

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 20-F**

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(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended 31 March 2013

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from            to

Commission file number 1-15240

**JAMES HARDIE INDUSTRIES plc**  
**Formerly Known As James Hardie Industries SE**  
(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Ireland

(Jurisdiction of incorporation or organisation)

**Europa House, Second Floor**  
**Harcourt Centre**  
**Harcourt Street, Dublin 2, Ireland**  
(Address of principal executive offices)

**Marcin Firek**  
(Contact name)

353 1411 6924 (Telephone)    353 1479 1128 (Facsimile)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Name of each exchange on which registered:</u>
Common stock, represented by CHESSE Units of Foreign Securities	New York Stock Exchange*
CHESSE Units of Foreign Securities	New York Stock Exchange*
American Depositary Shares, each representing five units of CHESSE Units of Foreign Securities	New York Stock Exchange

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\* Listed, not for trading, but only in connection with the registered American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

**Securities registered or to be registered pursuant to Section 12(g) of the Act.**

None.

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.**

None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report  
441,644,484 shares of common stock at 31 March 2013.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  Yes  No

Note — Checking the box will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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*In this annual report, unless the context otherwise indicates, James Hardie Industries plc, a "public limited company," or a European company incorporated and existing under the laws of Ireland, is referred to as JHI plc. JHI plc together with its direct and indirect wholly owned subsidiaries as of the time relevant to the applicable reference, are collectively referred to as the James Hardie Group. JHI plc and its current direct and indirect wholly owned subsidiaries are collectively referred to as "we," "us," "our," "JHI plc and its wholly owned subsidiaries", "James Hardie" or the "Company."*

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*For certain information about the basis of preparing the financial information in this Annual Report, see Section 2, "Reading this Report." In addition, this Annual Report contains statements that constitute "forward-looking statements". For an explanation of forward-looking statements and the risks, uncertainties and assumptions to which they are subject, see Section 2, "Reading this Report."*

*A "Glossary of Abbreviations and Definitions" has also been included under Section 4 of this Annual Report.*

*Information contained in or accessible through the websites mentioned in this Annual Report does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.*

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**SECTION 1**

**INTRODUCTION**

The Company is a world leader in manufacturing fibre cement siding and backerboard. Our current primary geographic markets include the United States ("US"), Australia, New Zealand, the Philippines, Europe and Canada.

Our fibre cement products are used in a number of markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial applications.

We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades and floor and tile underlay.

We employ approximately 2,700 people and generated net sales of US\$1.3 billion in fiscal year 2013.

**SELECTED FINANCIAL DATA**

We have included in this annual report the audited consolidated financial statements of the Company, consisting of our consolidated balance sheets as of 31 March 2013 and 2012, and our consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit) and cash flows for each of the years ended 31 March 2013, 2012 and 2011, together with the related notes thereto. The consolidated financial statements included in this annual report have been prepared in accordance with accounting principles generally accepted in the US, or "US GAAP."

The selected consolidated financial information summarised below for the five most recent fiscal years has been derived in part from the Company's financial statements. You should read the selected consolidated financial information in conjunction with the Company's financial statements and related notes contained in Section 2, "Consolidated Financial Statements" and with the information provided in Section 2, "Management's Discussion and Analysis." Historic financial data is not necessarily indicative of our future results and you should not unduly rely on it.

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	Fiscal Year ended 31 March				
	2013	2012	2011	2010	2009
	(In millions of US dollars except sales price per unit and per share data)				
<b>Consolidated Statements of Operations Data:</b>					
Net Sales					
USA and Europe Fibre Cement <sup>1</sup>	\$ 951.4	\$ 862.0	\$ 814.0	\$ 828.1	\$ 929.3
Asia Pacific Fibre Cement <sup>2</sup>	369.9	375.5	353.0	296.5	273.3
Total net sales	<u>\$ 1,321.3</u>	<u>\$ 1,237.5</u>	<u>\$ 1,167.0</u>	<u>\$ 1,124.6</u>	<u>\$ 1,202.6</u>
Operating income (loss) <sup>3</sup>	\$ 29.5	\$ 155.5	\$ 104.7	\$ (21.0)	\$ 173.6
Interest expense	(5.5)	(11.2)	(9.0)	(7.7)	(11.2)
Interest income	7.9	3.8	4.6	3.7	8.2
Other income (expense) <sup>4</sup>	1.8	3.0	(3.7)	6.3	(14.8)
Income (loss) from operations before income taxes	33.7	151.1	96.6	(18.7)	155.8
Income tax benefit (expense) <sup>5</sup>	11.8	453.2	(443.6)	(66.2)	(19.5)
Income (loss) from operations	<u>\$ 45.5</u>	<u>\$ 604.3</u>	<u>\$ (347.0)</u>	<u>\$ (84.9)</u>	<u>\$ 136.3</u>
Net income (loss)	<u>\$ 45.5</u>	<u>\$ 604.3</u>	<u>\$ (347.0)</u>	<u>\$ (84.9)</u>	<u>\$ 136.3</u>
Income (loss) from operations per common share — basic	\$ 0.10	\$ 1.39	\$ (0.80)	\$ (0.20)	\$ 0.32
Net income (loss) per common share — basic	\$ 0.10	\$ 1.39	\$ (0.80)	\$ (0.20)	\$ 0.32
Income (loss) from operations per common share — diluted	\$ 0.10	\$ 1.38	\$ (0.80)	\$ (0.20)	\$ 0.31
Net income (loss) per common share — diluted	\$ 0.10	\$ 1.38	\$ (0.80)	\$ (0.20)	\$ 0.31
Dividends paid per share	\$ 0.43	\$ 0.04	\$ —	\$ —	\$ 0.08
Weighted average number of common shares outstanding					
Basic	439.2	436.2	435.6	433.1	432.3
Diluted	440.6	437.9	435.6	433.1	434.5
<b>Consolidated Cash Flow Information:</b>					
Cash flows provided by (used in) operating activities	\$ 109.3	\$ 387.2	\$ 147.2	\$ 183.1	\$ (45.2)
Cash flows used in investing activities	\$ (59.7)	\$ (49.9)	\$ (49.6)	\$ (50.5)	\$ (26.1)
Cash flows (used in) provided by financing activities	\$ (158.7)	\$ (84.4)	\$ (89.7)	\$ (159.0)	\$ 25.0
<b>Other Data:</b>					
Depreciation and amortisation	\$ 61.2	\$ 65.2	\$ 62.9	\$ 61.7	\$ 56.4
Adjusted EBITDA <sup>6</sup>	\$ 90.7	\$ 220.7	\$ 167.6	\$ 40.7	\$ 230.0
Capital expenditures	\$ 61.1	\$ 35.8	\$ 50.3	\$ 50.5	\$ 26.1
Volume (million square feet)					
USA and Europe Fibre Cement <sup>1</sup>	1,488.5	1,331.8	1,248.0	1,303.7	1,526.6
Asia Pacific Fibre Cement <sup>2</sup>	393.7	392.3	407.8	389.6	390.6
Average sales price per unit (per thousand square feet)					
USA and Europe Fibre Cement <sup>1</sup>	US\$ 639	US\$ 647	US\$ 652	US\$ 635	US\$ 609
Asia Pacific Fibre Cement <sup>2</sup>	A\$ 911	A\$ 916	A\$ 916	A\$ 894	A\$ 879



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	Fiscal Year ended 31 March				
	2013	2012	2011	2010	2009
(Millions of US dollars)					
<b>Consolidated Balance Sheet Data:</b>					
Net current assets <sup>7</sup>	\$ 373.7	\$ 463.3	\$ 126.9	\$ 50.4	\$ 137.7
Total assets	\$ 2,107.6	\$ 2,310.0	\$ 1,960.6	\$ 2,178.8	\$ 1,891.7
Total debt <sup>8</sup>	\$ —	\$ 30.9	\$ 59.0	\$ 154.0	\$ 324.0
Common stock	\$ 227.3	\$ 224.0	\$ 222.5	\$ 221.1	\$ 219.2
Shareholders' equity (deficit)	\$ 18.2	\$ 126.4	\$ (454.5)	\$ (117.9)	\$ (108.7)

<sup>1</sup> 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. The USA and Europe Fibre Cement segment manufactures fibre cement interior linings, exterior siding and related accessory products in the United States which are sold in the United States, Canada and Europe.

The segment also includes fibre reinforced concrete pipes manufactured and sold in the United States (through May 2008). Our Plant City, Florida Hardie Pipe Plant was closed and the business ceased operations in May 2008.

<sup>2</sup> The Asia Pacific Fibre Cement segment 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.

<sup>3</sup> Operating income (loss) includes the following asbestos adjustments, Asbestos Injuries Compensation Fund ("AICF") SG&A expenses, Australian Securities and Investments Commission ("ASIC") related (expenses) recoveries, asset impairment charges, and New Zealand product liability expenses:

	Fiscal Years Ended 31 March				
	2013	2012	2011	2010	2009
(Millions of US dollars)					
(Unfavourable) favourable asbestos adjustments	\$ (117.1)	\$ (15.8)	\$ (85.8)	\$ (224.2)	\$ 17.4
AICF SG&A expenses	\$ (1.7)	\$ (2.8)	\$ (2.2)	\$ (2.1)	\$ (0.7)
ASIC related (expenses) recoveries	\$ (2.6)	\$ (1.1)	\$ 8.7	\$ (3.4)	\$ (14.0)
Asset impairments	\$ (16.9)	\$ (14.3)	\$ —	\$ —	\$ —
New Zealand product liability expenses <sup>9</sup>	\$ (13.2)	\$ (5.4)	\$ —	\$ —	\$ —

For additional information on the asbestos adjustments, AICF SG&A expenses, ASIC related (expenses) recoveries, asset impairment charges and New Zealand product liability expenses, see Section 2, "Management's Discussion and Analysis" and Notes 7, 11 and 13 to our consolidated financial statements in Section 2.

<sup>4</sup> Other income (expense) in fiscal years 2013, 2012 and 2011 are due to changes in the fair value of interest rate swap contracts. Other income in fiscal year 2010 primarily includes a realised gain arising from the sale of restricted short-term investments held by AICF. Other expense in fiscal year 2009 consists of an other-than-temporary impairment charge related to restricted short-term investments held by AICF of US\$14.8 million. For additional information see Section 2, "Management's Discussion and Analysis — Results of Operations."

<sup>5</sup> Income tax benefit in fiscal year 2012 includes a benefit of US\$485.2 million recognised upon RCI's successful appeal of the Australian Taxation Office's ("ATO") disputed 1999 amended tax assessment. Income tax expense in fiscal year 2011 includes a charge of US\$345.2 million resulting from the dismissal by the Federal Court of Australia of RCI's appeal of the ATO's disputed 1999 amended tax assessment.

<sup>6</sup> Adjusted EBITDA represents income from operations before interest income, interest expense, income taxes, other non-operating income (expense), described in footnote four above, and depreciation and amortisation charges. The following table presents a reconciliation of Adjusted EBITDA to net cash provided by (used in) operating activities, as this is the most directly comparable GAAP financial measure to Adjusted EBITDA for each of the periods indicated. Items comprising "Net cash provided by (used in) operating activities," "Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities" and "Change in operating assets and liabilities, net" for fiscal years ended 31 March 2013, 2012 and 2011 are set forth in the consolidated statements of cash flows in Section 2 of this report.

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	Fiscal Years Ended 31 March				
	2013	2012	2011	2010	2009
	(Millions of US dollars)				
Net cash provided by (used in) operating activities	\$ 109.3	\$ 387.2	\$ 147.2	\$ 183.1	\$ (45.2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	(145.9)	(114.4)	(136.8)	(312.0)	(3.5)
Change in operating assets and liabilities, net	82.1	331.5	(357.4)	44.0	185.0
Net income (loss)	45.5	604.3	(347.0)	(84.9)	136.3
Income tax (benefit) expense	(11.8)	(453.2)	443.6	66.2	19.5
Interest expense	5.5	11.2	9.0	7.7	11.2
Interest income	(7.9)	(3.8)	(4.6)	(3.7)	(8.2)
Other (income) expense	(1.8)	(3.0)	3.7	(6.3)	14.8
Depreciation and amortisation	61.2	65.2	62.9	61.7	56.4
Adjusted EBITDA	<u>\$ 90.7</u>	<u>\$ 220.7</u>	<u>\$ 167.6</u>	<u>\$ 40.7</u>	<u>\$230.0</u>

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 net cash provided by (used in) operating activities, as defined by US GAAP, or as a measure of our profitability or liquidity. Not all companies calculate Adjusted EBITDA in the same manner as we have and, accordingly, Adjusted EBITDA may not be comparable with other companies. We have included information concerning Adjusted EBITDA because we believe 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. To permit evaluation of this data on a consistent basis from period to period, Adjusted EBITDA has been adjusted for non-cash charges, as well as non-operating income and expense items.

7 Total current assets less total current liabilities.

8 Total debt at 31 March 2012 represents the amount owed by AICF under a secured standby loan facility with the government of New South Wales ("Facility"). On 3 April 2012, all amounts outstanding under the AICF loan facility were fully repaid. Because the Company consolidates AICF due to pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the Amended and Restated Final Funding Agreement ("AFFA"), any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company's consolidated financial position, results of operations and cash flows. James Hardie Industries plc and its wholly-owned subsidiaries are not a party to, guarantor of, or security provider in respect of the Facility.

9 The Company began separately disclosing New Zealand product liability expenses in fiscal year 2013 and did so for fiscal year 2012 for comparative purposes only.

## INFORMATION ON THE COMPANY

### History and Development of the Company

The Company was established in 1888 as an import business. In 1951, the Company became publicly owned as a listed company on the Australian Stock Exchange. After becoming a listed company, the Company built up a diverse portfolio of building and industrial products including a wide range of asbestos-based products. In the mid-1980s, we pioneered the development of asbestos-free fibre cement technology and began designing and manufacturing a wide range of fibre cement building products that made use of the benefits that came from the products' durability, versatility and strength. Using the technical and manufacturing expertise developed in Australia, we expanded our operations, in particular to the United States, to become a specialised manufacturer of a wide range of fibre cement building materials.

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Our legal name was changed to James Hardie Industries N.V. from RCI Netherlands Holdings B.V. in July 2001 when our legal form was converted from a “*besloten vennootschap met beperkte aansprakelijkheid*” (“B.V.”), to a “*naamloze vennootschap*” (“N.V.”), or a public limited liability company whose stock, unlike a private limited liability company, may be transferred without executing a notarial deed if such company is listed on a recognised stock exchange. In February 2001, the shareholders of James Hardie Industries Limited (“JHIL”) agreed to exchange their shares for shares in James Hardie Industries N.V., which retained its primary listing on the Australian Securities Exchange (“ASX”). In February 2010, our legal name was changed to James Hardie Industries SE when our legal form was converted from a Dutch N.V. to a Dutch *Societas Europaea* (“SE”) in connection with the implementation of Stage 1 of a two-stage re-domicile proposal (together, the “re-domicile”) to change our registered corporate domicile from The Netherlands to Ireland. On 17 June 2010, we implemented Stage 2 of the re-domicile and changed our registered corporate domicile to Ireland to become an Irish SE and became an Irish tax resident on 29 June 2010. On 15 October 2012, we converted from an Irish SE into an Irish public limited company (“plc”).

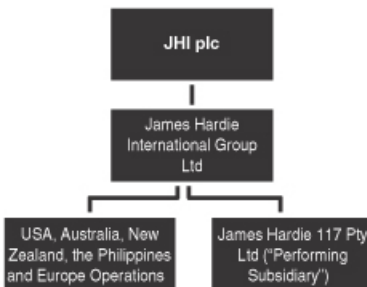
We conduct our operations under legislation in various jurisdictions. As an Irish plc we are governed by the Irish Companies Acts. In addition, we operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the New York Stock Exchange (“NYSE”), the United States Securities and Exchange Commission (“SEC”), the Irish Takeover Panel and various other rulemaking bodies.

Our corporate domicile is located in Ireland. The address of our registered office in Ireland is Europa House, Second Floor, Harcourt Centre, Harcourt Street, Dublin 2, Ireland. The telephone number there is +353 1411 6924. Our agent in the United States is CT Corporation. Its office is located at 3 Winners Circle, 3<sup>rd</sup> Floor, Albany, New York 12205.

### **Corporate Restructuring**

On 17 May 2011, we announced that we had commenced an internal reorganisation involving the simplification of our corporate structure, including some of the arrangements which were previously part of our Netherlands domicile. This internal reorganisation is being made to facilitate the ability to access and distribute surplus cash flows and earnings of our operating subsidiaries more efficiently, including for the purpose of making periodic contributions to AICF. As part of this restructure, the Company incurred a tax charge of US\$32.6 million on undistributed earnings of its US subsidiaries during fiscal year 2011, related to the remittance of US earnings as part of the internal reorganisation.

The following is a simplified diagram of our current corporate structure:



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### **Consolidation of AICF**

In February 2007, our shareholders approved the AFFA entered into on 21 November 2006 to provide long-term funding to AICF. JHI plc owns 100% of James Hardie 117 Pty Ltd (the "Performing Subsidiary") that funds AICF subject to the provisions of the AFFA. We appoint three of AICF's directors and the New South Wales ("NSW") Government appoints two of AICF's directors.

Under the terms of the AFFA, the Performing Subsidiary has an obligation to make payments to AICF on an annual basis. The amount of these annual payments is dependent on several factors, including our free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the annual cash flow cap. JHI plc guarantees the Performing Subsidiary's obligation. As a result, for purposes of US GAAP, we consider JHI plc to be the primary beneficiary of AICF.

Although we have no legal ownership in AICF, for financial reporting purposes, our interest in AICF is considered variable and we consolidate AICF due to our pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA. Our consolidation of AICF results in a separate recognition of the asbestos liability and certain other asbestos-related assets and liabilities on our consolidated balance sheet. Among other items, we record a deferred tax asset for the anticipated future tax benefit we believe is available to us that arises from amounts contributed to the asbestos fund by the Performing Subsidiary. Since fiscal year 2007, movements in the asbestos liability arising from changes in foreign currency or actuarial adjustments are classified as *asbestos adjustments*, and the income tax benefit arising from contributions to AICF is included within *income tax benefit (expense)* on our consolidated statements of operations and comprehensive income (loss) when realised. See Note 2 to our consolidated financial statements in Section 2.

### **Business Overview**

#### **General Overview of our Business**

Based on net sales, we believe we are the largest manufacturer of fibre cement products and systems for internal and external building construction applications in the United States, Australia, New Zealand, and the Philippines. We market our fibre cement products and systems under various Hardie brand names, such as HardieBacker® boards, and other brand names such as Artisan® Lap and Artisan™ Accent Trim by James Hardie, Cemplank® and Prevail® siding (we also formerly marketed siding under the brand name Sentry™ siding), and Scyon™ advanced lightweight cement composite products such as Scyon™ Stria™ cladding. We believe that, in certain applications, our fibre cement products and systems provide a combination of distinctive performance, design and cost advantages when compared to other fibre cement products and alternative products and systems that use solid wood, engineered wood, vinyl, brick, stucco or gypsum wallboard. The sale of fibre cement products in the United States accounted for 70%, 67% and 68% of our total net sales in fiscal years 2013, 2012 and 2011, respectively.

Our fibre cement products are used in a number of markets, including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes), repair and remodeling and a variety of commercial and industrial applications (stores, warehouses, offices, hotels, motels, schools, libraries, museums, dormitories, hospitals, detention facilities, religious buildings and gymnasiums). We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades, and floor and tile underlayments.

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In contrast to some other building materials, fibre cement provides durability attributes, such as strong resistance to moisture, fire, impact and termites, requires relatively little maintenance and can be used as a substrate to create a wide variety of architectural effects with textured and colored finishes.

The breakdown of our net sales by operating segment for each of our last three fiscal years is as follows:

	Fiscal Year Ended 31 March		
	2013	2012	2011
	(Millions of US dollars)		
USA and Europe Fibre Cement	\$ 951.4	\$ 862.0	\$ 814.0
Asia Pacific Fibre Cement	369.9	375.5	353.0
Total	<u>\$ 1,321.3</u>	<u>\$ 1,237.5</u>	<u>\$ 1,167.0</u>

## **Industry Overview**

### US Housing Industry and Fibre Cement Industry

In the United States, fibre cement is principally used in the residential building industry. Such usage fluctuates based on the level of new home construction and the repair and remodeling of existing homes. The level of activity is generally a function of interest rates and the availability of financing to homeowners to purchase a new home or make improvements to their existing homes, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for building products is also affected by residential housing starts and existing home sales, the age and size of the housing stock and overall home improvement expenditures. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company's performance, were up 27% to 565,900 for fiscal year 2013, compared to fiscal year 2012.

In the United States, the largest application for fibre cement products is in the external siding industry. Siding is a component of every building and it usually occupies more square footage than any other external building component, such as windows and doors. Selection of siding material is based on installed cost, durability, aesthetic appeal, strength, weather resistance, maintenance requirements and cost, insulating properties and other features. Different regions of the United States show a decided preference amongst siding materials according to economic conditions, weather, materials availability and local preference. The principal siding materials are vinyl, stucco, fibre cement, solid wood and brick. Vinyl has the largest share of the siding market.

### International Fibre Cement Industry

In Australia and New Zealand, fibre cement building products are used in both the residential and commercial building industries with applications in external siding, internal walls, ceilings, floors, soffits and fences. The residential building industry represents the principal market for fibre cement products. We believe the level of activity in this industry is generally a function of interest rates, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for fibre cement building products is also affected by the level of new housing starts and renovation activity.

Fibre cement products have, across a range of product applications, gained broader acceptance in Australia and New Zealand than in the United States, primarily due to earlier introduction in Australia and New Zealand.

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### *Australia*

According to the Australian Bureau of Statistics total dwelling commencements in Australia increased from 146,500 in calendar year 2011 to 148,000 in calendar year 2012 and detached houses decreased from 91,800 in calendar year 2011 to 89,200 in calendar year 2012. Renovation activity, as measured by the Australian Bureau of Statistics by construction work done, has decreased approximately 10% from calendar year 2011 to calendar year 2012. The Housing Industry Association of Australia expects new housing construction and renovation activity to be up slightly over the short-to-medium term.

Former subsidiaries of ABN 60 Pty Limited ("ABN 60") developed fibre cement in Australia as a replacement for asbestos cement in the early 1980s. Asbestos cement sheet production ceased in the early 1980s and asbestos cement pipe production ceased in 1987. Competition has intensified over the past decade in Australia. In addition to competition from solid wood, engineered wood, wallboard, masonry and brick, two Australian competitors have established fibre cement manufacturing facilities in Australia and fibre cement imports are also growing.

### *New Zealand*

According to Statistics New Zealand, new dwellings consents in New Zealand increased from approximately 14,600 for the year ended March 2012 to 17,400 for the year ended March 2013. Residential renovation activity in New Zealand has increased from the year ended March 2012 to the year ended March 2013 for a total increase over this period of approximately 8%. InfoMetrics New Zealand expects new housing construction and renovation activity to increase further during calendar year 2013, consistent with the growth during calendar year 2012.

Competition continues to intensify in New Zealand as fibre cement imports have become more cost competitive and overseas manufacturers struggling with the global recession look for additional markets to add to their existing ones.

### *Philippines*

In the Philippines and other Asian and Middle Eastern (Israel, Kuwait, Qatar and the United Arab Emirates) markets, fibre cement building products are used in both the residential and commercial building industries with applications in ceilings, internal walls and external siding, facades and soffits. The residential building industry represents the principal market for fibre cement products. In general, fibre cement products have, across a range of product applications, gained broader acceptance in these regions over the last decade. In the Philippines, additional imported fibre cement products have entered the market. However, in some of the developing markets, gypsum usage has increased and penetrated into fibre cement applications. Fibre cement and asbestos cement production facilities are located throughout Asia and exporting between countries is common practice. Unlike some of our competitors in the Asian market, we do not manufacture fibre cement products containing asbestos. We believe that fibre cement has good long-term growth potential because of the benefits of light-weight and framed construction compared to traditional masonry construction. In addition, we believe the opportunity to replace wood-based products, such as plywood, with more durable fibre cement will be attractive to some consumers in some of these markets.

### *Europe*

In Europe, fibre cement building products are used in both residential and commercial building applications in external siding, internal walls, floors, soffits and roofing. We compete in most segments except roofing and promote the use of fibre cement products against traditional masonry, gypsum-based products and wood-based products. Since we commenced selling our products in Europe in

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fiscal year 2004, we have continued to work to grow demand for our products by building awareness among distributors, builders and contractors. Management believes that the growth outlook for fibre cement in Europe is favourable in light of stricter insulation requirements driving demand for advanced exterior cladding systems as well as better building practices increasing the use of fibre cement in interior applications.

### **Products**

We manufacture fibre cement products in the United States, Australia, New Zealand and the Philippines. In fiscal year 2004, we commenced our European fibre cement business by distributing our fibre cement products in the United Kingdom and France. We also manufacture fibre cement pipes in Australia and previously manufactured fibre cement pipes and roofing products in the United States. In May 2008 and April 2006, we ceased operation of our pipes and roofing businesses, respectively, in the United States. Our total product offering is aimed at the building and construction markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial building applications.

We offer a wide range of fibre cement products for both exterior and interior applications. In the United States and elsewhere, our products are typically sold as planks or flat sheets with a variety of patterned profiles and finishes. Planks are used for external siding while flat sheets are used for internal and external wall linings and floor and tile underlayments. Outside the United States, we also manufacture fibre cement products for use in other applications such as building facades, lattice, fencing, decorative columns, flooring, soffit lining and ceiling applications, some of which have not yet been introduced into the United States.

We developed a proprietary technology platform that enables us to produce thicker yet lighter-weight fibre cement products that are generally lighter and easier to handle than traditional building products. The first application of this technology in the United States has been our HardieTrim® board. HardieTrim board is a fibre cement trim product that is used on the exterior of residential and commercial construction to replace traditional wood and engineered wood trim. HardieTrim board was launched in fiscal year 1999, with the introduction of HardieTrim HLD board.

We believe that our products provide certain performance, design and cost advantages. The principal fibre cement attributes in exterior applications are durability and low maintenance, particularly when compared to competing wood and wood-based products, while offering comparable aesthetics. Our fibre cement products exhibit resistance to the damaging effects of moisture, fire, impact and termites compared to wood and wood-based products, which we believe has enabled us to gain a competitive advantage over competing products. Vinyl siding products generally have better durability characteristics than wood-based products, but typically cannot duplicate fibre cement's aesthetics and the characteristics necessary for effectively accepting paint applications.

Our fibre cement products provide strength and the ability to imprint patterns that closely resemble patterns and profiles of traditional materials such as wood and stucco. The surface properties provide an effective paint-holding finish, compared to wood and engineered wood products, such that the periods between necessary maintenance and repainting are generally longer. Compared to masonry construction, fibre cement is lightweight, physically flexible and can be cut using readily available tools. This makes fibre cement suitable for lightweight construction across a range of architectural styles. Fibre cement is well suited to both timber and steel-framed construction.

In our interior product range, we believe our ceramic tile underlayment products exhibit better handling and installation characteristics compared to fibreglass mesh cement boards. Compared to wood and wood-based products, our products provide the same general advantages that apply to external

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applications. In addition, our fibre cement products exhibit less movement in response to exposure to moisture than many alternative competing products, providing a more consistent and durable substrate on which to install tiles. In internal lining applications where exposure to moisture and impact damage are significant concerns, our products provide superior moisture resistance and impact resistance than traditional gypsum wet area wallboard and other competing products.

In the United States, the following new products were released over the last five years:

- During fiscal year 2009, we introduced two new siding profiles, HardieSoffit® Beaded Porch Panel and HardieShingle® Shingle Plank.
- During fiscal year 2010, we introduced HardieZone® System siding products.
- During fiscal year 2011, we introduced new HardieShingle® siding, HardieTrim® NT3® Boards, two new lap siding products, 12' Artisan® Accent Trim and HardieBacker® ProGrid™ cement board.
- During fiscal year 2012, we introduced new profile HZ5® HardiePlank® siding, additional HardieShingle® siding profiles, new Improved Smooth HardieTrim® boards, new HardieTrim® Crown Mouldings and three new colors to the palette for James Hardie® products using ColorPlus® technology.
- During fiscal year 2013, we introduced a new profile HZ10® HardiePlank® siding.

In Australia and New Zealand, new products released over the past five years in the Scyon™ lightweight advanced cement composite range include Axon™ cladding, Stria™ cladding, Secura™ Interior Flooring, and Secura™ Exterior Flooring and Axent™ trim, and Horizon™ Lining in the James Hardie product range; in Australia only, new products include: Matrix™ cladding; and additionally, in New Zealand only, the following new products were released: in the James Hardie product range ShingleSide™ panel, Linea™ Oblique™ cladding, CLD™ Cavity Battens, RAB™ PreClad™ Lining and homeRAB™ board (Rigid Air Barrier products), Horizon™ Lining, and RawForm™ Lining. In both countries, new product launches have been supported by the launch of energy efficiency related accessories such as HardieBreak™ thermal break tape as well as web based initiatives such as the ACCEL™ suite of online product information, calculator and application tools, the LookHome™ and LightHome™ e-zines as well as the SmarterGreen™, SmarterPartner™, SmarterDesign™ and The Smarter Small Home™ initiatives. In New Zealand, The Drawing Board™ online design tool provides an aid to smart design using James Hardie products.

In the Philippines, new products released over the past five years include Hardieplank™ Siding, Hardiefloor™ Systems and Hardiepattern™ Boards. The established Hardieflex™ board range has been extended to include Hardieflex™ Wet Area lining boards. In November 2012, Hardieflex™ Pro was launched which is primarily for wet area application.

### ***Seasonality***

Our earnings are seasonal and typically follow activity levels in the building and construction industry. In the United States, the calendar quarters ending in December and March generally reflect reduced levels of building activity depending on weather conditions. In Australia and New Zealand, the calendar quarter ending in March is usually affected by a slowdown due to summer holidays. In the Philippines, construction activity diminishes during the wet season from June through September and during the last half of December due to the slowdown in business activity over the holiday period. Also, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors. See Section 3, "Risk Factors."



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### **Raw Materials**

The principal raw materials used in the manufacture of fibre cement are cellulose fibre (wood-based pulp), silica (sand), portland cement and water.

*Cellulose Fibre.* Reliable access to specialised, consistent quality, low cost pulp is critical to the production of fibre cement building materials. Cellulose fibre is sourced from New Zealand, the United States, Canada, and Chile and is processed to our specifications. It is further processed using our proprietary technology to provide the reinforcing material in the cement matrix of fibre cement. We have developed a high level of internal expertise in the production and use of wood-based pulps. This expertise is shared with our pulp producers, which have access to appropriate raw wood stocks, in order to formulate superior reinforcing pulps. The resulting pulp formulas are typically proprietary and are the subject of confidentiality agreements between the pulp producers and us. Moreover, we have obtained patents in the United States and in certain other countries covering certain unique aspects of our pulping formulas and processes that we believe cannot adequately be protected through confidentiality agreements. However, we cannot assure you that our intellectual property and other proprietary information will be protected in all cases. See Section 3, "Risk Factors." We have entered into contracts that provide discounted pulp prices relative to various pulp indices and we purchase our pulp from several qualified suppliers in an attempt to mitigate price increases and supply interruptions.

Pulp has historically demonstrated more price sensitivity than other raw materials that we use in our manufacturing process. In fiscal year 2013, the average Northern Bleached Softwood Kraft ("NBSK") pulp price relative to our US business was US\$878 per ton, an 8% decrease compared to fiscal year 2012.

*Silica.* High purity silica is sourced locally by the various production plants. In the majority of locations, we use silica sand as a silica source. In certain other locations, however, we process quartz rock and beneficiate silica sand to ensure the quality and consistency of this key raw material.

*Cement.* Cement is acquired in bulk from local suppliers and is supplied on a just-in-time basis to our manufacturing facilities. The silos at each fibre cement plant hold between one and three days of our cement requirements. We continue to evaluate options on agreements with suppliers for the purchase of cement that can fix our cement prices over longer periods of time.

*Water.* We use local water supplies and seek to process all wastewater to comply with environmental requirements.

### **Sales, Marketing and Distribution**

The principal markets for our fibre cement products are the United States, Australia, New Zealand, the Philippines, Canada, and in parts of Europe, including the United Kingdom and France. In addition, we sell fibre cement products in many other countries, including Belgium, China, Denmark, France, French Caribbean, Germany, Hong Kong, Hungary, India, Indonesia, Ireland, Italy, Malta, Mexico, the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates), The Netherlands, Norway, various Pacific Islands, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Taiwan, Turkey and Vietnam. Our brand name, customer education in comparative product advantages, differentiated product range and customer service, including technical advice and assistance, provide the basis for our marketing strategy. We offer our customers support through a specialised fibre cement sales force and customer service infrastructure in the United States, Australia, New Zealand, the Philippines and Europe (which is based out of The Netherlands). The customer service infrastructure includes inbound customer service support coordinated nationally in each country (customer service support for Canada is based out of the United States and customer service support for Europe is based out of The Netherlands),

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and is complemented by outbound telemarketing capability. Within each regional market, we provide sales and marketing support to building products dealers and lumber yards and also provide support directly to the customers of these distribution channels, principally homebuilders and building contractors.

In the United States, we sell fibre cement products for new residential construction predominantly to distributors, which then sell these products to dealers or lumber yards. This two-step distribution process is supplemented with direct sales to dealers and lumber yards as a means of accelerating product penetration and sales. Repair and remodel products in the United States are typically sold through the large home center retailers and specialist distributors. Our top five US customers accounted for approximately 54% of our total USA and Europe Fibre Cement gross sales in fiscal year 2013. In Australia and New Zealand, both new construction and repair and remodel products are generally sold directly to distributor/hardware stores and lumber yards rather than through the two-step distribution process. In the Philippines, a network of thousands of small to medium size dealer outlets sells our fibre cement products to consumers, builders and real estate developers, although in recent years, do-it-yourself type stores have started to enter the Philippines market. Physical distribution of product in each country is primarily by road or sea transport, except in the United States where transportation is primarily by road and, to a lesser extent, by rail. Fibre cement products manufactured in Australia, New Zealand and the Philippines are exported to a number of markets in Asia, the Pacific, and the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates) by sea transport.

We maintain dedicated regional sales management teams in our major sales territories. As of 31 May 2013, the sales teams (including telemarketing staff) consisted of approximately 298 people in the United States and Canada, 77 people in Australia, 22 people in New Zealand, 39 people in the Philippines, and 27 people in Europe. We also employ one person based in Hong Kong who functions as a regional export salesperson, and who covers markets such as South Korea, Hong Kong, Macau, China and the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates). Our national sales managers and national account managers, together with the regional sales managers and sales representatives, maintain relationships with national and other major accounts. Our sales force includes skilled trades people who provide on-site technical advice and assistance. In some cases, sales forces manage specific product categories.

Despite the fact that distributors and dealers are generally our direct customers, we also aim to increase primary demand for our products by marketing our products directly to homeowners, architects and builders. We encourage them to specify and install James Hardie® products because of the quality and craftsmanship of our products. This “pull through” strategy, in turn, assists us in expanding sales for our distribution network as distributors benefit from the increasing demand for our products.

Geographic expansion of our fibre cement business has occurred in markets where framed construction is prevalent for residential applications or where there are opportunities to change building practices from masonry to framed construction. Expansion is also possible where there are direct substitution opportunities irrespective of the methods of construction. Our entry into the Philippines is an example of the ability to substitute fibre cement for an alternative product (in this case plywood). With the exception of our current major markets, as well as Japan and certain rural areas in Asia, Scandinavia, and Eastern Europe, most markets in the world principally utilise masonry construction for external walls in residential construction. Accordingly, further geographic expansion depends substantially on our ability to provide alternative construction solutions and for those solutions to be accepted in those markets.

Because fibre cement products were relatively new to the Philippines, the launch of our fibre cement products in the Philippines in fiscal year 1999 was accompanied by strategies to address the particular

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needs of local customers and the building trade. For example, we established a carpenter training and accreditation program whereby Filipino carpenters who are unfamiliar with our products are taught installation techniques. Our training programs for counterclerks and carpenters are geared not only to educate them but also to develop them as brand advocates. We have also put greater emphasis on building our relationships with new home developers and builders in order to educate the market on the benefits of our products in this particular sector.

### **Dependence on Trade Secrets and Research and Development**

We pioneered the successful development of cellulose reinforced fibre cement and, since the 1980s, have progressively introduced products developed as a result of our proprietary product formulation and process technology. The introduction of differentiated products is one of the core components of our global business strategy. This product differentiation strategy is supported by our significant investment in research and development activities.

The following table sets forth our research and development expenditures for the three preceding fiscal years:

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
Research and Development Expenditures <sup>1</sup>	\$ 39.6	\$ 32.4	\$ 31.2
Research and Development Expenditures as a percentage of total net sales	3.0%	2.6%	2.7%

<sup>1</sup> Included within research and development expenditures for fiscal years 2013, 2012 and 2011 is US\$2.4 million, US\$2.0 million and US\$3.2 million, respectively, classified as selling, general and administrative expenses.

Our current patent portfolio is based mainly on fibre cement compositions, associated manufacturing processes and the resulting products. Our non-patented technical intellectual property consists primarily of our operating and manufacturing know-how, which is maintained as trade secret information. We have enhanced our abilities to effectively create, manage and utilise our intellectual property and have implemented a strategy that increasingly uses patenting, licensing, trade secret protection and joint development to protect and increase our competitive advantage. However, we cannot assure you that our intellectual property and other proprietary information will be protected in all cases. In addition, if our research and development efforts fail to generate new, innovative products or processes, our overall profit margins may decrease and demand for our products may fall.

In addition, the Company owns a variety of patents and licenses; industrial, commercial and financial contracts; and manufacturing processes. While the Company is dependent on the competitive advantage that these items provide as a whole, the Company is not dependent on any one of them individually and does not consider any one of them individually to be material. We do not materially rely on intellectual property licensed from any outside third parties. See Section 3, "Risk Factors."

### **Governmental Regulation**

As noted above, on 15 October 2012, we converted into an Irish plc from an Irish SE and are now governed by the Irish Companies Acts. Previously, as an Irish SE company, we were governed by the Irish Companies Acts and the SE Regulation, European Union Council Regulations and relevant European Union Directives. We also continue to operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the NYSE, the SEC, the Irish

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Takeovers Panel and various other rulemaking bodies. See Section 3, "Memorandum and Articles of Association" for information regarding Irish Companies Acts and regulations to which we are subject.

