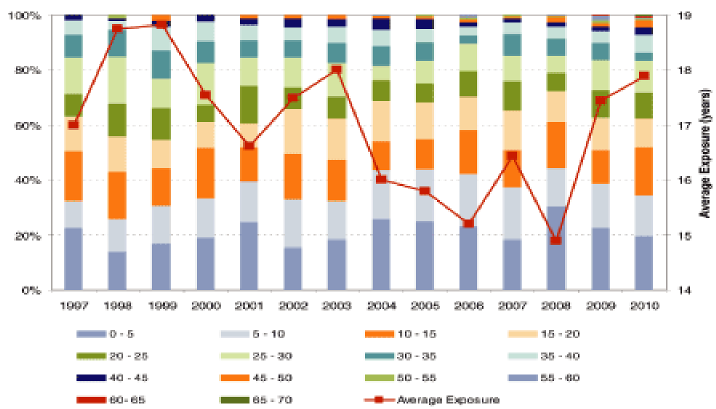
Our projection for 2011/12 of 558 claims compares with a previous projection (as at 31 March 2010) for 575 claims in 2011/12.

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)

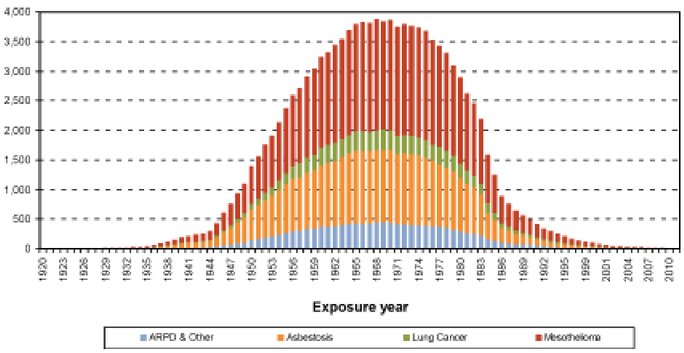


It can be seen that generally the average duration of exposure has varied between 15 years and 18 years.

4.8.2 Exposure information from claims notified to date

We have reviewed the actual exposure information available for 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 all tend to follow a similar pattern.

Figure 4.7: Exposure (person-years) of all Liable Entities' claimants to date



The chart shows that the peak year of exposure for claims reported to date is 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, we expect the right-hand side of this curve to develop and the peak year of exposure to trend towards the early to mid 1970s, and an increase in the absolute level at all periods of exposure as more claims are notified and the associated exposures from these are included in the analysis.

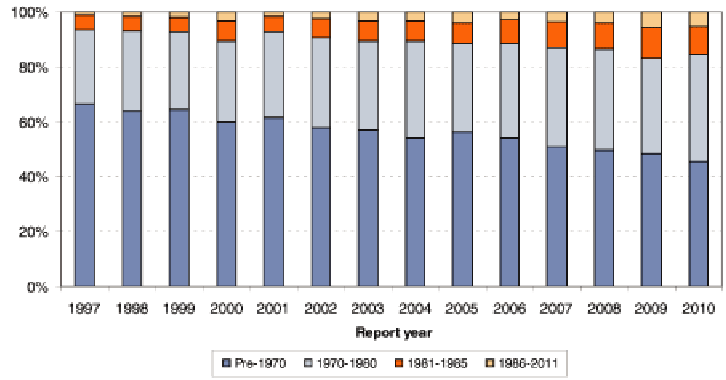
The relatively low level of exposure from 1987 onwards (about 3% of the total) is not unexpected given that all products ceased being manufactured by 1987. The exposure after that date likely results from usage of products already produced and sold before that date.

Figure 4.7 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 Figure 4.8, there has been a general increasing shift towards the exposure period after 1970, 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 assumes the latency period from the average date of exposure is 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 these 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.

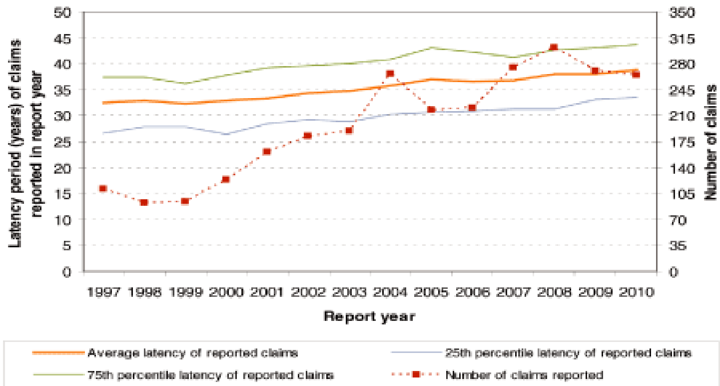
Because our model utilises latency assumptions from the average date of exposure, the latency period reported in the following charts is not directly comparable with that referred to in epidemiological literature.

As indicated in Section 4.8, the average period of exposure for claimants against the Liable Entities is approximately 16 years. This means the actual latency period from the date of first exposure is approximately 8 years greater than indicated in the following charts.

Furthermore, given that the date of notification lags the date of diagnosis by approximately 8 months for mesothelioma and by approximately 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 2010, 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 approximately 39 years for mesothelioma.

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 approximately 11 years.

Given 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 an upwards trend given the reduction in exposure in the late 1970s and 1980s.

Over the past ten years, the observed average latency of mesothelioma claims reported in a report year has increased from 33 years to 39 years, increasing at a rate of about 0.6 years with every year that passes.

The observed average latency of claims reported in future report years should also be expected to show a further upward trend in the coming years.

The currently observed standard deviation of the latency period is 7.9 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

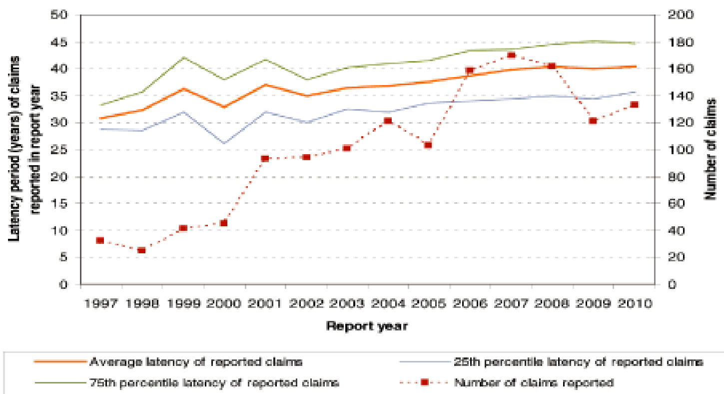


Figure 4.11: Latency of lung cancer claims

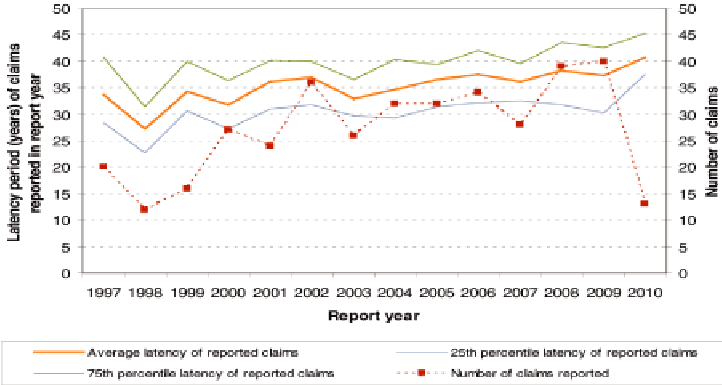
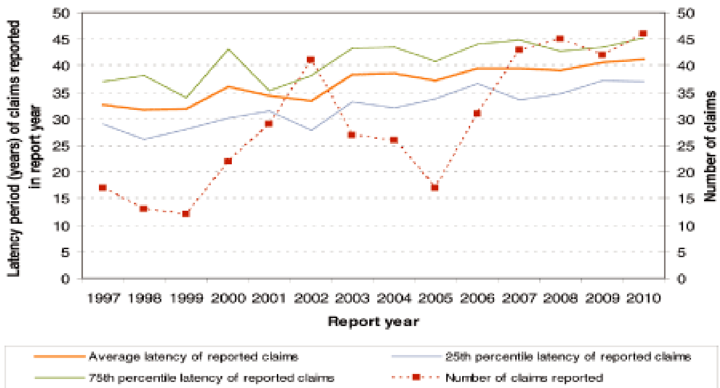


Figure 4.12: Latency of ARPD & Other claims



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 latency (years)	Standard deviation of latency (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.

An indication of how different assumptions would affect the incidence curve and therefore the number of IBNR claims is as follows:

- A higher mean latency period would increase the peak year (i.e. a higher 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).

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).

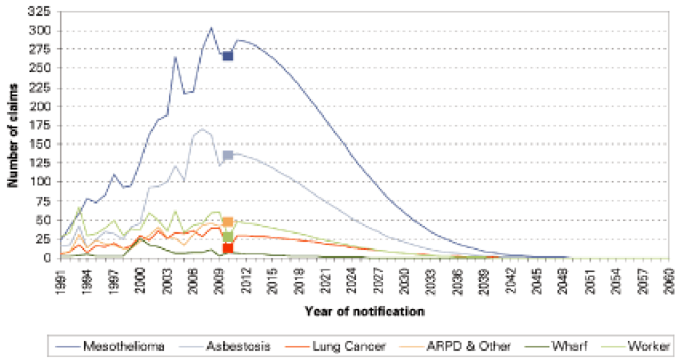
In considering the relevance of the findings of the various epidemiological studies, we note the following:

- 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 Actuarial model is a model for the Liable Entities' exposure, and not the whole of Australia's exposure. 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 2011/12 as summarised in Section 4.7.

The following chart 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 2011/12.