### Environmental Regulation

Our operations and properties are subject to extensive federal, state and local and foreign environmental protection and health and safety laws, regulations and ordinances. These environmental laws, among other matters, govern activities and operations that may have adverse environmental effects, such as discharges to air, soil and water, and establish standards for the handling of hazardous and toxic substances and the handling and disposal of solid and hazardous wastes. In the United States, these environmental laws include, but are not limited to the:

- Resource Conservation and Recovery Act;
- Comprehensive Environmental Response, Compensation and Liability Act;
- Clean Air Act;
- Occupational Safety and Health Act;
- Mine Safety and Health Act;
- Emergency Planning and Community Right to Know Act;
- Clean Water Act;
- Safe Drinking Water Act;
- Surface Mining Control and Reclamation Act;
- Toxic Substances Control Act;
- National Environmental Policy Act; and
- Endangered Species Act,

as well as analogous state, regional and local regulations. Other countries also have statutory schemes relating to the protection of the environment.

Some environmental laws provide that a current or previous owner or operator of real property may be liable for the costs of removal or remediation of environmental contamination on, under, or in that property or other impacted properties. In addition, persons who arrange, or are deemed to have arranged, for the disposal or treatment of hazardous substances may also be liable for the costs of removal or remediation of environmental contamination at the disposal or treatment site, regardless of whether the affected site is owned or operated by such person. Environmental laws often impose liability whether or not the owner, operator or arranger knew of, or was responsible for, the presence of such environmental contamination. Also, third parties may make claims against owners or operators of properties for personal injuries, property damage and/or for clean-up associated with releases of hazardous or toxic substances pursuant to applicable environmental laws and common law tort theories, including strict liability.

Environmental compliance costs in the future will depend, in part, on continued oversight of operations, expansion of operations and manufacturing activities, regulatory developments and future requirements that cannot presently be predicted.

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### Organisational Structure

JHI plc is incorporated and domiciled in Ireland.

The table below sets forth our significant subsidiaries, all of which are wholly-owned by JHI plc, either directly or indirectly, as of 31 May 2013.

<u>Name of Company</u>	<u>Jurisdiction of Establishment</u>
James Hardie 117 Pty Ltd.	Australia
James Hardie Aust Holdings Pty Ltd.	Australia
James Hardie Austgroup Pty Ltd.	Australia
James Hardie Australia Management Pty Ltd.	Australia
James Hardie Australia Pty Ltd.	Australia
James Hardie Building Products Inc.	United States
James Hardie Europe B.V.	Netherlands
James Hardie Finance Holdings 3 Limited	Bermuda
James Hardie Holdings Limited	Ireland
James Hardie International Finance Limited	Ireland
James Hardie International Group Limited	Ireland
James Hardie International Holdings Limited	Ireland
James Hardie New Zealand	New Zealand
James Hardie NZ Holdings	New Zealand
James Hardie Philippines Inc.	Philippines
James Hardie Technology Limited.	Bermuda
James Hardie U.S. Investments Sierra LLC	United States
N.V. Technology Holdings, A Limited Partnership	Australia
RCI Holdings Pty Ltd.	Australia

### Property, Plants and Equipment

We estimate that our manufacturing plants are among the largest and lowest cost fibre cement manufacturing plants in the United States. We believe that the location of our plants positions us near attractive markets in the United States while minimising our transportation costs for product distribution and raw material sourcing.

Our manufacturing plants use significant amounts of water which, after internal recycling and reuse, are eventually discharged to publicly owned treatment works (with the exception of our Reno, Nevada facility and Summerville, South Carolina facility at which production was suspended in November 2008, which maintain closed loop systems). The discharge of process water is monitored by us, as well as by regulators. In addition, we are subject to regulations that govern the air quality and emissions from our plants. In the past, from time to time, we have received notices of discharges in excess of our water and air permit limits. In each case, we have addressed the concerns raised in those notices, including the payment of any associated minor fines and capital expenditures associated with preventing future discharges in excess of permitted levels.

### Plants and Process

#### Fibre Cement Building Products

We manufacture fibre cement building products in the United States and Asia Pacific. Annual design capacity is based on management's historical experience with our production process and is calculated assuming continuous operation, 24 hours per day, seven days per week, producing 5/16" medium

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density product at a targeted operating speed. Annual design capacity is not necessarily reflective of our actual capacity utilisation rates for our fibre cement plants by region. Annual capacity utilisation is affected by factors such as demand, product mix, batch size, plant availability and production speeds and is usually less than annual design capacity. We manufacture products of varying thicknesses and density.

We currently have an annual flat sheet design capacity of 3,390 mmsf and 520 mmsf in the United States and Asia Pacific, respectively, for our fibre cement building products. Fiscal year 2013 capacity utilisation, based on this annual flat sheet design capacity, for our fibre cement building products plants was an average of 42% and 68% in the United States and Asia Pacific, respectively. As indicated above, annual flat sheet design capacity is based on management's estimates. No accepted industry standard exists for the calculation of our fibre cement manufacturing facility design and utilisation capacities.

We are expanding production capacity in anticipation of the continued improvement of the operating environment and we expect to incur significant capital expenditures in fiscal year 2014 and beyond to meet anticipated demand increases in major markets. Once the Fontana, California and Carole Park, Queensland capacity expansions are complete, our annual flat sheet design capacity will increase by 2% to 3,460 mmsf and 9% to 570 mmsf in the United States and Asia Pacific, respectively. See "Capital Expenditures" below.

### Fibre Reinforced Concrete Pipes

We manufacture fibre reinforced concrete pipes in Australia. Our current annual design capacity for our fibre reinforced concrete pipes plant is 50 thousand tons.

### Plant Locations

The location of each of our fibre cement plants is set forth below:

#### **Fibre Cement Building Products**

##### **United States – Plants Operating**

Cleburne, Texas

Peru, Illinois

Plant City, Florida

Pulaski, Virginia

Reno, Nevada

Tacoma, Washington

Waxahachie, Texas

##### **United States – Plants Suspended**

Blandon, Pennsylvania<sup>1</sup>

Fontana, California<sup>2</sup>

Summerville, South Carolina<sup>2</sup>

##### **Asia Pacific**

###### **Australia**

Sydney, New South Wales (Rosehill)

Brisbane, Queensland (Carole Park)<sup>3</sup>

###### **New Zealand**

Auckland

###### **The Philippines**

Manila

#### **Fibre Reinforced Concrete Pipes**

##### **Australia**

Brisbane, Queensland (Meeandah)<sup>3</sup>

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- 1 We suspended production at our Blandon, Pennsylvania plant in November 2007 and in the fourth quarter of fiscal year 2013 we announced that we will not re-open the plant.
- 2 We suspended production at our Fontana, California and Summerville, South Carolina plants in December 2008 and November 2008, respectively. In fiscal year 2013, we announced that we were spending US\$34 million to refurbish and reconfigure the Fontana plant, which is scheduled to reopen early calendar year 2014.
- 3 There are two manufacturing plants in Brisbane. Carole Park produces only flat sheets and Meeandah produces only pipes and columns. As announced in May 2013, we have purchased the land and buildings at the Carole Park facility and are expanding production capacity at this plant.

While the same basic process is used to manufacture fibre cement building products at each facility, plants are designed to produce the appropriate mix of products to meet each geographic market's specific, projected needs. The facilities were constructed and are operated so production can be efficiently adjusted in response to increased consumer demand by increasing production capacity utilisation, enhancing the economies of scale or adding additional lines to existing facilities, or making corresponding reductions in production capacity in response to weaker demand.

Except for the Waxahachie, Texas facility, we own all of our fibre cement manufacturing facilities located in the United States. The lease for the Waxahachie, Texas facility expires on 31 March 2020, at which time we have an option to purchase the facility.

Two of our three Australian fibre cement manufacturing facilities (Rosehill, Sydney and Meeandah, Brisbane) are leased by us. The Rosehill lease expires on 23 March 2016, with an option to renew the lease for two further terms of 10 years expiring in March 2036. The Meeandah lease expires on 23 March 2019, and contains options to renew for two further terms of 10 years expiring in March 2039. As previously announced, in May 2013 we entered into an agreement to purchase the remaining Australian fibre cement manufacturing facility (Carole Park, Brisbane) as part of our Australian manufacturing capacity expansion. Our one New Zealand fibre cement manufacturing facility is leased by us. The lease for our New Zealand facility expires on 22 March 2016, at which time we have an option to renew the lease for two further terms of 10 years expiring in March 2036. There is no purchase option available under our leases related to our Australian and New Zealand facilities.

The land on which our Philippines fibre cement plant is located is owned by Ajemba Holding inc ("Ajemba"), a related party. Ajemba is 40% owned by James Hardie Philippines operating entity and 60% owned by the James Hardie Philippines Retirement fund. The James Hardie operating entity owns 100% of the fixed assets on the land owned by Ajemba.

### *Mines*

We lease silica quartz mine sites in Tacoma, Washington, Reno, Nevada and Victorville, California. The lease for our quartz mine in Tacoma, Washington expires in February 2014 (with options to renew). The lease for our silica quartz mine site in Reno, Nevada expires in January 2014 (with options to renew or purchase). The lease for our silica mine site in Victorville, California expires in June, 2015. Further, we own rights to an additional property in Victorville, California, however, as of 31 May 2013, we have not begun to mine this site.

As a mine operator, we are required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), and rules promulgated by the Securities and Exchange Commission implementing that section of the Dodd-Frank Act, to provide certain information concerning mine safety violations and other regulatory matters concerning the operation of our mines. During fiscal year 2013, we did not receive any notices, citations, orders, legal action or other communication from the US Department of Labor's Mine Safety and Health Administration that would necessitate additional disclosure under Section 1503(a) of the Dodd-Frank Act.

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**Capital Expenditures**

The following table sets forth our capital expenditures for each year in the three-year period ended 31 March 2013.

	Fiscal Years Ended 31 March		
	2013	2012	2011
	(Millions of US dollars)		
USA and Europe Fibre Cement	\$43.2	\$26.7	\$39.5
Asia Pacific Fibre Cement	10.7	6.7	9.9
Research and Development and Corporate	7.2	2.4	0.9
Total Capital Expenditures	<u>\$61.1</u>	<u>\$35.8</u>	<u>\$50.3</u>

The Company did not have any material divestitures in the fiscal years ended 31 March 2013, 2012 and 2011.

The significant capital expenditure projects over the past three fiscal years in our USA and Europe Fibre Cement segment include :

- enhancement of trim capability at our Peru, Illinois plant for US\$3.6 million in fiscal year 2011;
- commencement of a new finishing capability on an existing product line in fiscal year 2009. As of 31 March 2013, we have incurred US\$23.9 million related to this project;
- commencement of expenditures to enhance environmental compliance at our plants in fiscal year 2011. As of 31 March 2013, we have incurred US\$13.3 million related to this project;
- an upgrade of our supply chain management IT systems for US\$4.3 million through fiscal year 2013;
- a new finishing line at our Cleburne plant for US\$6.1 million which was primarily incurred in fiscal year 2011;
- commencement of reconfiguration and re-commissioning of our Fontana, California plant in fiscal year 2013. As of 31 March 2013, we have incurred US\$4.1 million related to this project;
- re-commissioning and upgrade of our Waxahachie, Texas plant for US\$5.0 million in fiscal year 2013;
- expansion of a warehouse facility at our Pulaski, Virginia plant. As of March 2013, we have incurred US\$3.3 million related to this project;
- installation of new packaging technology at our Pulaski, Virginia plant. As of 31 March 2013, we have incurred US\$2.8 million related to this project;
- recommissioning and upgrade of a proprietary raw material manufacturing plant in Fontana, California for US\$1.8 million in fiscal year 2013; and
- construction of a new warehouse facility at our Cleburne, Texas plant. As of 31 March 2013, we have incurred US\$2.8 million related to this project.



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In our Asia Pacific Fibre Cement segment, significant capital expenditures in the last three years include the installation of a new ball mill at our Carole Park plant in Australia in fiscal year 2013. As of 31 March 2013, we have incurred US\$2.5 million related to this project.

In our Research and Development segment, we purchased and fitted out a building for our new research and development facility in Naperville, Illinois for US\$4.8 million in fiscal year 2013.

We currently expect to spend approximately US\$150.0 million in fiscal year 2014 for capital expenditures, including facility upgrades and expansions, equipment to enhance environmental compliance, and the implementation of new fibre cement technologies. Part of the expected amount of spending in fiscal year 2014 includes additional capital expenditures on projects that were in progress during fiscal year 2013, including US\$29.9 million related to the reconfiguring and re-commissioning of our Fontana, California plant, which is expected to reopen in calendar year 2014; and the recommissioning of idled production assets at a number of our other US plants.

In May 2013, we purchased the land and buildings at our existing Carole Park, Brisbane manufacturing facility. In addition, we plan to construct new manufacturing capacity on the site. We expect to incur A\$89.0 million over a two-year period, with construction of the new manufacturing capacity commencing at the end of the first quarter of calendar year 2014. Production facilities are projected to be fully operational in the first half of calendar year 2015. We expect that this capital expenditure will allow us to service expected increases in demand for products and also enable incremental capacity expansions in the Asia Pacific Fibre Cement segment at low capital costs in the medium term, if required to meet future market demand. Production of building materials at our Rosehill plant in Sydney and of pipes at our Meeandah, Brisbane site will continue.

We expect to fund our capital expenditures through a combination of existing cash balances, unutilised committed credit facilities and anticipated future net operating cash flow.

Competitive pressures and market developments could require further increases in capital expenditures. Our financing for these capital expenditures is expected to come from cash from our future operations and from external debt to the extent that cash from operations does not cover our capital expenditures.

## GROUP MANAGEMENT TEAM

Our management is overseen by a Group Management Team (“GMT”), whose members cover the key areas of fibre cement research and development, production, manufacturing, sales, human resources, investor relations, finance and legal.

Members of the GMT as at 31 May 2013 (in alphabetical order) are:

**Joe Blasko BSc, JD**  
*General Counsel*  
Age 46



Joe Blasko joined James Hardie as General Counsel in June 2011. Mr Blasko reports to the Company’s Chief Executive Officer (“CEO”).

Before joining James Hardie, Mr Blasko was Assistant General Counsel, and later, the General Counsel at Liebert Corporation, an Emerson Network Power Systems company and wholly-owned subsidiary of Emerson Electric Co. In his four years with Liebert/Emerson, Mr Blasko was responsible for establishing the legal department in Columbus, Ohio, managing and overseeing all legal matters and working closely with

the executive management team. In this role, Mr Blasko also had global responsibilities which required expertise across multiple jurisdictions.

From 2004 to 2006, Mr Blasko was Associate General Counsel at The Scotts Miracle-Gro Company, serving as the effective “general counsel” to numerous corporate divisions within the organisation. From 1997 to 2004 Mr Blasko gained considerable regulatory and litigation expertise working at Vorys, Slater, Seymour and Pease LLP in Ohio.

Mr Blasko has a Juris Doctor from Case Western Reserve University in Cleveland, Ohio and a Bachelor of Science in Foreign Service from Georgetown University, with a specialty in Foreign Service, International Relations, Law and Organisations.

**Russell Chenu BCom, MBA**  
*Chief Financial Officer*  
Age 63



Russell Chenu joined James Hardie as Interim Chief Financial Officer (“CFO”) in October 2004 and was appointed CFO in February 2005.

Mr Chenu is an experienced corporate and finance executive who has held senior finance and management positions with a number of Australian publicly-listed companies. In a number of these senior roles, he has been engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.

Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from Macquarie Graduate School of Management, Australia.

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**Mark Fisher BSc, MBA**

Executive General Manager — International

Age 42



Mark Fisher joined James Hardie in 1993 as a Production Engineer. Since then, he has worked for the Company as Finishing Manager, Production Manager and Product Manager at various locations; Sales and Marketing Manager; and as General Manager of our Europe Fibre Cement business. Mr Fisher was appointed Vice President — Specialty Products in November 2004, then Vice President — Research & Development in December 2005. In February 2008, his role was expanded to cover Engineering & Process Development.

In January 2010, he was appointed Executive General Manager – International, responsible for research and development, engineering and the Company’s non-US businesses.

Mr Fisher has a Bachelor of Science in Mechanical Engineering and an MBA from University of Southern California.

**Louis Gries BSc, MBA**

Chief Executive Officer

Age 59



Louis Gries joined James Hardie as Manager of the Fontana fibre cement plant in California in February 1991 and was appointed President of James Hardie Building Products, Inc in December 1993. Mr Gries became Executive Vice President — Operations in January 2003, responsible for operations, sales and marketing in our businesses in the Americas, Asia Pacific and Europe.

He was appointed Interim CEO in October 2004 and became CEO in February 2005.

In April 2012, the Company announced that effective 30 June 2012, Mr Gries would again assume responsibility for managing the US business.

Before he joined James Hardie, Mr Gries worked for 13 years for USG Corp, including a variety of roles in research, plant quality and production, and product and plant management.

Mr Gries has a Bachelor of Science in Mathematics from the University of Illinois and an MBA from California State University, Long Beach, California.

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**Sean O'Sullivan BA, MBA**

Vice President — Investor & Media Relations

Age 48



Sean O'Sullivan joined James Hardie as Vice President — Investor & Media Relations in December 2008. For the eight years prior to joining James Hardie, Mr O'Sullivan was Head of Investor Relations at St. George Bank, where he established and led the investor relations function.

Mr O'Sullivan's background includes thirteen years as a fund manager for GIO Asset Management, responsible for domestic and global investments. During this period, he spent time on secondment with a McKinsey and Co. taskforce that completed a major

study into the Australian financial services industry. Mr O'Sullivan's final position at GIO was General Manager of Diversified Investments where his responsibilities included determining the asset allocation for over A\$10 billion in funds under management. After leaving GIO, Mr O'Sullivan worked for Westpac Banking Corporation in funds management sales.

Mr O'Sullivan has a Bachelor of Arts in Economics from Sydney University and an MBA from Macquarie Graduate School of Management.

## BOARD OF DIRECTORS

James Hardie's directors have widespread experience, spanning general management, finance, law and accounting. Each director also brings valuable international experience that assists with James Hardie's growth.

### Michael Hammes BS, MBA

Age 71



Michael Hammes was elected as an independent Non-Executive Director of James Hardie in February 2007. He was appointed Chairman of the Board in January 2008 and is a member of the Audit Committee, the Remuneration Committee and the Nominating and Governance Committee.

*Experience:* Mr Hammes has extensive commercial experience at a senior executive level. He has held a number of executive positions in the medical products, hardware and home improvement, and automobile sectors, including CEO and Chairman of

Sunrise Medical, Inc (2000-2007), Chairman and CEO of Guide Corporation (1998-2000), Chairman and CEO of Coleman Company, Inc (1993-1997), Vice Chairman of Black & Decker Corporation (1992-1993) and various senior executive roles with Chrysler Corporation (1986-1990) and Ford Motor Company (1979-1986).

*Directorships of listed companies in the past five years:* Current – Director of Navistar International Corporation (since 1996) and Director of DynaVox Mayer-Johnson (listed in April 2010).

*Other:* Resident of the United States.

*Last elected:* August 2011

*Term expires:* August 2014

### Donald McGauchie AO

Age 63



Donald McGauchie joined James Hardie as an independent Non-Executive Director in August 2003 and was appointed Acting Deputy Chairman in February 2007 and Deputy Chairman in April 2007. He is Chairman of the Nominating and Governance Committee and a member of the Remuneration Committee.

*Experience:* Mr McGauchie has wide commercial experience within the food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory

positions to the Australian Government.

*Directorships of listed companies in the past five years:* Current – Chairman (since 2010) and Director (since 2010) of Australian Agricultural Company Limited; Chairman (since 2010) and Director (since 2003) of Nufarm Limited; Director of GrainCorp Limited (since 2009). Former - Chairman of Telstra Corporation Limited (2004-2009).

*Other:* Chairman Australian Wool Testing Authority (since 2005) and Director since 1999; Former Director of The Reserve Bank of Australia (2001-2011); resident of Australia.

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*Last elected:* August 2010

*Term expires:* August 2013

### **Brian Anderson BS, MBA, CPA**

*Age 62*



*Brian Anderson was appointed as an independent Non-Executive Director of James Hardie in December 2006. He is Chairman of the Audit Committee and a member of the Remuneration Committee.*

*Experience:* Mr Anderson has extensive financial and business experience at both executive and board levels. He has held a variety of senior positions, with thirteen years at Baxter International, Inc, including Corporate Vice President of Finance, Senior Vice President and Chief Financial Officer (1997-2004) and, more recently,

Executive Vice President and Chief Financial Officer of OfficeMax, Inc (2004-2005). Earlier in his career, Mr Anderson was an Audit Partner of Deloitte & Touche LLP (1986-1991).

*Directorships of listed companies in the past five years:* Current – Chairman (since 2010) and Director (since 2005) of A.M. Castle & Co.; Director of Pulte Homes Corporation (since 2005); Director (since 1999) and Lead Director (since April 2011) of W.W. Grainger, Inc.

*Other:* Resident of the United States.

*Last elected:* August 2012

*Term expires:* August 2015

### **David Dilger CBE, BA, FCA**

*Age 56*



David Dilger was appointed as an independent Non-Executive Director of James Hardie in September 2009. He is a member of the Audit Committee and Remuneration Committee.

*Experience:* Mr Dilger has substantial experience in multinational manufacturing operations and a strong finance background. He has held a number of senior executive positions, including CEO of Greencore Group plc (1995-2008), CEO of Food Industries plc (1988-1991) and Chief Financial Officer of Woodchester

Investments (1984-1988). He serves on the Boards of a number of private companies (Sonoma Valley Limited and Java Republic Limited as well as the Irish Advisory Board of Ecclesiastical Insurance plc).

*Directorships of listed companies in the past five years:* Former – Non-executive director of The Bank of Ireland plc (2003-2009) serving as Senior Independent Director (2007-2009).

*Other:* Former Chairman of Dublin Airport Authority plc (2009-2011); resident of Ireland.

*Last elected:* August 2010

*Term expires:* August 2013

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**David Harrison BA, MBA, CMA**

Age 66



David Harrison was appointed as an independent Non-Executive Director of James Hardie in May 2008. He is Chairman of the Remuneration Committee and a member of the Audit Committee.

*Experience:* Mr Harrison is an experienced Company director with a finance background, having served in corporate finance roles, international operations and information technology during 22 years with Borg Warner/General Electric Co. His previous experience includes ten years at Pentair, Inc., as Executive Vice President

and Chief Financial Officer (1994-1996 and 2000-2007) and Vice President and Chief Financial Officer roles at Scotts, Inc. and Coltec Industries, Inc. (1996-2000).

*Directorships of listed companies in the past five years:* Current – Director National Oilwell Varco (since 2003); Former – Director Navistar International Corporation (2007-2012).

*Other:* Resident of the United States.

*Last elected:* August 2010

*Term expires:* August 2013

**Alison Littley BA, FCIPS**

Age 51



Alison Littley was appointed as an independent Non-Executive Director of James Hardie in February 2012. She is a member of the Audit Committee.

*Experience:* Ms Littley has substantial experience in multinational manufacturing and supply chain operations, and she brings a strong international leadership background building effective management teams and third party relationships. She has held a variety of positions, most recently as Chief Executive of Buying Solutions, a UK Government Agency responsible for procurement of goods and services on behalf of

UK government and public sector bodies (2006-2011). She has previously held senior management roles in Diageo plc (1999-2006) and Mars, Inc (1981-1999).

*Directorships of listed companies in the past five years:* None.

*Other:* Resident of the United Kingdom.

*Last elected:* August 2012

*Term expires:* August 2015

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### **James Osborne BA Hons, LLB**

Age 64



James Osborne was appointed as an independent Non-Executive Director of James Hardie in March 2009. He is a member of the Nominating and Governance Committee.

*Experience:* Mr Osborne is an experienced company director with a strong legal background and a considerable knowledge of international business operations in North America and Europe. His career includes 35 years with the leading Irish law firm, A&L Goodbody, in roles which included opening the firm's New York office in

1979 and serving as the firm's managing partner (1982-1994). He has served as a consultant to the firm since 1994. Mr Osborne also contributed to the listing of Ryanair in London, New York and Dublin and continues to serve on Ryanair's board.

*Directorships of listed companies in the past five years:* Current – Director, Ryanair Holdings plc (since 1996); Former – Chairman, Independent News & Media (2011-2012), Chairman, Newcourt Group plc (2004-2009).

*Other:* Chairman, Eason & Son Ltd (since August 2010), Chairman, Centric Health (since 2006); Chairman, Monaghan Mushrooms (since 2012); resident of Ireland.

*Last elected:* August 2012

*Term expires:* August 2015

### **Rudolf van der Meer M.Ch.Eng**

Age 68



Rudy van der Meer was elected as an independent Non-Executive Director of James Hardie in February 2007. He is a member of the Nominating and Governance Committee.

*Experience:* Mr van der Meer is an experienced former executive, with considerable knowledge of international business and the building and construction sector. During his 32-year association with Akzo Nobel N.V., he held a number of senior positions including CEO – Coatings (2000-2005), CEO – Chemicals (1993-2000), and member

of the five person Executive Board (1993-2005).

*Directorships of listed companies in the past five years:* Current – Chairman of the Supervisory Board of Imtech N.V. (since 2005); Director LyondellBasell Industries NV (since August 2010); Former – Member of the Supervisory Board of Hagemeyer N.V. (2006-2008).

*Other:* Former Chairman of the Board of Energie Beheer Nederland B.V. (2006—2013); Chairman of the Supervisory Board of VGZ Health Insurance (since May 2011); resident of The Netherlands.

*Last elected:* August 2011

*Term expires:* August 2014



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Our CEO, Louis Gries, is an Executive Director on the Company's Board. Mr Gries' biographical details appear in the Group Management Team Section.

None of the persons above has any familial relationship with each other or with the GMT. In addition, none of the individuals listed above is party to any arrangement or understanding with a major shareholder, customer, supplier or other entity, pursuant to which any of the above was selected as a director.

## REMUNERATION REPORT

This Remuneration Report explains James Hardie's executive remuneration framework, and has been adopted by the Board on the recommendation of the Remuneration Committee.

The Company is not required to produce a remuneration report or to submit it to shareholders under Irish or Australian rules or regulations. However, taking into consideration its large Australian shareholder base, James Hardie has voluntarily produced a remuneration report for non-binding shareholder approval for some years and currently intends to continue to do so. This document reports on the Company's remuneration policies and practices in fiscal year 2013 and also voluntarily includes an outline of the key changes for fiscal year 2014. Further details of these changes are set out in the 2013 Notice of Annual General Meeting ("AGM").

During fiscal year 2013 the Remuneration Committee retained Aon Hewitt (in the US) and Guerdon Associates (in Australia) as its independent advisers.

### 1. APPROACH TO SENIOR EXECUTIVE REMUNERATION

#### 1.1 Remuneration Philosophy

James Hardie's remuneration philosophy is to provide competitive remuneration, compared to US peer group companies exposed to the US housing market. Within this philosophy, the executive remuneration framework emphasises operational excellence and shareholder value creation through incentives which link executive remuneration with the interests of shareholders. The underlying policy of the executive remuneration framework is pay-for-performance. Remuneration received is aligned with performance achieved.

#### 1.2 Composition of Remuneration Packages

Remuneration packages for senior executives reflect this remuneration philosophy and comprise:

- fixed pay and benefits ("Fixed Remuneration"); and
- variable performance pay ("Variable Remuneration").

Variable Remuneration is based on both:

- short-term incentives ("STI"); and
- long-term incentives ("LTI").

The Company's policy is to position senior executive Fixed Remuneration at the market median and total target direct remuneration (comprising Fixed Remuneration and target Variable Remuneration) at the market 75th percentile if stretch short and long-term target performance goals are met.

Performance goals for target Variable Remuneration are set with the expectation that the Company will deliver results in the top quartile of its listed, US peer group companies. Performance below this level will result in Variable Remuneration payments below target (and potentially zero for poor performance). Performance above this level will result in Variable Remuneration payments above target.

### 1.3 Setting Remuneration Packages

Remuneration decisions are based on the executive remuneration framework described in this Remuneration Report. The Remuneration Committee reviews and the Board approves this framework each year.

Each year the Remuneration Committee reviews and approves a list of peer group companies which it uses for comparative purposes in setting remuneration for senior executives. As the Company's main business and all of its senior executives are in the US, the peer group comprises US listed companies exposed to the US housing market. This same peer group is also used to determine relative performance for the year's LTI equity grants.

Remuneration packages for senior executives are evaluated each year to make sure that they continue to achieve the Company's philosophy and are competitive with their US peer group and developments in the market. In making individual decisions, the Remuneration Committee takes into account:

- the senior executive's responsibilities and performance; and
- the results of an annual remuneration positioning review provided by the Remuneration Committee's independent advisor.

All aspects of the remuneration of the CEO and CFO are made by the Remuneration Committee and ratified by the Board. All aspects of the remuneration of the remaining senior executives are made by the Remuneration Committee on the recommendation of the CEO.

### 1.4 Senior Executives in fiscal year 2013

The Company's senior executives in fiscal year 2013 were:

- Louis Gries, Chief Executive Officer
- Joe Blasko, General Counsel
- Russell Chenu, Chief Financial Officer
- Mark Fisher, Executive General Manager – International

Nigel Rigby, Executive General Manager – US, was a senior executive until his separation from the Company on 30 June 2012.

The executive remuneration framework described in this report also applies to the US Management Team, whose members work with the senior executives to manage the US business.

**2. FISCAL YEAR 2013 COMPANY PERFORMANCE AND LINK WITH REMUNERATION POLICY**

**2.1 Actual Performance**

The Company’s five-year EBIT and net income, and five-year A\$ total shareholder return (including dividends and capital returns) mapped against changes in US housing starts are shown in the graphs below:

**EBIT<sup>1</sup>**  
(Millions of US dollars)

13	181.0
12	194.9
11	184.0
10	208.7
09	170.9

<sup>1</sup> Excludes asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses.

**Net Income<sup>2</sup>**  
(Millions of US dollars)

13	140.8
12	144.3
11	116.7
10	133.0
09	100.5

<sup>2</sup> Excludes asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments



Readers are referred to Section 4, “Glossary of Abbreviations and Definitions” which includes the reconciliation of adjusted EBIT and adjusted Net Operating Profit to the respective US GAAP equivalent measurements.

**2.2 Market Conditions and Company Performance**

The Company’s executive remuneration framework provides a link between Company and individual performance and the Variable Remuneration received by senior executives.

Operating conditions in the US residential housing market improved during fiscal year 2013. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company’s performance, were 565,900 for fiscal year 2013, 27% above the prior year. Further, according to the National Association of Home Builders (“NAHB”), repair and remodel activity also increased slightly during fiscal year 2013.

Overall group operating earnings for fiscal year 2013 were stable compared to the prior year, reflecting stronger performance by our USA and Europe Fibre Cement segment, largely due to improved

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conditions in the US housing market, partially offset by lower contributed earnings in our Asia Pacific business. The Company expects that the improvement in the US operating environment reflects a sustainable recovery in the US housing market, although the recovery is expected to occur over a protracted period. In anticipation of the ongoing recovery, during the year the Company funded capacity expansions and initiatives to support market and organisational development in the US.

Sales volume in the US business increased 12% over the prior year. However, increased spending on these capacity increases as well as the market and organisational initiatives, along with the weaker Asia Pacific business result, constrained the impact of the strong USA and Europe Fibre Cement segment top line performance on the overall profitability of the Company.

### **2.3 Performance Linkage with Remuneration Policy**

The Company sets performance goals and Variable Remuneration in the expectation that the Company will perform at or above a level equivalent to the 75<sup>th</sup> percentile of the Company's peer group. This approach supports the Company's growth aspirations and provides appropriate alignment with shareholders. This means that even in years where shareholders have benefited from substantial share price growth, as they did during fiscal year 2013, senior executives may receive STI or LTI outcomes that are below target.

During its annual review, the Remuneration Committee assessed the Company's performance in fiscal year 2013 against the background of the gradual recovery in the US and the slight downturn in Australian markets. This review included reviewing fiscal year 2013 performance against:

- the Company's historical performance;
- the Company's peer group;
- the goals in the Company's Variable Remuneration STI and LTI plans; and
- the Scorecard, or key objectives and measures the Board expects to see achieved ("the Scorecard").

Based on that review, the Board and Remuneration Committee concluded that management's performance in fiscal year 2013:

- was below target and fiscal year 2012 on earnings measures and slightly above target on growth measures, resulting in STI Variable Remuneration outcomes being substantially below both target for fiscal year 2013 and amounts paid for fiscal year 2012; and
- was (taken together with performance in fiscal years 2011 and 2012) superior to the 75th percentile of its peer group of companies on long-term measures, such as those set out in the Scorecard, resulting in LTI Variable Remuneration being above target for fiscal years 2011-2013, although lower than performance in fiscal years 2010-2012.

More details about this assessment, including the percentage of the maximum Variable Remuneration awarded to or forfeited by senior executives is set out in Section 3 of this Remuneration Report below.

### 3. DESCRIPTION OF COMPANY'S REMUNERATION ARRANGEMENTS

This section describes the Company's remuneration arrangements applying in fiscal year 2013.

#### 3.1 Overview of Variable Remuneration

The Company's Variable Remuneration incentive plans for senior executives in fiscal year 2013 were:

Duration	Plan Name	Amount	Form Incentive Paid
Short-term (1 year)	Individual Performance Plan ("IP Plan")	20% of STI Target	Cash
	Executive Incentive Plan ("EIP Plan")	80% of STI Target	Cash
Long-term (3-5 years)	Long Term Incentive Plan ("LTIP")	40% of LTI Target	Return on Capital Employed ("ROCE") Restricted Stock Units ("RSUs")
		30% of LTI Target	Relative Total Shareholder Return ("TSR") RSUs
		30% of LTI Target	Scorecard LTI (cash)

#### 3.2 Short-Term Incentive Variable Remuneration

##### 3.2.1 Overview of Short-Term Incentives

Each year, the Remuneration Committee approves a STI target for all senior executives, which is expressed as a percentage of base salary. The STI target is allocated between corporate goals (under the EIP Plan) and individual goals (under the IP Plan). There was no change to STI targets for senior executives in fiscal year 2013:

Position	STI target as % of base salary	% of STI target allocated to corporate goals	% of STI target allocated to individual goals
Chief Executive Officer	125%	80%	20%
Chief Financial Officer	33%	0%	100%
Other senior executives	45-65%	80%	20%

##### 3.2.2 Corporate Short Term Incentives – Executive Incentive Plan

Each year, the Remuneration Committee approves a series of 'Payout Matrices' for the US and Asia Pacific segments which provide a range of possible STI payouts depending on the Company's performance against performance hurdles which assess growth above market ("Growth Measure") and earnings ("Return Measure").

Each senior executive (other than the CFO) can receive between 0% and 300% of their STI target allocated to corporate goals under the EIP Plan based on the blended Payout Matrix results for the US and Asia Pacific segments.

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The Company uses two performance hurdles in the Payout Matrices to ensure that as management increases its top line growth focus, it does not do so at the expense of short- to medium-term returns. Management is encouraged to balance growth and earnings returns since achievement of strong rewards requires management to generate both strong earnings and growth above market. Higher returns on one measure at the expense of the other measure may result in a lower reward or no reward at all.

The Remuneration Committee believes that the STI Plan Payout Matrices are appropriate because they:

- provide management with an incentive to achieve overall corporate goals;
- balance growth with returns;
- recognise the need to flexibly respond to strategic opportunities depending on our markets' ability to recover from the currently prevailing uncertain economic environment;
- incorporate indexing for factors beyond management's control; and
- incorporate Remuneration Committee discretion to ensure appropriate outcomes.

From fiscal year 2013, the Remuneration Committee also determined that the following adjustment would be made to the Growth Measure of the US Payout Matrix based on the Company's performance against market tracking data from the largest participants in the 'wood-look' products market (collectively, the "Wood-Aesthetic Market Index" or "WMI"):

- if the Company meets or exceeds the performance of all three WMI participants, 0.2x will be added to the Growth Measure;
- If the Company meets or exceeds the performance of two of the three WMI participants, there will be no change to the Growth Measure; and
- If the Company fails to meet or exceed the performance of more than one of the three WMI participants, then 0.2x will be subtracted from the Growth Measure.

The purpose of this amendment was to further focus management on increasing the Company's share of the exterior cladding market at the expense of 'wood-look' competitors, which is one of the Company's key strategies and, if successfully implemented, will create substantial value for shareholders.

To ensure that the Payout Matrices represent genuinely challenging targets aligned with the Company's executive remuneration philosophy, particularly in light of the gradual recovery in the US housing market, the Growth Measure and Return Measure are indexed to take into account changes in the US and Australian new housing starts, the US repair and remodel market and pulp prices. The targets for the Return Measure exclude costs related to legacy issues (including the impact of asbestos, ASIC proceedings, certain asset impairment charges and New Zealand product liability expenses) as well as the impact of exchange rate movements on the translation of earnings. The Remuneration Committee has reserved for itself discretion to change the STI paid on the basis of the Payout Matrices, and examples of instances when the Remuneration Committee would consider exercising this discretion include external factors outside of management's control and the impact of a management decision specifically endorsed by the Board. The Remuneration Committee will disclose the reasons for any such exercise of discretion in that year's Remuneration Report.

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The Company does not disclose the Growth Measure and Return Measure targets since these are commercial in confidence. However, achieving a target payment for fiscal year 2013 would have required performance in excess of the average of the performance for the previous three years on both the Growth Measure and the Return Measure.

### 3.2.3 Individual Short Term Incentives—Individual Performance Plan

Each year, the Remuneration Committee approves a series of one-year STI goals which are used to assess the performance of senior executives. These include one-year achievement towards the three-year Scorecard goals as well as more specific STI one-year goals.

A senior executive can receive between 0% and 150% of their STI target allocated to individual goals under the IP Plan based on the Remuneration Committee's assessment of their contribution towards the Company's achievements on those one-year STI goals.

The Remuneration Committee believes that the IP Plan is appropriate because it links financial rewards to the senior executive's achievement of specific objectives that have benefited the Company and contributed to shareholder value and are not directly captured by the corporate component of the STI.

#### *Board and Remuneration Committee assessment of management performance under STI Plans and for Fiscal Year 2013*

The Company's results and the subsequent STI payouts for fiscal year 2013 were below STI target and fiscal year 2013 as a result of:

- the US business performing slightly above target on the Growth Measure (which requires performance well above market), due to strong category and market share growth. This included exceeding volume growth of the other fibre cement manufacturers, vinyl and engineered wood, resulting in the activation of a 0.2x 'exterior kicker' to the Growth Measure;
- the US business performing substantially below the Return Measure due to lower average net sales price, higher manufacturing costs, an unfavourable shift in product mix and increased organisational costs to enhance capability in anticipation of an improved operating environment in the US;
- Asia Pacific performing slightly below target on the Growth Measure, due to the Australia business achieving growth above its target in a declining market and the New Zealand and Philippines businesses achieving growth above market but below their respective targets; and
- Asia Pacific performing below target on the Return and Growth Measures, due to lower returns in Australia and the Philippines business failing to offset improvements in the New Zealand business as a result of a competitive operating environment.



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In fiscal year 2013, after reviewing the charges for each individual plant, the Remuneration Committee exercised its discretion to exclude US\$20.3 million of asset impairment and related charges across the Company's Fontana, Waxahachie, Summerville, Blandon, Peru and Cleburne plants from the Return Measure on the STI Plan Payout Matrices for the US business, for the following reasons:

- the Fontana, Waxahachie and Summerville charges related to work to re-commission idle assets at these plants in response to improving market demand to allow the Company to more cost-effectively pursue growth in key markets in a manner which is value accretive relative to operating the existing outdated assets at those plants. The Board and Remuneration Committee consider that management should not be disincentivised from such activities, which are clearly in the best interests of shareholders;
- the Blandon charges are a result of an appraisal that was performed in fiscal year 2013. The plant was idled in late 2007 during the housing downturn and during fiscal year 2013 management determined that the plant will not be re-opened; and has proposed the sale of the land and buildings at the Company's Blandon plant;
- the Peru charges relate to a prototype production line which was replaced by other lines with superior production capacity and economics and idled in fiscal year 2007, and which management now considers is unlikely to generate sufficient returns compared to existing and planned alternative capacity to support its carrying value; and
- the Cleburne expenses are asset impairment related charges and are as a result of the obsolescence and disposal of equipment and related spare parts.

The percentage of the maximum STI Variable Remuneration awarded to or forfeited by senior executives for (individual and corporate) performance in fiscal year 2013 compared to fiscal year 2012 was:

	Cash STI <sup>1</sup>	
	Awarded %	Forfeited %
<i>L Gries</i>		
<b>Fiscal Year 2013</b>	20	80
Fiscal Year 2012	56	44
<i>J Blasko</i>		
<b>Fiscal Year 2013</b>	25	75
Fiscal Year 2012	56	44
<i>R Chenu</i>		
<b>Fiscal Year 2013</b>	75	25
Fiscal Year 2012	100	-
<i>M Fisher</i>		
<b>Fiscal Year 2013</b>	22	78
Fiscal Year 2012	58	42
<i>N Rigby</i>		
<b>Fiscal Year 2013</b>	-	100
Fiscal Year 2012	56	44

<sup>1</sup> **Awarded** = % of fiscal year 2012 or 2013 Cash STI maximum actually paid. **Forfeited** = % of fiscal year 2012 or 2013 Cash STI maximum foregone. STI amounts were paid in cash under the Executive Incentive Program and IP Plan.

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### 3.2.4 Historical performance- Hybrid RSUs

#### *Board and Remuneration Committee assessment of management performance under Hybrid RSU/Executive Incentive Plans for Fiscal Years 2011-2013*

In June 2011, the Company granted Hybrid RSUs to senior executives on the basis of management's performance against EBIT goals in fiscal year 2011. During fiscal year 2013, Hybrid RSUs, which are treated as STI transferred to LTI, vested. The Remuneration Committee reserved to itself the discretion to review fiscal year 2011 performance with the benefit of another two years' trading and assess whether those results were obtained at the expense of long term sustainability. Senior executives were granted 61,363 Hybrid RSUs, a grant equivalent to 25% of target (and 8% of maximum) Variable Remuneration allocated to the Hybrid RSUs. The Remuneration Committee reviewed the Company's performance in fiscal years 2012 and 2013 as part of the fiscal years 2011-2013 Scorecard LTI assessment, and determined that it would not apply any negative discretion in respect of these grants.

### 3.3 Description of LTI Variable Remuneration

#### 3.3.1 Overview of Long-Term Incentives

Each year, the Remuneration Committee approves a LTI target for all senior executives. The LTI target is allocated between three separate components to ensure that senior executive performance is assessed based on a wide range of factors:

- 40% to ROCE—an indicator of growth in the value of the Company's capital efficiency over time;
- 30% to TSR RSUs—an indicator of the Company's performance relative to its US peers; and
- 30% to Scorecard LTI—an indicator of each senior executive's contribution to the Company achieving its long-term strategic goals.

The LTI target amounts for the senior executives in fiscal year 2013 were:

<b>Position</b>		<b>LTI target</b>
Chief Executive Officer	US\$	3.1 million
Other senior executives		250,000-
	US\$	US\$350,000

#### 3.3.2 ROCE RSUs (40% of target LTI)

The Remuneration Committee introduced ROCE RSUs in fiscal year 2013 because the US housing market had stabilised to an extent which permitted the setting of multi-year financial metrics. The Remuneration Committee believes ROCE RSUs are an appropriate component of the LTI Plan because they:

- allow the Remuneration Committee to replace the interim one-year metrics previously used during the US housing downturn with three-year financial metrics;
- tie the reward's value to share price which provides alignment with shareholder interests;
- ensure that the Company earns appropriate returns on the additional capital it spends in response to the improvement in the US housing market; and

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- allow the Remuneration Committee to disregard items impacting ROCE (both positive and negative) where those items are beyond management's direct influence and control.

In addition, a continuation of the Company's strong ROCE performance will create shareholder value.

The maximum payout for the ROCE RSUs is 200% of target LTI. This is a reduction from the 300% maximum payout for the Hybrid RSUs which the ROCE RSUs replaced in fiscal year 2013. However, given the challenging ROCE targets and the existence of negative discretion for the Remuneration Committee based on the quality of the returns balanced against management's delivery of market share growth and performance against the Scorecard, the Remuneration Committee expects that vesting of ROCE RSUs is unlikely to be higher than target (ie 50% vesting) in most years.

ROCE is determined by dividing EBIT by Capital Employed.

EBIT will be earnings before interest and taxation as reported in the Company's financial results, adjusted by:

- deducting the earnings impact of legacy issues (such as asbestos adjustments, including foreign exchange impact on the Company's asbestos provision, New Zealand product liability expenses and ASIC expenses);
- deducting leasehold expenses, since potential upcoming changes in international accounting standards could cause significant volatility in this component; and
- adding back asset impairment charges in the relevant period, unless otherwise determined by the Remuneration Committee. Since management's performance will be assessed on the pre-impairment value of the Company's assets, the Remuneration Committee would not normally deduct the impact of any asset impairments from the Company's EBIT for the purposes of measuring ROCE performance.

Capital Employed will start with net working capital and fixed assets (net of accumulated depreciation), which already excludes legacy issue-related items such as asbestos-related assets and liabilities, as reported in the Company's financial results, adjusted by:

- adding back asset impairment charges in the relevant period, unless otherwise determined by the Remuneration Committee, in order to align the Capital Employed with the determination of EBIT;
- adding back leasehold assets for manufacturing facilities and other material leased assets, which the Remuneration Committee believes give a more complete measure of the Company's capital base employed in income generation; and
- deducting all greenfield construction-in-progress, and any brownfield construction-in-progress projects involving capacity expansion that are individually greater than US\$20 million, until such assets reach commercial production and are transferred to the fixed asset register, in order to encourage management to invest in capital expenditure projects that are aligned with the long-term interests of the Company.

The resulting Capital Employed for each quarter of any fiscal year will be averaged to better reflect Capital Employed through a year rather than at a certain point in time.

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ROCE goals for the ROCE RSUs are based on historical results and take into account the expected impact of the recovery in the US housing market on EBIT and Capital Employed. Achievement in order to receive awards at LTI target (ie 50% vesting) will require improvement on the average of the performance of the Company for fiscal years 2010 to 2012 (after indexing for market improvements). The ROCE result in fiscal year 2013 was 18.0%

The goals for ROCE RSUs granted in fiscal year 2013 (for performance in fiscal years 2013 to 2015) were:

ROCE	% of ROCE RSUs vested
< 18.5%	0%
>18.5%, but < 19.5%	25%
>19.5%, but < 20.5%	50%
>20.5%, but < 21.5%	75%
>21.5%	100%

At the conclusion of this three-year performance period, the Remuneration Committee will review management's performance based on the quality of the returns balanced against management's delivery of market share growth and performance against the Scorecard. Following this review, the Remuneration Committee can exercise negative discretion to reduce the number of shares received following vesting of the ROCE RSUs. This discretion can only be applied to reduce the number of shares which will vest.

### 3.3.3 Relative TSR RSUs (30% of target LTI)

The Remuneration Committee believes that Relative TSR RSUs are an appropriate component of the LTI Plan because they provide alignment with shareholders—even if macro conditions create substantial shareholder value, senior executives will only receive payouts if the total shareholder return of the Company's shares exceeds a specified percentage of the Company's peer group over a performance period.

The Company has used Relative TSR RSUs in its LTI Plan for some years. The Remuneration Committee made the following changes to the Relative TSR RSUs in fiscal year 2013:

- decreased the maximum payout from 300% of target LTI to 200%;
- shifted the payout schedule to commence payouts at the 40<sup>th</sup> percentile and provide maximum payouts at the 80<sup>th</sup> percentile; and
- removed three companies from the peer group (since they had been excluded from the peer group used for benchmarking purposes).

Total shareholder return measures changes in the share price of the Company and its peer group and assumes all dividends and capital returns are reinvested when paid.

The peer group for Relative TSR RSUs consists of the same peer group of companies exposed to the US housing market which the Company uses for compensation benchmarking purposes. The Remuneration Committee believes that US companies form a more appropriate peer group than ASX-listed companies as they are exposed to the same macro factors in the US housing market as the Company faces. The names of the companies comprising the peer group for each grant of Relative TSR RSUs are set out in section 8 of this Remuneration Report.

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The Company's relative TSR performance will be measured against the peer group over a three- to five-year period from grant date, with testing after the third year, and then every six months until the end of year five. To eliminate the impact of short-term price changes, the starting point and each test date are measured using an average 20 day closing price.

Relative TSR RSUs will vest based on the following straight-line schedule:

<b>Performance against Peer Group</b>	<b>% of Relative TSR RSUs vested</b>
<40 <sup>th</sup> Percentile	0%
40 <sup>th</sup> – 79 <sup>th</sup> Percentile	Sliding Scale
>80 <sup>th</sup> Percentile	100%

The Remuneration Committee considered whether to retain re-testing in fiscal year 2013, given some investors prefer a single test for relative performance measures. The Remuneration Committee concluded that, given that the Company will incur the same accounting expense irrespective of the vesting outcome, retaining Relative TSR RSUs is more effective from a cost-benefit perspective. However, the number of re-tests will be reduced for TSR grants made in fiscal year 2014. The Remuneration Committee will continue to monitor the appropriate number of re-tests each year.

### 3.3.4 Scorecard LTI (30% of target LTI)

The Remuneration Committee believes that the Scorecard LTI is an appropriate component of its LTI Plan because it:

- allows the Remuneration Committee to set and reward executives on a balance of longer-term financial, strategic, business, customer and organisational development goals which it believes are important contributors to long-term creation of shareholder value;
- ties the reward's value to the Company's share price over the medium-term; and
- allows flexibility to apply rewards across different countries, while providing executives with liquidity to pay tax or other material commitments at a time that coincides with vesting of shares (via the other components of the LTI Plan) as payment is in cash.

Each year, the Remuneration Committee approves a number of key management objectives, including for individual senior executives, and the measures it expects to see achieved in relation to these objectives. These objectives are incorporated into that year's grant of Scorecard LTI. The Remuneration Committee monitors progress against the Scorecard twice each year. At the end of the three-year period, the Remuneration Committee assesses the Company's performance on each key objective and each individual senior executive's contribution to those achievements (with scores between 0 and 100) (and the Board reviews that assessment). Senior executives may receive different ratings depending on the contribution they have made during the three-year period. Although most of the objectives in the Scorecard have quantitative targets, the Company considers some of the targets to be commercial-in-confidence.

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The Company has used Scorecard LTI in its LTI Plan for some years. Since the Company's three-year priorities change from year to year, the Remuneration Committee expects that changes will be made to the Scorecard goals from time to time. The following changes to the Scorecard LTI goals were made for fiscal year 2013:

<b>Goal</b>	<b>Change</b>	<b>Reasons</b>
Primary demand growth	Supplemented to include growth against 'wood-look' products.	To provide greater focus on the market segments where the Company can increase fibre cement's share of the market.
Product Mix Shift	No change to the objective. But as the Company develops new differentiated products, measurement of this goal will include those products.	Product mix shift is a key part of the Company's product leadership through creating new differentiated value-added products.
Managing during the Economic Crisis	Replaced with a new goal 'Positioning the Company for potential recovery'.	Moving the Company to a more appropriate financial leverage and being ready to grow as the US housing market recovers.
Legacy Issues	Removed.	Most of the Company's legacy issues which existed in FY2004 or which subsequently have been addressed or resolved.

No specific weighting has been applied to any single objective and the final Scorecard assessment reflects an element of judgment by the Board. The Scorecard can only be applied by the Board to exercise negative discretion (ie, to reduce the amount of Scorecard LTI that will ultimately vest). It cannot be applied to enhance the maximum reward that can be received.

The amount received by senior executives is based on both the Company's share price performance over the three years from the grant date and the senior executive's Scorecard rating. At the start of the three-year performance period, the Company will calculate the number of shares the senior executives could have acquired if they received a maximum payout on the Scorecard LTI at that time (based on a 20 working day closing average). Depending on the senior executive's rating (between 0 and 100), between 0% and 100% of the senior executive's Scorecard LTI awards will vest at the end of the three-year performance period. Each senior executive will receive a cash payment based on the Company's share price at the end of the period (based on a 20 working day closing average) multiplied by the number of shares they could have acquired at the start of the performance period, adjusted downward in accordance with their Scorecard rating.

Further details related to the Scorecard for fiscal year 2013, including the method of measurement, historical performance against the proposed measures and the Board's expectations, were previously set out in the 2012 AGM Notice of Meeting. An assessment of the Company's Scorecard performance for fiscal years 2011-2013 is set out below. The Company will provide an explanation of the final assessment of performance under the Scorecard for fiscal years 2013-2015 at the conclusion of fiscal year 2015.

*Board and Remuneration Committee assessment of management performance under Scorecard LTI for Fiscal Years 2011-2013*

The Remuneration Committee's review of the Company's performance over fiscal years 2011-2013 against the Scorecard objectives, and the contribution of individual senior executives, resulted in senior

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executives receiving a weighted average Scorecard rating of 50% (from a range of 50% to 55%). Although these ratings resulted in outcomes above target in respect of fiscal years 2011-2013, the amount of reward is lower than in respect of fiscal years 2010-2012, where the weighted average Scorecard rating was 61% (from a range of 50% to 83%).

The Remuneration Committee's assessment of the Company's performance over the fiscal years 2011-2013 based on the Scorecard objectives as determined in mid-2010 is:

Measure	Performance over period	Board Requirement	Reasons	Assessment of Management's Performance
<b>US Primary Demand Growth for Exteriors ("PDG")</b>	FY13: 6.8% FY12: 10.6% <sup>1</sup> FY11: (6.2)% <sup>1</sup>  <sup>1</sup> Figures have been restated to reflect updated methodology calculation.	<b>Minimum:</b> Maintain relative to exterior market  <b>Stretch:</b> Primary demand growth relative to exterior market	A key strategy for the Company is to maximise its market share growth/retention of the exterior cladding market for new housing and for repair & remodel segments, which it does by growing fibre cement's share of the exterior cladding market and by maintaining the Company's share of the fibre cement category.	Growth above stretch target achieved over three year period. Negative result in FY11 recovered and improved in FY12 and FY13.
<b>US Product Mix Shift</b>	Color Plus and Artisan penetration improved each year.	<b>Board Minimum:</b> 5% annual improvement in penetration of ColorPlus and Artisan products  <b>Stretch:</b> 10% annual improvement in penetration of ColorPlus and Artisan products	The Company aims to maintain its leadership position across the fibre cement category of the exterior cladding market by developing new products/marketing/manufacturing approaches that will result in an improved mix of our products and gross margins.	Performance above stretch target, although ColorPlus improvement flattened in FY13, which is being addressed by the creation of a dedicated ColorPlus organisation.
<b>US Zero To the Landfill ("ZTL")</b>	Over the three years the Company made significant progress in reducing the amount of materials sent to landfill.	<b>Minimum:</b> 5% annual reduction of equivalent dumpsters sent to landfill  <b>Stretch:</b> 7% annual reduction of equivalent dumpsters sent to landfill	This measure is a primary contributor to the Company's environmental goals and improving material yield will reduce manufacturing costs. In addition, achieving important environmental, social and governance ("ESG") goals reduces risk.	Good progress throughout period. Machine utilisations now at design and reliability close to being able to support the ZTL initiative. The elimination rate slowed as savings became more difficult to find. The goal was expanded in FY11 to a broader manufacturing efficiency goal.

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Measure	Performance over period	Board Requirement	Reasons	Assessment of Management's Performance
<b>Safety</b>	FY13: 1.57 28.9  FY12: 1.46 18.1  FY11: 1.74 18.8	No fatalities  <b>Minimum:</b> 10.4 Incident Rate ("IR") (FY10 industry average) and 50 Severity Rate ("SR") <b>Stretch:</b> 2.0 IR and 20 SR	Safety of Company employees is an essential ESG measure.	Performance generally above stretch goals throughout period. Results below 2 IR and 20 SR are now expected.
<b>Strategic Positioning</b>	JH Europe re-set as a growth business with expanded products and reach. Established new R&D centre to provide platform for activity to reduce reliance on fibre cement. Shaped trim and pultruded fibreglass offerings developing.	The Board expects that management will continue to diversify to provide more balance and greater profit opportunities to Company.	Developing and, as appropriate, implementing, alternative strategic actions for sustainable growth beyond the Company's traditional markets will create shareholder value through increased profits and diversification for lower risk.	Progressing as planned and exceeded minimum goals.
<b>Legacy Issues</b>	All major legacy issues known to exist in FY10 concluded.	<b>Minimum:</b> Resolve or address the Dutch domicile and make substantial progress on others  <b>Stretch:</b> Resolve or address all legacy issues	Resolution of these issues is a fundamental component of the Company's ESG goals, paving the way to lower risk and more certainty for all stakeholders.	Performance met stretch goals. All major legacy issues concluded, largely in the Company's favour.  Only remaining issue is conclusion of appeals of certain former directors and officers in the ASIC litigation (the Company is no longer involved in these proceedings).



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<b>Measure</b>	<b>Performance over period</b>	<b>Board Requirement</b>	<b>Reasons</b>	<b>Assessment of Management's Performance</b>
<b>Managing During the Economic Crisis</b>	Good results in downturn but the transition to market recovery has not gone as forecast, with EBIT margins below target	Maintain an adequate capital structure.	With the US building materials industry experiencing a downturn unprecedented in the past 60 years, managing the Company through this time so it can emerge at the end of this period in as strong or stronger competitive position in the overall industry is crucial.	Successful progress on capital structure and refinancing. Focus during the period was also expanded to include transition to market recovery, where performance has been below Board expectations.
<b>Talent Management/ Development</b>	The Company continues to have a strong management team.	It is not possible to set a specific goal for this measure beyond requiring that management capability be retained and grown.	Improving management development and capability is important to the Company's future growth.	Performance met Board expectations. Significant improvements in FY13 offset inadequate FY12 outcomes.

*More detailed information on LTI Plans*

More detailed information about the Company's LTI plans, including certain information required under applicable US laws, is set out in section 8 of this Remuneration Report.

**3.4 Overview of Fixed Remuneration**

Fixed remuneration consists of base salaries, non-cash benefits, participation in a defined contribution retirement plan and superannuation contributions.

**3.4.1 Base Salaries**

Base salary provides a guaranteed level of income that recognises the market value of the position and internal equities between roles, and the individual's capability, experience and performance. Base salaries for senior executives are positioned around the market median for positions of similar responsibility. Base salaries are reviewed by the Remuneration Committee each year, although increases are not automatic.

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**3.4.2 Non-Cash Benefits**

James Hardie's executives may receive non-cash benefits such as a cost of living allowance, medical and life insurance benefits, car allowances, membership of executive wellness programs, long service leave and an annual financial planning allowance (which includes tax return preparation assistance).

**3.4.3 Retirement Plan/Superannuation**

In every country in which it operates, the Company offers employees access to pension, superannuation or individual retirement savings plans consistent with the laws of the respective country.

We sponsor a US defined contribution plan, the James Hardie Retirement and Profit Sharing Plan, for our employees in the United States and a defined benefit pension plan, the James Hardie Australia Superannuation Plan, for our employees in Australia. The US defined contribution plan is a tax-qualified retirement and savings plan ("401(k) Plan") covering all US employees, subject to certain eligibility requirements. Participating employees may elect to reduce their current annual compensation by up to US\$17,500 in calendar year 2013 and have the amount of such reduction contributed to the 401(k) Plan, with a maximum eligible compensation limit of US\$255,000. In addition, we match employee contributions dollar for dollar up to a maximum of the first 6% of an employee's eligible compensation.

The James Hardie Australia Superannuation Plan is funded based on statutory requirements in Australia and is based primarily on the contributions and income derived thereon held by the plan on behalf of the member, and to a lesser degree, on the participants' eligible compensation and years of credited service. Under Australian law, employees do not have to belong to their employer's superannuation fund.

**3.5 Relative Weightings of Fixed and Variable Remuneration in 2013**

The Company's improved performance in fiscal year 2013 was reflected in an increase in the Variable Remuneration paid to senior executives in fiscal year 2013 compared to fiscal year 2012:

	Fixed Remuneration <sup>1</sup>	Variable Remuneration <sup>3</sup>				Total Variable%
		Cash Incentive <sup>2</sup>	ROCE RSUs %	Scorecard LTI %	Relative TSR RSUs %	
<i>L Gries</i>						
<b>Fiscal Year 2013</b>	13	7	28	31	21	87
Fiscal Year 2012	12	18	12	29	29	88
<i>J Blasko<sup>4</sup></i>						
<b>Fiscal Year 2013</b>	36	9	19	22	14	64
Fiscal Year 2012	70	30	-	-	-	30
<i>R Chenu</i>						
<b>Fiscal Year 2013</b>	54	10	13	14	9	46
Fiscal Year 2012	54	12	6	14	14	46
<i>M Fisher</i>						
<b>Fiscal Year 2013</b>	35	11	19	21	14	65
Fiscal Year 2012	30	24	8	19	19	70
<i>N Rigby<sup>5</sup></i>						
<b>Fiscal Year 2013</b>	100	-	-	-	-	-
Fiscal Year 2012	27	27	8	19	19	73

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- 1 Includes SG&A expenses incurred in the year indicated for base salary, non-cash benefits, expatriate benefits, other non-recurring benefits and superannuation/pension payments.
- 2 Includes STI amounts incurred under the Executive Incentive Program and IP Plan. The cash payments for each fiscal year are paid in the June following the end of the fiscal year.
- 3 Equity components include the total value of Hybrid RSUs, ROCE RSUs, Scorecard LTI and Relative TSR RSUs granted in fiscal year 2013.
- 4 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.
- 5 Ceased employment 30 June 2012 and did not receive any equity award grants in fiscal year 2013.

### 3.6 Variable Remuneration Payable in Future Years

Details of the accounting cost of the Variable Remuneration for fiscal year 2013 that may be paid to senior executives in future years are set out below. The minimum amount payable is nil in all cases. The maximum amount payable will depend on the share price at time of vesting, and is therefore not possible to determine. The table below is based on the fair value of the RSUs and Scorecard LTI according to US GAAP accounting standards and the Company's estimate of the Scorecard Rating to be applied to Scorecard LTI.

	Scorecard LTI <sup>1</sup> (US dollars)				ROCE RSUs <sup>2</sup> (US dollars)				Relative TSR RSUs <sup>3</sup> (US dollars)			
	FY2013	FY2014	FY2015	FY2016	FY2013	FY2014	FY2015	FY2016	FY2013	FY2014	FY2015	FY2016
<i>L Gries</i>	403,025	742,950	742,950	339,925	268,683	495,299	495,299	226,616	369,122	680,452	680,452	311,330
<i>J Blasko</i>	32,502	59,915	59,915	27,413	21,669	39,945	39,945	18,276	29,768	54,875	54,875	25,107
<i>R Chenu</i>	45,503	83,881	83,881	38,379	30,335	55,921	55,921	25,586	41,675	76,825	76,825	35,150
<i>M Fisher</i>	45,503	83,881	83,881	38,379	30,335	55,921	55,921	25,586	41,675	76,825	76,825	35,150
<i>N Rigby</i> <sup>4</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	<b>526,533</b>	<b>970,627</b>	<b>970,627</b>	<b>444,096</b>	<b>351,022</b>	<b>647,086</b>	<b>647,086</b>	<b>296,064</b>	<b>482,240</b>	<b>888,977</b>	<b>888,977</b>	<b>406,737</b>

- 1 Represents annual SG&A expense for Scorecard LTI granted in September 2012 based on the Remuneration Committee assumption of final Scorecard rating. The fair value of each award is adjusted for changes in the Company's common stock price at each balance sheet date until the final Scorecard rating is applied in September 2015, at which time the final value is based on the Company's share price and the senior executive's Scorecard rating at the time of vesting.
- 2 Represents annual SG&A expense for the ROCE RSUs granted in September 2012. The fair value of each RSU is adjusted for changes in the Company's common stock price at each balance sheet date until the Remuneration Committee exercises negative discretion and some, all or none of the awards become vested in September 2015.
- 3 Represents annual SG&A expense for the Relative TSR RSUs granted in September 2012 with fair market value estimated using the Monte Carlo option-pricing method.
- 4 Ceased employment 30 June 2012.

## 4. CHANGES TO REMUNERATION FOR FISCAL YEAR 2014

### 4.1 Overview of Remuneration for Fiscal Year 2014

The Board and the Remuneration Committee review the Company's existing remuneration arrangements each year.

There will be no increases in the CEO's base salary, target STI or target LTI in fiscal year 2014.

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The only change in the Company's STI Variable Compensation plans in fiscal year 2014 is the introduction of an additional adjustment to the US STI Payout Matrix, based on the Remuneration Committee's assessment of management's development and implementation of specific plans for the Company's interior products business.

The principal changes in the Company's LTI Variable Compensation plans are as follows:

- updating the performance hurdles required to achieve vesting of the ROCE RSUs, and indexing those hurdles for changes in housing starts and the repair and remodel market; and
- changing the payout schedule for the Relative TSR RSUs to increase the number of shares vesting at the 40th percentile and eliminating one of the four re-tests. The Remuneration Committee will continue to monitor the appropriate number of re-tests each year; and
- updating the Scorecard objectives for fiscal year 2014.

The following section summarises the changes to the Executive Incentive Plan and the Scorecard LTI for fiscal year 2014.

### **4.2 Changes to STI Variable Compensation for Fiscal Year 2014 (Executive Incentive Plan)**

The Board proposes to continue with the basic Payout Matrix approach balancing performance on the Growth Measure against performance on the Return Measure for the corporate portion of the Executive Incentive Plan described in section 3.2 of this Remuneration Report.

However, in fiscal year 2014 it will supplement the existing adjustment of up to 0.2x (up or down) based on the Company's performance against market tracking data from the largest participants in the WMI, with a further adjustment of up to 0.2x (up or down) based on the Remuneration Committee's assessment of management's development and implementation of specific plans for the Company's interior products business.

The Remuneration Committee believes that this amendment will provide specific focus on the Company's interior products business, which is not covered by the existing Payout Matrix, which focusses on the exterior products business only.

### 4.3 Changes to LTI Variable Compensation for Fiscal Year 2014

#### 4.3.1 Scorecard LTI

The Remuneration Committee uses the Scorecard to set strategic objectives for which performance can only be assessed over a period of time. These objectives change from year to year in line with the Company's strategic priorities. The changes to the objectives for fiscal year 2014, and the reasons for those changes are set out below:

Goal	Change	Reasons
Product Mix Shift	Removed	Although this remains an important strategy for the Company and is reflected in a number of its one-year goals, the other goals are more important to the long-term value creation plans of the Company.
Talent Management/ Development	Renamed 'Build US organisational and leadership capability in support of the Company's growth targets'	This goal has been renamed to provide a clear link between the Company's strategy and initiatives in this area.
Manufacturing Reset	Renamed 'Manufacturing capacity planning and sourcing efficiency'	The goal has been renamed to reflect the substantial progress on the manufacturing reset and a broader focus on having adequate capacity and effective machine utilisation.
Effectively Manage Legacy Issues	Reinstated	New Zealand Ministry of Education representative action litigation commenced in fiscal year 2014.
Positioning the Company for potential recovery	Removed	The recovery in the US housing market means this goal can be removed.
Maintain Australia and New Zealand market position on core products and grow Scyon	Added	The Asia Pacific business is a significant contributor to the Company's results
Australian capacity expansion	Added	This is an important component towards achieving the Company's long-term growth plans in Australia.

The other components of the Scorecard remain unchanged.

#### 4.3.2 ROCE RSUs and Relative TSR RSUs

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The 2013 AGM Notice of Meeting contains further details of the changes to the ROCE RSUs and Relative TSR RSUs.

**5. REMUNERATION PAID TO SENIOR EXECUTIVES**

**5.1 Total Remuneration for Senior Executives**

Details of the remuneration of the senior executives in fiscal years 2013 and 2012 are set out below:

(US dollars)	Name	Primary		Post-employment	Equity Awards		Other	Total	
		Base Pay	Bonuses <sup>2</sup>	Noncash Benefits <sup>3</sup>	Superannuation and 401(k) Benefits	Ongoing Vesting <sup>4</sup>	Mark-to Market <sup>5</sup>		Relocation Allowances, Expatriate Benefits, and Other Non-recurring <sup>6</sup>
<i>L Gries</i> <sup>1</sup>									
Fiscal Year 2013		\$ 950,966	\$ 638,875	\$ 92,873	\$ 14,826	\$ 5,066,796	\$ 1,024,436	\$ 63,087	\$ 7,851,859
Fiscal Year 2012		956,825	1,959,285	106,960	14,700	4,832,467	1,469,093	104,000	9,443,330
<i>J Blasko</i> <sup>7</sup>									
Fiscal Year 2013		306,577	91,693	54,401	15,817	76,641	7,297	-	552,426
Fiscal Year 2012		230,769	161,730	45,840	9,808	-	-	387,062	835,209
<i>R Chenu</i>									
Fiscal Year 2013		930,969	225,378	86,947	87,677	658,609	92,031	103,314	2,184,925
Fiscal Year 2012		953,735	339,510	96,474	88,800	895,737	287,159	105,133	2,766,548
<i>M Fisher</i>									
Fiscal Year 2013		452,145	174,661	42,940	15,273	683,969	104,492	-	1,473,480
Fiscal Year 2012		434,317	416,599	50,979	14,877	701,388	220,125	-	1,838,285
<i>N Rigby</i> <sup>8</sup>									
Fiscal Year 2013		150,721	-	14,105	-	213,985	36,268	116,741	531,820
Fiscal Year 2012		509,711	529,939	28,469	-	734,313	171,637	-	1,974,069
<b>Total Compensation for Senior Executives</b>									
Fiscal Year 2013		\$ 2,791,378	\$ 1,130,607	\$ 291,266	\$ 133,593	\$ 6,700,000	\$ 1,264,524	\$ 283,142	\$ 12,594,510
Fiscal Year 2012		\$ 3,085,357	\$ 3,407,063	\$ 328,722	\$ 128,185	\$ 7,163,905	\$ 2,148,014	\$ 596,195	\$ 16,857,441

<sup>1</sup> L Gries base pay includes US\$149,058 and US\$143,325 in fiscal years 2013 and 2012, respectively, for his services on the JHI plc Board.

<sup>2</sup> Includes STI amounts that were paid in cash under the Executive Incentive Program and IP Plan and over/under accruals from fiscal year 2012. Per the EIP and IP Plan, the cash payments for each fiscal year are paid in June following the end of the fiscal year.

<sup>3</sup> Includes the aggregate amount of all noncash benefits received by the executive in the year indicated. Examples of noncash benefits that may be received by executives include medical and life insurance benefits, car allowances, membership in executive wellness programs, long service leave, financial planning and tax services.

<sup>4</sup> Includes equity award expense for grants of Scorecard LTI awards, Relative TSR RSUs, ROCE RSUs and Hybrid RSUs. Relative TSR RSUs are valued using Monte Carlo simulation method. Hybrid RSUs, ROCE RSUs and Scorecard LTI awards are valued based on the Company's share price at each balance date as well as the Remuneration Committee's current expectation of the percentage of the RSUs or awards which will vest. The fair value of equity awards granted are included in compensation during the period in which the equity awards vest. For Hybrid RSUs, ROCE RSUs and Scorecard LTI awards, this amount excludes the equity award expense in fiscal years 2013 and 2012 resulting from changes in the Company's share price, which is disclosed separately in the Equity Awards "Mark-to-Market" column.

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- 5 The amount included in this column is the equity award expense in relation to Hybrid RSUs, ROCE RSUs and Scorecard LTI resulting solely from changes in the US dollar share price during fiscal years 2013 and 2012. During fiscal year 2013, there was a 25% appreciation in the Company's share price from US\$7.99 to US\$10.01.
- 6 Includes a charge to recognise gross-up and tax paid on equity vested during fiscal years 2013 and 2012 for which a portion of the vesting period was while L Gries and R Chenu were seconded to The Netherlands.
- 7 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.
- 8 Separated from the Company on 30 June 2012. Ongoing equity award expense reflects awards not lapsed or forfeited following separation. Did not receive any equity award grants in fiscal year 2013.

**5.2 Equity Holdings of Senior Executives**

*(a) Options*

Name	Grant Date <sup>10</sup>	Exercise Price per right (A\$)	Holding at 1 April 2012	Granted	Total Value at Grant <sup>1</sup> (US\$)	Vested	Exercised	Value at Exercise per right <sup>2</sup> (A\$)	Lapsed	Value at Lapse per right <sup>3</sup> (A\$)	Holding at 31 March 2013	Weighted Average Fair Value per right <sup>4</sup>
<i>L Gries</i>	5-Dec-03 <sup>5</sup>	\$ 7.0500	325,000	325,000	\$ 338,975	325,000	(325,000)	1.3500	-	-	-	1.0430
	21-Nov-06 <sup>6</sup>	\$ 8.4000	415,000	415,000	\$ 888,100	415,000	-	-	-	-	415,000	2.1400
	21-Nov-06 <sup>6</sup>	\$ 8.4000	228,600	381,000	\$ 1,131,570	228,600	-	-	-	-	228,600	2.9700
	29-Aug-07 <sup>6</sup>	\$ 7.8300	445,000	445,000	\$ 965,650	445,000	-	-	-	-	445,000	2.1700
	29-Aug-07 <sup>6</sup>	\$ 7.8300	437,000	437,000	\$ 1,302,260	364,458	-	-	(72,542)	-	364,458	2.9800
	<i>J Blasko</i>	-	-	-	-	-	-	-	-	-	-	-
<i>R Chenu</i>	22-Feb-05 <sup>5</sup>	\$ 6.3000	93,000	93,000	\$ 107,973	93,000	-	-	-	-	93,000	1.1610
	21-Nov-06 <sup>6</sup>	\$ 8.4000	65,000	65,000	\$ 139,100	65,000	-	-	-	-	65,000	2.1400
	21-Nov-06 <sup>6</sup>	\$ 8.4000	36,000	60,000	\$ 178,200	36,000	-	-	-	-	36,000	2.9700
	29-Aug-07 <sup>6</sup>	\$ 7.8300	68,000	68,000	\$ 147,560	68,000	-	-	-	-	68,000	2.1700
	29-Aug-07 <sup>6</sup>	\$ 7.8300	66,000	66,000	\$ 196,680	55,044	-	-	(10,956)	-	55,044	2.9800
	<i>M Fisher</i>	5-Dec-03 <sup>5</sup>	\$ 7.0500	132,000	132,000	\$ 137,676	132,000	(132,000)	1.6339	-	-	-
	14-Dec-04 <sup>6</sup>	\$ 5.9900	90,000	180,000	\$ 183,276	180,000	(90,000)	3.9133	-	-	-	1.0182
	1-Dec-05 <sup>6</sup>	\$ 8.9000	190,000	190,000	\$ 386,137	190,000	-	-	-	-	190,000	2.0323
	21-Nov-06 <sup>6</sup>	\$ 8.4000	158,500	158,500	\$ 291,069	158,500	(90,000)	0.8700	-	-	68,500	1.8364
	10-Dec-07 <sup>6</sup>	\$ 6.3800	277,778	277,778	\$ 275,084	277,778	(160,000)	2.8956	-	-	117,778	0.9903
<i>N Rigby</i>	5-Dec-03 <sup>6</sup>	\$ 7.0500	33,000	33,000	\$ 34,419	33,000	(33,000)	0.5600	-	-	-	1.0430
	1-Dec-05 <sup>6</sup>	\$ 8.9000	190,000	190,000	\$ 386,137	190,000	-	-	(190,000)	-	-	2.0323
	21-Nov-06 <sup>6</sup>	\$ 8.4000	158,500	158,500	\$ 291,069	158,500	(158,500)	0.2500	-	-	-	1.8364

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(b) Restricted Stock Units

Name	Grant Date	Release Date	Holding and Unvested at 1 April 2012	Granted	Total Value at Grant <sup>1</sup> (US\$)	Vested	Lapsed	Holding and Unvested at 31 March 2013	Weighted Average Fair Value per right <sup>4</sup>
<i>L Gries</i>	15-Sep-09 <sup>7</sup>	15-Sep-12	234,900	234,900	\$ 1,176,849	-	-	234,900	\$ 5.0100
	11-Dec-09 <sup>7</sup>	15-Sep-12	81,746	81,746	\$ 564,865	-	-	81,746	\$ 6.9100
	7-Jun-10 <sup>8</sup>	7-Jun-12	360,267	360,267	\$ 2,142,760	(360,267)	-	-	\$ 5.9477
	15-Sep-10 <sup>7</sup>	15-Sep-13	577,255	577,255	\$ 2,595,627	-	-	577,255	\$ 4.4965
	7-Jun-11 <sup>8</sup>	7-Jun-13	45,687	45,687	\$ 279,901	-	-	45,687	\$ 6.1265
	15-Sep-11 <sup>7</sup>	15-Sep-14	606,852	606,852	\$ 2,500,291	-	-	606,852	\$ 4.1201
	7-Jun-12 <sup>8</sup>	7-Jun-14	-	166,459	\$ 1,199,137	-	-	166,459	\$ 7.2038
	14-Sep-12 <sup>7</sup>	14-Sep-15	-	273,732	\$ 2,041,356	-	-	273,732	\$ 7.4575
	14-Sep-12 <sup>9</sup>	14-Sep-15	-	284,916	\$ 2,645,360	-	-	284,916	\$ 9.2847
<i>J Blasko</i>	14-Sep-12 <sup>7</sup>	14-Sep-15	-	22,075	\$ 164,624	-	-	22,075	\$ 7.4575
	14-Sep-12 <sup>9</sup>	14-Sep-15	-	22,977	\$ 213,335	-	-	22,977	\$ 9.2847
<i>R Chenu</i>	15-Sep-09 <sup>7</sup>	15-Sep-12	45,675	45,675	\$ 228,832	-	-	45,675	\$ 5.0100
	11-Dec-09 <sup>7</sup>	15-Sep-12	15,895	15,895	\$ 109,834	-	-	15,895	\$ 6.9100
	7-Jun-10 <sup>8</sup>	7-Jun-12	70,052	70,052	\$ 416,648	(70,052)	-	-	\$ 5.9477
	15-Sep-10 <sup>7</sup>	15-Sep-13	72,157	72,157	\$ 324,454	-	-	72,157	\$ 4.4965
	7-Jun-11 <sup>8</sup>	7-Jun-13	5,711	5,711	\$ 34,988	-	-	5,711	\$ 6.1265
	15-Sep-11 <sup>7</sup>	15-Sep-14	68,516	68,516	\$ 282,293	-	-	68,516	\$ 4.1201
	7-Jun-12 <sup>8</sup>	7-Jun-14	-	18,794	\$ 135,388	-	-	18,794	\$ 7.2038
	14-Sep-12 <sup>7</sup>	14-Sep-15	-	30,905	\$ 230,474	-	-	30,905	\$ 7.4575
	14-Sep-12 <sup>9</sup>	14-Sep-15	-	32,168	\$ 298,670	-	-	32,168	\$ 9.2847
<i>M Fisher</i>	15-Sep-09 <sup>7</sup>	15-Sep-12	39,150	39,150	\$ 196,142	-	-	39,150	\$ 5.0100
	11-Dec-09 <sup>7</sup>	15-Sep-12	13,624	13,624	\$ 94,142	-	-	13,624	\$ 6.9100
	7-Jun-10 <sup>8</sup>	7-Jun-12	60,044	60,044	\$ 357,124	(60,044)	-	-	\$ 5.9477
	15-Sep-10 <sup>7</sup>	15-Sep-13	67,003	67,003	\$ 301,279	-	-	67,003	\$ 4.4965
	7-Jun-11 <sup>8</sup>	7-Jun-13	5,303	5,303	\$ 32,489	-	-	5,303	\$ 6.1265
	15-Sep-11 <sup>7</sup>	15-Sep-14	68,516	68,516	\$ 282,293	-	-	68,516	\$ 4.1201
	7-Jun-12 <sup>8</sup>	7-Jun-14	-	18,794	\$ 135,388	-	-	18,794	\$ 7.2038
	14-Sep-12 <sup>7</sup>	14-Sep-15	-	30,905	\$ 230,474	-	-	30,905	\$ 7.4575
	14-Sep-12 <sup>9</sup>	14-Sep-15	-	32,168	\$ 298,670	-	-	32,168	\$ 9.2847
<i>N Rigby</i>	15-Sep-09 <sup>7</sup>	15-Sep-12	39,150	39,150	\$ 196,142	-	(2,751)	36,399	\$ 5.0100
	11-Dec-09 <sup>7</sup>	15-Sep-12	13,624	13,624	\$ 94,142	-	(958)	12,666	\$ 6.9100
	7-Jun-10 <sup>8</sup>	7-Jun-12	60,044	60,044	\$ 357,124	(60,044)	-	-	\$ 5.9477
	15-Sep-10 <sup>7</sup>	15-Sep-13	72,157	72,157	\$ 324,454	-	(29,100)	43,057	\$ 4.4965
	7-Jun-11 <sup>8</sup>	7-Jun-13	5,711	5,711	\$ 34,988	-	(1,783)	3,928	\$ 6.1265
	15-Sep-11 <sup>7</sup>	15-Sep-14	78,304	78,304	\$ 322,620	-	(78,304)	-	\$ 4.1201
	7-Jun-12 <sup>8</sup>	7-Jun-14	-	21,479	\$ 154,730	-	(13,856)	7,623	\$ 7.2038

<sup>1</sup> Total Value at Grant = Weighted Average Fair Value per right multiplied by number of rights granted.