Figure 4.13: Expected future claim notifications by disease type



Note: The square dots indicate the actual number of claim notifications in 2010/11 for each disease type.

The partial recognition of the emerging experience in 2010/11 has decreased our projected ultimate number of claims compared with our previous valuation by 296 claims. This equates to a reduction of approximately 4% of projected IBNR claim numbers.

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 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 19 future claims reported, comprising 7 mesothelioma claims, 6 other product and public liability claims and 6 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 2011 of the additional provision (for claims not yet reported) that could potentially be required is an undiscounted liability of $6.2m and a discounted liability of $4.3m, all of which is deemed to be a liability of Amaca.

5 Claims Experience — Average Claims Costs

5.1 Overview

We have analysed the average claim awards and average plaintiff/other and defendant legal costs (where separately disclosed) by disease type in arriving at our valuation assumptions.

Table 5.1 shows how the average settlement cost for non-nil attritional claims has varied by client settlement year. All data have been converted into mid 2010/11 money terms using a historical base inflation index of 4% per annum.

The average amounts shown hereafter relate to the average amount of the contribution made by the Liable Entities, and does 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 award reflects the average contribution by the Liable Entities for claims in which they are joined but relates 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 mid 2010/11 money terms)

Client Settlement Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Wharf	Workers Compensation
2000	311,434	97,986	136,539	77,859	107,318	119,160
2001	362,137	134,969	152,711	146,194	72,747	60,491
2002	330,571	126,107	104,482	115,743	198,019	126,821
2003	287,813	133,874	145,377	123,046	137,318	136,857
2004	263,189	94,058	138,556	94,022	93,401	160,900
2005	247,525	85,622	66,077	86,716	94,884	147,278
2006	253,822	96,963	104,121	76,993	137,535	111,137
2007	251,422	88,636	123,481	53,076	53,213	294,072
2008	285,973	92,729	91,290	96,822	145,262	59,488
2009	254,727	104,582	105,575	90,955	61,197	129,324
2010	260,320	87,502	134,372	70,843	55,448	0

5.2 Mesothelioma claims

In setting our assumption for mesothelioma, we have considered average awards over the past 3, 4 and 5 years.

Figure 5.1: Inflated average awards and number of non-nil claims settlements for mesothelioma claims

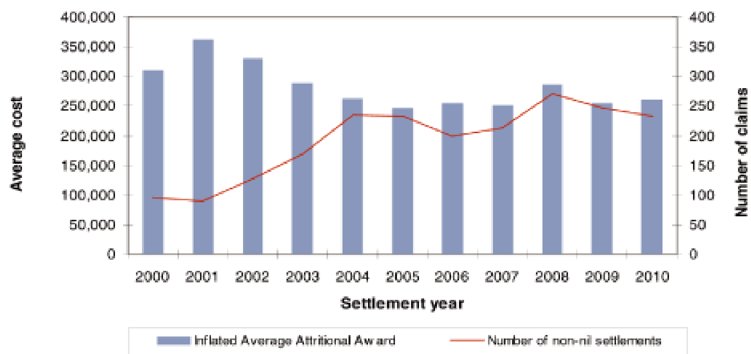


Figure 5.1 shows the historical variability in average claim sizes for mesothelioma, i.e. from $250,000 to $360,000 in mid 2010/11 money terms, although over the past eight years there has been a greater degree of stability.

The average of the past three years is $268,000; the average of the past four years is $264,000 and the average of the past five years is $262,000.

Taking the above averages into consideration, we have adopted a valuation assumption of $270,000 for mesothelioma claims in mid 2010/11 money terms. This assumption represents a 6% reduction in inflation-adjusted terms.

Table 5.2: Average mesothelioma claims assumptions

	Claim settlement year	
Valuation Report	**2009/10**	**2010/11**
31-Mar-10	270,000	287,800
31-Mar-11	n/a	270,000

Note: 2009/10 settlements are in 2009/10 dollars whilst 2010/11 settlements are in 2010/11 dollars.

5.3 Asbestosis claims

For asbestosis, it can be seen from Table 5.1 that in the period from 2001/02 to 2003/04 the average award was high relative to recent experience.

Figure 5.2: Inflated average awards and number of non-nil claims settlements for asbestosis claims

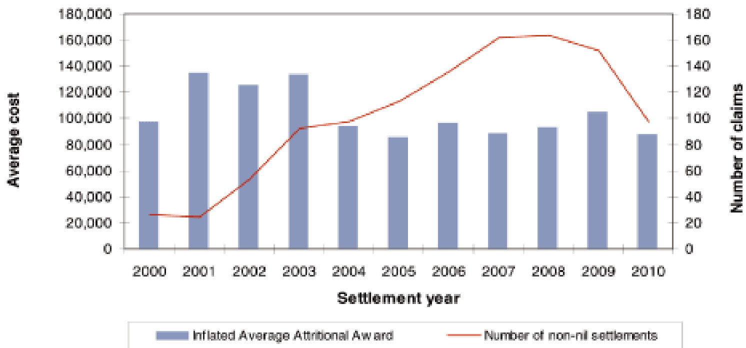


Figure 5.2 shows the substantial variation in the average award though in part this may be affected by the low numbers of claims settled in the earlier years.

The average of the past three years is $96,000; the average of the past four years is $94,000 and the average of the past five years is $94,000.

We have adopted an assumption of $100,000. This assumption represents a 6% reduction in inflation-adjusted terms.

Table 5.3: Average asbestosis claims assumptions

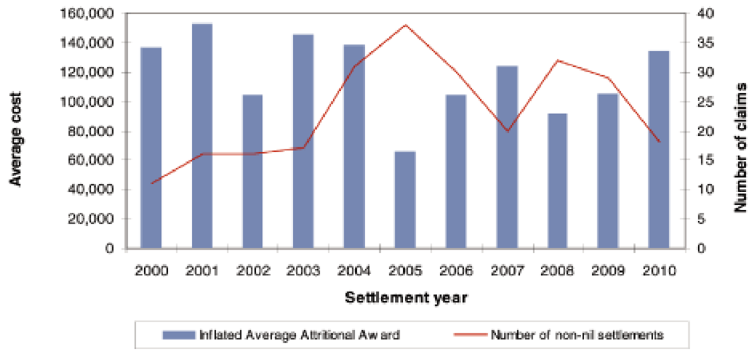
	Claim settlement year	
Valuation Report	**2009/10**	**2010/11**
31-Mar-10	100,000	106,600
31-Mar-11	n/a	100,000

Note: 2009/10 settlements are in 2009/10 dollars whilst 2010/11 settlements are in 2010/11 dollars.

5.4 Lung cancer claims

The average award for lung cancer claims appears to have experienced some volatility in the past five years, although this is not unexpected given the small volume of claim settlements (approximately 20 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 past three years is $106,000; the average of the past four years is $110,000 and the average of the past five years is $108,000.

At this valuation, we have adopted an average award size of $117,500, taking into account the experience in 2010/11 and the volatility in past experience. This assumption is broadly unchanged in inflation-adjusted terms.

Table 5.4: Average lung cancer claims assumptions

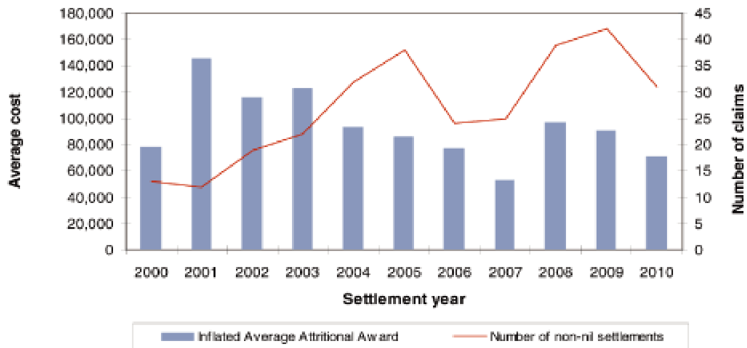
	Claim settlement year	
Valuation Report	2009/10	2010/11
31-Mar-10	110,000	117,300
31-Mar-11	n/a	117,500

Note: 2009/10 settlements are in 2009/10 dollars whilst 2010/11 settlements are in 2010/11 dollars.

5.5 ARPD & Other claims

The average award size over the past six years has been relatively stable, with the exception of the low average award size observed in 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 past three years is $87,000; the average of the past four years is $81,000 and the average of the past five years is $81,000.

We have adopted an average award size of $90,000 recognising the experience between 2002/03 and 2010/11 (although largely ignoring the experience in 2007/08). This assumption represents a 6% reduction in inflation-adjusted terms.

Table 5.5: Average ARPD & Other claims assumptions

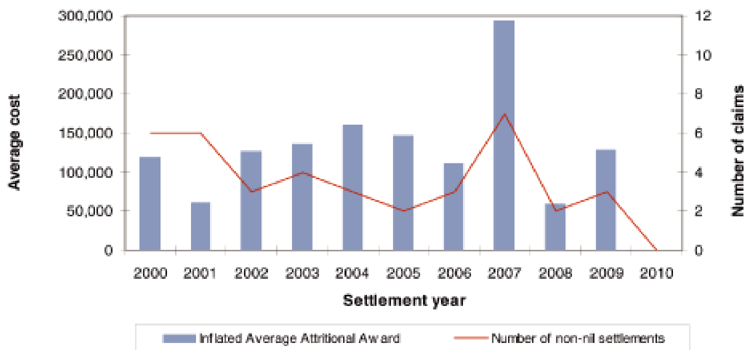
	Claim settlement year	
Valuation Report	**2009/10**	**2010/11**
31-Mar-10	90,000	95,900
31-Mar-11	n/a	90,000

Note: 2009/10 settlements are in 2009/10 dollars whilst 2010/11 settlements are in 2010/11 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 was due predominantly 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 past three years is $101,000; the average of the past four years is $214,000 and the average of the past five years is $193,000. These averages are affected by the higher volume of claim settlements and higher average award size in 2007/08.