<sup>2</sup> Value at Exercise/right = Market Value of a share of the Company's stock price at Exercise less the Exercise price per right.

<sup>3</sup> Value at Lapse/right = Fair Market Value of a share of the Company's stock at Lapse less the Exercise price per right.

<sup>4</sup> Weighted Average Fair Value per right is estimated on the date of grant using the Black-Scholes option-pricing model or Monte Carlo option pricing method, depending on the plan the options were issued under.

<sup>5</sup> Options granted under the 2001 JHI plc Equity Incentive Plan ("2001 Equity Incentive Plan"). All options have vested and become exercisable.

<sup>6</sup> Options granted under James Hardie Industries LTIP. These options are subject to performance hurdles. The holding as of 31 March 2013 represents all options which have vested and become exercisable.



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- 7 Relative TSR RSUs granted under the LTIP. These RSUs are subject to performance hurdles and/or application of negative discretion.
- 8 Hybrid RSUs (formerly Executive Incentive Plan RSUs) are granted under LTIP. These RSUs are subject to application of negative discretion.
- 9 ROCE RSUs are granted under LTIP and are subject to performance hurdles and/or application of negative discretion.
- 10 All options granted expire 10 years after the grant date.

### (c) Scorecard LTI

Name	Grant Date	Release Date	Holding at 1 April 2012	Granted	Vested <sup>1</sup>	Lapsed	Holding at 31 March 2013
<i>L Gries</i>	21-Jun-09	21-Jun-12	483,294	483,294	(280,310)	(202,984)	-
	29-Jun-10 <sup>2</sup>	29-Jun-13	442,424	442,424	-	-	442,424
	7-Jun-11	7-Jun-14	455,239	455,239	-	-	455,239
	14-Sep-12	14-Sep-15	-	320,531	-	-	320,531
<i>J Blasko</i>	14-Sep-12	14-Sep-15	-	25,849	-	-	25,849
<i>R Chenu</i>	21-Jun-09	21-Jun-12	93,974	93,974	(77,998)	(15,976)	-
	29-Jun-10 <sup>2</sup>	29-Jun-13	55,303	55,303	-	-	55,303
	7-Jun-11	7-Jun-14	51,398	51,398	-	-	51,398
	14-Sep-12	14-Sep-15	-	36,189	-	-	36,189
<i>M Fisher</i>	21-Jun-09	21-Jun-12	80,549	80,549	(53,162)	(27,387)	-
	29-Jun-10 <sup>2</sup>	29-Jun-13	51,353	51,353	-	-	51,353
	7-Jun-11	7-Jun-14	51,398	51,398	-	-	51,398
	14-Sep-12	14-Sep-15	-	36,189	-	-	36,189
<i>N Rigby</i>	21-Jun-09	21-Jun-12	80,549	80,549	(40,274)	(40,275)	-
	29-Jun-10 <sup>2</sup>	29-Jun-13	55,303	55,303	-	(18,368)	36,935
	7-Jun-11	7-Jun-14	58,740	58,740	-	(37,892)	20,848

<sup>1</sup> Represents the number of Scorecard LTI awards vesting after the Remuneration Committee's application of the scorecard in respect of fiscal years 2010-2012. A detailed assessment of the reasons for the scorecard ratings was sent out in the fiscal year 2012 Remuneration Report.

<sup>2</sup> Scorecard LTI awards in respect of fiscal years 2011-2013 will vest on 29 June 2013. A detailed assessment of the Remuneration Committee's assessment of management's performance is set out in section 2.3 of this Remuneration Report.

### 5.3 Relevant Interests in JHI plc for Senior Executives

The Company's LTI plans and stock ownership guidelines (described below) provide a strong level of alignment between senior executives and shareholders. Changes in relevant interests of senior executives in JHI plc securities between 1 April 2012 and 31 March 2013 are set out below:

	CUFS at 1 April 2012	CUFS at 31 March 2013	Options at 1 April 2012	Options at 31 March 2013	RSUs at 1 April 2012	RSUs at 31 March 2013
<i>L Gries</i>	689,922	469,150	1,850,600	1,453,058	1,906,707	2,271,547
<i>R Chenu</i>	152,420	199,884	328,000	317,044	278,006	289,821
<i>J Blasko</i>	-	-	-	-	-	45,052
<i>M Fisher</i>	158,964	165,221	848,278	376,278	253,640	275,463
<i>N Rigby</i> <sup>1</sup>	265,102	4,332	381,500	-	268,990	103,673

<sup>1</sup> Separated from the Company on 30 June 2012.

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Based on 441,654,684 shares of common stock outstanding at 31 May 2013 (all of which are subject to CHESS Units of Foreign Securities ("CUFS"), no senior executive beneficially owned 1% or more of the outstanding shares of the Company at 31 May 2013. None of the shares held by senior executives have any special voting rights. There were no changes in the number of CUFS, options or RSUs held by senior executives between 31 March 2013 and 31 May 2013.

### 5.4 Stock Ownership Guidelines

The Remuneration Committee believes that senior executives should hold James Hardie stock to further align their interests with those of the Company's shareholders. The Company has adopted stock ownership guidelines for the CEO, CFO and remaining senior executives, respectively, which require them to accumulate holdings of 3 times, 1.5 times and 1 times their base salary in the Company over a period of five years from 1 April 2009.

Until the stock ownership guidelines have been met, a senior executive is required to retain at least 75% of shares obtained under the Company's LTI Plans (net of taxes and other costs). The CEO and all other long-term executives have exceeded their respective stock ownership guidelines for some years.

The Company amended the stock ownership guidelines in fiscal year 2013 such that once a senior executive has met or exceeded their stock ownership guidelines, they are required to retain at least 25% of shares issued under the Company's long-term equity incentive plans through the vesting of RSUs (net of taxes and other costs) for a period of two years (by way of holding lock), after which time those shares can be sold (provided the senior executive remains above their stock ownership guideline). Details of the Company's policy regarding employees hedging James Hardie shares or grants under various equity incentive plans are set out in the "Insider Trading" section of the Corporate Governance Report within this annual report.

### 5.5 Loans

The Company did not grant loans to senior executives during fiscal year 2013. There are no loans outstanding to senior executives.

## 6. EMPLOYMENT CONTRACTS

Remuneration and other terms of employment for the CEO, CFO and senior executives are formalised in employment contracts. The main elements of these contracts are set out below.

### 6.1 CEO's Employment Contract

Details of the terms of the CEO's employment contract are as follows:

<b>Components</b>	<b>Details</b>
Length of contract	Indefinite. The CEO is an 'at-will' employee.
Base salary	US\$950,000 for fiscal year 2013 and 2014. Salary reviewed annually by the Board and there will be no base salary increase for fiscal year 2014.
Short-term incentive	Annual STI target is 125% of annual base salary for fiscal year 2013 and 2014. The quantum of STI target is reviewed annually by the Remuneration Committee in May.
Long-term incentive	On the approval of shareholders, a LTI incentive will be granted each year. The recommended value of LTI to be granted will be appropriate for this level of executive in the US. For fiscal years 2013 and 2014, the LTI target is unchanged at US\$3.1 million.

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<b>Components</b>	<b>Details</b>
Defined Contribution Plan	The CEO may participate in the US 401(k) defined contribution plan up to the annual US Internal Revenue Service ("IRS") limit. The Company will match the CEO's contributions into the plan up to the annual IRS limit.
Resignation	The CEO may cease employment with the Company by providing written notice. If the CEO retires with the approval of the Board then his unvested RSUs and awards will not be forfeited and will be held until the next test date.
Termination by James Hardie	The Company may terminate the CEO's employment for cause or not for cause. If the Company terminates the CEO's employment, not for cause, or the CEO terminates his employment "for good reason" the Company will pay the following:  (a) amount equivalent to 1.5 times the CEO's annual base salary at the time of termination; and  (b) amount equivalent to 1.5 times the CEO's average STI actually paid in up to the previous three fiscal years as CEO; and  (c) continuation of health and medical benefits at the Company's expense for the duration of the consulting agreement referenced below.
Post-termination Consulting	The Company will request the CEO, and the CEO will agree, to consult to the Company upon termination for a minimum of two years, as long as the CEO maintains the Company's non-compete and confidentiality agreements and executes a release of claims following the effective date of termination. Under the consulting agreement, the CEO will receive the annual base salary and annual target incentive in exchange for this consulting and non-compete. Under the terms of equity incentive grants made to the CEO under the LTIP, the CEO's outstanding options will not expire during any post-termination consulting period. In addition, in the event of an agreed separation or agreed retirement, his unvested restricted stock units and awards will not be automatically forfeited. This arrangement is a standard arrangement for US executives and the Board considers that it is an appropriate restraint for Mr Gries given his intimate involvement in developing the Company's fibre cement business in the United States over the past 23 years.

The CEO also receives the 'Other' benefits described in the summary of employment agreements for the senior executives (described below).

### **6.2 CFO's Employment Contract**

Details of the CFO's employment contract are as follows:

<b>Components</b>	<b>Details</b>
Length of contract	Fixed period concluding 5 October 2013.
Base salary	A\$900,279 for fiscal year 2013. Salary reviewed annually by the Board and there will be no A\$ base salary increase for fiscal year 2014.
Short-term incentive	Annual STI target is 33% of annual base salary as set out in the CFO's employment contract, based on personal goals. The CFO does not participate in the Executive Incentive Program for his short-term incentive.
Long-term incentive	The CFO will receive a LTI incentive with performance hurdles each year. The value of LTI to be granted will be equivalent to at least US\$350,000.

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<b>Components</b>	<b>Details</b>
Superannuation	The CFO is entitled to superannuation contributions equal to 9% of his base salary. The contribution to the CFO's superannuation fund will be the maximum contribution currently allowed by law, with the balance paid to the CFO in cash.
Resignation or Termination of role	The Company or CFO may cease the CFO's employment with the Company by providing three months' notice in writing.
Redundancy or diminution of role	If the position of CFO is determined to be redundant or subject to a material diminution in status, duties or responsibility, the Company or the CFO may terminate the CFO's employment. The Company will pay the CFO a severance payment equal to the greater of 12 months' pay or the remaining proportion of the term of the contract.
International Assignment	Additional benefits due to international assignment: housing allowance, goods and services allowance, moving and storage. The Company covers the extra personal tax burden imposed by residency in The United States and, prior to that, The Netherlands (tax equalisation) and the cost of filing income tax returns.

The CFO also receives the 'Other' benefits described in the summary of employment agreements for the senior executives (described below).

### **6.3 Other senior executives' employment contracts**

Details of employment contracts for senior executives are as follows:

<b>Components</b>	<b>Details</b>
Length of contract	Indefinite.
Base salary	Base salary is subject to Remuneration Committee approval and reviewed annually in May.
Short-term incentive	An annual STI target is set at a percentage of the senior executive's salary. The STI target is between 45% and 65% and reviewed annually.
Long-term incentive	Senior executives will receive a LTI incentive with performance hurdles each year. The value of LTI to be granted will be approved by the Remuneration Committee.
Defined Contribution Plan	US senior executives may participate in the US 401(k) defined contribution plan up to the annual IRS limit. The Company will match the senior executive's contributions into the plan up to the annual IRS limit.
Resignation	The senior executive may cease employment with the Company by providing 30 days' written notice.
Termination by James Hardie	The Company may terminate the senior executive's employment for cause or not for cause. Other than the post-termination consulting arrangement discussed below for a termination without cause or a resignation for good reason, no other termination payments are payable, except as required under the terms of the applicable STI or LTI plans.
Post-termination Consulting	Depending on the senior executive's individual contract, and the reasons for termination, the Company may request the senior executive, and the senior executive will agree, to consult to the Company for two years upon termination, as long as they sign and comply with 1) a consulting agreement, which will require them to maintain non-compete and confidentiality obligations to the Company, and 2) a release of claims in a form acceptable to the Company. In exchange for the consulting agreement, the Company shall pay the senior executive's annual base salary as of the termination date for each year of consulting.

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<b>Components</b>	<b>Details</b>
Other	<b>Health, Welfare and Vacation Benefits:</b> Eligible to receive all health, welfare and vacation benefits offered to all US employees and also eligible to participate in the Company's Executive Health and Wellness program.
	<b>Business Expenses:</b> Senior executives are entitled to receive reimbursement for all reasonable and necessary travel and other business expenses incurred or paid in connection with the performance of services under their employment.
	<b>Automobile:</b> The Company will either lease an automobile for business and personal use by the senior executive, or, in the alternative, the executive will be entitled to an automobile allowance not to exceed US\$850 per month.
	<b>Financial Planning:</b> The Company will reimburse senior executives for financial planning expenses incurred by the senior executive (including preparation of tax returns) up to a specified sum.

## 7. REMUNERATION FOR NON-EXECUTIVE DIRECTORS

Fees paid to non-executive directors are determined by the Board, with the advice of the Remuneration Committee's independent external remuneration advisers, within the maximum total amount of base and Committee fees approved by shareholders from time to time. The current maximum aggregate base and Committee fee pool of US\$2.0 million per annum was approved by shareholders in 2012. No additional Board fees are paid to executive Board directors.

### 7.1 Remuneration Structure

Non-executive directors are paid a base fee for service on the Board. Additional fees are paid to the person occupying the positions of Chairman, Deputy Chairman and Board Committee Chairman and one of the directors who serves on a number of the Company's subsidiary boards. All directors' fees are paid in cash.

During fiscal year 2013, the Remuneration Committee reviewed nonexecutive directors' fees, using market data and taking into consideration the level of fees paid to chairmen and directors of companies with similar size, complexity of operations and responsibilities, and workload requirements. As a result of the review, the Remuneration Committee recommended an increase in non-executive director fees as set out below:

<b>Position</b>	<b>FY13 (US\$)</b>	<b>FY14 (US\$)</b>
Chairman	\$ 343,980	\$ 376,019
Deputy Chairman	\$ 200,655	\$ 207,678
Board member	\$ 149,058	\$ 154,275
Audit Committee Chair	\$ 20,000	\$ 30,000
Remuneration Committee Chair	\$ 10,000	\$ 20,000
N&GC Committee Chair	\$ 10,000	\$ 10,000
Non-executive member of subsidiary boards	Euro 23,000	Euro 24,000

As the focus of the Board is on maintaining the long-term direction and well-being of James Hardie, there is no direct link between non-executive directors' remuneration and the short-term results of the Company.

### 7.2 Board Accumulation Policy

Non-executive directors are expected to accumulate a minimum of 1.5 times (and two times for the Chairman) their total base remuneration (excluding Board Committee fees) in the Company's shares

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(either personally, in the name of their spouse, or through a personal superannuation or pension plan) over a reasonable time following their appointment. The Remuneration Committee monitors non-executive directors' progress against this policy on a periodic basis.

### 7.3 Director Retirement Benefits

The Company does not provide any benefits for our non-executive Board directors upon termination of employment.

### 7.4 Total Remuneration for Non-Executive Directors for the Years Ended 31 March 2013 and 2012

The table below sets out the remuneration for those directors who served on the Board during the fiscal years ended 31 March 2013 and 31 March 2012:

<b>(US dollars)</b>			
<b>Name</b>	<b>Primary Directors Fees</b>	<b>Other Benefits<sup>2</sup></b>	<b>Total</b>
<i>M Hammes</i>			
<b>Fiscal Year 2013</b>	<b>\$ 343,980</b>	<b>\$ 35,523</b>	<b>\$ 379,503</b>
Fiscal Year 2012	330,750	34,457	365,207
<i>D McGauchie</i>			
<b>Fiscal Year 2013</b>	<b>210,655</b>	<b>43,978</b>	<b>254,633</b>
Fiscal Year 2012	202,938	-	202,938
<i>B Anderson</i>			
<b>Fiscal Year 2013</b>	<b>169,058</b>	<b>13,059</b>	<b>182,117</b>
Fiscal Year 2012	163,325	-	163,325
<i>D Dilger</i>			
<b>Fiscal Year 2013</b>	<b>178,546</b>	<b>-</b>	<b>178,546</b>
Fiscal Year 2012	172,524	13,964	186,488
<i>D Harrison</i>			
<b>Fiscal Year 2013</b>	<b>159,058</b>	<b>6,070</b>	<b>165,128</b>
Fiscal Year 2012	153,325	2,238	155,563
<i>A Littlely<sup>3</sup></i>			
<b>Fiscal Year 2013</b>	<b>149,058</b>	<b>120</b>	<b>149,178</b>
Fiscal Year 2012	13,387	-	13,387
<i>J Osborne</i>			
<b>Fiscal Year 2013</b>	<b>149,058</b>	<b>-</b>	<b>149,058</b>
Fiscal Year 2012	143,325	-	143,325
<i>R van der Meer</i>			
<b>Fiscal Year 2013</b>	<b>149,058</b>	<b>19,127</b>	<b>168,185</b>
Fiscal Year 2012	143,325	-	143,325
<b>Total Compensation for Non-Executive Directors</b>			
<b>Fiscal Year 2013</b>	<b>\$ 1,508,471</b>	<b>\$ 117,877</b>	<b>\$ 1,626,348</b>
Fiscal Year 2012	\$ 1,322,899	\$ 50,659	\$ 1,373,558

<sup>1</sup> Amount includes base, Chairman, Deputy Chairman, Committee Chairman and service as a non-executive member of certain subsidiary boards.

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<sup>2</sup> Other Benefits includes the cost of non-executive directors' fiscal compliance in Ireland and other costs connected with Board-related events. Some fiscal year 2012-related costs have been reflected in fiscal year 2013.

<sup>3</sup> Joined the Board on 27 February 2012.

### 7.5 Director Remuneration for the years ended 31 March 2013 and 2012

For Irish reporting purposes, the breakdown of director's remuneration between managerial services (which only relate to L Gries) and director services is:

(In US dollars)	Years Ended 31 March	
	2013	2012
Managerial Services <sup>1</sup>	\$ 7,702,801	\$ 9,300,005
Director Services <sup>2</sup>	1,775,406	1,516,883
	<u>\$ 9,478,207</u>	<u>\$ 10,816,888</u>

<sup>1</sup> Includes cash payments, non-cash benefits (examples include medical and life insurance benefits, car allowances, membership in executive wellness programs, long service leave, financial planning and tax services), 401(K) benefits, amounts expensed for outstanding equity awards and expatriate benefits for L Gries.

<sup>2</sup> Includes compensation for all non-executive directors, which includes base, Chairman, Deputy Chairman, Committee Chairman and service as a non-executive member of certain subsidiary boards fees and cost of non-employee directors' fiscal compliance in Ireland, other costs connected with Board-related events and a proportion of the CEO's remuneration paid as fees for his service on the JHI plc Board in fiscal years 2013 and 2012.

### 7.6 Non-Executive Directors' Interests in JHI plc

Non-executive directors' relevant interests in JHI plc securities at 1 April 2012 and 31 March 2013 were:

	Number of Shares/CUFS at 1 April 2012	Number of Shares/CUFS at 31 March 2013
M Hammes <sup>1</sup>	32,847	37,847
D McGauchie <sup>2</sup>	20,372	20,372
B Anderson <sup>3</sup>	7,635	14,805
D Dilger <sup>4</sup>	25,000	25,000
D Harrison <sup>5</sup>	12,384	12,384
A Littlely <sup>6</sup>	-	-
James Osborne	2,551	2,551
Rudy van der Meer	17,290	17,290

<sup>1</sup> 27,847 shares were held in the name of Mr and Mrs Hammes. 9,000 shares/CUFS held as American Depositary Receipts ("ADRs").

<sup>2</sup> 6,000 shares held for the McGauchie Superannuation Fund for which Mr McGauchie is a trustee and beneficiary.

<sup>3</sup> 7,170 shares/CUFS held as ADRs in the name of Mr and Mrs Anderson.

<sup>4</sup> 25,000 shares held for the David Dilger Approved Retirement Fund for which Mr Dilger is a beneficiary.

<sup>5</sup> 10,000 shares held as ADRs.

<sup>6</sup> Joined the Board on 27 February 2012.

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Based on 441,654,684 shares of common stock outstanding at 31 May 2013 (all of which are subject to CUFS), no director beneficially owned 1% or more of the outstanding shares of the Company at 31 May 2013. None of the shares held by directors have any special voting rights. There were no changes in the number of CUFS or ADS held by directors between 31 March 2013 and 31 May 2013.

### 8. MORE DETAILED INFORMATION ABOUT EQUITY GRANTS

The following additional information about the Company's equity grants includes the information required under Items 6.B and 6.E of the Form 20-F:

At 31 March 2013, we had the following equity award plans:

- the Long-Term Incentive Plan 2006 ("LTIP"); and
- the 2001 Equity Incentive Plan.

#### 8.1 LTIP

The Company uses the LTIP as the plan for LTI grants to senior executives and selected members of senior management. Participants in the LTIP receive grants of RSUs and Scorecard LTI, each of which are subject to performance goals. Participants and award levels are approved by the Remuneration Committee based on local market standards, and the individual's responsibility, performance and potential to enhance shareholder value.

The LTIP was first approved at our 2006 AGM, and our shareholders have subsequently approved amendments to the LTIP in 2008, 2009, 2010 and 2012. Grants of options, RSUs and Scorecard LTI are on the same terms as those for the CEO.

#### Options

Until fiscal year 2008, the Company issued options under the LTIP to members of the (then) Managing Board. The vesting of these options was subject to 'performance hurdles' (all of which have now concluded) as outlined in the LTIP rules. Options which are exercisable as a result of meeting these performance hurdles expire 10 years from the date of issue unless the senior executive ceases employment with the Company. In November 2006 and August 2007, 1,132,000 and 1,016,000 options, respectively, were granted to Executives under the LTIP.

As at 31 May 2013, there were 1,677,102 of options outstanding under the LTIP, divided as follows:

Grant Type	Grant Date	Options	
		Granted	Outstanding as of 31 May 2013
TSR	November 2006	542,000	264,600
ROCE	November 2006	590,000	480,000
TSR	August 2007	503,000	419,502
ROCE	August 2007	513,000	513,000
<b>Total outstanding</b>			<b>1,677,102</b>



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The key terms of these options were:

Performance period	Three years (ROCE hurdle) to five years (TSR hurdle) from the grant date.
Retesting	Yes, for the TSR options only, on the last Business Day of each six-month period following the 3 <sup>rd</sup> Anniversary and before the 5 <sup>th</sup> Anniversary.
Exercise period	Until ten years from the grant date.
Performance condition	<p>For the ROCE options:</p> <p>ROCE performance against the following global peer group of building materials companies: Boral Limited, Valspar Corporation, Hanson plc, Rinker Group Limited (2006 grant only), Weyerhaeuser, Lafarge SA, CSR Limited, Cemex SA de CV, Nichiha Corp, Fletcher Building Limited, Martin Marietta Materials Inc, Saint Gobain, Eagle Materials Inc, Texas Industries, Wienerberger AG, Louisiana-Pacific Corporation, Florida Rock Industries Inc, CRH plc, USG Corporation, Vulcan Materials Co and The Siam Cement Plc.</p> <p>For the TSR options:</p> <p>TSR performance against a peer group of comparable companies in the S&amp;P/ASX 100 at the time of grant excluding financial institutions, insurance companies, property trusts, oil and gas producers and mining companies, and adjusted to account for additions and deletions to S&amp;P/ASX 100 during the relevant period.</p>
Vesting criteria	<p>For the ROCE options:</p> <ul style="list-style-type: none"> <li>– 0% vesting if ROCE below 60th percentile of peer group.</li> <li>– 50% vesting if ROCE at 60th percentile of peer group.</li> <li>– Between the 60th and 85th percentiles, vesting on a straight line basis.</li> <li>– 100% vesting if ROCE is at 85th percentile of peer group.</li> </ul> <p>For the TSR options:</p> <ul style="list-style-type: none"> <li>– 0% vesting if TSR below 50th percentile of peer group.</li> <li>– 50% vesting if TSR at 50th percentile of peer group.</li> <li>– Between 50th and 75th percentiles, vesting on a straight line basis.</li> <li>– 100% vesting if TSR is at 75th percentile of peer group.</li> </ul>
Vesting Performance	The ROCE tranche options vested 100% and the TSR tranche options vested 60% (2006 grant) and 83.4% (2007 grant). No options have been exercised.

## RSUs

From fiscal year 2009, the Company commenced using RSUs granted under the LTIP. As of 31 May 2013, there were 3,424,936 RSUs outstanding under this plan, divided as follows:

Grant Type	Grant Date	Restricted Stock Units		
		Granted	Vested as of 31 May 2013	Outstanding as of 31 May 2013
TSR	September 2009	522,000	-	378,107
TSR	December 2009	181,656	-	130,743
TSR	September 2010	951,194	-	824,291
Hybrid	June 2011	63,146	-	61,363
TSR	September 2011	954,705	-	847,037
Hybrid	June 2012	266,627	-	243,566
TSR	September 2012	432,654	-	425,590
ROCE	September 2012	450,336	-	442,983
<b>Total outstanding</b>				<b>3,353,680</b>

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The key terms of these RSUs were:

<b>Relative TSR RSUs</b>	Relative TSR RSUs granted December 2009 and September 2010, 2011 and 2012.
Offered to	Senior executives.
Performance period	Three years to five years from the grant date.
Retesting	Yes, on the last Business Day of each six month period following three years from grant date and before five years from grant date.
Exercise period	Until five years from the grant date.
Performance condition	TSR performance against the following peer group of companies: Acuity Brands, Inc., Eagle Materials, Inc, Headwaters, Inc, Lennox International, Inc, Louisiana-Pacific Corp., Martin Marietta Materials, Inc, Masco Corporation, MDU Resources Group, Inc, Mueller Water Products, Inc, NCI Building Systems, Inc, Owens Corning, Qualex Building Products Corp., Sherwin Williams, Simpson Manufacturing Co., Texas Industries, Inc, Trex, USG, Valmont Industries, Valspar Corporation, Vulcan Materials and Watsco, Inc. For 2010 onwards, the following companies were added to the peer group: American Woodmark Corp, Apogee Enterprises, Inc, Armstrong World Enterprises, Inc, Fortune Brands, Inc, Interface, Inc, Mohawk Industries, Inc and PGT Inc. For 2012 onwards, the following companies were removed from the peer group: PGT Inc., MDU Resources Group and Interface, Inc.
Vesting criteria	For 2009 to 2011: – 0% vesting if TSR below 50th percentile of peer group. – 33% vesting if TSR at 50th percentile of peer group. – Between 50th and 75th percentile, vesting is on a straight line basis. – 100% vesting if TSR is at 75th percentile of peer group.  For 2012: – 0% vesting if TSR below 40th percentile of peer group. – Between 40th and 80th percentile, vesting is on a straight line basis. – 100% vesting if TSR is at 80th percentile of peer group.
RSU exercise price	Not applicable.
Expiration date	RSUs convert to shares on vesting on a one-for-one basis.
Vesting Performance	The 2009 Relative TSR RSUs vested 100%. The 2010 grants have not exceeded any performance hurdles to date.
<b>Hybrid RSUs (Previously referred to as Executive Incentive RSUs)</b>	Hybrid RSUs granted June 2010, 2011 and 2012. The number of Hybrid RSUs issued is based on the Company's performance in first year.
Offered to	Senior executives.
Option Exercise Price	Nil.
Vesting schedule	A proportion will vest on the 2 <sup>nd</sup> anniversary of the grant depending on the Board's exercise of negative discretion to allow each between 0 and 100 of the RSUs to vest.
Expiration date	RSUs convert to shares on vesting on a one-for-one basis.
Vesting Performance	Generally, Hybrid RSUs have vested 100%, except in circumstances where individuals have separated from the Company.

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<b>ROCE RSUs</b>	ROCE RSUs granted September 2012.	
Offered to	Senior executives.	
Option Exercise Price	Nil.	
Vesting schedule	<u>ROCE</u>	<u>% of ROCE vesting</u>
	< 18.5%	0%
	<sup>3</sup> 18.5%, but < 19.5%	25%
	<sup>3</sup> 19.5%, but < 20.5%	50%
	<sup>3</sup> 20.5%, but < 21.5%	75%
	<sup>3</sup> 21.5%	100%
	A proportion of the resulting number of RSUs (based on the above vesting scale) will actually vest based on the Remuneration Committee's exercise of negative discretion.	
Expiration date	Three years.	

*Scorecard LTI*

From fiscal year 2010, the Company commenced using Scorecard LTI units granted under the LTIP. The terms of Scorecard LTI units are described earlier in this Remuneration Report, but vesting is subject to the Remuneration Committee's exercise of negative discretion. The cash payment paid to award recipients is based on JHI plc's share price on the vesting date (which was amended from fiscal year 2013 to be based on a 20 working day closing average price). As of 31 May 2013, there were 1,796,567 Scorecard LTI units outstanding under the LTIP, divided as follows:

Grant Type	Grant Date	Scorecard LTI		
		Granted	Vested as of 31 May 2013	Outstanding as of 31 May 2013
Scorecard	June 2009	1,083,021	501,556	-
TSR	September 2009	6,373	-	6,373
Scorecard	June 2010	821,459	-	635,223
Scorecard	June 2011	716,536	-	656,616
Scorecard	September 2012	506,627	-	498,355
	<b>Total outstanding</b>			<b>1,796,567</b>

On 21 June 2012, 501,556 of the 1,083,021 Scorecard LTI units that were previously granted on 21 June 2009 as part of the fiscal year 2010 long-term incentive award became fully vested and the balance lapsed as a result of the Board's exercise of negative discretion. The cash amount paid to award recipients was based on JHI plc's common stock on the vesting date.

Under the terms of the LTIP, 506,627 and 716,536 Scorecard LTI units were granted during the years ended 31 March 2013 and 2012, respectively that provide recipients a cash incentive based on JHI plc's common stock price on the vesting date and each executives scorecard rating. 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 plc's common stock on the date of grant and recorded as a liability. The liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date.

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The key terms of the Scorecard LTI were:

<b>Scorecard LTI (Cash)</b>	Cash-settled Awards granted June 2009, 2010, 2011 and 2012.
Offered to	Senior executives.
Exercise Price	Not applicable.
Performance period	Three years from the grant date.
Payment schedule	A cash payment based on the Company's share price at the end of the performance period multiplied by the number of shares that could have been acquired at the start of the performance period and the senior executive's Scorecard rating.  A proportion of the payment will be payable on the 3 <sup>rd</sup> anniversary of the grant depending on each senior executive's Scorecard rating between 0 and 100.
Expiration date	Three years from the grant date.
Vesting Performance	Individual results based on each senior executive's Scorecard rating. Actual results for each executive are set out earlier in this Remuneration Report.

### *Other terms*

The LTIP provides for plan participants' early exercise of certain benefits or early payout under the plan in the event of a "change in control," takeover by certain organisations or liquidation. For options, a "change in control" is deemed to have occurred if pursuant to a takeover bid or otherwise, any person together with their associates acquire shares, which when aggregated with shares already acquired by such person and their associates, comprise more than 30% of our issued shares. For restricted stock units, a "change of control" is deemed to occur if (1) a takeover bid is made to acquire all of the shares of the Company and it is recommended by the Board or becomes unconditional, (2) a transaction is announced which would result in one person owning all the issued shares in the Company, (3) a person owns or controls sufficient shares to enable them to influence the composition of the Board, or (4) a similar transaction occurs which the Board determines to be a control event. On a change of control, the Board can determine that all or some restricted stock units have vested on any conditions it determines. Any remaining restricted stock units lapse.

### **8.2 2001 Equity Incentive Plan**

The 2001 Equity Incentive Plan is intended to promote the Company's long-term financial interests by encouraging management below senior executive level to acquire an ownership position in the Company and align their interests with our shareholders. Selected employees under the 2001 Equity Incentive Plan are eligible to receive awards in the form of RSUs, nonqualified stock options, performance awards, restricted stock grants, stock appreciation rights, dividend equivalent rights, phantom stock or other stock-based benefits. Award levels are determined based on the Remuneration Committee's review of local market standards and the individual's responsibility, performance and potential to enhance shareholder value.

The 2001 Equity Incentive Plan was first approved by our shareholders and Board in 2001 and reapproved until September 2021 at the 2011 Annual General Meeting. An aggregate of 45,077,100 shares of common stock were made available for issuance under the 2001 Equity Incentive Plan, subject to adjustment in the event of a number of prescribed events set out on the 2001 Equity Incentive Plan. All of the options and RSUs granted under the 2001 Equity Incentive Plan to date vest at the rate of 25% on the 1st anniversary of the grant, 25% on the 2nd anniversary date and 50% on the 3rd anniversary date.

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### Options

Until fiscal year 2008, the Company issued the following number of options to purchase shares of our common stock issued under the 2001 Equity Incentive Plan:

Grant Date	Options	
	Granted	Outstanding as of 31 May 2013
December 2002	4,037,000	-
December 2003	6,179,583	298,000
December 2004	5,391,100	285,750
February 2005	273,000	93,000
December 2005	5,224,100	1,382,000
March 2006	40,200	15,000
November 2006	3,499,490	768,730
March 2007	330,900	2,100
December 2007	5,031,310	624,254
<b>Total outstanding</b>		<b>3,468,834</b>

### RSUs

Since fiscal year 2009, the Company has issued restricted stock units, which are unfunded and unsecured contractual entitlements for shares to be issued in the future and may be subject to time vesting or performance hurdles prior to vesting. On vesting, restricted stock units convert into shares. We granted 265,988, 285,358 and 348,426 restricted stock units under the 2001 Equity Incentive Plan in the years ended 31 March 2013, 2012 and 2011, respectively. As of 31 May 2013, there were 579,432 restricted stock units outstanding under this plan, divided as follows:

Grant Date	Restricted Stock Units		
	Granted	Vested as of 31 May 2013	Outstanding as of 31 May 2013
December 2009	278,569	221,824	-
December 2010	348,426	162,113	139,299
December 2011	281,556	71,042	188,010
March 2012	3,802	951	2,851
December 2012	265,988	-	249,272
<b>Total outstanding</b>			<b>579,432</b>

### Other terms

The 2001 Equity Incentive Plan is administered by our Remuneration Committee, and the Remuneration Committee or its delegate is authorised to determine (i) who may participate in the 2001 Equity Incentive Plan, (ii) the number and types of awards made to each participant, and (iii) the terms, conditions and limitations applicable to each award. The Remuneration Committee has the exclusive power to interpret and adopt rules and regulations to administer the 2001 Equity Incentive Plan, including a limited power to amend, modify or terminate the 2001 Equity Incentive Plan to meet any changes in legal requirements or for any other purpose permitted by law.

The purchase or exercise price of any award granted under the 2001 Equity Incentive Plan may be paid in cash or other consideration at the discretion of our Remuneration Committee, including cashless exercises.

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The exercise price for all options is the market value of the shares on the date of grant. The Company may not reduce the exercise price of such an option or exchange such an option or stock appreciation right for cash, or other awards or a new option at a reduced exercise price without shareholder approval or as permitted under specific restructuring events.

No unexercised options or unvested RSUs issued under the 2001 Equity Incentive Plan are entitled to dividends or dividend equivalent rights.

Although the 2001 Equity Incentive Plan permits the Remuneration Committee to grant stock options, performance awards, restricted stock awards, stock appreciation rights, dividend equivalent rights or other stock based benefits, no such awards have been made, and the Remuneration Committee currently has no intention to issue such awards in the future.

The 2001 Equity Incentive Plan provides for the automatic acceleration of certain benefits and the termination of the plan under certain circumstances in the event of a "change in control." A change in control will be deemed to have occurred if either (1) any person or group acquires beneficial ownership equivalent to 30% of our voting securities, (2) individuals who are currently members of our Board cease to constitute at least a majority of the members of our Board, or (3) there occurs the consummation of certain mergers (other than a merger that results in existing voting securities continuing to represent more than 5% of the voting power of the merged entity or a recapitalisation or reincorporation that does not result in a material change in the beneficial ownership of the voting securities of the Company), the sale of substantially all of our assets or our complete liquidation or dissolution.

### **9. COMMITTEE ADVISOR INDEPENDENCE**

The Remuneration Committee reviews the appointment of its advisors each year. Both Aon Hewitt (in the US) and Guerdon Associates (in Australia) provided the Remuneration Committee with written certification during fiscal year 2013 to support their re-appointment. In those certifications, the advisors:

- confirmed that their pay recommendations were made without undue influence from any member of the Company's management; and
- provided detailed responses to the six independence factors a Remuneration Committee should consider under relevant NYSE rules, and confirmed their independence based on these factors.

The Remuneration Committee reviewed these certifications before re-appointing each advisor for fiscal year 2014.

## **CORPORATE GOVERNANCE REPORT**

These Corporate Governance Principles describe the corporate governance arrangements that have been followed by James Hardie from the commencement of the fiscal year 2013 and contain an overview of our corporate governance framework. These Corporate Governance Principles were approved by the Nominating and Governance Committee and the Board in May 2013.

These Corporate Governance Principles, as well as our Articles of Association, Board and Board Committee charters and key Company policies, as updated from time to time, are available from the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com)) or by requesting a printed copy from the company secretary at the Company's head office at 2nd Floor, Europa House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

### **Corporate Governance at James Hardie**

#### **Overview**

James Hardie operates under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the NYSE, the SEC, the Irish Takeover Panel and various other rulemaking bodies.

James Hardie's corporate governance framework is reviewed regularly and updated as appropriate to reflect what we believe is in our and our stakeholders' interests, changes in law and current best practices.

Our corporate governance framework incorporates processes and policies designed to provide the Board with appropriate assurance about the operations and governance of the Company and thereby protect shareholder value. Further details of these processes and policies are set out in this Corporate Governance Report.

#### **Board Structure**

The responsibilities of our Board and Board Committees are formalised in our Articles of Association and our Board Committee charters, respectively. The Board has also reserved certain matters to itself.

#### **Board of Directors**

The Board comprises eight non-executive directors and the CEO. The Board must have no less than three and not more than twelve directors, with the precise number to be determined by the Board.

Board directors may be elected by our shareholders at general meetings or by the Board if there is a vacancy. The Board and our shareholders have the right to nominate candidates for the Board. Board directors may be dismissed by our shareholders at a general meeting.

Irish law provides that the Board is responsible for the management and operation of James Hardie. The Board can, and has, delegated authority to the CEO to manage the corporation within specified authority levels. The Board has also reserved certain matters to itself, including:

- appointing, removing and assessing the performance and remuneration of the CEO and CFO;
- succession planning for the Board and senior management and defining the Company's management structure and responsibilities;

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- approving the overall strategy for the Company, including the business plan and annual operating and capital expenditure budgets;
- convening and monitoring the operation of shareholder meetings and approving matters to be submitted to shareholders for their consideration;
- approving annual and periodic reports, results announcements and related media releases, and notices of shareholder meetings;
- approving the dividend policy and interim dividends and making recommendations to shareholders regarding the annual dividend;
- reviewing the authority levels of the CEO and management;
- approving the remuneration framework for the Company;
- overseeing corporate governance matters for the Company;
- approving corporate-level Company policies;
- considering management's recommendations on various matters which are above the authority levels delegated to the CEO or management; and
- any other matter which the Board considers ought to be approved by the Board.

The full list of those matters reserved to the Board are formalised in our Board reserved powers charter, which is available on our website ([www.jameshardie.com](http://www.jameshardie.com), then select Investor Relations, then Library, then Board Reserved Powers). The Board Reserved Powers charter was reviewed by the Board during the year.

In discharging its duties, the Board aims to take into account the interests of James Hardie, its enterprise (including the interests of its employees), shareholders, other stakeholders and other parties involved in or with James Hardie.

### **Operation of the Board**

#### ***Board Meetings***

The Board meets at least five times a year or whenever the Chairman or three or more members have requested a meeting.

Meetings are generally held at the Company's offices in Ireland. At each physical meeting, the Board meets in executive session without management present for at least part of the meeting. The Board may also delegate some of its powers to a sub-committee of the Board or pass resolutions by written consent.



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The number of Board and Board Committee meetings held, and each director's attendance during fiscal year 2013, is set out below:

NAME	BOARD		AUDIT		REMUNERATION		NOMINATING & GOVERNANCE	
	H	A	H	A	H	A	H	A
M Hammes	5	5	7	7	5	5	4	4
B Anderson	5	5	7	7	5	5	-	-
D Dilger	5	5	7	7	5	5	-	-
D Harrison	5	5	7	7	5	5	-	-
A Littley	5	5	7	7	-	-	-	-
D McGauchie	5	5	-	-	5	5	4	4
J Osborne	5	5	-	-	-	-	4	4
R van der Meer	5	5	-	-	-	-	4	4
L Gries	5	5	-	-	-	-	-	-

H = Number of meetings held during the time the Director held office or was a member of the Committee during the fiscal year.

A = Number of meetings attended during the time the Director held office or was a member of the Committee during the fiscal year. Non-Committee members also attend Committee meetings from time to time; these attendances are not shown.

### Director Qualifications

Directors have skills, qualifications, experience and expertise which assist the Board in fulfilling its responsibilities and assist the Company in creating shareholder value. The skills, qualifications, experience and relevant expertise of each director, and his or her term of appointment, are summarised in the Board of Directors' biography Section and also appear in the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com)).

Directors must be able to devote a sufficient amount of time to prepare for, and effectively participate in, Board and Board Committee meetings. The Nominating and Governance Committee reviews the other commitments of Board directors each year.

### Succession Planning

The Board, together with the Nominating and Governance Committee, has developed, and periodically reviews with the CEO, management succession plans, policies and procedures for our CEO and other senior executives.

### Retirement and Tenure Policy

The Company does not have a retirement and tenure policy. The length of tenure of individual Board directors is considered as part of the Board's decision-making process when considering whether a director should be recommended by the Board for re-election.

### Board Evaluation

The Nominating and Governance Committee supervises the director evaluation process and makes recommendations to the Board. During fiscal year 2013, a purpose-designed survey was used by directors to self-assess the operation of the Board and each Board Committee, and the results were reviewed and discussed by the Nominating and Governance Committee and the Board.

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The Chairman and Deputy Chairman discussed with each Board director, and the Deputy Chairman discussed with the Chairman, his performance and contribution to the effectiveness of the Board. The Nominating and Governance Committee and the Board annually discuss the performance of the CEO and the CEO's direct reports, and the Chairman provides feedback to the CEO. The CEO uses the feedback as part of an annual review of his direct reports.

### ***Director Re-election***

The Board's overriding desire is to maximise its effectiveness by appointing the best candidates for vacancies and closely reviewing the performance of directors subject to re-election.

No director (other than the CEO) shall hold office for a continuous period of more than three years, or past the end of the third AGM following his or her appointment, whichever is longer, without submitting him or herself for re-election. A person appointed to the Board must submit him or herself for re-election at the next AGM.

Directors are not automatically nominated for re-election at the end of their term. Nomination for re-election is based on their individual performance and the Company's needs. The Nominating and Governance Committee and the Board discuss the performance of each director due to stand for re-election at the next AGM before deciding whether to recommend their re-election.

As part of this process, the Board and Nominating and Governance Committee considered the desired profile of the Board, including the right number, mix of skills, qualifications, experience, expertise, diversity and geographic location of its directors, to maximise the effectiveness of the Board.

### ***Independence***

The Company requires the majority of directors on the Board and Board Committees, as well as the Chairman of the Board and Board Committees, to be independent, unless a greater number is required to be independent under the rules and regulations of the ASX, the NYSE or any other applicable regulatory body.

Each year the Board, with the assistance of the Nominating and Governance Committee, assesses each Board director and his or her responses to a lengthy questionnaire on matters relevant to his or her independence according to the rules and regulations of Irish law, the NYSE and SEC as well as the Corporate Governance Council Principles and Recommendations published by the ASX Corporate Governance Council (the Principles and Recommendations). Following this assessment, the Board has determined that each Board director is independent.

All directors are expected to bring their independent views and judgment to the Board and Board Committees and must declare any potential or actual conflicts of interest. The Board has not set materiality thresholds for assessing independence and considers all relationships on a case-by-case basis, considering the materiality of each potential or actual conflict of interest and the rules and regulations of the applicable exchange or regulatory body.

### ***Related Party Transactions***

The Board considered the following specific matter prior to determining that each director was independent:

- Brian Anderson is a director of Pulte Homes, a home builder in the United States. Pulte Homes does not buy any James Hardie products directly from the Company, although it does buy

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James Hardie products through some of the Company's customers. Pulte Homes receives a rebate from the Company or the Company's suppliers in respect of some of its purchases in accordance with a rebate program applicable to similar home builders.

Any transactions mentioned above are conducted on an arms-length basis and in accordance with normal terms and conditions and are not material to any of the companies listed above or to James Hardie. The rebate program existed and was disclosed to the Board before Mr Anderson became a director. It is not considered that Mr Anderson had any influence over these transactions.

Further, David Dilger is a director of a number of James Hardie's subsidiaries and receives directors' fees for such service approved by the Board of James Hardie Industries plc. As such, pursuant to Exchange Act Rule 10A-3(b), Mr Dilger's service qualifies as an exemption from the listing standards for Audit Committees and is not subject to the disclosure requirements of Exchange Act Rule 10A-3(d).

### ***Induction***

The Company has an induction program for new directors. The program includes an overview of the Company's governance arrangements and directors' duties in Ireland, the United States and Australia, plant and market tours to understand the Company's strategic plans and impart relevant industry knowledge, briefings on the Company's risk management and control framework, financial results and key risks and issues, and meeting other Board directors, the CEO and members of management. New directors are also provided with comprehensive orientation materials including relevant corporate documents and policies.

### ***Board Continuing Development***

The Company operates within a challenging industry and geographical spread and a complex regulatory framework. The Company regularly schedules time at physical Board meetings to develop the Board's understanding of the Company's operations and regulatory environment, including updates on topical developments from management and external experts. An annual plant and market tour forms an important part of the Board's continuing development.

### ***Letter of Appointment***

Each incoming Board director receives a letter of appointment setting out the key terms and conditions of his or her appointment and the Company's expectations of them in that role. We do not provide any benefits for our non-executive Board directors upon termination of appointment.

### ***Chairman***

The Board appoints one of its members as the Chairman. The Chairman must be an independent, non-executive director. The Chairman appoints the Deputy Chairman. The Chairman co-ordinates the Board's duties and responsibilities and acts as the main contact with the CEO.

The Chairman:

- provides leadership to the Board;
- chairs Board and shareholder meetings;
- facilitates Board discussion;

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- monitors, evaluates and assesses the performance of the Company's Board and Board Committees; and
- is a member of and attends meetings of all Board Committees.

The Chairman may not be the Chairman of the Audit Committee. The current Chairman is Mr Hammes and the current Deputy Chairman is Mr McGauchie.

### ***Remuneration***

A detailed description of the Company's remuneration policies for directors and executives, and the link to performance, is set out in the Remuneration Report above.

### ***Indemnification***

The Company's Articles of Association provide for indemnification of any person who is (or keep indemnified any person who was) a Board director, the company secretary, or an employee or any other person deemed by the Board to be an agent of the Company, who suffers any loss as a result of any action in discharge of their duties, provided they acted in good faith in carrying out their duties. This indemnification will generally not be available if the person seeking indemnification acted with gross negligence or willful misconduct in performing their duties.

The Company and some of its subsidiaries have provided Deeds of Access, Insurance and Indemnity to Board directors and senior executives who are officers or directors of the Company or its subsidiaries.

### ***Evaluation of Management***

At least once a year, the CEO, the Remuneration Committee and the Board review the performance of each member of the GMT against performance measures approved by the Remuneration Committee and the Board. The CEO uses this feedback to assist in the annual review of members of the GMT. This process was followed during the fiscal year.

### ***Information for the Board***

Board directors receive timely and necessary information to allow them to fulfill their duties, including access to senior executives if required. The Nominating and Governance Committee periodically reviews the format, timeliness and content of information provided to the Board.

In discharging their duties, Board directors are provided with direct access to senior executives and outside advisors and auditors. The Board, Board Committees and individual directors may all seek independent professional advice at the Company's expense for the proper performance of their duties.

The Board has regular discussions with the CEO regarding the Company's strategy and performance, including two sessions each year where Board members formally review the Company's strategy and progress. The Board and each Board Committee have also scheduled an annual calendar of topics to be covered to assist them to properly discharge all of their responsibilities.

Board directors receive access to all Board Committee papers and may attend any Board Committee meeting, whether or not they are members of the Board Committee. Board directors also receive the minutes which record each Board Committee's deliberations and findings, as well as oral reports from each Board Committee Chairman.

***Delegation to the CEO***

The Board has delegated to the CEO the power to manage the business of the Company to achieve the mission statement and corporate goals approved by the Board from time to time. This delegation is subject to a specified monetary cap for a range of matters, above which Board approval is required.

**Board Committees**

The committees of the Board comprise the Audit Committee, the Nominating and Governance Committee and the Remuneration Committee. The Board Committee charters are available from the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com), then select Investor Relations, then Corporate Governance, then Board Committees). The Board may also delegate some of its powers or specific decisions to ad hoc committees from time to time.

Each Board Committee meets at least quarterly and has scheduled an annual calendar of meeting and discussion topics to assist it to properly discharge all of its responsibilities.

***Audit Committee***

The Audit Committee oversees the adequacy and effectiveness of the Company's accounting and financial policies and controls. The key aspects of the terms of reference followed by our Audit Committee are set out in this Corporate Governance Report. The Audit Committee meets at least quarterly in a separate executive session with the external auditor and internal auditor, respectively.

Currently, the members of the Audit Committee are Mr Anderson (Chairman), Mr Dilger, Mr Hammes, Mr Harrison and Ms Litley.

All members of the Audit Committee must be financially literate and must have sufficient business, industry and financial expertise to act effectively as members of the Audit Committee. In addition, in accordance with the SEC rules, the Nominating and Governance Committee and the Board have determined that Mr Anderson, Mr Harrison and Mr Dilger are also "audit committee financial experts" and that all three individuals are independent.

The Audit Committee provides advice and assistance to the Board in fulfilling its responsibilities and, amongst other matters:

- overseeing the Company's financial reporting process and reports on the results of its activities to the Board;
- reviewing with management and the external auditor the Company's annual and quarterly financial statements and reports to shareholders;
- discussing earnings releases as well as information and earnings guidance provided to analysts;
- reviewing and assessing the Company's risk management policies and procedures;
- having general oversight of the appointment and provision of all external audit services to the Company, the remuneration paid to the external auditor, and the performance of the Company's internal audit function;

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- reviewing the adequacy and effectiveness of the Company's internal compliance and control procedures;
- reviewing the Company's compliance with legal and regulatory requirements; and
- establishing procedures for complaints regarding accounting, internal accounting controls and auditing matters, including any complaints from whistleblowers.

## **Conflicts of interest**

The Audit Committee oversees the Company's Code of Business Conduct and Ethics policy and other business-related conflict of interest issues as they arise.

## **Reporting**

The Audit Committee will inform the Board of any general issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the Company's risk management systems, the performance and independence of the external auditor, or the performance of the internal audit function.

## ***Nominating and Governance Committee***

The Nominating and Governance Committee is responsible for:

- identifying and recommending to the Board individuals qualified to become Board directors;
- overseeing the evaluation of the Board and senior management;
- assessing the independence of each Board director;
- reviewing the conduct of the AGM; and
- performing a leadership role in shaping the Company's corporate governance policies.

The current members of the Nominating and Governance Committee are Mr McGauchie (Chairman), Mr Hammes, Mr Osborne and Mr van der Meer.

## ***Remuneration Committee***

The Remuneration Committee oversees the Company's overall remuneration structure, policies and programs, assesses whether the Company's remuneration structure establishes appropriate incentives for management and employees, and approves any significant changes in the Company's remuneration structure, policies and programs. It also:

- administers and makes recommendations on the Company's incentive compensation and equity-based remuneration plans;
- reviews the remuneration of Board directors;
- reviews the remuneration framework for the Company; and
- makes recommendations to the Board on the Company's recruitment, retention and termination policies and procedures for senior management.

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Members of the Remuneration Committee must qualify as “non-employee directors” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and “outside directors” for purposes of Section 162(m) of the US Internal Revenue Code.

Further details on the role of the Remuneration Committee are disclosed in the Remuneration Report above.

The current members of the Remuneration Committee are Mr Harrison (Chairman), Mr Anderson, Mr Dilger, Mr Hammes and Mr McGauchie.

### **Policies and Processes**

As noted at the start of this Corporate Governance Report, we have a number of policies that address key aspects of our corporate governance. These include:

- Code of Business Conduct and Ethics;
- Complaints/Ethics Hotline;
- Continuous Disclosure and Market Communication; and
- Insider Trading.

Copies of all these policies are available in the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com)).

#### ***Code of Business Conduct and Ethics***

We seek to maintain high standards of integrity and we are committed to ensuring that James Hardie conducts its business in accordance with high standards of ethical behaviour. We require our employees to comply with the spirit and the letter of all laws and other statutory requirements governing the conduct of James Hardie’s activities in each country in which we operate. Our Code of Business Conduct and Ethics applies to all of our employees and directors. The Code of Business Conduct and Ethics covers many aspects of Company policy that govern compliance with legal and other responsibilities to stakeholders. All directors and Company employees worldwide are reminded annually of the existence of the Code and asked to confirm that they have read it. The Audit Committee reviewed the Code of Business Conduct and Ethics policy during the fiscal year 2013.

We have not granted any waivers from the provisions of our Code of Business Conduct and Ethics during fiscal year 2013.

#### ***Complaints/Ethics Hotline***

Our Code of Business Conduct and Ethics policy provides employees with advice about who they should contact if they have information or questions regarding violations of the policy. James Hardie has a telephone Ethics Hotline operated by an independent external provider which allows employees to report anonymously any concerns. All Company employees worldwide are reminded annually of the existence of the Ethics Hotline.

All complaints, whether to the Ethics Hotline or otherwise, are initially reported directly to the General Counsel and Director of Internal Audit (except in cases where the complaint refers to one of them). The most serious complaints are referred immediately to the Chairmen of the Audit Committee and Board. Less serious complaints are reported to the Audit Committee on a quarterly basis.

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Interested parties who have a concern about James Hardie's conduct, including accounting, internal accounting controls or audit matters, may communicate directly with the Company's Chairman (or Presiding Director for NYSE purposes), Deputy Chairman, Board directors as a group, the Chairman of the Audit Committee or Audit Committee members. These communications may be confidential or anonymous, and may be submitted in writing to the company secretary at the Company's head office at 2nd Floor, Europa House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland or submitted by phone at Telephone +353 (0)1 411 6924. All concerns will be forwarded to the appropriate Board directors for their review and will be simultaneously reviewed and addressed by our General Counsel in the same way that other concerns are addressed. Our Code of Business Conduct and Ethics policy, which is described above, prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve a concern about integrity.

### ***Continuous Disclosure and Market Communication***

We strive to comply with all relevant disclosure laws and listing rules in Australia (ASX and ASIC) and the United States (SEC and NYSE).

Our Continuous Disclosure and Market Communication Policy aims to ensure timely communications so that investors can readily:

- understand James Hardie's strategy and assess the quality of its management;
- examine James Hardie's financial position and the strength of its growth prospects; and
- receive any news or information that might reasonably be expected to materially affect the price or market for James Hardie securities.

The CEO is responsible for ensuring the Company complies with our continuous disclosure obligations. A Disclosure Committee comprised of the CEO, CFO, General Counsel and the Vice President—Investor and Media Relations is responsible for all decisions regarding our market disclosure obligations outside of the Company's normal financial reporting calendar. For our quarterly and annual results releases, the CEO and CFO are supported by the Financial Statements Disclosure Committee, which provides assurance regarding our compliance with reporting processes and controls. The CEO, CFO and General Counsel discuss with the Audit Committee any issues arising out of meetings of the Financial Statements Disclosure Committee that affect the quarterly and annual results releases before they are approved by the Board. The Audit Committee reviewed the Company's disclosure practices under the Continuous Disclosure and Market Communication policy during fiscal year 2013. The Nominating and Governance Committee reviewed the Company's Continuous Disclosure and Market Communication policy in May 2013.

### ***Insider Trading***

All Company employees and directors are subject to our Insider Trading Policy. Company employees and directors may only buy or sell the Company's securities within four weeks beginning two days after the announcement of quarterly or full year results, or another period designated by the Board for this purpose, provided they are not in possession of material non-public price sensitive information. There are additional restrictions on trading for designated senior employees and directors, including a requirement that they receive prior clearance from the Company's compliance officer before dealing with their shares and general prohibitions on hedging any shares or options or selling any shares for short-swing profit. There is a general prohibition on hedging unvested shares, options or RSUs.



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The Board recognises that it is the individual responsibility of each James Hardie director and employee to ensure he or she complies with the spirit and the letter of insider trading laws and that notification to the compliance officer in no way implies approval of any transaction.

### **Risk Management**

#### ***Overall Responsibility***

The Audit Committee and the Board reviewed our risk management processes during the fiscal year.

The Audit Committee has oversight of the Company's risk management policies, procedures and controls. The Audit Committee reviews, monitors and discusses these matters with the CEO, CFO, General Counsel and Director of Internal Audit. The Audit Committee, CEO, CFO and General Counsel report periodically to the Board on the Company's risk management policies, processes and controls.

The Audit Committee is supported in its oversight role by the policies put in place by management to oversee and manage material business risks, as well as the roles played by the Corporate, US and Asia Pacific Risk Management Committees, as described below, and internal and external audit functions. The internal and external audit functions are separate from and independent of each other and each has a direct reporting line to the Audit Committee.

At a management level, the GMT (comprised of the CEO, CFO, General Counsel, Executive General Manager-International and the Vice President of Investor and Media Relations in fiscal year 2013) is the primary management forum for risk assessment and management within the Company.

#### ***Objective***

The Company considers that a sound framework of risk management policies, procedures and controls produces a system of risk oversight, risk management and internal control that is fundamental to good corporate governance and creation of shareholder value. The objective of the Company's risk management policies, procedures and controls is to ensure that:

- our risk management systems are effective;
- our principal strategic, operational and financial risks are identified;
- effective systems are in place to monitor and manage risks; and
- reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.

Risk management does not involve avoiding all risks. The Company's risk management policies seek to strike a balance between ensuring that the Company continues to generate financial returns while simultaneously managing risks appropriately by setting appropriate strategies and objectives.

#### ***Policies for Management of Material Business Risks***

Management has put in place a number of key policies, processes and independent controls to provide assurance as to the integrity of our systems of internal control and risk management. In addition to the measures described elsewhere in this Corporate Governance Report, the more significant policies,

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processes or controls adopted by the Company for oversight and management of material business risks are:

- quarterly meetings of the corporate, US and Asia Pacific Risk Management Committees to assess the key strategic, operations, reporting and compliance risks facing the Company, the level of risk and the processes implemented to manage each of these key risks over the upcoming twelve months;
- quarterly reporting to the GMT, Audit Committee, and annual reporting to the Board, of the Risk Management Committees' assessment regarding the key strategic, operations, reporting and compliance risks facing the Company;
- a program for the Audit Committee to review in detail each year all items identified by the Risk Management Committees as high level risks;
- meetings of the Financial Statements Disclosure Committee to review all quarterly and annual financial statements and results;
- a planning process involving the preparation of three-year strategic plans and a rolling twelve month forecast;
- annual budgeting and monthly reporting to monitor performance;
- an internal audit department with a reporting line direct to the Chairman of the Audit Committee;
- regular monitoring of the Company's liquidity and status of finance facilities;
- maintaining an appropriate insurance program;
- maintaining policies and procedures in relation to treasury operations, including the use of financial derivatives;
- issuing and revising standards and procedures in relation to environmental and health and safety matters;
- a commitment to talent development, to ensure that the Company is developing sufficient employees to execute its business goals;
- implementing and maintaining training programs in relation to legal issues such as trade practices/antitrust, trade secrecy, foreign corrupt practices and anti-bribery, employment law matters and intellectual property protection;
- issuing procedures requiring significant capital and recurring expenditure to be approved at the appropriate levels; and
- documenting detailed accounting policies, procedures and guidance for the group in a single group finance manual.

A summary of policies, processes and controls that address key aspects of our corporate governance is available in the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com)).

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During the fiscal year, the Audit Committee and, through it, the Board received a number of reports on the operation and effectiveness of the policies, processes and controls described in this section. This included a review of the Company's current disclosure controls and processes, how they compare with best practices and the steps proposed by management to continue cultivating the Company's risk management culture.

### ***Risk Management Committee***

The Risk Management Committee is divided into three separate committees, one for Corporate, one for the US business and one for the non-US business. This structure allows each committee to focus on individual risks in greater detail. Each Committee comprises a cross-functional group of employees and reviews and monitors the risks facing the Company in their area of responsibility. The Risk Committees are coordinated by the Director of Internal Audit and report on a quarterly basis to the GMT. The Risk Committees also provide quarterly reports to the Audit Committee on the procedures in place for identifying, monitoring, managing and reporting on the principal strategic, operational, financial and legal risks facing the Company.

### ***Internal Audit***

The Director of Internal Audit heads the internal audit department. The Internal Audit charter sets out the independence of the internal audit department, its scope of work, responsibilities and audit plan. The internal audit department's work-plan is approved annually by the Audit Committee. The Director of Internal Audit reports to the Chairman of the Audit Committee and meets quarterly with the Audit Committee in executive sessions.

### ***External Audit***

The external auditor reviews each quarterly and half-year consolidated financial statements and audits the full year consolidated financial statements. The external auditor attends each meeting of the Audit Committee, including an executive session where members of the Audit Committee are present. The Audit Committee has approved policies to ensure that all non-audit services performed by the external auditor, including the amount of fees payable for those services, receive prior approval. The Audit Committee also reviews the remuneration paid to the external auditor and makes recommendations to the Board regarding the maximum compensation to be paid to the external auditor.

The Audit Committee reviews and approves management representations made to the external auditor as part of the audit of the full year results.

### ***Financial Statements Disclosure Committee***

The Financial Statements Disclosure Committee is a management committee comprising senior finance, accounting, compliance, legal, tax, treasury and investor relations executives in the Company, which meets with the CEO, CFO and General Counsel prior to the Board's consideration of any quarterly or annual results. The Financial Statements Disclosure Committee is a forum for the CEO, CFO and General Counsel to discuss, and, on the basis of those discussions, report to the Audit Committee, about a range of risk management procedures, policies and controls, covering the draft results materials, business unit financial performance and the current status of legal, tax, treasury, accounting, compliance, internal audit, complaints and disclosure control matters.

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### ***CEO and CFO Certification of Financial Reports***

Under SEC rules and the Company's internal control arrangements, our CEO and CFO provide certain certifications with respect to our full year financial statements, disclosure controls and procedures and internal controls over financial reporting. These certifications are more comprehensive and detailed than those required under the Australian Corporations Act and are considered appropriate given that the Company's financial reports are prepared in accordance with US GAAP.

The Board in turn receives quarterly assurance from the Financial Statements Disclosure Committee relating to the Company's disclosure controls and procedures and internal controls over financial reporting. This assurance is supported by written quarterly and annual sub-certifications from the general managers and Finance Directors of each business unit and the Corporate Controller, with annual certifications from the GMT.

### ***Internal Controls and SOX 404***

Each fiscal year, the members of the GMT, and key members of the Company's business and corporate functions, complete an internal control certificate that seeks to confirm that adequate internal controls are in place and are operating effectively, and evaluate any failings and weaknesses.

### ***Company Books of Accounts***

The Company is responsible for ensuring that it keeps proper books of account and appropriate accounting systems. The measures taken by the directors to secure compliance with the Company's obligation to keep proper books of account are the use of appropriate systems and procedures and employment of competent persons. We have appointed a Chief Financial Officer who makes regular reports to the Board and ensures compliance with the requirements of Section 202 of the Companies Act, 1990. The Company also has a Corporate Controller, who works closely with the Chief Financial Officer and makes regular reports to our Audit Committee. The books of account are kept at Europa House, Second Floor, Harcourt Center, Harcourt Street, Dublin 2, Republic of Ireland.

### ***Management's Annual Report on Internal Control Over Financial Reporting***

#### Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. In designing and evaluating our disclosure controls and procedures, our management recognises that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and are subject to certain limitations, including the exercise of judgment by individuals, the difficulty in identifying unlikely future events, and the difficulty in eliminating misconduct completely. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, our disclosure controls and procedures were effective at a reasonable assurance level as of 31 March 2013, to ensure the information required to be disclosed in the reports that we file or submit under the Exchange Act were recorded, processed, summarised and reported within the time periods specified in the rules and forms of the SEC and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures.

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### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of 31 March 2013. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in *Internal Control — Integrated Framework*. Based on our assessment using those criteria, we concluded that our internal control over financial reporting was effective as of 31 March 2013.

The effectiveness of our internal control over financial reporting as of 31 March 2013 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report below.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of James Hardie Industries plc:

We have audited James Hardie Industries plc's internal control over financial reporting as of 31 March 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). James Hardie Industries plc's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, James Hardie Industries plc maintained, in all material respects, effective internal control over financial reporting as of 31 March 2013 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of James Hardie Industries plc as of 31 March 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit), and cash flows for each of the three years in the period ended 31 March 2013, and our report dated 23 May 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Irvine, California  
23 May 2013

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### ***Limitations of Control Systems***

Our management does not expect that our internal risk management and control systems will prevent or detect all error and all fraud. No matter how well it is designed and operated, a control system can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls' effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

### **Shareholders' Participation**

#### ***Listing Information***

James Hardie securities trade as CUFS on the ASX and as ADS on the NYSE.

#### ***Annual General Meeting***

The 2012 AGM was held in Ireland and simultaneously broadcast to a meeting in Sydney, Australia. The 2013 AGM will be held in Ireland, and shareholders not present in Ireland who wish to participate in the meeting, including asking questions, can do so via a video webcast or teleconference of the meeting. Further details are set out in the 2013 AGM Notice of Meeting.

Each shareholder (other than an ADS holder) has the right to:

- attend the AGM either in person or by proxy;
- speak at the AGM; and
- exercise voting rights, including at the AGM subject to their instructions on the Voting Instruction Form.

While ADS holders cannot vote directly, ADS holders can direct the voting of their underlying shares through the ADS depository.

The external auditor attends the AGM and is available to answer questions.

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### **Communication**

We are committed to communicating effectively with our shareholders through a program that includes:

- making management briefings and presentations accessible via a live webcast and/or teleconference following the release of quarterly and annual results;
- audio webcasts of other management briefings and webcasts of the annual shareholder meeting;
- a comprehensive Investor Relations website that displays all Company announcements and notices (promptly after they have been cleared by the ASX), major management and investor road show presentations;
- site visits and briefings on strategy for investment analysts;
- an email alert service to advise shareholders and other interested parties of announcements and other events; and
- equality of access for shareholders and investment analysts to briefings, presentations and meetings and equality of media access to the Company, on a reasonable basis.

### **Investor Website**

We have a dedicated section on corporate governance as part of the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com)). Information on this section of the website is progressively updated and expanded to ensure it presents the most up-to-date information on our corporate governance structure. Except where stated, the contents of the website are not incorporated into this annual report.

### **Compliance with Corporate Governance Requirements**

#### ***ASX Principles and Recommendations***

Listed Australian companies are encouraged to comply with the Principles and Recommendations. Except where otherwise stated, the Company has complied with the Principles and Recommendations for the entire period described in this annual report.

For the benefit of Australian holders, the Investor Relations area of our website ([www.jameshardie.com](http://www.jameshardie.com)) contains more detail about the ways in which we comply with the Principles and Recommendations.

#### **Diversity**

One of the key areas of focus for the Board is talent management and development, to ensure that the Company has the capability to adequately enable its anticipated growth as part of its core business strategy. Management has put in place a number of different programs to achieve this objective and the importance placed on these programs is reflected in the fact that development of our people forms part of the Board's Balanced Scorecard assessment of management under the Company's long-term incentive compensation programs.

The Company's overriding desire is to maximise the effectiveness of the Board and workforce by appointing the best candidate for each role. The Board does not believe that achievement of this objective requires a formal, publicly stated diversity policy, gender diversity targets or reporting of the



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gender percentages at various levels of the organisation (including to the exclusion of other indicators of diversity) and for this reason does not comply with Principle 3 and supporting recommendations of the ASX Corporate Governance Principles and Recommendations.

James Hardie's Board and senior management reflect a wide range of geographic representation, skills, qualifications, expertise, background and racial and gender diversity. With operations in North America, Australia, New Zealand, Asia and Europe, the Board expects that achievement of the Company's core business strategy will involve continued development of a diverse workforce.

### **NYSE Corporate Governance Rules**

In accordance with the NYSE corporate governance standards, listed companies that are foreign private issuers (which includes James Hardie) are permitted to follow home-country practice in lieu of the provisions of the corporate governance rules contained in Section 303A of the Listed Company Manual, except that foreign private issuers are required to comply with Section 303A.06, Section 303A.11 and Section 303A.12(b) and (c), each of which is discussed below.

Section 303A.06 requires that all listed companies have an Audit Committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

Section 303A.11 provides that listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by US companies under the NYSE listing standards.

Section 303A.12(b) provides that each listed company's CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of Section 303A. Section 303A.12(c) provides that each listed company must submit an executed written affirmation annually to the NYSE about its compliance with the NYSE's corporate governance listing standards and an interim written affirmation to the NYSE as and when required by the interim written affirmation form specified by the NYSE.

James Hardie presently complies with the mandatory NYSE listing standards and many of the non-compulsory standards including, for example, the requirement that a majority of our directors meet the independence requirements of the NYSE. In accordance with Section 303A.11, we disclose in this Corporate Governance Report any significant ways in which our corporate governance practices differ from those followed by US companies under the NYSE listing standards.

Two ways in which our corporate governance practices differ significantly from those followed by US domestic companies under NYSE listing standards should be noted:

- In the US, an audit committee of a public company is required to be directly responsible for appointing the company's independent registered public accounting firm. Under Irish law, the independent registered public accounting firm is appointed by the shareholders where there is a new appointment. Otherwise, the appointment is deemed to continue unless the firm retires, is asked to retire or is unable to perform their duties; and
- NYSE rules require each issuer to have an audit committee, a compensation committee (equivalent to a remuneration committee) and a nominating committee composed entirely of independent directors. As a foreign private issuer, we do not have to comply with this requirement. In our case, the Board Committee charters reflect Australian and Irish practices, in that we have a majority of independent directors on these committees, unless a higher number is mandatory. Notwithstanding this difference, our Board has determined

that all of the current members of our Audit Committee, Remuneration Committee and Nominating and Governance Committee presently qualify as independent in accordance with the rules and regulations of the SEC and the NYSE.

***Takeover Rules and Control Over the Company***

James Hardie is subject to Irish takeover laws. The Irish Takeover Rules are built on several General Principles which are set out below. Also, the takeover threshold is set at 30%, meaning that a person (or persons acting in concert) who acquire more than 30% of voting rights must make a mandatory cash bid for all of the shares in the Company:

- All holders of the securities of an offeree of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.
- The holders of the securities of an offeree must have sufficient time and information to enable them to reach a properly informed decision on the offer; where it advises the holders of securities, the board of the offeree must give its views on the effects of implementation of the offer on employment, considerations of employment and the locations of the offeree's places of business.
- The board of an offeree must act in the interest of the Company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the offer.
- False markets must not be created in the securities of the offeree, of the offeror or of any other company concerned by the offer in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.
- An offeror must announce an offer only after ensuring that he or she can pay in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.
- An offeree must not be hindered in the conduct of its affairs for longer than is reasonable by any offer for its securities.
- A substantial acquisition of securities (whether such acquisition is to be effected by one transaction or a series of transactions) shall take place only at an acceptable speed and shall be subject to adequate and timely disclosure.

In addition to the operation of these rules, the Company may, from time to time, put in place appropriate retention arrangements to ensure that it retains its key employees during periods of corporate change.

## SECTION 2

### READING THIS REPORT

#### Forward-Looking Statements

This annual 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 SEC, on Forms 20-F and 6-K, in its 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 our future performance;
- projections of our results of operations or financial condition;
- statements regarding our plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or our products;
- expectations concerning the costs associated with the suspension or closure of operations at any of our plants and future plans with respect to any such plants;
- expectations regarding the extension or renewal of our credit facilities including changes to terms, covenants or ratios;
- expectations concerning dividend payments and share buy-backs;
- statements concerning our corporate and tax domiciles and structures 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 us and certain of our former directors and officers by ASIC;
- statements regarding the possible consequences and/or potential outcome of the legal proceedings brought against two of our subsidiaries by the New Zealand Ministry of Education and the potential product liabilities, if any, associated with such proceedings;
- 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;
- expectations concerning the adequacy of our warranty provisions and estimates for future warranty-related costs;

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- statements regarding our ability to manage legal and regulatory matters (including but not limited to product liability, environmental, intellectual property and competition law matters) and to resolve any such pending legal and regulatory matters within current estimates and in anticipation of certain third-party recoveries; and
- statements about economic conditions, such as economic or housing recovery, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, 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 builder and consumer confidence.