We have adopted $130,000 as our valuation assumption. This represents a 6% 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

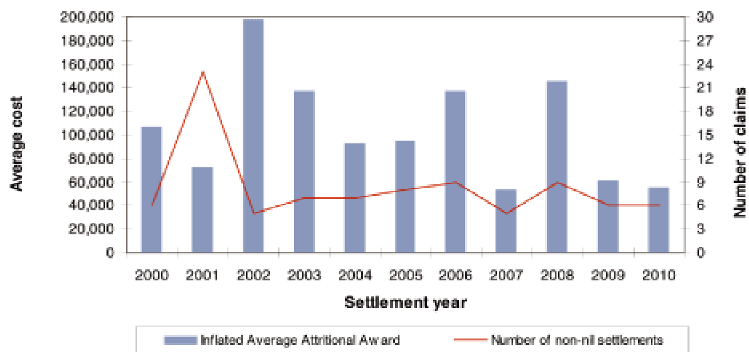
	Claim settlement year	
Valuation Report	**2009/10**	**2010/11**
31-Mar-10	130,000	138,600
31-Mar-11	n/a	130,000

Note: 2009/10 settlements are in 2009/10 dollars whilst 2010/11 settlements are in 2010/11 dollars.

5.7 Wharf claims

For wharf claims, the average of the past three years has been $96,000; the average of the past four years has been $87,000 and the average of the past five years has been $100,000.

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 for that year would have been $95,000.

We have adopted a valuation assumption of $100,000 in mid 2010/11 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

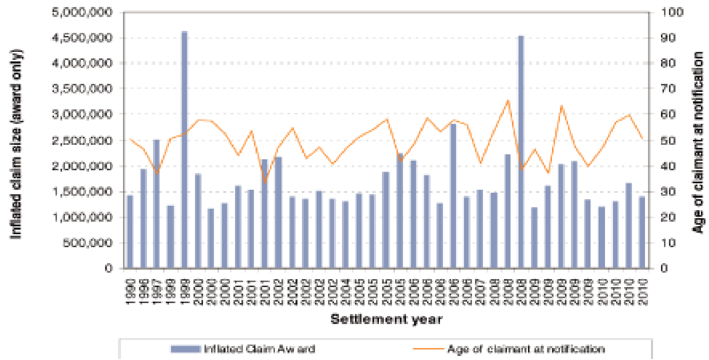
	Claim settlement year	
Valuation Report	**2009/10**	**2010/11**
31-Mar-10	100,000	106,600
31-Mar-11	n/a	100,000

Note: 2009/10 settlements are in 2009/10 dollars whilst 2010/11 settlements are in 2010/11 dollars.

5.8 Large claim size and incidence rates

There have been 39 claims settled with 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 each case was mesothelioma.

Figure 5.7: Distribution of individual large claims by settlement year



In aggregate these claims have been settled for $70.4m in mid 2010/11 money terms, at an average cost of approximately $1.81m. There were two claims of more than $4.5m each in mid 2010/11 money terms.

There are five mesothelioma claims (three reported in 2009/10, two reported in 2010/11) which have not 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 1997-2010 there have been 37 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 2001-2010 there have been 31 large claims at an incidence rate of 1.52%.

We have assumed a large claim incidence rate of 1.75% prospectively over all future years, based on an assumption of 5 large claims per annum. This is a very slight increase from our previous valuation assumption of 1.67%.

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 $1.85m for the claim award.

Implicitly, this allows for the occasional $4.5m 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 $60,000 per claim for plaintiff legal costs where such costs are made additional to, rather than included 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 a large claim has been approximately $50,000 per claim. However, we note that prior to the most recent three years, average defence legal costs for a large claim was considerably higher (in the order of $150,000).

As a consequence, the overall claim cost loading per non-nil mesothelioma claim (excluding legal cost allowances) to make allowance for large claims is $32,375 (being 1.75% x $1,850,000).

The actual incidence of, and settlement of, large claims is not readily predictable deviations will occur from year to year due to random fluctuations because of the small numbers of large claims (approximately 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	287,800
Asbestosis	100,000	106,600
Lung Cancer	117,500	117,300
ARPD & Other	90,000	95,900
Wharf	100,000	106,600
Workers Compensation	130,000	138,600
Mesothelioma Large Claims (award only)	Average Size: $ 1.85m. Frequency: 1.75 %	Average Size: $ 1.92m. Frequency: 1.67 %

Note: Both the current valuation assumption and the previous valuation assumption are expressed in 2010/11 money terms.

6 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).

Table 6.1 shows the observed nil settlement rates by disease type and by settlement year.

Table 6.1: Nil settlement rates

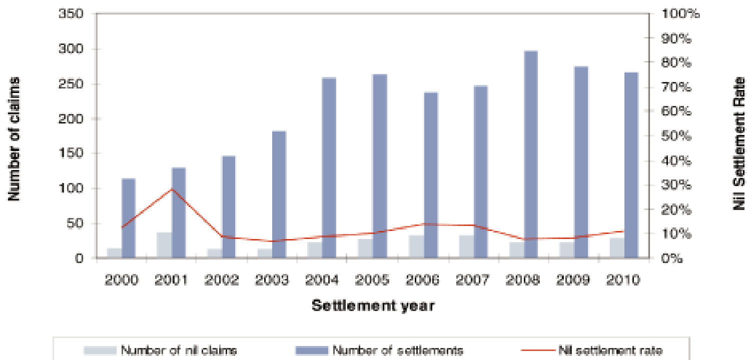
Client Settlement Year	Mesothelioma	Asbestosis	Lung Cancer	ARPD & Other	Wharf	Workers Compensation
2000	12%	16%	8%	19%	25%	87%
2001	28%	29%	41%	20%	18%	86%
2002	9%	9%	11%	17%	38%	80%
2003	7%	5%	23%	12%	63%	96%
2004	9%	8%	23%	9%	0%	94%
2005	10%	10%	27%	19%	20%	95%
2006	14%	9%	25%	43%	0%	96%
2007	13%	9%	31%	19%	72%	85%
2008	8%	9%	24%	13%	0%	95%
2009	8%	7%	22%	2%	0%	82%
2010	11%	20%	28%	21%	14%	100%

6.2 Mesothelioma claims

The nil settlement rate for mesothelioma has 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 past six years, the nil settlement rate has varied between 8% and 14%.

In considering the future nil settlement rate assumption, we note the following:

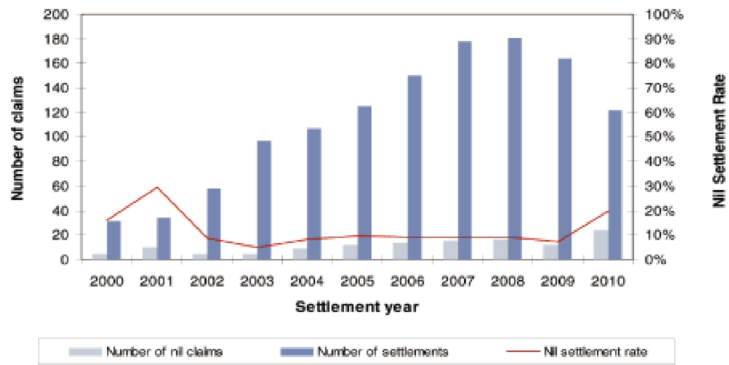
- The nil settlement rate for the past three years has averaged 9%, for the past four years has averaged 10% and for the past five years has averaged 11%;
- The experience during 2006/07 and 2007/08 showed an increased nil settlement rate to 14%; and
- In 2008/09 and 2009/10, the nil settlement rate fell to 8%, and in 2010/11 the nil settlement rate was 11%.

Taking all of these factors into consideration and in particular the variability from year to year, we have maintained the assumed future nil settlement rate at 10%, unchanged from our previous assumption.

6.3 Asbestosis claims

As with mesothelioma, the historical asbestosis nil settlement rate has been volatile, albeit with some stability being observed in the years from 2002/03 through to 2009/10.

Figure 6.2: Asbestosis nil claims experience



We have reviewed the average rate over the past 3, 4 and 5 years in determining our assumption.

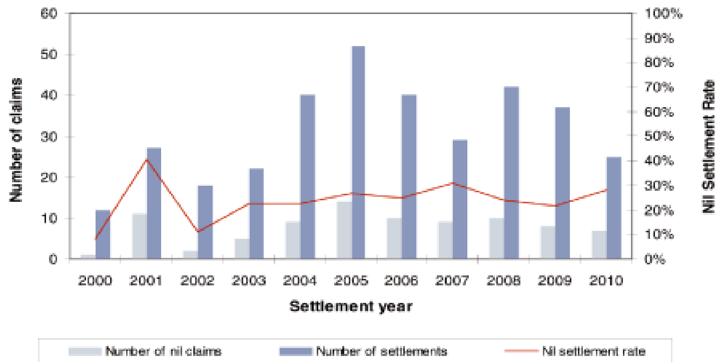
The nil settlement rate for the past three years has averaged 11%, for the past four years has averaged 11% and for the past five years has averaged 10%.

In these circumstances we have assumed a nil settlement rate of 9%, unchanged from our previous valuation assumption.

6.4 Lung cancer claims

Given the small volumes of claims, volatility in the nil settlement rate for lung cancer claims is to be expected.

Figure 6.3: Lung cancer nil claims experience



The nil settlement rate for the past three years has averaged 24%, for the past four years has averaged 26% and for the past five years has averaged 25%.