Words such as “believe,” “anticipate,” “plan,” “expect,” “intend,” “target,” “estimate,” “project,” “predict,” “forecast,” “guideline,” “aim,” “will,” “should,” “likely,” “continue,” “may,” “objective,” “outlook” 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 our 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 our control. Such known and unknown risks, uncertainties and other factors may cause 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 “Risk Factors” in Section 3, 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 our 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 we operate; the consequences of product failures or defects; exposure to environmental, asbestos, putative consumer class action or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; possible increases in competition and 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 transfer of our corporate domicile from The Netherlands to Ireland including changes in corporate governance and potential tax benefits; currency exchange risks; dependence on customer preference and the concentration of our customer base on large format retail customers, distributors and dealers; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; possible inability to renew credit facilities on terms favourable to us, or at all; acquisition or sale of businesses and business segments; changes in our key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in our reports filed with Australian, Irish and US securities agencies and exchanges (as appropriate). We caution you 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 our current expectations concerning future results, events and conditions. We assume no obligations to update any forward-looking statements or information except as required by law.

**Currency of presentation, exchange rates and certain definitions**

The term “fiscal year” refers to our fiscal year ended 31 March of such year; the term “dollars,” “US\$” or “\$” refers to US dollars; the term “A\$” refers to Australian dollars; and the term “NZ\$” refers to New Zealand dollars. Unless otherwise stated, all amounts in A\$ have been converted into US\$ at the 31 March 2013 exchange rate of A\$0.9597 to US\$1.0000 (assets and liabilities) and A\$0.9694 to US\$1.0000 (statements of operations and comprehensive income (loss)).

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes to consolidated financial statements in this annual report.

**Overview**

We intend this discussion to provide information that will assist in understanding our 31 March 2013 consolidated financial statements, the changes in significant items in those consolidated financial statements from year to year, and the primary reasons for those changes and the factors and trends which are anticipated to have a material effect on our financial condition and results of operations in future periods. This discussion includes information about our critical accounting estimates and how these estimates affect our consolidated financial statements, and information about the consolidated financial results of each business segment to provide a better understanding of how each segment and its results affect our financial condition and results of operations as a whole.

Our consolidated financial statements are prepared in accordance with US GAAP. Our discussion in this section includes several non-GAAP measures to provide additional information concerning our performance. We believe that these non-GAAP measures enhance an investor’s overall understanding of our financial performance by being more reflective of our core operational activities and to be more comparable with our financial results over various periods. In addition, we use non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. Non-GAAP financial measures include:

- Operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses
- Effective tax rate excluding asbestos, asset impairments, New Zealand product liability expenses and tax adjustments
- Net income excluding asbestos, ASIC expenses, asset impairments, New Zealand product liability expenses and tax adjustments
- General corporate costs excluding ASIC expenses, intercompany foreign exchange gain and recovery of RCI legal costs
- Selling, general and administrative expenses excluding New Zealand product liability expenses

We have reconciled these non-GAAP financial measures to the most directly comparable US GAAP financial measure for fiscal years 2013 and 2012 in the “Glossary of Abbreviations and Definitions” in Section 4 below. These non-GAAP financial measures are not prepared in accordance with US GAAP; therefore, the information is not necessarily comparable to other companies’ financial information and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with US GAAP.

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Our pre-tax results for fiscal year 2013 were affected by unfavourable asbestos adjustments of US\$117.1 million, AICF Selling, General and Administrative (“SG&A”) expenses of US\$1.7 million, asset impairments of US\$16.9 million, ASIC expenses of US\$2.6 million, and New Zealand product liability expenses of US\$13.2 million. For fiscal year 2012, our pre-tax results were affected by unfavourable asbestos adjustments of US\$15.8 million, AICF SG&A expenses of US\$2.8 million, asset impairments of US\$14.3 million, ASIC expenses of US\$1.1 million, and New Zealand product liability expenses of US\$5.4 million. Information regarding our asbestos-related matters, asset impairments, ASIC matters and New Zealand product liability expenses can be found in this discussion and Notes 7, 11 and 13 in our consolidated financial statements.

### **The Company and the Building Product Markets**

Based on net sales, we believe we are the largest manufacturer of fibre cement products and systems for internal and external building construction applications in the United States, Australia, New Zealand, and the Philippines. Our current primary geographic markets include the United States, Australia, New Zealand, the Philippines, Europe and Canada. Through significant research and development expenditure, we develop key product and production process technologies that we patent or hold as trade secrets. We believe that these technologies give us a competitive advantage.

Our fibre cement products are used in a number of markets, including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes), repair and remodeling and a variety of commercial and industrial applications (stores, warehouses, offices, hotels, motels, schools, libraries, museums, dormitories, hospitals, detention facilities, religious buildings and gymnasiums). We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades, fencing and floor and tile underlayments.

Our products are primarily sold in the residential housing markets. Residential construction levels fluctuate based on new home construction activity and the repair and renovation of existing homes. These levels of activity are affected by many factors, including home mortgage interest rates, the availability of financing to homeowners to purchase a new home or make improvements to their existing homes, inflation rates, unemployment levels, existing home sales, the average age and the size of housing inventory, consumer home repair and renovation spending, gross domestic product growth and consumer confidence levels.

Our earnings are seasonal and typically follow activity levels in the building and construction industry. In the United States, the calendar quarters ending December and March reflect reduced levels of building activity depending on weather conditions. In Australia and New Zealand, the calendar quarter ending March is usually affected by a slowdown due to summer holidays. In the Philippines, construction activity diminishes during the wet season from June to September and during the last half of December due to a slowdown in business activity over the holiday period. Also, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors.

### **Fiscal Year 2013 Key Results**

Total net sales increased 7% to US\$1,321.3 million in fiscal year 2013. Operating income decreased to US\$29.5 million in fiscal year 2013 from US\$155.5 million in fiscal year 2012, primarily due to higher unfavourable asbestos adjustments, New Zealand product liability expenses and asset impairment charges. Operating income in fiscal year 2013 was adversely affected by unfavourable asbestos adjustments of US\$117.1 million, AICF SG&A expenses of US\$1.7 million, asset impairment charges of US\$16.9 million, and New Zealand product liability expenses of US\$13.2 million. For fiscal year 2012, operating income was adversely affected by unfavourable asbestos adjustments of

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US\$15.8 million, AICF SG&A expenses of US\$2.8 million, asset impairment charges of US\$14.3 million, and New Zealand product liability expenses of US\$5.4 million. Operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses decreased 7% to US\$181.0 million in fiscal year 2013 from US\$194.9 million in fiscal year 2012.

Net income decreased from US\$604.3 million in fiscal year 2012 to US\$45.5 million in fiscal year 2013. Net income in fiscal year 2013 includes, on a pre-tax basis, a US\$5.5 million foreign exchange gain and a US\$2.7 million legal cost recovery from the ATO, as discussed below. Net income in fiscal year 2012 included an income tax benefit of US\$485.2 million arising from RCI's successful appeal of a disputed amended tax assessment from the ATO, partially offset by income taxes payable in respect of the reversal of general interest charges previously recognised as deductible. Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments decreased 2% to US\$140.8 million in fiscal year 2013 from US\$144.3 million in fiscal year 2012.

Our largest market is North America. During fiscal year 2013, USA and Europe Fibre Cement net sales contributed approximately 72% of total net sales, and operating income from this segment was the primary contributor to the total Company results. Net sales for our USA and Europe Fibre Cement business increased 10% due to higher sales volume, partially offset by a lower average net sales price.

USA and Europe Fibre Cement operating income decreased 2% from US\$148.4 million in the fiscal year 2012 to US\$145.6 million in fiscal year 2013 primarily due to increased organisational costs in anticipation of higher activity levels, lower average net sales price, higher fixed manufacturing costs and unfavourable shift in product mix, partially offset by lower input costs (primarily pulp and freight). Excluding asset impairment charges, operating income decreased slightly from US\$162.7 million in fiscal year 2012 to US\$162.5 million in fiscal year 2013.

During fiscal year 2013, Asia Pacific Fibre Cement net sales contributed approximately 28% of total net sales. Net sales decreased 2% due to unfavourable currency exchange rates movements in the Asia Pacific business' currencies.

Asia Pacific Fibre Cement operating income decreased 23% from US\$80.3 million in fiscal year 2012 to US\$61.7 million in fiscal year 2013, of which 1% was attributable to the depreciation of Asia Pacific business' currencies compared to the US dollar. In Australian dollars, Asia Pacific Fibre Cement operating income decreased 22% compared to the prior fiscal year, due to higher fixed manufacturing costs, an unfavourable shift in product mix, plant performance and foreign currency translation rates within the Asia Pacific Fibre Cement business and higher selling, general and administrative expenses due to an increase in New Zealand product liability expenses. These decreases were partially offset by lower input costs (primarily pulp) and a slight increase in sales volume. Excluding New Zealand product liability expenses, operating income decreased 13% from US\$85.7 million in fiscal year 2012 to US\$74.9 million in fiscal year 2013.

We do not believe that general inflation has had a significant impact on our results of operations for the fiscal years ended 31 March 2013, 2012 and 2011.

### **Critical Accounting Estimates**

The accounting policies affecting our financial condition and results of operations are more fully described in Note 2 to our consolidated financial statements. Certain of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and other assumptions that are believed to be reasonable under the

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circumstances, the results of which form the basis for making judgments about the reported carrying value of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

### **Accounting for Contingencies**

We account for loss contingencies arising from contingent obligations when the obligations are probable and the amounts are reasonably estimable. As facts concerning contingencies become known, we reassess our situation and make appropriate adjustments to the consolidated financial statements.

### **Accounting for the AFFA**

Prior to 31 March 2007, our consolidated financial statements included an asbestos provision based on the Original Final Funding Agreement governing our anticipated future payments to AICF as announced on 1 December 2005 ("Original FFA").

In February 2007, the AFFA was approved to provide long-term funding to AICF, a special purpose fund that provides compensation for Australian asbestos-related personal injury and death claims for which certain former subsidiaries of the James Hardie Group, including ABN 60, Amaca Pty Ltd ("Amaca") and Amaba Pty Ltd ("Amaba") are found liable.

The amount of the asbestos liability reflects the terms of the AFFA, 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 Pty Limited ("KPMG Actuarial"). Based on their 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 best estimate for recording the asbestos liability in the Company's financial statements. 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 is not fixed or readily determinable.

The asbestos liability also includes an allowance for the future operating costs of AICF.

In estimating the potential financial exposure, KPMG Actuarial has made a number of assumptions. These include an estimate of the total number of claims by disease type which are reasonably estimated to be asserted through 2074, the typical average cost of a claim settlement (which is sensitive to, among other factors, the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the legal costs incurred in the litigation of such claims, the proportion of claims for which liability is repudiated, the rate of receipt of claims, the settlement strategy in dealing with outstanding claims, the timing of settlements of future claims and the long-term rate of inflation of claim awards and legal costs.

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 and could result in significant debits or credits to the consolidated balance sheet and statement of operations and comprehensive income (loss).



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An updated actuarial assessment is performed as of 31 March each year. Any changes in the estimate will be reflected as a charge or credit to the consolidated statements of operations for the year then ended. Material adverse changes to the actuarial estimate would have an adverse effect on our business, results of operations and financial condition.

### ***Sales Rebates and Discounts***

We record estimated reductions to sales for customer rebates and discounts including volume, promotional, cash and other rebates and 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.

### ***Accounts Receivable***

We evaluate the collectability of accounts receivable on an ongoing basis based on historical bad debts, customer credit-worthiness, current economic trends and changes in our customer payment activity. An allowance for doubtful accounts is provided for known and estimated bad debts. Although credit losses have historically been within our expectations, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Because our accounts receivable are concentrated in a relatively small number of customers, a significant change in the liquidity or financial position of any of these customers could impact their ability to make payments and result in the need for additional allowances which would decrease our net sales.

### ***Inventory***

Inventories are recorded at the lower of cost or market. In order to determine market, management regularly reviews inventory quantities on hand and evaluates significant items to determine whether they are excess, slow-moving or obsolete. The estimated value of excess, slow-moving and obsolete inventory is recorded as a reduction to inventory and an expense in cost of sales in the period it is identified. This estimate requires management to make judgments about the future demand for inventory, and is therefore at risk to change from period to period. If our estimate for the future demand for inventory is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to record additional inventory reserves, which would have a negative impact on our gross profit.

Further, we have distributor arrangements that we maintain with certain customers where we own inventory that is physically located in a customer's or third party's warehouse. As a result, our ability to effectively manage inventory levels may be impaired, which would cause our total inventory turns to decrease. In that event, our expenses associated with excess and obsolete inventory could increase and our cash flow could be negatively impacted.

### ***Accrued Warranty Reserve***

We have offered, and continue to offer, various warranties on our products, including a 30-year limited warranty on certain of our fibre cement siding products in the United States. Because our fibre cement products have only been used in North America since the early 1990s, there is a risk that these products will not perform in accordance with our expectations over an extended period of time. A typical warranty program requires that we replace defective products within a specified time period from the date of sale. We record an estimate for future warranty-related costs based on an analysis by us, which includes the historical relationship of warranty costs to installed product. Based on this

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analysis and other factors, we adjust the amount of our warranty provisions as necessary. Although our warranty costs have historically been within calculated estimates, if our experience is significantly different from our estimates, it could result in the need for additional reserves.

### ***New Zealand Product Liability***

We have recognised a liability for certain asserted and unasserted New Zealand product liability claims. There is a risk that the amount of estimated loss will be materially greater or less than the actual expense incurred. These claims often involve multiple parties and the respective liabilities are dependent on a number of factors, including but not limited to, the specific facts and circumstances surrounding each individual claim, the continued solvency of co-defendants, the extent to which the Company's New Zealand subsidiaries have had access to third-party recoveries to cover a portion of the costs incurred in defending these claims and the ability of the Company's New Zealand subsidiaries to successfully time-bar certain claims based on the statute of limitations. Further, the total number of claims received by the Company's New Zealand subsidiaries is unknown and historical claims experience may not be indicative of the future expense to be incurred. Due to the inherent uncertainties associated with estimating the amount of loss incurred for asserted and unasserted claims, as discussed above, and based on information presently available, the Company believes it is possible that the ultimate resolution of these legacy claims could result in an additional loss of up to approximately US\$10 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2013.

### ***Accounting for Income Tax***

We recognise deferred tax assets and deferred tax liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse. We record a valuation allowance to reduce the deferred tax assets to the amount that we are more likely than not to realise. We must assess whether, and to what extent, we can recover our deferred tax assets. If full or partial recovery is unlikely, we must increase our income tax expense by recording a valuation allowance against the portion of deferred tax assets that we cannot recover. We believe that we will recover all of the deferred tax assets recorded (net of valuation allowance) on our consolidated balance sheet at 31 March 2013. However, if facts later indicate that we will be unable to recover all or a portion of our net deferred tax assets, our income tax expense would increase in the period in which we determine that recovery is unlikely.

We evaluate our uncertain tax positions in accordance with the guidance for accounting for uncertainty in income taxes. We believe that our reserve for uncertain tax positions, including related interest, is adequate. Due to our size and the nature of our business, we are subject to ongoing reviews by taxing jurisdictions on various tax matters, including challenges to various positions we assert on our income tax returns. The amounts ultimately paid upon resolution of these matters could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. Positions taken by an entity in its income tax returns must satisfy a more-likely-than-not recognition threshold, assuming that the positions will be examined by taxing authorities with full knowledge of all relevant information, in order for the positions to be recognised in the consolidated financial statements. Each quarter we evaluate the income tax positions taken, or expected to be taken, to determine whether these positions meet the more-likely-than-not threshold. We are required to make subjective judgments and assumptions regarding our income tax exposures and must consider a variety of factors, including the current tax statutes and the current status of audits performed by tax authorities in each tax jurisdiction. To the extent an uncertain tax position is resolved for an amount that varies from the recorded estimated liability, our income tax expense in a given financial statement period could be materially affected.

***Impairment of Long-Lived Assets***

Long-lived assets, such as property, plant and equipment, are evaluated each quarter for events or changes in circumstances that indicate that an asset might be impaired because the carrying amount of the asset may not be recoverable. These include, without limitation, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used, a current period operating or cash flow loss combined with a history of operating or cash flow losses, a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group and/or a current expectation that it is more likely than not that a long lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Identifying these events and changes in circumstances, and assessing their impact on the appropriate valuation of the affected assets requires us to make judgments, assumptions and estimates.

When such indicators of potential impairment are identified, recoverability is tested by grouping long-lived assets that are used together and represent the lowest level for which cash flows are identifiable and distinct from the cash flows of other long-lived assets, which is typically at the production line or plant facility level, depending on the type of long-lived asset subject to an impairment review. Recoverability is measured by a comparison of the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount exceeds the estimated undiscounted future cash flows, an impairment charge is recognised at the amount by which the carrying amount exceeds the estimated fair value of the asset group.

The methodology used to estimate the fair value of the asset group is typically based on a discounted cash flow analysis that considers the asset group's highest and best use that would maximise the value of the asset group. In addition, the estimated fair value of an asset group also considers, to the extent practicable, a market participant's expectations and assumptions in estimating the fair value of the asset group. If the estimated fair value of the asset group is less than the carrying value, an impairment loss is recognised at an amount equal to the excess of the carrying value over the estimated fair value of the asset group.

In fiscal year 2013, we recorded asset impairment charges of US\$4.4 million for buildings, land and manufacturing equipment at the Blandon plant. The manufacturing equipment was reduced to a net book value of nil. The carrying value of the buildings and land were reduced to US\$4.1 million, which approximates the assets estimated fair value at 31 March 2013. The buildings continue to be depreciated in accordance with our accounting policy.

Other asset impairment charges of US\$12.5 million recognised in fiscal year 2013 included US\$2.8 million related to redundant equipment that is no longer being utilized to manufacture products and US\$9.7 million related to manufacturing equipment that is in the process of being replaced by plant and equipment with enhanced capability in anticipation of the continued recovery in the US housing market.

In estimating the fair value of the asset group, we are required to make certain estimates and assumptions that include forecasting the useful lives of the assets, selecting an appropriate discount rate that reflects the risk inherent in future cash flows, forecasting market demand for our products and recommissioning idle assets to meet anticipated capacity constraints in the future. We have not made any material changes in the accounting methodology we use to assess impairment loss during the past three fiscal years. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to material impairment losses in future periods.

[Table of Contents](#)**Results of Operations****Year Ended 31 March 2013 Compared to Year Ended 31 March 2012**

The following table shows our selected financial and operating data for operations for fiscal years 2013 and 2012, expressed in millions of US dollars, unless otherwise stated.

	Fiscal Years Ended 31 March		Favourable (Unfavourable) Change
	2013	2012	
Net sales:			
USA and Europe Fibre Cement	\$ 951.4	\$ 862.0	10 %
Asia Pacific Fibre Cement	369.9	375.5	(2)
Total net sales	1,321.3	1,237.5	7
Cost of goods sold	(902.0)	(830.5)	(9)
Gross profit	419.3	407.0	3
Selling, general and administrative expenses	(218.6)	(191.0)	(14)
Research and development expenses	(37.2)	(30.4)	(22)
Asset impairments	(16.9)	(14.3)	(18)
Asbestos adjustments	(117.1)	(15.8)	—
Operating income	29.5	155.5	(81)
Net interest income (expense)	2.4	(7.4)	—
Other income	1.8	3.0	(40)
Income before income taxes	33.7	151.1	(78)
Income tax benefit	11.8	453.2	(97)
Net income	\$ 45.5	\$ 604.3	(92)
Volume (mmsf):			
USA and Europe Fibre Cement	1,488.5	1,331.8	12 %
Asia Pacific Fibre Cement	393.7	392.3	—
Average net sale price per unit (per msf):			
USA and Europe Fibre Cement	US\$639	US\$647	(1)
Asia Pacific Fibre Cement	A\$911	A\$916	(1)

*Net sales.* Total net sales increased 7% from US\$1,237.5 million in fiscal year 2012 to US\$1,321.3 million in fiscal year 2013. The increase in total net sales reflected higher sales volume from the USA and Europe Fibre Cement segment, partially offset by a lower average net sales price in both the USA and Europe segment and the Asia Pacific segment.

*USA and Europe Fibre Cement net sales.* Net sales increased 10% from US\$862.0 million in fiscal year 2012 to US\$951.4 million in fiscal year 2013 due to higher sales volume, partially offset by a lower average net sales price.

Sales volume increased 12% from 1,331.8 million square feet in fiscal year 2012 to 1,488.5 million square feet in fiscal year 2013, reflecting increased activity in the new construction market and the repair and remodel market in the US, when compared with the prior year.

The average net sales price decreased 1% from US\$647 per thousand square feet in fiscal year 2012 to US\$639 per thousand square feet in fiscal year 2013.

For fiscal year 2013, the NBSK pulp price was 8% lower at US\$878 per ton, when compared to fiscal year 2012.

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Operating conditions in the US residential housing market improved during fiscal year 2013. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company's performance, were 565,900 for fiscal year 2013, 27% above the prior year. Further, according to the NAHB, repair and remodel activity also increased slightly during fiscal year 2013. Industry data indicates that gains in both single-family and multi-family production are expected to continue to improve during calendar year 2013. These increases in activity in both the new construction and remodeling markets in the US follow consistent gains in builder and consumer confidence. The Company continues to expect improvement in the overall US housing market to occur steadily over a protracted period.

*Asia Pacific Fibre Cement net sales.* Net sales decreased 2% from US\$375.5 million in fiscal year 2012 to US\$369.9 million in fiscal year 2013. Depreciation of Asia Pacific business currencies compared to the US dollar led to a 2% decrease in US dollar net sales. In Australian dollars, net sales remained relatively flat due to a slight increase in sales volume, offset by a decrease in the average net sales price.

According to Australian Bureau of Statistics data, the total number of new dwellings approved for fiscal year 2013 were 155,100, an increase of 4% compared to fiscal year 2012. However, approvals for detached houses, which are the primary driver of the Asia Pacific business' net sales, were 89,700 for the fiscal year 2013, a decrease of 5% in the period, when compared to fiscal year 2012.

Sales volume in the Australian business decreased in fiscal year 2013 compared to fiscal year 2012, reflecting an increasingly competitive operating environment.

During fiscal year 2013, excluding New Zealand product liability expenses, the New Zealand business' earnings increased when compared to fiscal year 2012, reflecting an improved operating environment.

The Philippines business' sales volume increased in fiscal year 2013, compared to fiscal year 2012. The average net sales price for fiscal year 2013 increased slightly compared to fiscal year 2012.

*Gross profit.* Gross profit increased 3% from US\$407.0 million in fiscal year 2012 to US\$419.3 million in fiscal year 2013. The gross profit margin decreased 1.2 percentage points from 32.9% to 31.7%.

USA and Europe Fibre Cement gross profit increased 7% and gross margin decreased 1.0 percentage point in fiscal year 2013 compared to fiscal year 2012. Gross margin was unfavourably impacted by 1.8 percentage points due to lower average net sales price, 1.3 percentage points due to an increase in fixed manufacturing costs and 0.2 percentage points due to an unfavourable shift in product mix, partially offset by 1.7 percentage points due to lower input costs (primarily pulp and freight).

Asia Pacific Fibre Cement gross profit decreased 6% in fiscal year 2013 compared to fiscal year 2012 and gross margin decreased 1.5 percentage points. Gross margin was unfavourably impacted by 0.6 percentage points due to an unfavourable shift in plant performance, 0.6 percentage points due to higher fixed manufacturing costs, 0.4 percentage points due to an unfavourable shift in product mix and 0.1 percentage points due to unfavourable foreign currency movements, partially offset by 0.1 percentage points due to an increase in sales volume and 0.1 percentage points due to lower input costs (primarily pulp).

*Selling, general and administrative (SG&A) expenses.* SG&A expenses increased 14%, from US\$191.0 million in fiscal year 2012 to US\$218.6 million in fiscal year 2013. Compared to fiscal year 2012, SG&A expenses were unfavourably impacted by higher employment and marketing costs to strengthen organisational capabilities in anticipation of higher product demand in the USA & Europe Fibre Cement segment. Additionally, SG&A expenses for fiscal year 2013 included US\$13.2 million

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related to the provision for certain New Zealand product liability claims that now have reduced access to third-party recoveries to cover a portion of the costs incurred to resolve these claims. These legacy product liability claims are related to buildings that were primarily constructed during calendar years 1998 to 2004. During fiscal year 2012 the Company incurred US\$5.4 million in expenses associated with these product liability claims. These increases were partially offset by a decrease in general corporate costs (described below). SG&A expenses for fiscal year 2013 were favourably impacted by a US\$5.5 million foreign exchange gain and a recovery of US\$2.7 million (A\$2.6 million) for legal costs associated with the conclusion of RCI Pty Ltd's ("RCI") disputed amended tax assessment with the ATO. As a percentage of sales, SG&A expenses increased 1.1 percentage points to 16.5%. As a percentage of sales, SG&A expenses excluding legacy New Zealand product liability expenses increased from 15.0% to 15.5% when compared to fiscal year 2012.

SG&A expenses for fiscal year 2013 included non-claims handling related operating expenses of AICF of US\$1.7 million, compared to US\$2.8 million in fiscal year 2012.

Readers are referred to Note 13 to our consolidated financial statements and Section 3, "Legal Proceedings" for further information about the New Zealand product liability expenses.

### New Zealand Ministry of Education

On 16 April 2013, the New Zealand Ministry of Education filed a 'representative action' in the New Zealand High Court against several building materials manufacturers, including two of the Company's New Zealand subsidiaries, in relation to various New Zealand school buildings. The Company is not yet able to determine the amount or range of loss, if any, that the Company's New Zealand subsidiaries may become liable for in future periods. Accordingly, the Company has not recorded a provision for the New Zealand Ministry of Education claim as of 31 March 2013. However, losses and expenses arising from defending and resolving this claim may have a material adverse effect on the Company's financial position, results of operations and cash flows in future periods.

Readers are referred to Note 13 to our consolidated financial statements and Section 3, "Legal Proceedings" for further information about the New Zealand Ministry of Education claim.

### ASIC Proceedings

In April 2013, ASIC commenced without prejudice discussions with the Company, former non-executive directors and a former officer in relation to the amount of costs payable to ASIC under some of the various costs orders made in these proceedings. In respect of the costs orders made against the Company and the related indemnification payments, the Company has recorded a provision of US\$2.0 million at 31 March 2013. The Company notes that other recoveries may be available, including as a result of repayments by former directors in accordance with the terms of their indemnity agreements. Losses and expenses in future periods from these proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Readers are referred to Note 13 to our consolidated financial statements and Section 3, "Legal Proceedings" for further information about the ASIC proceedings.

*Research and development ("R&D") expenses*. R&D expenses include costs associated with research projects that are designed to benefit all business units. These costs are recorded in the R&D segment rather than attributed to individual business units. These costs were 26% higher for fiscal year 2013 at US\$23.6 million, compared to US\$18.7 million in fiscal year 2012.

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Other R&D costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs were 16% higher for fiscal year 2013 at US\$13.6 million, compared to US\$11.7 million in fiscal year 2012.

The increase in R&D expenses during fiscal year 2013 is a result of the Company's continued investment in core R&D projects. In addition, R&D headcount increased compared to the prior fiscal year as a result of the Company opening a new R&D facility in Chicago in fiscal year 2013.

*Asset Impairments.* The Company performs an asset impairment review on a quarterly basis in connection with its assessment of production capabilities and the Company's ability to meet market demand. In fiscal year 2013, the Company recorded asset impairment charges of US\$16.9 million in the USA and Europe Fibre Cement segment.

During the fourth quarter of fiscal year 2013, the Company made the decision that it would not re-open its Blandon, Pennsylvania plant. As a result, the Company recorded impairment charges of US\$4.4 million on related building, land and manufacturing equipment at the Blandon plant during the fourth quarter. The remaining asset impairment charges of US\$12.5 million included US\$2.8 million related to redundant equipment that is no longer being utilised to manufacture products and US\$9.7 million related to manufacturing equipment that is in the process of being replaced by plant and equipment with enhanced capability in order to expand production capacity in anticipation of the continued recovery in the US housing market.

During fiscal year 2012, the Company recorded an asset impairment charge of US\$14.3 million related to machinery and equipment in the USA and Europe Fibre Cement segment.

Readers are referred to Note 7 of the consolidated financial statements for further information on asset impairments.

*Asbestos adjustments.* The Company's asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the AFFA.

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 sheet in US dollars is subject to adjustment, with a corresponding effect on the Company's consolidated statement of operations and comprehensive income (loss), depending on the closing exchange rate between the two currencies at the balance sheet date.

The discounted central estimate of the asbestos liability increased from A\$1.580 billion at 31 March 2012 to A\$1.694 billion at 31 March 2013. The increase in the discounted central estimate of A\$114.0 million is primarily due to lower discount rates, an increase in the incidence of nil claims and an increase in the projected future number of claims to be reported for a number of disease types, partially offset by a decrease in the average claim settlement amount, and a decrease in the expected rate of claim inflation in the near-term.

During fiscal year 2013, mesothelioma claims reporting activity has been above actuarial expectations for the first time since fiscal year 2009. One of the critical assumptions used to derive the discounted central estimate is the estimated peak year of mesothelioma disease claims, which was targeted for 2010/2011. Potential variation in this estimate has an impact much greater than other assumptions used to derive the discounted central estimate. For example, if the peak year of mesothelioma disease claims were estimated to occur in 2015/2016, the discounted central estimate could increase by approximately 45%.

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During fiscal year 2013, the Australian dollar spot rate slightly appreciated against the US dollar, compared to a 1% depreciation in fiscal year 2012.

The Company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2013. The asbestos adjustments for fiscal years ended 31 March 2013 and 2012 are as follows:

(Millions of US dollars)	Fiscal Years Ended 31 March	
	2013	2012
Change in estimates	\$(129.2)	\$ (9.6)
Write back of insurance receivables	11.9	—
Effect of foreign exchange movements	0.2	(6.2)
Asbestos adjustments	<u>\$(117.1)</u>	<u>\$(15.8)</u>

## Claims Data

The number of new claims filed in fiscal year 2013 of 542 is higher than new claims of 456 reported in fiscal year 2012, and above actuarial expectations of 504 for fiscal year 2013.

The number of settled claims in fiscal year 2013 of 519 is higher than claims settled of 428 in fiscal year 2012 and above actuarial expectations of 504 for fiscal year 2013.

The average claim settlement in fiscal year 2013 of A\$231,000 is A\$12,000 higher than fiscal year 2012 and is largely attributable to mesothelioma claims, which are more costly to settle and represented a larger proportion of total claims than in fiscal year 2012. However, average claim sizes for mesothelioma were below actuarial expectations for fiscal year 2013, with the average cost to settling other claims being in line with, or below, actuarial expectations.

Asbestos claims paid of A\$121.3 million for fiscal year 2013 are consistent with the actuarial expectation of A\$122.2 million.

All figures provided in this Claims Data section are gross of insurance and other recoveries. Readers are referred to Note 11 of our consolidated financial statements for further information on asbestos adjustments.

## AICF Loan Facility

On 17 February 2012, AICF made an initial drawdown of A\$29.7 million (being US\$32.0 million translated at the prevailing spot exchange rate at 17 February 2012) under the Facility with The State of New South Wales, Australia. The initial drawing is reflected on the consolidated balance sheet within *Current portion of long-term debt – Asbestos* at 31 March 2012.

On 2 April 2012, in accordance with arrangements agreed with the NSW Government and AICF, the Company made an early contribution of US\$138.7 million (A\$132.3 million) to AICF, in respect of the Company's free cash flow for the year ended 31 March 2012. A further contribution of US\$45.4 million (A\$45.2 million) was contributed on 2 July 2012. Total contributions for the year ended 31 March 2013 were US\$184.1 million (A\$177.5 million).

Readers are referred to Note 11 of our consolidated financial statements for further information.



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*Operating income.* Operating income decreased 81% to US\$29.5 million in fiscal year 2013, compared to US\$155.5 million in fiscal year 2012. Operating income in fiscal year 2013 included unfavourable asbestos adjustments of US\$117.1 million, asset impairments of US\$16.9 million, New Zealand product liability expenses of US\$13.2 million, ASIC expenses of US\$2.6 million and AICF SG&A expenses of US\$1.7 million. In fiscal year 2012, operating income included unfavourable asbestos adjustments of US\$15.8 million, asset impairments of US\$14.3 million, New Zealand product liability expenses of US\$5.4 million, AICF SG&A expenses of US\$2.8 million and ASIC expenses of US\$1.1 million.

USA and Europe Fibre Cement operating income decreased 2% from US\$148.4 million in the fiscal year 2012 to US\$145.6 million in fiscal year 2013. The decrease in operating income was primarily driven by increased organisational costs in anticipation of higher activity levels, higher asset impairment charges, a lower average net sales price, an increase in fixed manufacturing costs and an unfavourable shift in product mix, partially offset by lower input costs (primarily pulp and freight). Operating income margin was 1.7 percentage points lower at 15.3%. Excluding asset impairment charges, operating income decreased slightly from US\$162.7 million in fiscal year 2012 to US\$162.5 million in fiscal year 2013. The USA and Europe Fibre Cement operating income margin excluding asset impairment charges was 1.8 percentage points lower at 17.1%.

Asia Pacific Fibre Cement operating income decreased 23% from US\$80.3 million in fiscal year 2012 to US\$61.7 million in fiscal year 2013, of which 1% was attributable to the depreciation of Asia Pacific business' currencies compared to the US dollar. In Australian dollars, Asia Pacific Fibre Cement operating income decreased 22% compared to the prior corresponding period, due to higher fixed manufacturing costs, an unfavourable shift in product mix, plant performance and foreign currency translation rates within the Asia Pacific Fibre Cement business and higher SG&A expenses due to an increase in New Zealand product liability expenses during compared to fiscal year 2012. These decreases were partially offset by lower input costs (primarily pulp) and a slight increase in sales volume. Operating income margin was 4.7 percentage points lower at 16.7%. Excluding New Zealand product liability expenses, operating income decreased 13% from US\$85.7 million in fiscal year 2012 to US\$74.9 million in fiscal year 2013. The Asia Pacific Fibre Cement operating income margin excluding New Zealand product liability expenses was 2.5 percentage points lower at 20.3%.

*General corporate costs.* General corporate costs decreased 3% from US\$33.9 million in fiscal year 2012 to US\$33.0 million in fiscal year 2013.

General corporate costs for fiscal year 2013 included ASIC expenses of US\$2.6 million, partially offset by a recovery of legal costs of US\$2.7 million and a foreign exchange gain of US\$5.5 million following the conclusion of RC1's disputed amended tax assessment with the ATO. During fiscal year 2012, general corporate costs included ASIC expenses of US\$1.1 million.

General corporate costs excluding ASIC expenses, the recovery of legal costs and foreign exchange gain, increased from US\$32.8 million in fiscal year 2012 to US\$38.6 million in fiscal year 2013, primarily due to an increase in legal costs and an increase in costs related to the Company's corporate structure simplification, as announced on 17 May 2011, compared to fiscal year 2012.

*Net interest income (expense).* Net interest income (expense) moved from an expense of US\$7.4 million in fiscal year 2012 to income of US\$2.4 million in fiscal year 2013. Net interest income in fiscal year 2013 included AICF interest income of US\$7.0 million and other interest income of US\$0.9 million, partially offset by interest and borrowing costs relating to the Company's external credit facilities of US\$3.4 million and a realised loss of US\$2.1 million on interest rate swaps. Net interest expense in fiscal year 2012 included a realised loss of US\$7.5 million on interest rate swaps and interest and borrowing costs relating to the Company's external credit facilities of US\$3.7 million, partially offset by AICF interest income of US\$3.3 million and other interest income of US\$0.5 million.

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*Other income.* Other income decreased from US\$3.0 million in fiscal year 2012 to US\$1.8 million in fiscal year 2013. This change is due solely to decreases in the fair value of interest rate swap contracts which were favourably impacted by an increase in medium-term US dollar interest rates in fiscal year 2013.

*Income tax (benefit) expense.* The Company's effective tax benefit rate was 35.0% in fiscal year 2013 compared to an income tax benefit rate of 299.9% in fiscal year 2012. The effective tax benefit rate in fiscal year 2013 was impacted by New Zealand product liability expenses of US\$13.2 million, unfavourable asbestos adjustments of US\$117.1 million and asset impairment charges of US\$16.9 million. During fiscal year 2012, the effective tax benefit rate was materially impacted by RCI's successful appeal of the ATO's disputed 1999 amended tax assessment, resulting in an income tax benefit of US\$453.2 million, compared to an income tax benefit of US\$11.8 million in fiscal year 2013. During fiscal year 2012, the effective tax benefit rate was also impacted by unfavourable asbestos adjustments of US\$15.8 million, asset impairment charges of US\$14.3 million and New Zealand product liability expenses of US\$5.4 million.

Income tax expense excluding asbestos and tax adjustments decreased from US\$42.9 million in fiscal year 2012 to US\$37.4 million in fiscal year 2013. The effective tax rate excluding asbestos, asset impairments, New Zealand product liability expenses and tax adjustments decreased from 23.1% in fiscal year 2012 to 21.3% in fiscal year 2013 due to a lower proportion of taxable earnings in jurisdictions with higher tax rates.

*Tax Adjustments.* The Company recorded net favourable tax adjustments of US\$16.3 million in fiscal year 2013, compared to US\$493.4 million in fiscal year 2012.

Tax adjustments fiscal year 2013 and 2012 consist of adjustments in the value of provisions for uncertain tax positions and net tax benefits that the Company anticipates will eventually become unavailable. Tax adjustments for fiscal year 2013 were also impacted by New Zealand product liability expenses and asset impairment charges, as discussed above. Tax adjustments for fiscal year 2012 also include a net benefit relating to the 1999 disputed amended tax assessment with the ATO, as discussed below.

### ATO – 1999 Disputed Amended Assessment

During the year ended 31 March 2012, the Company recognised an income tax benefit of A\$452.9 million (US\$485.2 million) within income tax expense, which primarily included amounts refunded by the ATO noted above and the reversal of the provision for the unpaid portion of the amended assessment, partially offset by income taxes payable in respect of the reversal of general interest charges previously recognised as deductible and interest on overpayment of tax.

*Net income.* Net income decreased from US\$604.3 million in fiscal year 2012 to US\$45.5 million in fiscal year 2013. Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments decreased 2% from US\$144.3 million in fiscal year 2012 to US\$140.8 million in fiscal year 2013.

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**Year Ended 31 March 2012 Compared to Year Ended 31 March 2011**

The following table shows our selected financial and operating data for operations for fiscal years 2011 and 2010, expressed in millions of US dollars, unless otherwise stated.