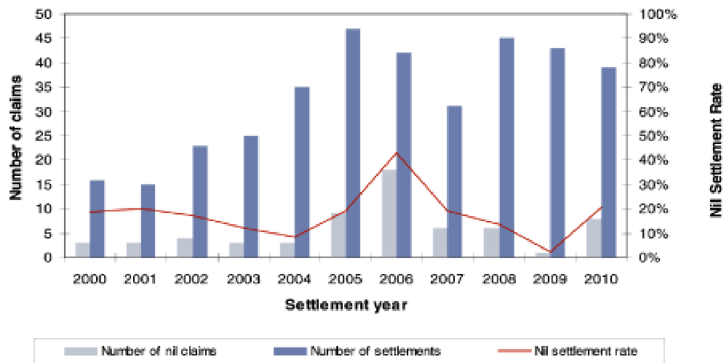
The chart shows a general downward trend from 2007/08 to 2009/10, although this reversed in 2010/11. In these circumstances we have selected 25% as the future nil settlement rate. This is unchanged from our previous valuation assumption.

This rate could be affected in the future by legal changes to the division and the acceptability of claims in relation to claimants who have smoked noting 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 this factor.

6.5 ARPD & Other claims

As with other disease types, there has been significant volatility in the historical nil settlement rate, given the low numbers of claims for this disease.

Figure 6.4: ARPD & Other nil claims experience



The nil settlement rate for the past three years has averaged 12%, for the past four years has averaged 13% and for the past five years has averaged 20%. These averages have been affected by the very low nil settlement rate (2%) in 2009/10.

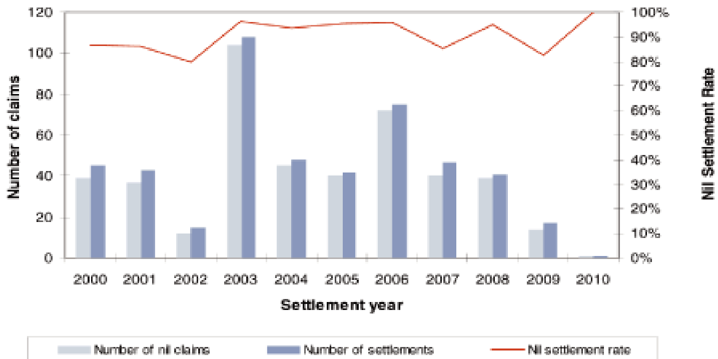
We have selected 16% as our nil settlement rate assumption for this class of disease. This is a reduction from our previous valuation assumption of 18%.

6.6 Workers Compensation claims

The nil settlement rates for Workers Compensation have been high and reflect 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 has 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 past seven years, and it has been above 80% for each of the past twelve years.

Figure 6.5: Workers Compensation nil claims experience



The nil settlement rate for the past three years has averaged 92%, for the past four years has averaged 89% and for the past five years has averaged 92%.

In these circumstances, we have selected a rate of 90% at this valuation, an increase from our previous valuation assumption of 87%.

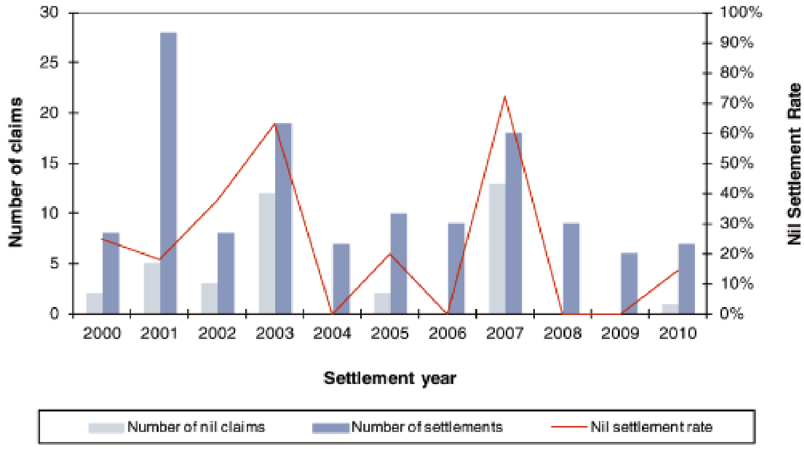
6.7 Wharf claims

For wharf claims, the nil settlement rate for the past three years has averaged 5%, for the past four years has averaged 35% and for the past five years has averaged 29%, although these are affected by the high nil settlement rate in 2007/08.

We have selected 18% as our valuation assumption which is unchanged from our previous valuation assumption.

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%	10.0%
Asbestosis	9.0%	9.0%
Lung Cancer	25.0%	25.0%
ARPD & Other	16.0%	18.0%
Wharf	18.0%	18.0%
Workers Compensation	90.0%	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 derived our base inflation assumption from CPI based indicators together with long term CPI / AWOTE relativities.

7.2.2 CPI assumption

We have considered two indicators for our CPI assumption:

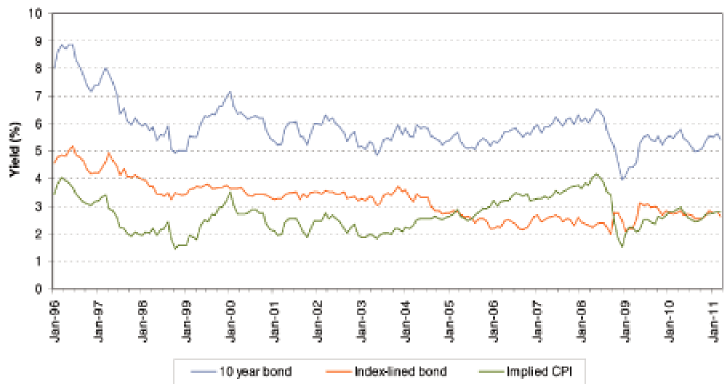
- Market implied CPI measures.

- 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 past 11 years, although it broadly remained between 2% and 3% per annum from March 2000 to January 2006.

At 31 March 2011, the effective annual yield on long-term Government bonds was 5.44% per annum and the equivalent effective real yields on long-term index-linked bonds was approximately 2.65% per annum. This implies current market expectations for the long-term rate of CPI are of the order of 2.8% per annum.

In considering this result we note that:

- The yield on both nominal and CPI-linked Government bonds is driven by supply and demand. The yield on both, and their relativity, are subject to some volatility.

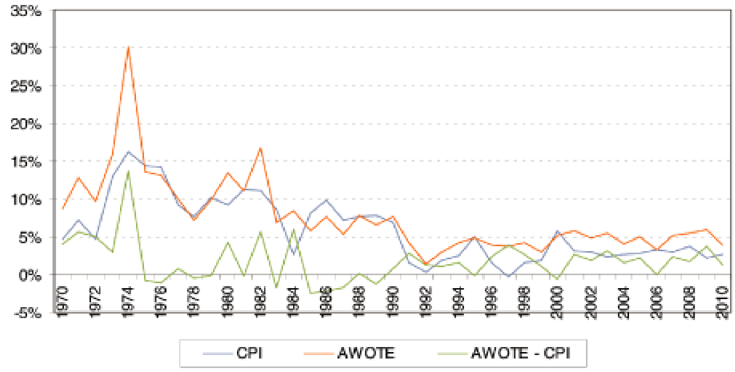
- The RBA's long term target is for CPI to be maintained between 2% and 3% per annum.
- The implied CPI rate stayed consistently above 3.2% per annum from March 2006 to May 2008, peaking at almost 4.2% in May 2008.
- From May 2008 to December 2008, the implied rate of CPI showed a significant reduction from 4.2% to 1.5% per annum.
- It then increased through to April 2010 (to 2.9% per annum) and has remained broadly stable since that time, at 2.8% per annum.

Weighing this evidence together 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 rate of AWOTE and CPI inflation, and their relativity, for the 1970 to 2010 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 historical data suggests a CPI / AWOTE relativity, or gap, of approximately 1.75% to 2.00% per annum.

Given a longer term CPI benchmark of 2.50% to 3.00%, this suggests a longer-term wage inflation (AWOTE) assumption of 4.25% to 5.00% p.a.

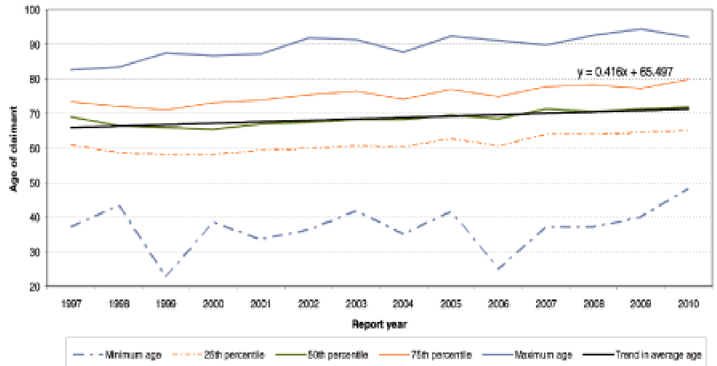
7.2.4 Impact of claimant ageing and non-AWOTE inflation effects

The overall age profile of claimants is expected to rise over future years with the consequent impact that, other factors held constant, claim 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 increase at a rate 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 increase at CPI or lower;
- other heads of damage, including loss of earnings, would be expected to increase at AWOTE (ignoring the ageing effect); and
- medical expenses and care costs would be expected to increase 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



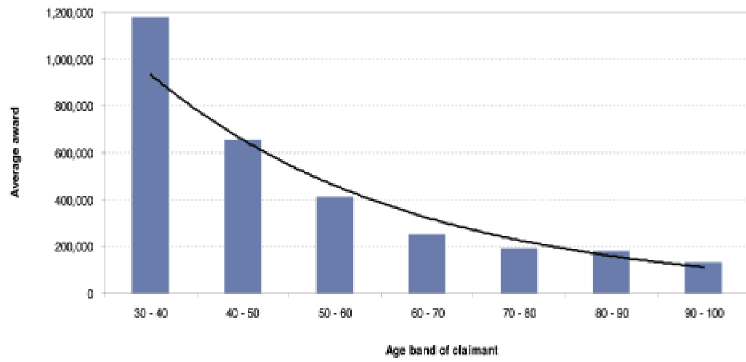
The chart indicates that the average age of mesothelioma claimants is increasing.

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 is upwards, indicating that the age profile of claimants is typically increasing.

The chart also indicates that the average age of claimants is increasing by approximately 0.42 years each year, with the average age in excess of 70 years.

Figure 7.4 shows how average claim size varies by decade of age.

Figure 7.4: Average mesothelioma awards by decade of age



The analysis suggests that the average mesothelioma award reduces by approximately 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).

Figure 7.3 also suggests that the average mesothelioma claimant is typically ageing by approximately 0.4 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 increases in the average age of claimants upon average sizes is approximately 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 in excess of 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.

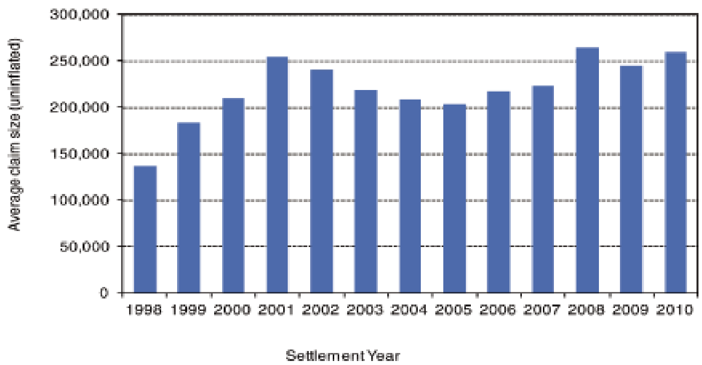
Whilst the future rate of superimposed inflation is uncertain, and not predictable from one year to the next, it is of note that the average claim costs appear to have been stable in the past few years, although the emergence of new or expanding heads of damage does not tend to proceed smoothly but progresses 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 past 13 years for mesothelioma claims. We have assessed this by analysing uninflated claim costs and therefore Figure 7.5 measures the trend in the total rate of claims inflation.

Figure 7.5 can then be used to determine 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 this chart therefore includes the negative effect of ageing upon claim awards.

Figure 7.5: Average mesothelioma awards of the Liable Entities (uninflated)



From Figure 7.5, we have the following observations in relation to the rate of claim inflation of the Liable Entities' share of claims awards:

- Between 1998/99 and 2001/02, claims inflation of the Liable Entities' share of mesothelioma claims awards averaged approximately 23% per annum.

- Between 2001/02 and 2010/11, claims inflation for mesothelioma claims averaged around 0.25% 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 mesothelioma claims awards from 1998/99 to 2010/11 was approximately 5.5% per annum, which would imply a superimposed inflation rate of approximately 1.25% per annum (using a base inflation assumption of 4.25% per annum).
- The average rate of claims inflation of the Liable Entities' share of mesothelioma claims awards from 2005/06 to 2010/11 was approximately 5.1% per annum, which would imply a superimposed inflation rate of approximately 0.8% per annum (using a base inflation assumption of 4.25% per annum).

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.

7.5 Discount rates: Commonwealth bond zero coupon yields

We have calculated the zero coupon yield curve at 31 March 2011, underlying the prices, coupons and durations of Commonwealth 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	4.88%	4.58%
2	5.02%	5.49%
3	5.33%	6.03%
4	5.57%	6.07%
5	5.75%	6.11%
6	5.86%	6.15%
7	5.90%	6.18%
8	5.92%	6.21%
9	5.94%	6.23%
long-term	6.00%	6.00%

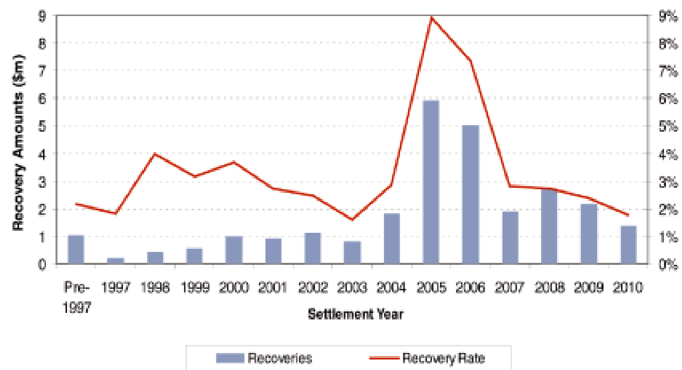
7.6 Cross-claim recovery rates

Cross-claim recoveries have totalled $27m to date. This represents 3.4% of gross claims costs.

The majority of cross-claim recoveries relate 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 7.6: Cross-claim recovery experience



Cross-claim recoveries in 2005/06 ($5.9m) and 2006/07 ($5.0m) were significantly impacted by recoveries from CSR and were due also 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, we believe the rate of recovery exhibited in those two years is not a good guide to the likely future level of recovery.

Taking this and the recent levels of cross-claim recoveries (which have averaged 2.3% over the past three years) into account we have assumed that future levels of cross-claim recoveries will be 2.0% of the average award. This is lower than the previous valuation assumption of 2.5% at 31 March 2010.

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 7.7: 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	47.2%	96.1%	96.5%	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	50.2%	82.2%	87.1%	87.4%	90.8%	90.8%	96.1%	97.4%	100.0%	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%	100.0%	
2000	60.3%	90.0%	95.7%	97.4%	99.4%	100.0%	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%	99.6%			
2002	54.8%	90.2%	95.7%	98.7%	99.6%	99.9%	100.0%	100.0%	100.0%				
2003	55.2%	90.5%	95.6%	99.3%	99.3%	100.0%	100.0%	100.0%					
2004	52.7%	93.9%	97.5%	98.6%	99.7%	100.0%	100.0%						
2005	58.3%	93.1%	98.4%	98.5%	98.9%	99.6%							
2006	57.6%	87.6%	91.2%	93.5%	93.5%								
2007	49.7%	90.7%	93.0%	93.3%									
2008	64.3%	92.0%	93.1%										
2009	56.9%	87.0%											
2010	64.4%												

Figure 7.8: 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%	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%	96.5%	
2000	15.5%	45.1%	63.7%	79.1%	82.5%	85.3%	88.3%	88.3%	92.1%	92.1%	95.7%		
2001	22.0%	55.1%	80.0%	83.3%	87.7%	90.1%	91.8%	94.8%	94.8%	94.8%			
2002	13.0%	61.8%	83.3%	91.0%	95.2%	97.6%	98.8%	99.5%	99.5%				
2003	17.4%	68.4%	86.3%	92.1%	95.4%	98.9%	99.2%	99.2%					
2004	17.4%	58.5%	82.9%	92.2%	94.8%	96.1%	97.4%						
2005	19.5%	81.0%	94.2%	97.6%	99.5%	99.5%							
2006	21.6%	69.0%	87.5%	90.5%	94.9%								
2007	27.5%	79.1%	88.4%	94.5%									
2008	24.3%	79.5%	89.8%										
2009	32.1%	58.8%											
2010	16.3%												

We have estimated the settlement pattern for future claim reporting as follows:

Table 7.3: Settlement pattern of claims awards by delay from claim reporting

Delay (years)	Mesothelioma	Non-Mesothelioma
0	60.0%	20.0%
1	30.0%	45.0%
2	3.0%	23.0%
3	2.0%	4.0%
4	2.0%	3.0%
5	1.5%	2.0%
6	0.5%	1.0%
7	0.5%	0.5%
8	0.3%	0.5%
9	0.2%	0.5%
10	0.0%	0.5%
11	0.0%	0.0%
12	0.0%	0.0%

These assumed settlements patterns have been modified slightly since our previous valuation, resulting in an assumption of a slight speeding up of mesothelioma claim settlements, and a slight slowing down of non-mesothelioma claim settlements.

8 Valuation Results

8.1 Central estimate liability

At 31 March 2011, our projected central estimate of the liabilities of the Liable Entities (the Discounted Central Estimate) to be met by the AICF Trust is $1,477.6m (March 2010: $1,536.7m).

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

	31 March 2011 $m			31 March 2010 $m
	Gross of insurance recoveries	Insurance recoveries	Net of insurance recoveries	Net of insurance recoveries
Total projected cashflows (uninflated)	1,560.1	195.7	1,364.4	1,442.6
Future inflation allowance	1,489.4	192.4	1,297.0	1,463.8
Total projected cash-flows with inflation	3,049.5	388.1	2,661.4	2,906.4
Discounting allowance	(1,368.2)	(184.5)	(1,183.7)	(1,369.6)
Net present value liabilities	1,681.2	203.6	1,477.6	1,536.7

8.2 Comparison with previous valuation

In the absence of any change to the claim projection assumptions from our 31 March 2010 valuation, other than allowing for the changes in the discount rate, we would have projected a Discounted Central Estimate liability of $1,554.2m as at 31 March 2011, i.e. an increase of $17.5m from our 31 March 2010 valuation result.

This increase of $17.5m is due to:

- A reduction of $31.6m, 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).
- An increase of $49.1m resulting from the lower discount rates prevailing at 31 March 2011 compared with those adopted at 31 March 2010.

Our liability assessment at 31 March 2011 of $1,477.6m represents a decrease of $76.6m, which arises from changes to the claim projection assumptions.