	Fiscal Years Ended 31 March		Favourable (Unfavourable) Change
	2012	2011	
<b>Net sales:</b>			
USA and Europe Fibre Cement	\$ 862.0	\$ 814.0	6%
Asia Pacific Fibre Cement	375.5	353.0	6
Total net sales	1,237.5	1,167.0	6
Cost of goods sold	(830.5)	(775.1)	(7)
Gross profit	407.0	391.9	4
Selling, general and administrative expenses	(191.0)	(173.4)	(10)
Research and development expenses	(30.4)	(28.0)	(9)
Asset impairments	(14.3)	—	—
Asbestos adjustments	(15.8)	(85.8)	82
Operating income	155.5	104.7	49
Net interest expense	(7.4)	(4.4)	(68)
Other income (expense)	3.0	(3.7)	—
Income before income taxes	151.1	96.6	56
Income tax benefit (expense)	453.2	(443.6)	—
Net income (loss)	\$ 604.3	\$ (347.0)	—
<b>Volume (mmsf):</b>			
USA and Europe Fibre Cement	1,331.8	1,248.0	7 %
Asia Pacific Fibre Cement	392.3	407.8	(4)
<b>Average net sale price per unit (per msf):</b>			
USA and Europe Fibre Cement	US\$ 647	US\$ 652	(1)
Asia Pacific Fibre Cement	A\$ 916	A\$ 916	—

*Net sales.* Total net sales increased 6% from US\$1,167.0 million in fiscal year 2011 to US\$1,237.5 million in fiscal year 2012. The increase in total net sales reflected higher sales volume from the USA and Europe Fibre Cement segment, partially offset by a lower average net sales price. Revenue was also favourably impacted by an appreciation of the Asia Pacific currencies against the US dollar, compared to fiscal year 2011.

*USA and Europe Fibre Cement net sales.* Net sales increased 6% from US\$814.0 million in fiscal year 2011 to US\$862.0 million in fiscal year 2012 due to higher sales volume, partially offset by a lower average net sales price.

Sales volume increased 7% from 1,248.0 million square feet in fiscal year 2011 to 1,331.8 million square feet in fiscal year 2012 due to increased fibre cement category share and strong primary demand growth in the northern markets.

The average net sales price decreased 1% from US\$652 per thousand square feet in fiscal year 2011 to US\$647 per thousand square feet in fiscal year 2012.

According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company's performance, were relatively flat at 445,600 for fiscal year 2012, compared to 444,000 in fiscal year 2011.

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The average NBSK pulp price was 3% lower at US\$952 per ton, compared to fiscal year 2011. NBSK pulp prices reached a peak of US\$1,035 per ton in June 2011.

Despite ongoing challenges in the housing market, including tight credit conditions, elevated unemployment rates and a shadow inventory of foreclosed homes, the full year reflected a more stable market environment and consistent operating results when compared with the prior year. Although some industry data suggests increased interest among potential homebuyers, builder confidence remains at low levels and caution remains due to the many challenges that continue to inhibit a sustainable recovery in the overall housing market and broader US economy.

*Asia Pacific Fibre Cement net sales.* Net sales increased 6% from US\$353.0 million in fiscal year 2011 to US\$375.5 million in fiscal year 2012. Favourable exchange rate movements in the value of the Asia Pacific business' currencies compared to the US dollar resulted in a 10% increase in US dollar net sales. In Australian dollars, net sales decreased 4% compared to fiscal year 2011 due to lower sales volume and unfavourable geographic mix, partially offset by price increases.

According to Australian Bureau of Statistics data, the total number of new dwellings approvals for fiscal year 2012 (on an original basis) decreased 11% when compared to fiscal year 2011. The reduction in new dwellings approved reflects weaker consumer confidence and a slowing of the broader Australian economy.

Notwithstanding the softening operating environment, the Australian business gained both market and category share in fiscal year 2012.

The New Zealand business' sales volumes in fiscal year 2012 were lower than fiscal year 2011 and the New Zealand housing market remains very subdued.

The Philippines business' results in fiscal year 2012 reflected modest gains in sales volumes compared to fiscal year 2011.

*Gross profit.* Gross profit increased 4% from US\$391.9 million in fiscal year 2011 to US\$407.0 million in fiscal year 2012. The gross profit margin decreased 0.7 percentage points from 33.6% to 32.9%.

USA and Europe Fibre Cement gross profit increased 3% compared to the prior year, of which 7% was due to higher sales volume and 4% due to improved plant performance, partially offset by 3% due to a lower average net sales price, 3% due to freight costs and 2% due to higher fixed costs. The gross profit margin of the USA and Europe Fibre Cement business decreased by 0.7 percentage points in fiscal year 2012.

Asia Pacific Fibre Cement gross profit increased 6% compared to fiscal year 2011. Favourable currency exchange rate movements in the Asia Pacific business' currencies compared to the US dollar resulted in a 10% increase in US dollar gross profit. In Australian dollars, Asia Pacific Fibre Cement gross profit decreased 4% compared to fiscal year 2011, primarily driven by a 4% reduction in sales volume compared to fiscal year 2011. The gross profit margin of the Asia Pacific Fibre Cement business decreased by 0.1 percentage points in fiscal year 2012.

*SG&A expenses.* SG&A expenses increased 10%, from US\$173.4 million in fiscal year 2011 to US\$191.0 million in fiscal year 2012, primarily due to higher employment costs in the USA and Europe Fibre Cement segment and the inclusion of recoveries from third parties of US\$10.3 million in fiscal year 2011 related to the costs of the ASIC proceedings for certain of the ten former officers and directors, as further explained below. As a percentage of sales, SG&A expenses increased 0.5 percentage points to 15.4%. As a percentage of sales, SG&A expenses excluding the recovery of ASIC costs in the prior corresponding period decreased 0.3 percentage points to 15.4%.

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SG&A expenses in fiscal year 2012 included non-claims handling related operating expenses of AICF of US\$2.8 million, compared to US\$2.2 million in fiscal year 2011.

### ASIC Proceedings

Legal costs incurred in the ASIC proceedings in fiscal year 2012 were US\$1.1 million. The Company's cumulative net costs in relation to the ASIC proceedings from their commencement in February 2007 to 31 March 2012 have totalled US\$15.5 million, net of third-party recoveries.

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. It is the Company's policy to expense legal costs as incurred.

Readers are referred to Note 13 of our consolidated financial statements and Section 3, "Legal Proceedings" for further information about the ASIC proceedings.

*R&D expenses.* R&D expenses include costs associated with research projects that are designed to benefit all business units. These costs are recorded in the R&D segment rather than attributed to individual business units. These costs were 11% higher for fiscal year 2012 at US\$18.8 million compared to fiscal year 2011.

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 5% higher for fiscal year 2012 at US\$11.6 million, compared to fiscal year 2011.

*Asset impairment.* The Company recorded an asset impairment charge of US\$14.3 million in fiscal year 2012 related to machinery and equipment in the USA and Europe Fibre Cement segment.

*Asbestos adjustments.* The Company's asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the AFFA that was signed with the 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 increased from A\$1.478 billion at 31 March 2011 to A\$1.580 billion at 31 March 2012. The increase in the discounted central estimate of A\$102.0 million is primarily due to lower discount rates, partially offset by 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 sheet in US dollars is subject to adjustment, with a corresponding effect on the Company's consolidated statement of operations and comprehensive income (loss), depending on the closing exchange rate between the two currencies at the balance sheet date.

During fiscal year 2012, the Australian dollar depreciated against the US dollar by 1%, compared to a 13% appreciation in fiscal year 2011.

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The Company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2012. The asbestos adjustments for fiscal years ended 31 March 2012 and 2011 are as follows:

(Millions of US dollars)	Fiscal Years Ended 31 March	
	2012	2011
Change in estimates	\$ (9.6)	\$ 21.5
Effect of foreign exchange movements	(6.2)	(107.3)
Asbestos adjustments	<u>\$(15.8)</u>	<u>\$ (85.8)</u>

## Claims Data

The number of new claims filed in fiscal year 2012 of 456 is lower than new claims of 494 reported in fiscal year 2011, and below actuarial expectations for fiscal year 2012.

The number of settled claims in fiscal year 2012 of 428 is lower than claims settled of 459 in fiscal year 2011.

The average claim settlement in fiscal year 2012 of A\$219,000 is A\$15,000 higher than fiscal year 2011. Average claim sizes are in line with actuarial expectations for fiscal year 2012.

Asbestos claims paid of A\$99.1 million for fiscal year 2012 are lower than the actuarial expectation of A\$108.4 million due to lower settlement activity and lower-than-expected claims received.

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 2012 consolidated financial statements for further information on asbestos adjustments.

## AICF Loan Facility

On 17 February 2012, AICF made an initial drawdown of A\$29.7 million (being US\$32.0 million translated at the prevailing spot exchange rate at 17 February 2012) under Facility with The State of New South Wales, Australia. The initial drawing is reflected on the consolidated balance sheet within *Current portion of long-term debt – Asbestos* at 31 March 2012.

On 2 April 2012, the Company made an early contribution of US\$138.7 million to AICF, which enabled AICF to fully repay all amounts outstanding under the Facility on 3 April 2012.

Because the Company consolidates AICF due to the Company's pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA, any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company's consolidated financial position, results of operations and cash flows.

Any drawings, repayments, or payments of accrued interest under the Facility by AICF do not impact the Company's free 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 our consolidated financial statements for further information.

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*Operating income.* Operating income increased 49% to US\$155.5 million in fiscal year 2012, compared to US\$104.7 million in fiscal year 2011. Operating income in fiscal year 2012 included net unfavourable asbestos adjustments of US\$15.8 million, AICF SG&A expenses of US\$2.8 million, ASIC expenses of US\$1.1 million, asset impairments of US\$14.3 million and New Zealand product liability expenses of US\$5.4 million. In fiscal year 2011, operating income included net unfavourable asbestos adjustments of US\$85.8 million, AICF SG&A expenses of US\$2.2 million and a net benefit related to ASIC proceedings of US\$8.7 million.

USA and Europe Fibre Cement operating income decreased from US\$160.3 million in fiscal year 2011 to US\$148.4 million in fiscal year 2012. The decrease in operating income was impacted by an asset impairment charge of US\$14.3 million compared to nil in fiscal year 2011, higher fixed manufacturing and organisational costs, higher freight costs and a lower average net sales price, partially offset by higher sales volume and improved plant performance. The USA and Europe Fibre Cement operating income margin was 2.5 percentage points lower at 17.2% in fiscal year 2012. Excluding asset impairment charges, operating income increased 1%, from US\$160.3 million in fiscal year 2011 to US\$162.7 million in fiscal year 2012 and operating income margin was 0.8 percentage points lower at 18.9%.

Asia Pacific Fibre Cement operating income increased 1% from US\$79.4 million in fiscal year 2011 to US\$80.3 million in fiscal year 2012. In Australian dollars, Asia Pacific Fibre Cement operating income decreased 9% due to lower sales volume, unfavourable geographic mix, higher labour costs and higher New Zealand product liability expenses, partially offset by price increases. The Asia Pacific Fibre Cement operating income margin was 1.1 percentage points higher at 21.4% in fiscal year 2012. Excluding New Zealand product liability expenses, operating income increased from US\$79.4 million in fiscal year 2011 to US\$85.7 million in fiscal year 2012 and operating income margin was 0.3 percentage points higher at 22.8%.

*General corporate costs.* General corporate costs increased 26% from US\$26.9 million in fiscal year 2011 to US\$33.9 million in fiscal year 2012.

ASIC expenses moved from a net benefit of US\$8.7 million in the prior year to an expense of US\$1.1 million. General corporate costs in fiscal year 2011 were materially impacted by US\$10.3 million recovered from third parties in respect of prior period ASIC expenses. General corporate costs in fiscal year 2011 also reflected domicile change related costs of US\$1.8 million.

General corporate costs excluding ASIC expenses and domicile change related costs decreased from US\$33.8 million in fiscal year 2011 to US\$32.8 million in fiscal year 2012.

*Net interest expense.* Net interest expense increased from US\$4.4 million in fiscal year 2011 to US\$7.4 million in fiscal year 2012. Net interest expense in fiscal year 2012 included interest and borrowing costs relating to the Company's external credit facilities of US\$3.7 million and a realised loss of US\$7.5 million on interest rate swaps, partially offset by AICF interest income of US\$3.3 million and other interest income of US\$0.5 million. Net interest expense in fiscal year 2011 included 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.

*Other income (expense).* Other income (expense) moved from an expense of US\$3.7 million in fiscal year 2011 to income of US\$3.0 million in fiscal year 2012. Movements in other income (expense) are solely due to changes in the fair value accounting of interest rate swap contracts, which were favourably impacted by an increase in medium term US dollar interest rates.

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*Income tax benefit (expense).* The Company's effective tax benefit rate was 299.9% in fiscal year 2012 compared to an effective tax rate of 459.2% during fiscal year 2011, resulting in an income tax expense of US\$443.6 million in fiscal year 2011, compared to an income tax benefit of US\$453.2 million in fiscal year 2012, as further explained below. During fiscal year 2011 and 2012, the effective tax rate was materially impacted by the ATO's 1999 amended tax assessment, which was successfully appealed by RCI in fiscal year 2012. The effective tax rate in fiscal year 2012 was also impacted by unfavourable asbestos adjustments of US\$15.8 million, asset impairment charges of US\$14.3 million, New Zealand legacy product liability expenses of US\$5.4 million and AICF SG&A expenses of US\$2.8 million. In fiscal year 2011, the effective tax rate was also impacted by unfavourable asbestos adjustments of US\$85.8 million and AICF SG&A expenses of US\$2.2 million.

Income tax expense excluding asbestos and tax adjustments decreased from US\$56.0 million in fiscal year 2011 to US\$42.9 million in fiscal year 2012. The effective tax rate excluding asbestos, asset impairments, New Zealand product liability expenses and tax adjustments was 23.1% in fiscal year 2012, compared to 31.1% in fiscal year 2011, due to a higher proportion of taxable earnings in jurisdictions with lower statutory income tax rates. The Company's geographic mix of earnings and expenses is also affected by fluctuations in foreign currency exchange rates of the US dollar to relevant local jurisdiction currencies.

*Tax Adjustments.* The Company recorded net favourable tax adjustments of US\$493.4 million in fiscal year 2012, compared to net unfavourable tax adjustments of US\$380.7 million in fiscal year 2011.

Fiscal year 2012 tax adjustments include a net benefit of US\$485.2 million relating to the 1999 disputed amended tax assessment with the ATO, due to the High Court of Australia's refusal to grant special leave for the ATO to appeal the Full Federal Court of Australia's decision in favour of RCI Pty Ltd, as discussed below. Tax adjustments also reflect adjustments in the value of provisions for uncertain tax positions and net tax benefits that the Company anticipates will eventually become unavailable.

Tax adjustments in fiscal year 2011 reflected a US\$32.6 million tax charge arising from the Company's corporate structure simplification and adjustments in the value of provisions for uncertain tax positions. In addition, income tax for fiscal year 2011 reflected income tax expense for the 1999 disputed amended assessment with the ATO following the dismissal of an appeal by RCI in the Federal Court of Australia on 1 September 2010.

*Net income (loss).* Net income was US\$604.3 million in fiscal year 2012, compared to a loss of US\$347.0 million in fiscal year 2011. Net income excluding asbestos, asset impairments, New Zealand product liability expenses, ASIC expenses and tax adjustments increased 24% from US\$116.7 million in fiscal year 2011 to US\$144.3 million in fiscal year 2012.

### **Impact of Recent Accounting Pronouncements**

In June 2011, the Financial Accounting Standards board ("FASB") issued ASU No. 2011-05, which requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after 15 December 2011. The adoption of this ASU did not result in a material impact on the Company's consolidated financial position, results of operations or cash flows.



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In December 2011, the FASB issued ASU No. 2011-12, which defers the implementation of only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. All other requirements in ASU No. 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous statement or in two separate but consecutive financial statements. The amendments in ASU No. 2011-12 are effective at the same time as the amendments in ASU No. 2011-05, being fiscal years, and interim periods within those years, beginning after 15 December 2011. The adoption of this ASU did not result in a material impact on the Company's consolidated financial position, results of operations or cash flows.

In February 2013, the FASB issued ASU No. 2013-02, which requires the presentation of significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, either on the face of the statement where net income is presented or in the notes, but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. The amendments in ASU No. 2013-02 are effective for fiscal years and interim periods within those years, beginning after 15 December 2012. The adoption of this ASU is not expected to result in a material impact on the Company's consolidated financial position, results of operations or cash flows.

## **Liquidity and Capital Resources**

### ***Overview***

Our treasury policy regarding our liquidity management, foreign exchange risk management, interest rate risk management and cash management is administered by our treasury department and is centralised in Ireland. This policy is reviewed annually and is designed to ensure that we have sufficient liquidity to support our business activities and meet future business requirements in the countries in which we operate. Counterparty limits are managed by our treasury department and based upon the counterparty credit rating; total exposure to any one counterparty is limited to specified amounts that are approved annually by the CFO.

Excluding AICF's drawdown on its standby loan facility with the NSW Government (which the Company is not a party to, guarantor of or security provider in respect of AICF loan facility), we moved to a net cash position of US\$153.7 million at 31 March 2013 compared to US\$265.4 million at 31 March 2012.

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As of 31 March 2013, we had credit facilities totaling US\$405.0 million, of which no amounts were drawn. The credit facilities are all uncollateralised and consist of the following:

Description	At 31 March 2013		
	Effective Interest Rate	Total Facility (Millions of US dollars)	Principal Drawn
Term facilities, can be drawn in US\$, variable interest rates based on the London Interbank Offered Rate ("LIBOR") plus margin, can be repaid and redrawn until February 2014	—	\$ 50.0	\$ —
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until March 2016	—	50.0	—
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2016	—	190.0	—
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until March 2017	—	40.0	—
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2017	—	75.0	—
<b>Total</b>		<u>\$ 405.0</u>	<u>\$ —</u>

The weighted average interest rate on the Company's total outstanding debt was nil at 31 March 2013 and 2012, respectively.

The Company replaced term facilities of US\$230.0 million, which matured in March 2013, with new facilities totaling US\$355.0 million; US\$50.0 million of these facilities mature in March 2016, US\$190.0 million mature in April 2016, US\$40.0 million mature in March 2017 and US\$75.0 million mature in April 2017.

The Company draws down and repays amounts available under its term facilities throughout the financial year. During the year ended 31 March 2013, the Company drew down and repaid US\$330.0 million under the Company's term facilities. The weighted average remaining term of all debt facilities is 3.1 years at 31 March 2013.

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. Seasonal fluctuations in working capital generally have not had a significant impact on its short-term or long-term liquidity.

The Company expects to expand production capacity in anticipation of the continued improvement of the operating environment and expects to incur significant capital expenditures to increase production capacity to meet anticipated demand increases in its major markets. 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 existing cash balances, unutilised committed credit facilities and anticipated future net operating cash flow.

At 31 March 2013, 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) must not

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exceed a maximum of net debt to earnings before interest, tax, depreciation and amortisation, excluding all income, expense and other profit and loss statement impacts of AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited and excluding assets, liabilities and other balance sheet items of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) 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 AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, and (iii) must ensure that no more than 35% of Free Cash Flow (as defined in the AFFA), in any given financial year ("Annual Cash Flow Cap") is contributed to AICF on the payment dates under the AFFA in the next following financial year. The Annual Cash Flow Cap does not apply to payments of interest, if any, to AICF and is consistent with contractual obligations of the Performing Subsidiary and the Company under the AFFA.

### **Cash Flow — Year Ended 31 March 2013 compared to Year ended 31 March 2012**

Net operating cash flow decreased from US\$387.2 million in fiscal year 2012 to US\$109.3 million in fiscal year 2013. The movement in net operating cash flow was primarily driven by the Company's current year tax payment of US\$81.3 million in respect of the 2012 fiscal year compared to a cash refund of US\$396.3 million which was received in the prior year. Both the tax payment and the cash refund arose from the conclusion of RCI's disputed amended tax assessment with the ATO. Additionally, the Company made a contribution to AICF of US\$45.4 million (A\$45.2 million) in July 2012, compared to the prior year contribution of US\$51.5 million (A\$48.9 million) and early contribution of US\$138.7 million (A\$132.3 million). The early contribution was reflected as *Restricted cash* at 31 March 2012.

Further, net operating cash flows in the prior year included a tax refund of US\$12.3 million and a payment of withholding taxes of US\$35.5 million, arising from the Company's corporate structure simplification as announced on 17 May 2011, of which US\$32.6 million was recognised as an expense in the final quarter of financial year 2011.

Net cash used in investing activities increased from US\$49.9 million in fiscal year 2012 to US\$59.7 million in fiscal year 2013. The increase was primarily due to higher capital expenditures for the purchase of property plant and equipment of US\$61.1 million in fiscal year 2013 compared to US\$35.8 million in fiscal year 2012. This increase was partially offset by a deposit of US\$14.4 million made in fiscal year 2012 for the acquisition of the assets of a US business engaged in the pultrusion of fibreglass profiles, which was completed in the first quarter of fiscal year 2013.

Net cash used in financing activities increased from US\$84.4 million in fiscal year 2012 to US\$158.7 million in fiscal year 2013 primarily due to dividends paid of US\$188.5 million in fiscal year 2013 compared to US\$17.4 million in fiscal year 2012. This increase was partially offset by a reduction in our outstanding term facilities of US\$59.0 million during fiscal year 2012 compared to nil in fiscal year 2013. Additionally, fiscal year 2013 repurchases of common stock were nil compared to US\$19.0 million during fiscal year 2012.

### **Capital Requirements and Resources**

Our capital requirements consist of expansion, renovation and maintenance of our production facilities and construction of new facilities. Our working capital requirements, consisting primarily of inventory and accounts receivable and payable, fluctuate seasonally during months of the year when overall construction and renovation activity volumes increase.

During the fiscal year ended 31 March 2013, we met our capital expenditure requirements through a combination of internal cash and funds from our credit facilities. We currently expect to spend

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approximately US\$150 million in fiscal year 2014 for capital expenditures, including facility upgrades and expansions, equipment to enhance environmental compliance, and the implementation of new fibre cement technologies.

We anticipate that our cash flows from operations, net of estimated payments under the AFFA, will be sufficient to fund our planned capital expenditure and working capital requirements in the short-term. If we do not generate sufficient cash from operations to fund our planned capital expenditures and working capital requirements, we believe the cash and cash equivalents of US\$153.7 million at 31 March 2013 and the cash that we anticipate will be available to us under credit facilities, will be sufficient to meet any cash shortfalls during at least the next 12 months.

Subject to the terms and conditions of the AFFA, we are required to fund AICF on an annual basis, depending on our net operating cash flow. The initial funding payment of A\$184.3 million (US\$145.0 million at the time of payment) was made to AICF in February 2007 and annual payments will be made each July, unless quarterly payments are elected by the Company. The amounts of these annual payments are dependent on several factors, including our free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the annual cash flow cap. Further contributions of A\$118.0 million (US\$110.0 million) (including interest payments), A\$72.8 million (US\$63.7 million), A\$48.9 million (US\$51.5 million) and US\$184.1 million (A\$177.5 million) were made in fiscal years 2009, 2011, 2012 and 2013, respectively. Under the terms of the AFFA, we were not required to make a contribution to AICF in fiscal years 2008 and 2010.

Restricted cash and cash equivalents at 31 March 2012 reflected the early contribution to AICF of US\$138.7 million (A\$132.3 million). The determination of any contribution to AICF in respect of the year ended 31 March 2013 will reverse the effect of the increase in the Company's free cash flow resulting from the movement in restricted cash and cash equivalents to 31 March 2013 related to the early contribution. The Company's adjusted free cash flow for these purposes is net cash used by operating activities for the year ended 31 March 2013 of US\$29.4 million (A\$28.2 million). In accordance with the terms of the AFFA, the Company does not anticipate making a contribution to AICF in respect of the year ended 31 March 2013.

Our obligation to make future contributions to AICF continues to be linked under the terms of the AFFA to our long-term financial success, especially our ability to generate net operating cash flow.

To facilitate the ability to access and distribute surplus cash flows and earnings of our operating subsidiaries more efficiently (including for the purpose of making periodic contributions to AICF), we commenced an internal reorganisation involving simplification of our corporate structure including some of the arrangements which were previously part of our Netherlands domicile. As part of this restructure, we incurred a tax charge of approximately US\$32.6 million in fiscal year 2011, which was paid in fiscal year 2012. This amount was offset with the Company's early contribution to AICF of US\$138.7 million on 2 April 2012, which was 35% of amounts received from the ATO.

We believe our business is affected by general economic conditions, the availability of financing, mortgage and other interest rates, inflation, unemployment, the inventory of unsold homes, the level of foreclosures, home resale rates, housing affordability, demographic trends, gross domestic product growth and consumer confidence in each of the regions in which we operate. Over the past several years, the ongoing sub-prime mortgage fallout, rising unemployment, increased foreclosures, high current inventory of unsold homes, tighter credit and volatile equity markets have materially adversely impacted our business. We expect that business derived from current US forecasts of new housing starts and renovation and remodel expenditures will result in our operations generating cash flow sufficient to fund the majority of our planned capital expenditures. It is possible that a slower recovery than expected in new housing starts in the United States or in other countries in which we manufacture

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and sell our products would negatively impact our growth and our current levels of revenue and profitability and therefore decrease our liquidity and ability to generate sufficient cash from operations to meet our capital requirements.

Pulp and cement are primary ingredients in our fibre cement formulation, which have been subject to price volatility, affecting our working capital requirements. In fiscal year 2013, the average NBSK pulp price relative to our US business was US\$878 per ton, a decrease of 8% compared to fiscal year 2012. Although US dollar pulp prices have fallen from their highs, they are expected to remain at elevated levels compared to previous periods. To minimise additional working capital requirements caused by rising pulp prices, we have entered into various contracts that discount pulp prices in relation to pulp indices and purchase our pulp from several qualified suppliers in an attempt to mitigate price increases and supply interruptions.

Freight costs in the US decreased in fiscal year 2013 and are expected to decrease slightly in fiscal year 2014 as improved processes and project savings offset supply constraints for trucks as the broader economy improves and the cost of fuel remains high.

The collective impact of the foregoing factors, and other factors, including those identified in "Forward-Looking Statements" may materially adversely affect our ability to generate sufficient cash flows from operations to meet our short and longer-term capital requirements. We believe that we will be able to fund any cash shortfalls for at least the next 12 months with cash that we anticipate will be available under our credit facilities and that we will be able to maintain sufficient cash available under those facilities. Additionally, we may decide that it is necessary to suspend planned dividend payments and/or share buy-backs, scale back or postpone our expansion plans and/or take other measures to conserve cash to maintain sufficient capital resources over the short and longer-term.

### **Capital Expenditures**

Our total capital expenditures for fiscal years 2013, 2012 and 2011 were US\$61.1 million, US\$35.8 million and US\$50.3 million, respectively.

Refer to "Property, Plants and Equipment—Capital Expenditures" in Section 1 of this report for further discussion and a listing of our significant capital expenditures in fiscal years 2013 and 2012.

### **Capital Management and Dividends**

On 17 May 2011, we announced that we were seeking to acquire up to 5% of our issued capital via an on-market share buyback during the twelve month period which ended on 21 May 2012. We acquired 3.4 million shares during fiscal year 2012 at an aggregate cost of US\$19.0 million (A\$19.1 million) at an average price paid per share of US\$5.55 (A\$5.59) under this previous share buyback program. As of 31 March 2012, all acquired shares were officially cancelled.

On 21 May 2012, we announced a new share buyback program to acquire up to 5% of its issued capital over the subsequent 12 month period. No shares were bought back during the year ended 31 March 2013.

In fiscal year 2012, we paid a dividend to shareholders of US4.0 cents per security ("FY2012 first half dividend"). The total amount of the FY2012 first half dividend was US\$17.4 million.

On 22 July 2012, we paid a dividend of US38.0 cents per security ("FY2012 second half dividend"). The total amount of the FY2012 second half dividend was US\$166.4 million. The FY2012 second half dividend, when added to the FY2012 first half dividend of US4.0 cents per security, paid from earnings

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in the first half of fiscal year 2012, brings the fiscal year 2012 full year dividend to US42.0 cents per security. On 25 January 2013, we paid a dividend to shareholders of US5.0 cents per security ("FY2013 first half dividend"). The total amount of the FY2013 first half dividend was US\$22.1 million.

During fiscal year 2013 we paid dividends to shareholders totaling US43.0 cents per security. The total amount of the dividends paid during fiscal year 2013 was US\$188.5 million.

On 23 May 2013, we announced an ordinary dividend of US13.0 cents per security ("FY2013 second half dividend") and a special dividend of US24.0 cents per security ("FY2013 special dividend"). The FY2013 second half dividend and the FY2013 special dividend are declared in US currency and will be paid on 26 July 2013, with a record date of 28 June 2013.

The FY2013 second half dividend and the FY2013 special dividend, together totalling US37.0 cents per security, when added to the FY2013 first half dividend of US5.0 cents per security, paid from earnings of the first half of fiscal year 2013, brings the fiscal year 2013 full year dividend to US42.0 cents per security (approximately US\$185.5 million). This equals the fiscal year 2012 full year dividend of US42.0 cents per security (US\$183.8 million), as discussed above.

The FY2013 second half dividend announced on 23 May 2013 represents an early increase in the Company's dividend payout ratio from between 20% and 30% to between 30% and 50% of net income (excluding asbestos adjustments), which was announced in November 2012 to apply for fiscal year 2014 onwards. The special dividend represents amounts that were not utilised in our share buyback program which expired in May 2013.

On 23 May 2013, we also announced a new share buyback program to acquire up to 5% of its issued capital. The actual shares that we may buyback will be subject to share price levels, consideration of the effect of the share buyback on return on equity, and capital requirements.

If and to the extent we do not undertake share buybacks during fiscal year 2014 we will consider further distributions to shareholders over and above those contemplated under our dividend policy subject to:

- an assessment of the current and expected industry conditions in the group's major markets of the US and Australia;
- an assessment of the group's capital requirements, especially for funding of expansion and growth initiatives;
- global economic conditions and outlook; and
- total net operating profit (excluding asbestos adjustments) for fiscal year 2014.

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**Contractual Obligations**

The following table summarises our contractual obligations at 31 March 2013:

(Millions of US dollars)	Payments Due During Fiscal Year Ending 31 March				
	Total	2014	2015 to 2016	2017 to 2018	Beyond 5 Years
Asbestos Liability <sup>1</sup>	\$ 1,693.7	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Long-Term Debt	—	—	—	—	—
Estimated interest payments on Long-Term Debt <sup>2</sup>	18.1	4.0	7.3	6.8	—
Long-Term Debt – AICF loan facility <sup>3</sup>	—	—	—	—	—
Estimated interest payments on Long-Term Debt – AICF loan facility <sup>4</sup>	—	—	—	—	—
Operating Leases	85.4	21.2	36.9	14.0	13.3
Purchase Obligations <sup>5</sup>	—	—	—	—	—
<b>Total</b>	<b>\$ 1,797.2</b>	<b>\$ 25.2</b>	<b>\$ 44.2</b>	<b>\$ 20.8</b>	<b>\$ 13.3</b>

<sup>1</sup> The amount of the asbestos liability reflects the terms of the AFFA, 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 AICF. The table above does not include a breakdown of payments due each year as such amounts are not reasonably estimable. See Note 11 to our consolidated financial statements for further information regarding our future obligations under the AFFA.

<sup>2</sup> Interest amounts are estimates based on debt remaining unchanged from the 31 March 2013 balance and interest rates remaining consistent with the rates at 31 March 2013. Interest paid includes interest in relation to our debt facilities, as well as the net amount paid relating to interest rate swap agreements. The interest on our debt facilities is variable based on a market rate and includes margins agreed to with the various lending banks. Also included in estimated interest payments are commitment fees related to the undrawn amounts of our debt facilities. The interest on our interest rate swaps is set at a fixed rate. There are several variables that can affect the amount of interest we may pay in future years, including: (i) new debt facilities with rates or margins different from historical rates; (ii) expiration of existing debt facilities resulting in a change in the average interest rate; (iii) fluctuations in the market interest rate; (iv) new interest rate swap agreements; and (v) expiration of existing interest rate swap agreements. We have not included estimated interest payments subsequent to fiscal year ending 31 March 2018 as such amounts are not reasonably estimable.

<sup>3</sup> On 3 April 2013, all amounts outstanding under AICF loan facility were fully repaid. JHI plc and its wholly-owned subsidiaries are not a party to, guarantor of, or security provided in respect of the AICF loan facility. However, because we consolidate AICF due to our pecuniary and contractual interest in AICF, any drawings, repayments or payments of accrued interest by AICF under the AICF loan facility impact our consolidated financial position, results of operations and cash flows.

<sup>4</sup> On 3 April 2013, all amounts outstanding under AICF loan facility were fully repaid. The Company is unable to reasonably estimate the timing and amount of future drawings, if any, on the AICF loan facility. Accordingly, future interest payments are deemed to be nil.

<sup>5</sup> Purchase Obligations are defined as agreements to purchase goods or services that are enforceable and legally-binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

See Notes 9, 11 and 13 to our consolidated financial statements for further information regarding long-term debt, long-term debt – asbestos and operating leases, respectively.

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**Off-Balance Sheet Arrangements**

As of 31 March 2013 and 2012, we did not have any material off-balance sheet arrangements.

**Research and Development**

For fiscal years 2013, 2012 and 2011, our expenses for research and development were US\$37.2 million, US\$30.4 million and US\$28.0 million, respectively.

We view research and development as key to sustaining our existing market leadership position and expect to continue to allocate significant funding to this endeavor. Through our investment in process technology, we aim to keep reducing our capital and operating costs, and find new ways to make existing and new products.

**Outlook and Trend Information**

The US operating environment continues to reflect an increasing number of housing starts and improving house values. According to the NAHB, single-family building permits in calendar year 2012 were up 24%, with multi-family building permits up 53%, relative to the prior calendar year. In addition, the NAHB suggests that activity in the US repair and remodel market has increased during the year ended 31 March 2013 relative to the prior corresponding period. The NAHB expects growth of the repair and remodel market to continue into calendar year 2013, albeit at a slower rate than the new housing market.

The Company expects that the improvement in the US operating environment reflects a sustainable recovery in US housing, although the recovery is expected to occur over a protracted period. In anticipation of the ongoing recovery, the Company is investing in capacity expansions through the re-commissioning of idled facilities, as well as funding market and organisational development.

If the underlying market demand and average net sales price in the US business improve as expected, the Company anticipates that operating income to revenue margin in financial year 2014 will increase as the growth in sales revenue exceeds spending on organisational initiatives. These gains are expected to result in an operating income to revenue margin above 20% in the USA and Europe Fibre Cement segment.

The operating environment in Australia is likely to remain relatively subdued and the Company is not anticipating any substantial increase in net sales this calendar year. However, the strong upward trends in the New Zealand construction market that were experienced in calendar year 2013 are expected to continue. The Philippines operating environment is likely to remain robust and the business is expected to contribute improved operating earnings over the next twelve months.