The decrease of $76.6m is principally a consequence of:

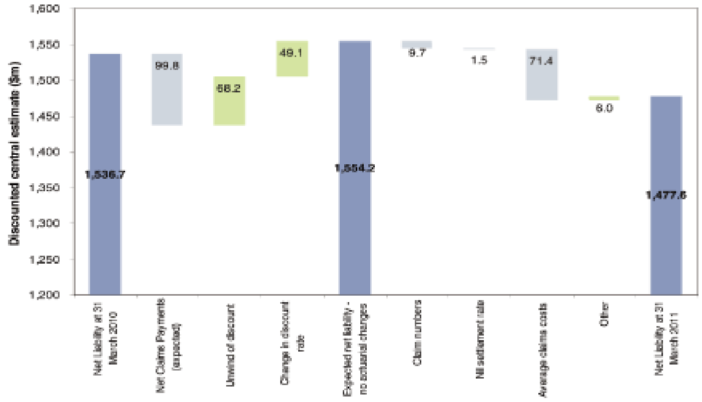
- A reduction in average claim awards and legal costs for most disease types; and
- A reduction in the projected future number of asbestosis and lung cancer claims;

offset by

- Lower future insurance recoveries (predominantly as a result of the impact of the two commutations previously discussed); and
- Lower assumed future cross-claims recoveries.

The following chart shows an analysis of the change in our liability assessments from March 2010 to March 2011.

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.

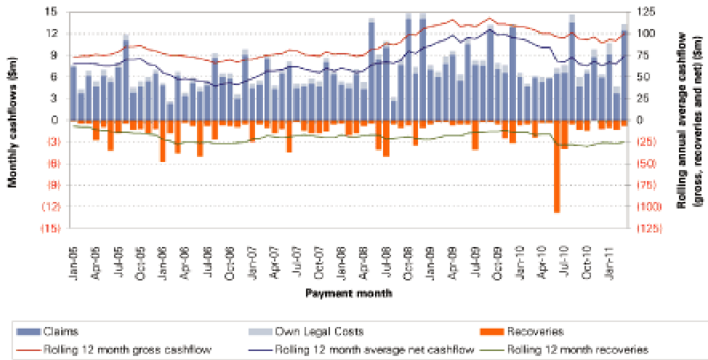
The undiscounted liability as of 31 March 2011 has reduced from $2,807m (based on the 31 March 2010 valuation) to $2,661m. This represents a reduction of $146m (5% of the undiscounted liability).

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 past six years.

Figure 8.2: Historical claim-related expenditure of the Liable Entities



Cashflow payments in the 12 months to 31 March 2011 were approximately $101m gross of insurance and other recoveries (2009/10: $103m) and $77m net of insurance and other recoveries (2009/10: $86m).

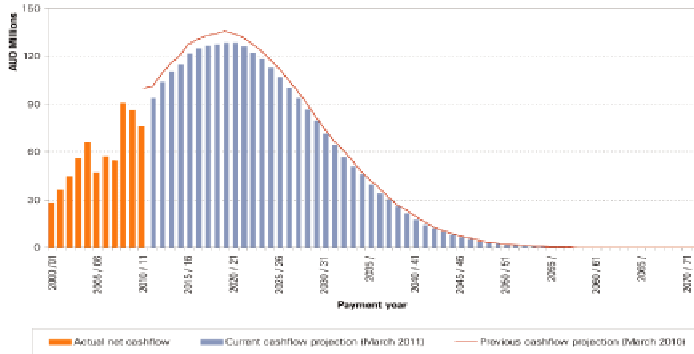
Actual net cashflow in 2010/11 was approximately $23m lower than the cashflow projected for 2010/11 at 31 March 2010.

Of this, approximately $10m was due to the impact of two commutations that were settled in the 2010/11 financial year. The remaining $13m was due to lower numbers of claims settled and lower-than-expected average settlement amounts.

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 at 31 March 2010.

Figure 8.3: Annual cashflow projections — inflated and undiscounted ($m)



The underlying projected inflated and undiscounted cashflows for this chart are documented in Appendix B.

The decrease in projected future cashflow between the previous valuation and our current valuation is predominantly a result of the lower average claim sizes which we are now assuming.

The projected gross cashflow reaches a peak in 2019/20 (projected net cashflow reaches a peak in 2020/21). 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-tailed 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:

- 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)	1,477.6
Period Actuarial Estimate (net of cross-claim recoveries, gross of Insurance and Other Recoveries) comprising:	325.3
Discounted value of cashflow in 2011/12	104.0
Discounted value of cashflow in 2012/13	109.9
Discounted value of cashflow in 2013/14	111.4
Term Central Estimate (net of cross-claim recoveries, Insurance and Other Recoveries)	1,474.2

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.

8.5 Insurance Recoveries

Our liability valuation has made allowance for a discounted central estimate of Insurance Recoveries of $203.6m. This estimate is comprised as follows:

Table 8.3: Insurance recoveries at 31 March 2011

$m	Undiscounted central estimate	Discounted central estimate
Gross liability	**3,049.5**	**1,681.2**
Product liability recoveries	409.8	213.8
Public liability recoveries	24.5	11.9
QBE commutation	12.4	11.3
Bad and doubtful debt allowance	(58.6)	(33.4)
Insurance asset	**388.1**	**203.6**
Net liability	**2,661.4**	**1,477.6**
Insurance recovery rate		14.1%
Bad and doubtful debt rate		14.8%

The combined bad and doubtful debt rate is 14.8% and approximately half of this amount relates to the HIH Group of Companies.

The AICF Facility Agreement requires the Approved Actuary to calculate the discounted central estimate value of certain Insurance Policies, being those specified in Schedule 5 of the Facility Agreement.

At 31 March 2011, the discounted central estimate of the Insurance Policies, as specified in Schedule 5 of the Facility Agreement, is $177.3m.

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 central estimate liabilities outlined 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, but are not limited to:

- 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 historical position thereby causing significantly different awards.
- Future actual rates of inflation being different from that assumed.
- The general economic environment being different from that assumed.
- 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 lower levels of activity in claims reporting since that time;
- 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 on 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 central estimate assumption.
- ***nil settlement rate***: 5 percentage points above and below our central estimate assumption.
- ***average claim cost of a non-nil claim***: 10% above and below our central estimate assumption.
- ***claims inflation (being the aggregate impact of base inflation and superimposed inflation)***: 2 percentage points above and below our central estimate assumption in each future year. Much of this uncertainty predominantly relates to the possibility of higher or lower superimposed inflation than our central estimate assumption.
- ***peak year of claims***: increase/decrease by 1, 3 and 5 years.
- ***discount rates***: 1 percentage point above and below our central 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.

We have not sensitivity tested the value of Insurance Recoveries as any uncertainty relates to legal risk and disputation risk, and it is not possible to parameterise a sensitivity test in an informed manner.

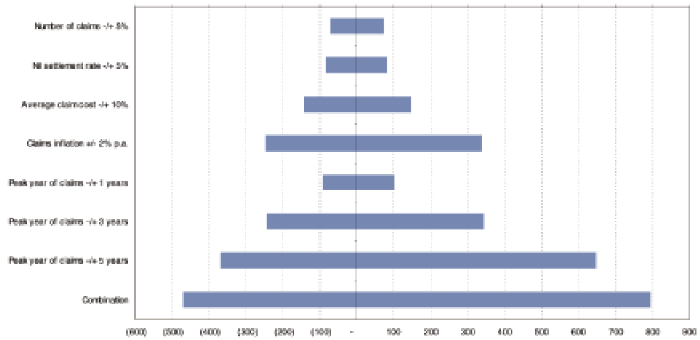
9.3 Results of sensitivity testing

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.

Although we have tested multiple scenarios of each assumption, one cannot gauge an overall potential range by simply adding these tests together.

Also, 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 +$800m (i.e. $1.0bn to $2.3bn), the actual cost of liabilities could fall outside that range depending on 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 chart is the peak year of claims reporting against the Liable Entities. Shifting the peak year of claims reporting by 5 years (e.g. for mesothelioma, it would be equivalent to shifting the peak year from 2010/11 to 2015/2016) could imply an increase in the future number of mesothelioma claims reported of approximately 50%.

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	$2.66bn	$1.48bn
Range around the central estimate	-$1.0bn to $2.0bn	-$0.5bn to $0.8bn
Range of liability estimates	$1.7bn to $4.6bn	$1.0bn to $2.3bn

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%	0.38%	0.50%	0.56%	0.66%	0.72%	0.79%	0.83%	0.87%	0.91%	1.00%	1.09%
AA+	0.00%	0.06%	0.06%	0.12%	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%	0.09%	0.23%	0.36%	0.47%	0.58%	0.69%	0.79%	0.89%	0.97%	1.02%	1.14%	1.21%	1.28%
AA-	0.04%	0.11%	0.23%	0.33%	0.44%	0.58%	0.68%	0.75%	0.83%	0.92%	1.02%	1.12%	1.16%	1.25%	1.30%
A+	0.07%	0.12%	0.27%	0.46%	0.61%	0.74%	0.91%	1.07%	1.25%	1.46%	1.65%	1.84%	2.08%	2.37%	2.63%
A	0.09%	0.21%	0.34%	0.48%	0.64%	0.86%	1.08%	1.30%	1.56%	1.87%	2.12%	2.28%	2.41%	2.50%	2.77%
A-	0.08%	0.23%	0.38%	0.55%	0.80%	1.08%	1.47%	1.75%	1.98%	2.17%	2.34%	2.52%	2.69%	2.80%	2.89%
BBB+	0.16%	0.45%	0.78%	1.12%	1.51%	1.97%	2.30%	2.66%	3.07%	3.43%	3.77%	3.98%	4.29%	4.78%	5.34%
BBB	0.23%	0.57%	0.89%	1.38%	1.89%	2.38%	2.86%	3.34%	3.89%	4.42%	5.00%	5.51%	5.99%	6.16%	6.48%
BBB-	0.38%	1.17%	2.09%	3.21%	4.29%	5.27%	6.15%	7.01%	7.70%	8.47%	9.24%	9.94%	10.61%	11.60%	12.30%
BB+	0.55%	1.48%	2.77%	4.07%	5.27%	6.50%	7.64%	8.43%	9.50%	10.51%	11.23%	11.98%	12.60%	13.12%	14.00%
BB	0.80%	2.47%	4.71%	6.77%	8.74%	10.52%	12.06%	13.39%	14.59%	15.61%	16.61%	17.52%	18.03%	18.35%	18.77%
BB-	1.30%	3.92%	6.64%	9.26%	11.52%	13.76%	15.71%	17.72%	19.44%	20.85%	21.97%	22.88%	23.90%	24.86%	25.77%
B+	2.60%	7.00%	11.26%	14.95%	17.80%	19.99%	22.02%	23.81%	25.44%	27.06%	28.40%	29.43%	30.44%	31.38%	32.27%
B	5.88%	12.62%	17.95%	21.75%	24.40%	26.95%	28.42%	29.52%	30.43%	31.34%	32.30%	33.20%	34.00%	34.74%	35.62%
B-	9.12%	17.19%	23.09%	27.10%	30.00%	31.83%	33.63%	34.67%	35.49%	36.05%	36.69%	37.27%	37.59%	37.94%	38.50%
CCC/C	27.39%	36.79%	42.12%	45.21%	47.64%	48.72%	49.72%	50.61%	51.88%	52.88%	53.71%	54.64%	55.67%	56.55%	56.55%
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	4.36%	8.53%	12.17%	15.13%	17.48%	19.45%	21.13%	22.59%	23.93%	25.16%	26.21%	27.10%	27.93%	28.66%	29.40%
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 & Poors' 2010 Annual Global Corporate Default Study and Rating Transitions, March 2011

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 inflated and undiscounted cashflows ($m)

Payment Year	Mesothelioma Claims	Asbestosis Claims	Lung Cancer Claims	ARPD & Other Claims	Legal and Other Costs	Workers Compensation Claims	Workers Compensation Legal and Other Costs	Wharf Claims	Wharf Legal and Other Costs	Baryulgil	Cross Claim Recoveries	Gross	Insurance	Net
2011 / 2012	75.4	10.2	5.2	4.5	10.9	1.1	0.3	0.2	0.1	0.6	1.9	106.5	12.5	94.0
2012 / 2013	86.4	12.3	3.2	4.2	12.1	0.8	0.3	0.4	0.1	0.5	2.1	118.1	14.4	103.8
2013 / 2014	91.3	13.9	3.4	4.2	13.2	0.8	0.2	0.5	0.1	0.5	2.3	126.0	15.5	110.4
2014 / 2015	95.4	14.6	3.4	4.3	13.6	0.8	0.2	0.5	0.1	0.5	2.4	131.2	16.2	115.0
2015 / 2016	99.2	15.2	3.5	4.4	13.9	0.8	0.2	0.5	0.1	0.4	2.5	135.9	14.0	121.8
2016 / 2017	102.5	15.7	3.6	4.5	14.1	0.8	0.2	0.5	0.1	0.4	2.6	139.9	14.8	125.0
2017 / 2018	104.7	16.0	3.7	4.5	14.1	0.8	0.2	0.5	0.1	0.4	2.6	142.4	15.6	126.8
2018 / 2019	106.3	16.1	3.8	4.5	14.1	0.8	0.2	0.4	0.1	0.4	2.6	143.9	16.2	127.7
2019 / 2020	106.9	16.0	3.8	4.4	13.9	0.8	0.2	0.4	0.1	0.3	2.6	144.2	15.7	128.5
2020 / 2021	106.7	15.9	3.8	4.3	13.6	0.7	0.2	0.4	0.1	0.3	2.6	143.4	14.9	128.6
2021 / 2022	105.5	15.7	3.8	4.2	13.2	0.7	0.2	0.4	0.1	0.3	2.6	141.4	15.2	126.1
2022 / 2023	103.5	15.2	3.7	4.1	12.7	0.7	0.2	0.3	0.1	0.2	2.5	138.1	15.6	122.5
2023 / 2024	100.6	14.6	3.6	3.9	12.1	0.7	0.2	0.3	0.1	0.2	2.5	133.9	15.6	118.3
2024 / 2025	97.1	14.0	3.5	3.7	11.4	0.6	0.2	0.3	0.1	0.2	2.4	128.6	15.6	113.0
2025 / 2026	92.9	13.3	3.4	3.5	10.7	0.6	0.1	0.2	0.1	0.2	2.3	122.6	15.6	107.0
2026 / 2027	88.1	12.5	3.3	3.2	9.9	0.6	0.1	0.2	0.0	0.1	2.2	115.9	15.3	100.6
2027 / 2028	82.9	11.6	3.1	3.0	9.2	0.5	0.1	0.2	0.0	0.1	2.0	108.7	14.9	93.8
2028 / 2029	77.3	10.7	2.9	2.7	8.4	0.5	0.1	0.1	0.0	0.1	1.9	101.1	14.4	86.7
2029 / 2030	71.4	9.8	2.7	2.5	7.6	0.4	0.1	0.1	0.0	0.1	1.7	93.1	13.8	79.3
2030 / 2031	65.4	8.9	2.5	2.2	6.8	0.4	0.1	0.1	0.0	0.1	1.6	85.0	13.3	71.6
2031 / 2032	59.4	8.0	2.3	2.0	6.1	0.3	0.1	0.1	0.0	0.1	1.4	76.9	12.7	64.2
2032 / 2033	53.4	7.2	2.1	1.8	5.4	0.3	0.1	0.1	0.0	0.1	1.3	69.0	12.0	57.0
2033 / 2034	47.7	6.3	1.9	1.5	4.7	0.3	0.1	0.1	0.0	0.0	1.2	61.4	10.6	50.8
2034 / 2035	42.2	5.5	1.7	1.3	4.1	0.2	0.0	0.1	0.0	0.0	1.0	54.2	8.3	45.9
2035 / 2036	37.0	4.8	1.5	1.2	3.5	0.2	0.0	0.0	0.0	0.0	0.9	47.4	7.7	39.6
2036 / 2037	32.1	4.1	1.3	1.0	3.0	0.2	0.0	0.0	0.0	0.0	0.8	41.1	7.1	33.9
2037 / 2038	27.7	3.5	1.1	0.8	2.6	0.1	0.0	0.0	0.0	0.0	0.7	35.3	4.9	30.4
2038 / 2039	23.6	3.0	1.0	0.7	2.2	0.1	0.0	0.0	0.0	0.0	0.6	30.1	4.4	25.7
2039 / 2040	20.0	2.5	0.8	0.6	1.8	0.1	0.0	0.0	0.0	0.0	0.5	25.4	4.0	21.4
2040 / 2041	16.8	2.1	0.7	0.5	1.5	0.1	0.0	0.0	0.0	0.0	0.4	21.3	3.6	17.7
2041 / 2042	13.9	1.7	0.6	0.4	1.2	0.1	0.0	0.0	0.0	0.0	0.3	17.7	3.2	14.5
2042 / 2043	11.5	1.4	0.5	0.3	1.0	0.1	0.0	0.0	0.0	0.0	0.3	14.5	2.3	12.3
2043 / 2044	9.4	1.1	0.4	0.3	0.8	0.0	0.0	0.0	0.0	0.0	0.2	11.9	1.7	10.2
2044 / 2045	7.6	0.9	0.3	0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.2	9.6	1.4	8.2
2045 / 2046	6.1	0.7	0.3	0.2	0.5	0.0	0.0	0.0	0.0	0.0	0.1	7.7	1.1	6.5
2046 / 2047	4.9	0.6	0.2	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.1	6.1	0.9	5.2
2047 / 2048	3.8	0.5	0.2	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.1	4.8	0.7	4.1
2048 / 2049	3.0	0.4	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	3.8	0.5	3.2
2049 / 2050	2.3	0.3	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	2.9	0.4	2.5
2050 / 2051	1.8	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	2.2	0.3	1.9
2051 / 2052	1.4	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.2	1.5
2052 / 2053	1.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.2	1.1
2053 / 2054	0.8	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.1	0.8
2054 / 2055	0.6	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.1	0.6
2055 / 2056	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.5
2056 / 2057	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.1	0.3
2057 / 2058	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
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	0.1
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
2073 / 2074	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	**2,288.9**	**327.8**	**87.1**	**90.0**	**276.6**	**16.2**	**4.2**	**7.0**	**1.7**	**6.2**	**56.3**	**3,049.5**	**388.1**	**2,661.4**

Note: In previous valuation reports, cashflows arising from "other costs" were included with the claims award component. At this valuation, they have been included with defence legal costs in the columns labelled "legal and other costs".

This does not have any impact on the overall valuation results, only on the allocation between different components.

C Projected discounted cashflows ($m)

Payment Year	Mesothelioma Claims	Asbestosis Claims	Lung Cancer Claims	ARPD & Other Claims	Legal and Other Costs	Workers Compensation Claims	Workers Compensation Legal and Other Costs	Wharf Claims	Wharf Legal and Other Costs	Baryulgil	Cross Claim Recoveries	Gross	Insurance	Net
2011 / 2012	73.6	10.0	5.1	4.4	10.6	1.1	0.3	0.2	0.1	0.5	1.9	104.0	12.2	91.7
2012 / 2013	80.4	11.4	3.0	3.9	11.3	0.8	0.2	0.4	0.1	0.5	2.0	109.9	13.4	96.6
2013 / 2014	80.8	12.3	3.0	3.7	11.7	0.7	0.2	0.4	0.1	0.4	2.0	111.4	13.7	97.7
2014 / 2015	80.1	12.3	2.9	3.6	11.4	0.7	0.2	0.4	0.1	0.4	2.0	110.1	13.6	96.4
2015 / 2016	78.8	12.1	2.8	3.5	11.1	0.6	0.2	0.4	0.1	0.4	2.0	107.9	11.1	96.7
2016 / 2017	76.9	11.8	2.7	3.3	10.6	0.6	0.2	0.4	0.1	0.3	1.9	105.0	11.1	93.8
2017 / 2018	74.2	11.3	2.6	3.2	10.0	0.6	0.2	0.3	0.1	0.3	1.8	100.9	11.0	89.9
2018 / 2019	71.1	10.7	2.5	3.0	9.4	0.5	0.1	0.3	0.1	0.2	1.8	96.3	10.8	85.5
2019 / 2020	67.5	10.1	2.4	2.8	8.8	0.5	0.1	0.3	0.1	0.2	1.7	91.1	9.9	81.2
2020 / 2021	63.6	9.5	2.2	2.6	8.1	0.4	0.1	0.2	0.1	0.2	1.6	85.5	8.9	76.7
2021 / 2022	59.3	8.8	2.1	2.4	7.4	0.4	0.1	0.2	0.0	0.1	1.5	79.5	8.6	70.9
2022 / 2023	54.9	8.1	2.0	2.2	6.7	0.4	0.1	0.2	0.0	0.1	1.4	73.3	8.3	65.0
2023 / 2024	50.4	7.3	1.8	1.9	6.1	0.3	0.1	0.1	0.0	0.1	1.2	67.0	7.8	59.2
2024 / 2025	45.8	6.6	1.7	1.7	5.4	0.3	0.1	0.1	0.0	0.1	1.1	60.7	7.4	53.4
2025 / 2026	41.4	5.9	1.5	1.5	4.8	0.3	0.1	0.1	0.0	0.1	1.0	54.6	7.0	47.7
2026 / 2027	37.0	5.2	1.4	1.4	4.2	0.2	0.1	0.1	0.0	0.1	0.9	48.7	6.4	42.3
2027 / 2028	32.9	4.6	1.2	1.2	3.6	0.2	0.0	0.1	0.0	0.0	0.8	43.1	5.9	37.2
2028 / 2029	28.9	4.0	1.1	1.0	3.1	0.2	0.0	0.1	0.0	0.0	0.7	37.8	5.4	32.4
2029 / 2030	25.2	3.5	1.0	0.9	2.7	0.2	0.0	0.0	0.0	0.0	0.6	32.8	4.9	28.0
2030 / 2031	21.8	3.0	0.8	0.7	2.3	0.1	0.0	0.0	0.0	0.0	0.5	28.3	4.4	23.8
2031 / 2032	18.6	2.5	0.7	0.6	1.9	0.1	0.0	0.0	0.0	0.0	0.5	24.2	4.0	20.2
2032 / 2033	15.8	2.1	0.6	0.5	1.6	0.1	0.0	0.0	0.0	0.0	0.4	20.4	3.6	16.9
2033 / 2034	13.3	1.8	0.5	0.4	1.3	0.1	0.0	0.0	0.0	0.0	0.3	17.2	3.0	14.2
2034 / 2035	11.1	1.5	0.4	0.4	1.1	0.1	0.0	0.0	0.0	0.0	0.3	14.3	2.2	12.1
2035 / 2036	9.2	1.2	0.4	0.3	0.9	0.0	0.0	0.0	0.0	0.0	0.2	11.8	1.9	9.9
2036 / 2037	7.5	1.0	0.3	0.2	0.7	0.0	0.0	0.0	0.0	0.0	0.2	9.6	1.7	8.0
2037 / 2038	6.1	0.8	0.2	0.2	0.6	0.0	0.0	0.0	0.0	0.0	0.1	7.8	1.1	6.7
2038 / 2039	4.9	0.6	0.2	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.1	6.3	0.9	5.4
2039 / 2040	3.9	0.5	0.2	0.1	0.4	0.0	0.0	0.0	0.0	0.0	0.1	5.0	0.8	4.2
2040 / 2041	3.1	0.4	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.1	4.0	0.7	3.3
2041 / 2042	2.4	0.3	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	3.1	0.6	2.5
2042 / 2043	1.9	0.2	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	2.4	0.4	2.0
2043 / 2044	1.5	0.2	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.6
2044 / 2045	1.1	0.1	0.0	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	0.2	0.9
2046 / 2047	0.6	0.1	0.0	0.0	0.1	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	0.1	0.4
2049 / 2050	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
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	0.1
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
2073 / 2074	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	**1,248.5**	**182.1**	**47.9**	**52.2**	**159.4**	**9.7**	**2.6**	**4.5**	**1.1**	**4.3**	**30.9**	**1,681.2**	**203.6**	**1,477.6**

Note: In previous valuation reports, cashflows arising from "other costs" were included with the claims award component. At this valuation, they have been included with defence legal costs in the columns labelled "legal and other costs".

This does not have any impact on the overall valuation results, only on the allocation between different components.

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 2010.

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 2011		31 March 2010	
	Gross	Insurance	Net	Net	Change
Discounted Central Estimate	1,681.2	203.6	1,477.6	1,536.7	(59.1)
Discounting allowance	1,368.2	184.5	1,183.7	1,369.6	(185.9)
Inflated, Undiscounted Central Estimate	3,049.5	388.1	2,661.4	2,906.4	(245.0)
Inflation allowance	(1,489.4)	(192.4)	(1,297.0)	(1,463.8)	166.8
Uninflated and Undiscounted liability	**1,560.1**	**195.7**	**1,364.4**	**1,442.6**	**(78.2)**

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.

	Gross	31 March 2011 Insurance	Net	31 March 2010 Net	Change
Uninflated and Undiscounted liability	1,560.1	195.7	1,364.4	1,442.6	(78.2)
Adjustment for QBE insurance receivable (as timing of receipts is fixed)	0.0	(1.1)	1.1	1.9	(0.8)
Other insurance receivables adjustment	0.0	1.1	(1.1)	(4.0)	2.9
Cross-claim recoveries (on UIUD basis)	27.8	0.0	27.8	37.3	(9.5)
Claims Handling Costs	55.2	0.0	55.2	69.9	(14.7)
Asbestos Liability	**1,643.0**	**195.7**	**1,447.3**	**1,547.7**	**(100.4)**
Workers Compensation Additional Liability	87.8	87.8	0.0	0.0	0.0
Net Accounting Liability (pre-tax)	**1,730.8**	**283.5**	**1,447.3**	**1,547.7**	**(100.4)**

Step 3 — Conversion to US Dollars

	Gross	31 March 2011 Insurance	Net	31 March 2010 Net	Change
Net accounting liability (pre-tax) — AUD	**1,730.8**	**283.5**	**1,447.3**	**1,547.7**	**(100.4)**
Exchange rate	0.9676	0.9676	0.9676	1.0919	
Net accounting liability (pre-tax) — USD	**1,788.8**	**293.0**	**1,495.8**	**1,417.4**	**78.3**

Further adjustments are then required to establish the liability, allowing for:

- Deferred Income Tax Assets (USD480.5m); and
- Other net liabilities (primarily reflecting commitments in the Amended Final Funding Agreement to provide certain educational and medical research funding) (USD1.3m).

This results in a net liability of USD1,016.6m at 31 March 2011 (2010: USD966.2m).

In arriving at the unfunded liability, allowance is then made for the existing net assets of the AICF (USD61.9m) at 31 March 2011 (2010: USD57.8m) to leave an unfunded net liability of USD954.7m at 31 March 2011 (2010: USD908.4m).

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	103.2	2.6	0.0	105.8
	QBE receivable	2.9	0.1	0.0	3.0
	Insurance receivable	9.0	0.2	0.0	9.2
	Other receivable	1.8	0.0	0.0	1.8
	Net	**89.5**	**2.3**	**0.0**	**91.8**
Non-current liabilities	Gross	1,564.6	40.1	1.6	1,606.3
	QBE receivable	7.9	0.3	0.0	8.2
	Insurance receivable	178.4	4.6	0.2	183.2
	Other receivable	28.4	0.7	0.0	29.1
	Net	**1,349.9**	**34.5**	**1.4**	**1,385.8**
Total liabilities	Gross	1,667.8	42.7	1.6	1,712.1
	QBE receivable	10.8	0.4	0.0	11.2
	Insurance receivable	187.4	4.8	0.2	192.4
	Other receivable	30.2	0.7	0.0	30.9
	Net	**1,439.4**	**36.8**	**1.4**	**1,477.6**

Note: These figures make no allowance for claims handling expenses.

F Australian asbestos consumption and production data: 1930-2002

Figures in this table are in 000's metric tonnes

Year	Production	Import	Export	Consumption
1930	82	—	—	82
1931	128	1,200	—	1,328
1932	130	—	—	130
1933	279	2,676	—	2,955
1934	170	2,471	—	2,641
1935	170	4,423	—	4,593
1936	239	7,817	—	8,056
1937	298	6,199	—	6,497
1938	173	11,179	—	11,352
1939	78	10,081	—	10,159
1940	489	14,097	—	14,586
1941	251	14,220	—	14,471
1942	331	20,176	—	20,507
1943	678	14,229	—	14,907
1944	764	14,091	—	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	—	14,432	22	14,410
1985	—	12,194	—	12,194
1986	—	10,597	—	10,597
1987	—	6,294	—	6,294
1988	—	2,072	—	2,072
1989	—	2,128	—	2,128
1990	—	1,706	—	1,706
1991	—	1,342	—	1,342
1992	—	1,533	—	1,533
1993	—	2,198	—	2,198
1994	—	1,843	—	1,843
1995	—	1,488	—	1,488
1996	—	1,366	—	1,366
1997	—	1,556	—	1,556
1998	—	1,471	—	1,471
1999	—	1,316	—	1,316

2000	—	1,246	—	1,246
2001	—	945	—	945
2002	—	515	—	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.