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**James Hardie Industries plc**  
**Consolidated Financial Statements**

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## Report of Independent Registered Public Accounting Firm

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The Board of Directors and Shareholders of  
James Hardie Industries plc

We have audited the accompanying consolidated balance sheets of James Hardie Industries plc as of 31 March 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity (deficit), and cash flows for each of the three years in the period ended 31 March 2013. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 plc at 31 March 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 March 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), James Hardie Industries plc's internal control over financial reporting as of 31 March 2013, based on criteria established in internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 23 May 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Irvine, California  
23 May 2013

## James Hardie Industries plc Consolidated Balance Sheets

	(Millions of US dollars)	
	31 March 2013	31 March 2012
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 153.7	\$ 265.4
Restricted cash and cash equivalents	2.5	140.4
Restricted cash and cash equivalents - Asbestos	126.4	59.0
Restricted short-term investments - Asbestos	7.1	6.0
Accounts and other receivables, net of allowance for doubtful accounts of US\$2.1 million and US\$2.3 million as of 31 March 2013 and 31 March 2012, respectively	143.4	137.7
Inventories	172.1	179.8
Prepaid expenses and other current assets	19.2	18.8
Insurance receivable - Asbestos	22.2	19.9
Workers' compensation - Asbestos	0.9	0.5
Deferred income taxes	24.9	15.9
Deferred income taxes - Asbestos	18.6	23.0
Total current assets	691.0	866.4
Restricted cash and cash equivalents	2.5	3.5
Property, plant and equipment, net	658.9	674.7
Insurance receivable - Asbestos	209.4	208.6
Workers' compensation - Asbestos	60.7	83.4
Deferred income taxes	20.6	11.1
Deferred income taxes - Asbestos	434.1	421.5
Other assets	30.4	40.8
Total assets	<u>\$ 2,107.6</u>	<u>\$ 2,310.0</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 98.1	\$ 92.6
Current portion of long-term debt - Asbestos	-	30.9
Accrued payroll and employee benefits	44.0	45.4
Accrued product warranties	6.6	7.4
Income taxes payable	6.0	81.7
Asbestos liability	135.0	125.3
Workers' compensation - Asbestos	0.9	0.5
Other liabilities	26.7	19.3
Total current liabilities	317.3	403.1
Deferred income taxes	95.4	100.5
Accrued product warranties	20.5	19.6
Asbestos liability	1,558.7	1,537.3
Workers' compensation - Asbestos	60.7	83.4
Other liabilities	36.8	39.7
Total liabilities	<u>2,089.4</u>	<u>2,183.6</u>
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 441,644,484 shares issued at 31 March 2013 and 437,175,963 shares issued at 31 March 2012	227.3	224.0
Additional paid-in capital	101.1	67.6
Accumulated deficit	(357.6)	(214.6)
Accumulated other comprehensive income	47.4	49.4
Total shareholders' equity	<u>18.2</u>	<u>126.4</u>
Total liabilities and shareholders' equity	<u>\$ 2,107.6</u>	<u>\$ 2,310.0</u>

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

## James Hardie Industries plc

### Consolidated Statements of Operations and Comprehensive Income (Loss)

(Millions of US dollars, except per share data)	Years Ended 31 March		
	2013	2012	2011
Net sales	\$ 1,321.3	\$ 1,237.5	\$ 1,167.0
Cost of goods sold	(902.0)	(830.5)	(775.1)
Gross profit	419.3	407.0	391.9
Selling, general and administrative expenses	(218.6)	(191.0)	(173.4)
Research and development expenses	(37.2)	(30.4)	(28.0)
Asset impairments	(16.9)	(14.3)	-
Asbestos adjustments	(117.1)	(15.8)	(85.8)
Operating income	29.5	155.5	104.7
Interest expense	(5.5)	(11.2)	(9.0)
Interest income	7.9	3.8	4.6
Other income (expense)	1.8	3.0	(3.7)
Income before income taxes	33.7	151.1	96.6
Income tax benefit (expense)	11.8	453.2	(443.6)
Net income (loss)	\$ 45.5	\$ 604.3	\$ (347.0)
Net income (loss) per share			
Basic	\$ 0.10	\$ 1.39	\$ (0.80)
Diluted	\$ 0.10	\$ 1.38	\$ (0.80)
Weighted average common shares outstanding (Millions):			
Basic	439.2	436.2	435.6
Diluted	440.6	437.9	435.6
Comprehensive income (loss):			
Net income (loss)	\$ 45.5	\$ 604.3	\$ (347.0)
Pension and post-retirement benefit adjustments	-	-	1.3
Unrealised gain on investments	0.9	0.1	1.3
Currency translation adjustments	(2.9)	(5.9)	(6.6)
Comprehensive income (loss)	\$ 43.5	\$ 598.5	\$ (351.0)

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

## James Hardie Industries plc Consolidated Statements of Cash Flows

(Millions of US dollars)	Years Ended 31 March		
	2013	2012	2011
<b>Cash Flows From Operating Activities</b>			
Net income (loss)	\$ 45.5	\$ 604.3	\$ (347.0)
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation and amortisation	61.2	65.2	62.9
Deferred income taxes	(52.8)	11.3	(21.9)
Pension cost	-	-	1.3
Stock-based compensation	7.0	7.8	9.1
Asbestos adjustments	117.1	15.8	85.8
Asset impairments	16.9	14.3	-
Tax benefit from stock options exercised	(3.5)	-	(0.4)
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	224.7	(59.1)	63.3
Restricted short-term investments	(0.1)	(0.1)	9.7
Payment to AICF	(184.1)	(51.5)	(63.7)
Accounts and other receivables	(5.0)	2.2	24.9
Inventories	8.0	(26.7)	(8.1)
Prepaid expenses and other assets	8.8	19.2	6.3
Insurance receivable - Asbestos	36.8	25.0	22.9
Accounts payable and accrued liabilities	(46.0)	87.4	(7.7)
Asbestos liability	(127.6)	(106.3)	(97.8)
Deposit with Australian Taxation Office	-	-	254.3
Australian Taxation Office - amended assessment	-	(197.4)	190.4
Other accrued liabilities	2.4	(24.2)	(37.1)
<b>Net cash provided by operating activities</b>	<b>\$ 109.3</b>	<b>\$ 387.2</b>	<b>\$ 147.2</b>
<b>Cash Flows From Investing Activities</b>			
Purchases of property, plant and equipment	\$ (61.1)	\$ (35.8)	\$ (50.3)
Proceeds from sale of property, plant and equipment	1.4	0.3	0.7
Deposit on acquisition	-	(14.4)	-
<b>Net cash used in investing activities</b>	<b>\$ (59.7)</b>	<b>\$ (49.9)</b>	<b>\$ (49.6)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from long-term borrowings	330.0	160.0	460.0
Repayments of long-term borrowings	(330.0)	(219.0)	(555.0)
Proceeds from issuance of shares	26.3	11.0	4.9
Tax benefit from stock options exercised	3.5	-	0.4
Common stock repurchased and retired	-	(19.0)	-
Dividends paid	(188.5)	(17.4)	-
<b>Net cash used in financing activities</b>	<b>\$ (158.7)</b>	<b>\$ (84.4)</b>	<b>\$ (89.7)</b>
Effects of exchange rate changes on cash	\$ (2.6)	\$ (6.1)	\$ (8.5)
Net (decrease) increase in cash and cash equivalents	(111.7)	246.8	(0.6)
Cash and cash equivalents at beginning of period	265.4	18.6	19.2
<b>Cash and cash equivalents at end of period</b>	<b>\$ 153.7</b>	<b>\$ 265.4</b>	<b>\$ 18.6</b>
<b>Components of Cash and Cash Equivalents</b>			
Cash at bank and on hand	\$ 55.5	\$ 256.1	\$ 9.5
Short-term deposits	98.2	9.3	9.1
Cash and cash equivalents at end of period	<b>\$ 153.7</b>	<b>\$ 265.4</b>	<b>\$ 18.6</b>
<b>Supplemental Disclosure of Cash Flow Activities</b>			
Cash paid during the year for interest, net of amounts capitalised	\$ 0.1	\$ 11.2	\$ 9.1
Cash paid during the year for income taxes, net	\$ 83.3	\$ 29.5	\$ 38.7

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

**James Hardie Industries plc**  
**Consolidated Statements of Changes in Shareholders' Equity (Deficit)**

(Millions of US dollars)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total
<b>Balances as of 31 March 2010</b>	<b>\$ 221.1</b>	<b>\$ 39.5</b>	<b>\$ (437.7)</b>	<b>\$ -</b>	<b>\$ 59.2</b>	<b>\$ (117.9)</b>
Net loss	-	-	(347.0)	-	-	(347.0)
Other comprehensive loss	-	-	-	-	(4.0)	(4.0)
Stock-based compensation	0.7	8.4	-	-	-	9.1
Tax benefit from stock options exercised	-	0.4	-	-	-	0.4
Equity awards exercised	0.7	4.2	-	-	-	4.9
<b>Balances as of 31 March 2011</b>	<b>\$ 222.5</b>	<b>\$ 52.5</b>	<b>\$ (784.7)</b>	<b>\$ -</b>	<b>\$ 55.2</b>	<b>\$ (454.5)</b>
Net income	-	-	604.3	-	-	604.3
Other comprehensive loss	-	-	-	-	(5.8)	(5.8)
Stock-based compensation	2.0	5.8	-	-	-	7.8
Equity awards exercised	1.3	9.7	-	-	-	11.0
Dividends paid	-	-	(17.4)	-	-	(17.4)
Treasury stock purchased	-	-	-	(19.0)	-	(19.0)
Treasury stock retired	(1.8)	(0.4)	(16.8)	19.0	-	-
<b>Balances as of 31 March 2012</b>	<b>\$ 224.0</b>	<b>\$ 67.6</b>	<b>\$ (214.6)</b>	<b>\$ -</b>	<b>\$ 49.4</b>	<b>\$ 126.4</b>
Net income	-	-	45.5	-	-	45.5
Other comprehensive loss	-	-	-	-	(2.0)	(2.0)
Stock-based compensation	0.6	6.4	-	-	-	7.0
Tax benefit from stock options exercised	-	3.5	-	-	-	3.5
Equity awards exercised	2.7	23.6	-	-	-	26.3
Dividends paid	-	-	(188.5)	-	-	(188.5)
<b>Balances as of 31 March 2013</b>	<b>\$ 227.3</b>	<b>\$ 101.1</b>	<b>\$ (357.6)</b>	<b>\$ -</b>	<b>\$ 47.4</b>	<b>\$ 18.2</b>

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

## James Hardie Industries plc

### Notes to Consolidated Financial Statements

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#### 1. Background and Basis of Presentation

On 15 October 2012, the Company was transformed from an Irish SE to an Irish plc and now operates under the name of James Hardie Industries plc.

##### Nature of Operations

James Hardie Industries plc (formerly James Hardie Industries SE) 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.

##### Basis of Presentation

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

#### 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' equity (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 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.

The Company has recorded on its balance sheet certain assets and liabilities, including asbestos-related assets and liabilities under the terms of the AFFA, that are denominated in Australian dollars and subject to translation into US dollars at each reporting date.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

Unless otherwise noted, the exchange rates used to convert Australian dollar denominated amounts into US dollars in the consolidated financial statements are as follows:

(US\$1 = A\$)	2013	31 March 2012	2011
Assets and liabilities	<b>0.9597</b>	0.9614	0.9676
Statements of operations	<b>0.9694</b>	0.9573	1.0584
Cash flows - beginning cash	<b>0.9614</b>	0.9676	1.0919
Cash flows - ending cash	<b>0.9597</b>	0.9614	0.9676
Cash flows - current period movements	<b>0.9694</b>	0.9573	1.0584

#### Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents generally 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 40
Manufacturing machinery	10 to 20
General equipment	5 to 10
Computer equipment, software, and software development	3 to 7
Office furniture and equipment	3 to 10

#### 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.



## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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#### **Impairment of Long-Lived Assets**

Long-lived assets, such as property, plant and equipment, are evaluated each quarter for events or changes in circumstances that indicate that an asset might be impaired because the carrying amount of the asset may not be recoverable. These include, without limitation, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used, a current period operating or cash flow loss combined with a history of operating or cash flow losses, a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group and/or a current expectation that it is more likely than not that a long lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

When such indicators of potential impairment are identified, recoverability is tested by grouping long-lived assets that are used together and represent the lowest level for which cash flows are identifiable and distinct from the cash flows of other long-lived assets, which is typically at the production line or plant facility level, depending on the type of long-lived asset subject to an impairment review.

Recoverability is measured by a comparison of the carrying amount of the asset group to the estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount exceeds the estimated undiscounted future cash flows, an impairment charge is recognised at the amount by which the carrying amount exceeds the estimated fair value of the asset group.

The methodology used to estimate the fair value of the asset group is based on a discounted cash flow analysis that considers the asset group's highest and best use that would maximise the value of the asset group. In addition, the estimated fair value of an asset group also considers, to the extent practicable, a market participant's expectations and assumptions in estimating the fair value of the asset group. If the estimated fair value of the asset group is less than the carrying value, an impairment loss is recognised at an amount equal to the excess of the carrying value over the estimated fair value of the asset group.

The Company recorded asset impairment charges of US\$16.9 million, US\$14.3 million and nil during the years ended 31 March 2013, 2012 and 2011, respectively. Readers are referred to Note 7 for additional information.

#### **Environmental Remediation and Compliance Expenditures**

Environmental remediation and compliance 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.

## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (Continued)**

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Management reviews these rebates and discounts on an ongoing basis and the related accruals are adjusted, if necessary, as additional information becomes available.

A portion of our revenue is made through distributors under a consignment agreement whereby revenue is not recognised until the risks and obligations of ownership have been transferred to the consignee.

#### **Advertising**

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was US\$8.9 million, US\$8.6 million and US\$7.9 million during the years ended 31 March 2013, 2012 and 2011, 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. 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 that are not designated as hedges for accounting purposes are recognised in income. The Company does not use derivatives for trading purposes.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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#### Stock-based Compensation

Stock-based compensation expense represents the estimated fair value of equity-based and liability-classified awards granted to employees, adjusted for estimated forfeitures, and recognised as an expense over the vesting period. Stock-based compensation expense is included in the line item *Selling, general and administrative expenses* on the consolidated statements of operations and comprehensive income (loss).

Equity awards with vesting based solely on a service condition are typically subject to graded vesting, in that the awards vest 25% after the first year, 25% after the second year and 50% after the third year. For equity awards subject to graded vesting, the Company has elected to use the accelerated recognition method. Accordingly, each vesting tranche is valued separately, and the recognition of stock-based compensation expense is more heavily weighted earlier in the vesting period. Stock-based compensation expense for equity awards that are subject to performance or market vesting conditions are typically recognised ratably over the vesting period. The Company issues new shares to award recipients upon exercise of stock options or when the vesting condition for restricted stock units has been satisfied.

The Company estimates the fair value of stock options 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").

For restricted stock units subject to a service vesting condition, the fair value 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. For restricted stock units subject to a scorecard performance vesting condition, the fair value is adjusted for changes in JHI plc's common stock price at each balance sheet date until the end of the performance period. For restricted stock units subject to a market vesting condition, the fair value is estimated using the Monte Carlo method.

Compensation expense recognised for liability-classified awards are based on the fair market value of JHI plc's common stock on the date of grant and recorded as a liability. The liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date.

#### 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 stock options and RSUs, had been issued.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

Accordingly, basic and dilutive common shares outstanding used in determining net income (loss) per share are as follows:

(Millions of shares)	Years Ended 31 March		
	2013	2012	2011
Basic common shares outstanding	439.2	436.2	435.6
Dilutive effect of stock awards	1.4	1.7	-
Diluted common shares outstanding	440.6	437.9	435.6

(US dollars)	2013	2012	2011
Net income (loss) per share - basic	\$ 0.10	\$ 1.39	\$ (0.80)
Net income (loss) per share - diluted	\$ 0.10	\$ 1.38	\$ (0.80)

Potential common shares of 4.4 million, 11.1 million and 13.8 million for the years ended 31 March 2013, 2012 and 2011, 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, RSU's 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 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 Actuarial 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 AFFA entered into on 21 November 2006 to provide long-term funding to the 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, Amaba and ABN 60 (collectively, the "Former James Hardie Companies")) are found liable.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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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 AFFA in February 2007, shares in the Former James Hardie Companies were transferred to AICF, which 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 Company's shareholders approved a proposal pursuant to which the Company provides long-term funding to AICF. The Company owns 100% of the Performing Subsidiary that funds the AICF subject to the provisions of the AFFA. The Company appoints three of the AICF directors and the NSW Government appoints two of the AICF directors.

Under the terms of the AFFA, the Performing Subsidiary has an obligation to make payments to AICF on an annual basis. The amount of these annual payments is dependent on several factors, including the Company's free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the Annual Cash Flow Cap. JHI plc guarantees the Performing Subsidiary's obligation. As a result, the Company considers itself to be the primary beneficiary of AICF.

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

Although the Company has no legal ownership in AICF, for financial reporting purposes the Company consolidates AICF due to its pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA. The Company's consolidation of AICF results in a separate recognition of the asbestos liability and certain other asbestos-related assets and liabilities on its consolidated balance sheet. Among other items, the Company records a deferred tax asset for the anticipated future tax benefit the Company believes is available to it that arise from amounts contributed to AICF by the Performing Subsidiary. Since fiscal year 2007, movements in the asbestos liability arising from changes in foreign currency or actuarial adjustments are classified as asbestos adjustments and the income tax benefit arising from contributions to AICF is included within income tax benefit (expense) on the consolidated statements of operations and comprehensive income (loss) when realised.

For the year ended 31 March 2013, the Company did not provide financial or other support to AICF that it was not previously contractually required to provide. Future funding of AICF by the Company continues to be linked under the terms of the AFFA to the Company's long-term financial success, specifically the Company's ability to generate net operating cash flow.

AICF has operating costs that are claims related and non-claims related. Claims related costs incurred by 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 AICF are expensed as incurred in the line item *Selling, general and administrative expenses* in the consolidated statements of operations and comprehensive income (loss). 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 and comprehensive income (loss).

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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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 AFFA.

#### *Asbestos Adjustments*

Adjustments in insurance receivables due to changes in the Company's assessment of recoverability are reflected as asbestos adjustments on the consolidated statements of operations and comprehensive income (loss) during the period in which the adjustments occur.

#### *Asbestos-Related Assets and Liabilities*

The Company has recorded on its consolidated balance sheets certain assets and liabilities under the terms of the AFFA. 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:

#### Asbestos Liability

The amount of the asbestos liability reflects the terms of the AFFA, 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 AICF are reflected in the consolidated statements of operations and comprehensive income (loss) during the period in which they occur. Claims paid by AICF and claims-handling costs incurred by AICF are treated as reductions in the accrued balances previously reflected in the consolidated balance sheets.

#### Insurance Receivable

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.

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 and comprehensive income (loss) during the period in which they occur. Insurance recoveries are treated as a reduction in the insurance receivable balance.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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#### 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 and comprehensive income (loss) 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 and comprehensive income (loss).

#### 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 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 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 statements of operations and comprehensive income (loss).

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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#### AICF – Other Assets and Liabilities

Other assets and liabilities of 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 AICF.

#### Deferred Income Taxes

The Performing Subsidiary is able to claim a tax deduction for its contributions to AICF over a five-year period commencing in the year the contribution is incurred. Consequently, a deferred tax asset has been recognised equivalent to the anticipated tax benefit over the life of the AFFA. 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 and comprehensive income (loss).

#### **Recent Accounting Pronouncements**

In June 2011, the FASB issued ASU No. 2011-05, which requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after 15 December 2011. The adoption of this ASU did not result in a material impact on the Company's consolidated financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-12, which defers the implementation of only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. All other requirements in ASU No. 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous statement or in two separate but consecutive financial statements. The amendments in ASU No. 2011-12 are effective at the same time as the amendments in ASU No. 2011-05, being fiscal years, and interim periods within those years, beginning after 15 December 2011. The adoption of this ASU did not result in a material impact on the Company's consolidated financial position, results of operations or cash flows.



## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

In February 2013, the FASB issued ASU No. 2013-02, which requires the presentation of significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, either on the face of the statement where net income is presented or in the notes, but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under US GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under US GAAP that provide additional detail about those amounts. The amendments in ASU No. 2013-02 are effective for fiscal years and interim periods within those years, beginning after 15 December 2012. The adoption of this ASU is not expected to result in a material impact on the Company's 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	
	2013	2012
Cash at bank and on hand	\$ 55.5	\$ 256.1
Short-term deposits	98.2	9.3
Total cash and cash equivalents	<u>\$ 153.7</u>	<u>\$ 265.4</u>

#### 4. Restricted Cash and Cash Equivalents

Included in restricted cash and cash equivalents is US\$5.0 million and US\$5.2 million related to an insurance policy at 31 March 2013 and 2012, respectively, which restricts the cash from use for general corporate purposes.

Restricted cash and cash equivalents at 31 March 2012 reflects US\$138.7 million related to the Company's early contribution to AICF as a result of the favourable outcome of RCI's appeal of the ATO 1999 disputed amended tax assessment. This amount was contributed to AICF on 2 April 2012.

#### 5. Accounts and Other Receivables

Accounts and other receivables consist of the following components:

(Millions of US dollars)	31 March	
	2013	2012
Trade receivables	\$ 128.5	\$ 123.3
Other receivables and advances	17.0	16.7
Allowance for doubtful accounts	(2.1)	(2.3)
Total accounts and other receivables	<u>\$ 143.4</u>	<u>\$ 137.7</u>

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

The collectibility 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 uncollectibility based on insolvency, disputes or other collection issues.

The following are changes in the allowance for doubtful accounts:

(Millions of US dollars)	31 March	
	2013	2012
Balance at beginning of period	\$ 2.3	\$ 2.7
Charged to expense	1.0	-
Recoveries	(1.2)	(0.4)
Balance at end of period	<u>\$ 2.1</u>	<u>\$ 2.3</u>

#### 6. Inventories

Inventories consist of the following components:

(Millions of US dollars)	31 March	
	2013	2012
Finished goods	\$ 115.8	\$ 117.9
Work-in-process	7.6	9.0
Raw materials and supplies	55.1	58.2
Provision for obsolete finished goods and raw materials	(6.4)	(5.3)
Total inventories	<u>\$ 172.1</u>	<u>\$ 179.8</u>

As of 31 March 2013 and 2012, US\$19.2 million and US\$12.5 million, respectively, of our finished goods inventory balance was held at third-party consignment locations.

**James Hardie Industries plc**  
**Notes to Consolidated Financial Statements (Continued)**

**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 <sup>1</sup>	Total
<b>Cost or valuation:</b>					
At 31 March 2011	\$ 18.3	\$ 210.4	\$ 981.2	\$ 43.2	\$ 1,253.1
Additions	-	-	28.6	7.2	35.8
Disposals	-	-	(2.9)	-	(2.9)
Impairment	-	-	(26.0)	-	(26.0)
Exchange differences	-	0.1	4.0	-	4.1
Other	-	-	-	0.5	0.5
At 31 March 2012	\$ 18.3	\$ 210.5	\$ 984.9	\$ 50.9	\$ 1,264.6
Additions	0.2	3.0	47.7	10.2	61.1
Disposals	-	-	(7.3)	-	(7.3)
Impairment	-	(3.5)	(33.6)	-	(37.1)
Exchange differences	-	0.2	3.0	-	3.2
At 31 March 2013	\$ 18.5	\$ 210.2	\$ 994.7	\$ 61.1	\$ 1,284.5
<b>Accumulated depreciation:</b>					
At 31 March 2011	\$ -	\$ (67.3)	\$ (469.4)	\$ -	\$ (536.7)
Charge for the year	-	(8.8)	(56.4)	-	(65.2)
Disposals	-	-	2.6	-	2.6
Impairment	-	-	11.7	-	11.7
Exchange differences	-	(0.1)	(2.2)	-	(2.3)
At 31 March 2012	\$ -	\$ (76.2)	\$ (513.7)	\$ -	\$ (589.9)
Charge for the year	-	(8.8)	(51.2)	-	(60.0)
Disposals	-	-	6.5	-	6.5
Impairment	-	-	20.2	-	20.2
Exchange differences	-	(0.2)	(1.6)	-	(1.8)
Other	-	-	(0.6)	-	(0.6)
At 31 March 2013	\$ -	\$ (85.2)	\$ (540.4)	\$ -	\$ (625.6)
<b>Net book amount:</b>					
At 31 March 2012	\$ 18.3	\$ 134.3	\$ 471.2	\$ 50.9	\$ 674.7
At 31 March 2013	\$ 18.5	\$ 125.0	\$ 454.3	\$ 61.1	\$ 658.9

<sup>1</sup> Construction in progress consists of plant expansions and upgrades.

Depreciation expense for the years ended 31 March 2013 and 2012 was US\$60.0 million and US\$65.2 million, respectively. Included in property, plant and equipment are restricted assets of AICF with a net book value of US\$2.1 million and US\$2.3 million as of 31 March 2013 and 2012, respectively.

**Impairment of Long-Lived Assets**

The Company performs an asset impairment review on a quarterly basis in connection with its assessment of production capabilities and the Company's ability to meet market demand.

During the year ended 31 March 2013, the Company recorded asset impairment charges of US\$16.9 million in the USA and Europe Fibre Cement segment. During the fourth quarter, the Company made the decision that it would not re-open its Blandon, Pennsylvania plant. As a result the Company recorded impairment charges of US\$4.4 million for buildings, land and manufacturing equipment at the Blandon plant during the fourth quarter. The remaining impairment charges of US\$12.5 million included US\$2.8 million related to redundant equipment that is no longer utilised to manufacture products and

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

US\$9.7 million related to manufacturing equipment that is in the process of being replaced by plant and equipment with enhanced capability in order to expand production capacity in anticipation of the continued recovery in the US housing market. The estimated fair value for the impaired property, plant and equipment was based on a discounted cash flow analysis that considered, to the extent practicable, a market participant's expectations and assumptions and the impaired assets' highest and best use.

During the year ended 31 March 2012, the Company recorded an asset impairment charge of US\$14.3 million related to machinery and equipment no longer in service that was utilised to produce materials for certain of the Company's products. The asset impairment charge was recorded in the USA and Europe Fibre Cement segment. The impaired assets were reduced to a net book value of nil, which was the estimated fair value based on a discounted cash flow analysis that considered, to the extent practicable, a market participant's expectations and assumptions and the impaired assets' highest and best use.

#### 8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following components:

(Millions of US dollars)	31 March	
	2013	2012
Trade creditors	\$ 69.6	\$ 67.3
Other creditors and accruals	28.5	25.3
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 98.1</b>	<b>\$ 92.6</b>

#### 9. Long-Term Debt

At 31 March 2013, the Company's credit facilities consisted of:

Description (US\$ millions)	Effective Interest Rate	Total Facility	Principal Drawn
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	\$ -
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until March 2016	-	50.0	-
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2016	-	190.0	-
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until March 2017	-	40.0	-
Term facilities, can be drawn in US\$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until April 2017	-	75.0	-
<b>Total</b>		<b>\$ 405.0</b>	<b>\$ -</b>

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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The Company replaced term facilities of US\$230.0 million, which matured in February and March 2013, with new facilities totaling US\$355.0 million; US\$50.0 million of these facilities mature in March 2016, US\$190.0 million mature in April 2016, US\$40.0 million mature in March 2017 and US\$75.0 million mature in April 2017, as noted in the table above.

At 31 March 2013, no amounts were drawn under the combined facilities. The weighted average interest rate on the Company's total outstanding debt was nil at 31 March 2013 and 2012, respectively, and the weighted average term of all debt facilities is 3.1 years at 31 March 2013. The weighted average fixed interest rate on the Company's interest rate swap contracts is set forth in Note 12.

The Company draws down and repays amounts available under its term facilities throughout the financial year. During the year ended 31 March 2013, the Company drew down and repaid US\$330.0 million under the Company's 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\$ LIBOR plus the margins of individual lenders and is payable at the end of each draw-down period.

At 31 March 2013, 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) must not exceed a maximum of net debt to earnings before interest, tax, depreciation and amortisation, excluding all income, expense and other profit and loss statement impacts of AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited and excluding assets, liabilities and other balance sheet items of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) 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 AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, and (iii) must ensure that no more than 35% of Free Cash Flow (as defined in the AFFA), in any given financial year ("Annual Cash Flow Cap") is contributed to AICF on the payment dates under the AFFA in the next following financial year. The Annual Cash Flow Cap does not apply to payments of interest, if any, to AICF and is consistent with contractual obligations of the Performing Subsidiary and the Company under the AFFA.

#### 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

The following are the changes in the product warranty provision:

(Millions of US dollars)	Years Ended 31 March		
	2013	2012	2011
Balance at beginning of period	\$ 27.0	\$ 26.2	\$ 24.9
Accruals for product warranties	12.1	13.1	9.1
Settlements made in cash or in kind	(12.0)	(12.3)	(7.8)
Balance at end of period	<u>\$ 27.1</u>	<u>\$ 27.0</u>	<u>\$ 26.2</u>

#### 11. Asbestos

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

##### *Asbestos Adjustments*

The asbestos adjustments included in the consolidated statements of operations and comprehensive income (loss) comprise the following:

(Millions of US dollars)	Years Ended 31 March		
	2013	2012	2011
Change in estimates:			
Change in actuarial estimate - asbestos liability	\$ (163.0)	\$ (67.8)	\$ 9.8
Change in actuarial estimate - insurance receivable	27.9	49.8	(0.5)
Change in estimate - AICF claims-handling costs	5.9	8.4	12.2
Subtotal - Change in estimates	(129.2)	(9.6)	21.5
Write-back of insurance receivables	11.9	-	-
Gain (Loss) on foreign currency exchange	0.2	(6.2)	(107.3)
<b>Total Asbestos Adjustments</b>	<u>\$ (117.1)</u>	<u>\$ (15.8)</u>	<u>\$ (85.8)</u>

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

#### Asbestos-Related Assets and Liabilities

The Company has included on its consolidated balance sheets certain asbestos-related assets and liabilities under the terms of the AFFA. 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 AFFA Liability."

(Millions of US dollars)	31 March	
	2013	2012
Asbestos liability – current	\$ (135.0)	\$ (125.3)
Asbestos liability – non-current	(1,558.7)	(1,537.3)
Asbestos liability – Total	(1,693.7)	(1,662.6)
Insurance receivable – current	22.2	19.9
Insurance receivable – non-current	209.4	208.6
Insurance receivable – Total	231.6	228.5
Workers' compensation asset – current	0.9	0.5
Workers' compensation asset – non-current	60.7	83.4
Workers' compensation liability – current	(0.9)	(0.5)
Workers' compensation liability – non-current	(60.7)	(83.4)
Workers' compensation – Total	-	-
Loan facility	-	(30.9)
Other net liabilities	(1.6)	(2.3)
Restricted cash and cash equivalents and restricted short-term investment assets of the AICF	133.5	65.0
<b>Net AFFA liability</b>	<b>\$ (1,330.2)</b>	<b>\$ (1,402.3)</b>
Deferred income taxes – current	18.6	23.0
Deferred income taxes – non-current	434.1	421.5
Deferred income taxes – Total	452.7	444.5
Income tax payable	25.9	18.5
<b>Net Unfunded AFFA liability, net of tax</b>	<b>\$ (851.6)</b>	<b>\$ (939.3)</b>

On 2 April 2012, in accordance with arrangements agreed with the NSW Government and AICF, the Company contributed US\$138.7 million (A\$132.3 million) to AICF. A further contribution of US\$45.4 million (A\$45.2 million) was contributed on 2 July 2012, in accordance with the terms of the AFFA. Total contributions for the year ended 31 March 2013 were US\$184.1 million (A\$177.5 million).

Restricted cash and cash equivalents at 31 March 2012 reflected the early contribution to AICF of US\$138.7 million (A\$132.3 million). The determination of any contribution to AICF in respect of the year ended 31 March 2013 will reverse the effect of the increase in the Company's free cash flow resulting from the movement in restricted cash and cash equivalents to 31 March 2013 related to the early contribution. The Company's adjusted free cash flow for these purposes is net cash used by operating activities for the year ended 31 March 2013 of US\$29.4 million (A\$28.2 million). In accordance with the terms of the AFFA, and the arrangements agreed with the NSW Government and AICF for an early

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

contribution based on the Company's free cash flow for the year ended 31 March 2012, the Company does not anticipate making a contribution to AICF in respect of the year ended 31 March 2013.

#### Asbestos Liability

The amount of the asbestos liability reflects the terms of the AFFA, 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 AICF. The Company receives an updated actuarial estimate as of 31 March each year. The most recent actuarial assessment was performed as of 31 March 2013.

The changes in the asbestos liability for the year ended 31 March 2013 are detailed in the table below:

(Millions of US dollars)	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Asbestos liability – 31 March 2012	A\$(1,598.4)	0.9614	\$ (1,662.6)
Asbestos claims paid <sup>1</sup>	121.3	0.9694	125.1
AICF claims-handling costs incurred <sup>1</sup>	2.4	0.9694	2.5
Change in actuarial estimate <sup>2</sup>	(156.4)	0.9597	(163.0)
Change in estimate of AICF claims-handling costs <sup>2</sup>	5.7	0.9597	5.9
Loss on foreign currency exchange			(1.6)
<b>Asbestos liability – 31 March 2013</b>	<b>A\$(1,625.4)</b>	0.9597	<b>\$ (1,693.7)</b>

#### Insurance Receivable – Asbestos

The changes in the insurance receivable for the year ended 31 March 2013 are detailed in the table below:

(Millions of US dollars)	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Insurance receivable – 31 March 2012	A\$219.7	0.9614	\$ 228.5
Insurance recoveries <sup>1</sup>	(35.7)	0.9694	(36.8)
Write-back of insurance receivable <sup>3</sup>	11.5	0.9717	11.9
Change in actuarial estimate <sup>2</sup>	26.8	0.9597	27.9
Gain on foreign currency exchange			0.1
<b>Insurance receivable – 31 March 2013</b>	<b>A\$222.3</b>	0.9597	<b>\$ 231.6</b>

Included in insurance receivable is US\$6.0 million recorded on a discounted basis because the timing of the recoveries has been agreed with the insurer.



## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

#### Deferred Income Taxes – Asbestos

The changes in the deferred income taxes—asbestos for the year ended 31 March 2013 are detailed in the table below:

(Millions of US dollars)	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Deferred tax assets – 31 March 2012	A\$ 427.3	0.9614	\$ 444.5
Amounts offset against income tax payable <sup>1</sup>	(24.8)	0.9694	(25.6)
AICF earnings <sup>1</sup>	31.9	0.9694	32.9
Gain on foreign currency exchange			0.9
<b>Deferred tax assets – 31 March 2013</b>	<b>A\$ 434.4</b>	<b>0.9597</b>	<b>\$ 452.7</b>

<sup>1</sup> 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.

<sup>2</sup> The spot exchange rate at 31 March 2013 is used to convert the Australian dollar amount to US dollars as the adjustment was made on that date.

<sup>3</sup> The weighted average spot exchange rates on the dates the transactions occurred are used to convert the Australian dollar amounts to US dollars as the adjustments were made on those dates.

#### Income Taxes Payable

A portion of the deferred income tax asset is applied against the Company's income tax payable. At 31 March 2013 and 2012, this amount was US\$25.6 million and US\$23.1 million, respectively. During the year ended 31 March 2013, there was a US\$0.7 million unfavourable effect of foreign currency exchange.

#### Other Net Assets (Liabilities)

Other net assets (liabilities) include a provision for asbestos-related education and medical research contributions of US\$1.9 million and US\$2.3 million at 31 March 2013 and 2012, respectively.

Also included in other net assets (liabilities) are the other assets and liabilities of AICF including trade receivables, prepayments, fixed assets, trade payables and accruals. These other assets and liabilities of AICF were a net asset of US\$0.3 million and nil at 31 March 2013 and 2012, respectively. During the year ended 31 March 2013, there was nil effect of foreign currency exchange on these other assets and liabilities.

#### Restricted Cash and Short-term Investments of AICF

Cash and cash equivalents and short-term investments of 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 AICF.

In June 2012, AICF invested US\$106.5 million (A\$105.0 million) of its excess cash in time deposits at a fixed interest rate of 5.1% and a six month maturity. In December 2012, these time deposits matured and are reflected as *Restricted cash and cash equivalents – Asbestos* on the consolidated balance sheet as of 31 March 2013.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

At 31 March 2013, the Company revalued AICF's short-term investments available-for-sale resulting in a positive mark-to-market fair value adjustment of US\$0.9 million. This appreciation in the fair value of investments is recorded in *Other Comprehensive Income*.

The changes in restricted cash and short-term investments of AICF for the year ended 31 March 2013 are set forth 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 2012	A\$ 62.5	0.9614	\$ 65.0
Asbestos claims paid <sup>1</sup>	(121.3)	0.9694	(125.1)
Payments received in accordance with AFFA <sup>2</sup>	177.5	0.9641	184.1
AICF operating costs paid – claims-handling <sup>1</sup>	(2.4)	0.9694	(2.5)
AICF operating costs paid – non claims-handling <sup>1</sup>	(1.6)	0.9694	(1.7)
Insurance recoveries <sup>1</sup>	35.7	0.9694	36.8
Interest and investment income <sup>1</sup>	6.8	0.9694	7.0
Unrealised gain on investments <sup>1</sup>	0.9	0.9694	0.9
NSW loan repayment <sup>2</sup>	(29.7)	0.9901	(30.0)
Other <sup>1</sup>	(0.3)	0.9694	(0.3)
Loss on foreign currency exchange			(0.7)
<b>Restricted cash and cash equivalents and restricted short-term investments – 31 March 2013</b>	<b>A\$ 128.1</b>	<b>0.9597</b>	<b>\$ 133.5</b>

<sup>1</sup> 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.

<sup>2</sup> The spot exchange rates on the date the transactions occurred are used to convert the Australian dollar amounts to US dollars.

#### Actuarial Study; Claims Estimate

AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2013. 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\$1.7 billion (US\$1.8 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\$2.5 billion (US\$2.6 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 2013 and to adjust for payments made to claimants during the year then ended.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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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 2013, KPMG Actuarial's undiscounted (but inflated) central estimate of asbestos-related liabilities was A\$2.5 billion (US\$2.6 billion). This undiscounted (but inflated) central estimate is net of expected insurance recoveries of A\$342.9 million (US\$357.3 million) after making a general credit risk allowance for insurance carriers for A\$27.4 million (US\$28.6 million) and an allowance for A\$52.7 million (US\$54.9 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\$1.1 billion (US\$1.1 billion) to A\$2.6 billion (US\$2.7 billion). The undiscounted (but inflated) estimates could be in a range of A\$1.6 billion (US\$1.7 billion) to A\$4.2 billion (US\$4.4 billion) as of 31 March 2013. The actual cost of the liabilities could be outside of that range depending on the results of actual experience relative to the assumptions made.

During the 2013 financial year, mesothelioma claims reporting activity has been above actuarial expectations for the first time since the 2009 financial year. One of the critical assumptions is the estimated peak year of mesothelioma disease claims, which was targeted for 2010/2011. Potential variation in this estimate has an impact much greater than the other assumptions used to derive the discounted central estimate. For example, if the peak year occurs five years later, in 2015/2016, the discounted central estimate could increase by approximately 45%.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

#### Claims Data

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				
	2013	2012	2011	2010	2009
Number of open claims at beginning of period	592	564	529	534	523
Number of new claims	542	456	494	535	607
Number of closed claims <sup>1</sup>	672	428	459	540	596
Number of open claims at end of period	462	592	564	529	534
Average settlement amount per settled claim	A\$ 231,313	A\$ 218,610	A\$ 204,366	A\$ 190,627	A\$ 190,638
Average settlement amount per case closed	A\$ 200,561	A\$ 198,179	A\$ 173,199	A\$ 171,917	A\$ 168,248
Average settlement amount per settled claim	US\$ 238,615	US\$ 228,361	US\$ 193,090	US\$ 162,250	US\$ 151,300
Average settlement amount per case closed	US\$ 206,892	US\$ 207,019	US\$ 163,642	US\$ 146,325	US\$ 133,530

<sup>1</sup> Included in the number of closed claims of 672 for the year ended 31 March 2013 are 153 claims primarily settled at nil settlement amounts that had been closed in prior years but not reflected as such in the year in which they were closed. Accordingly these 153 claims have been included in claims activity during the year ended 31 March 2013 to appropriately reflect the actual number of open claims at 31 March 2013. These 153 additional claims that were closed in prior years have been excluded for the purposes of determining the average settlement amount in both US and Australian dollars, as reflected in the table above, for the year ended 31 March 2013. As these 153 claims were closed in prior years, the actual number of closed claims during the year ended 31 March 2013 was 519 claims.

Under the terms of the AFFA, the Company has rights of access to actuarial information produced for AICF by the actuary appointed by AICF (the "Approved Actuary"). The Company's disclosures with respect to claims statistics are subject to it obtaining such information from the Approved Actuary. The AFFA does not provide the Company an express right to audit or otherwise require independent verification of such information or the methodologies to be adopted by the Approved Actuary. As such, the Company relies on the accuracy and completeness of the information and analysis of the Approved Actuary when making disclosures with respect to claims statistics.

#### AICF – NSW Government Secured Loan Facility

On 9 December 2010, AICF, Amaca, Amaba and ABN 60 (together, the "Obligors") entered into the 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\$333.4 million, based on the exchange rate at 31 March 2013).

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 2013, the discounted value of insurance policies was A\$216.3 million (US\$225.4 million, based on the exchange rate at 31 March 2013).

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 the Obligors. The amount

## James Hardie Industries plc Notes to Consolidated Financial Statements (Continued)

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available to be drawn is subject to periodic review by the 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. 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 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 AICF and 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 AICF and contractual rights under certain documents including the AFFA. 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 AFFA, 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 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 AFFA, 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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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.

On 17 February 2012, AICF made an initial drawing of A\$29.7 million (being US\$32.0 million translated at the prevailing spot exchange rate on 17 February 2012) under the Facility. On 3 April 2012, all amounts outstanding under the Facility were fully repaid.

Because the Company consolidates AICF due to the Company's pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA, any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company's consolidated financial position, results of operations and cash flows.

Any drawings, repayments, or payments of accrued interest under the Facility by AICF do not impact the Company's free cash flow, as defined in the AFFA, on which annual contributions remitted by the Company to AICF are based. James Hardie Industries plc 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.

At 31 March 2013, 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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*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 held and managed by AICF and are recorded in the financial statements at fair value. The fair value of restricted short-term investments is based on inputs that are observable in the market or can be derived principally from or corroborated by observable market data such as pricing for similar securities, recently executed transactions, cash flow models with yield curves and benchmark securities. Accordingly, restricted short-term investments are categorised as Level 2. Changes in fair value are recorded as other comprehensive income and included as a component in shareholders' equity.

*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. As of 31 March 2013, no debt was outstanding under the Company's existing credit facilities.

*Interest Rate Swaps* – The Company may from time to time enter into interest rate swap contracts to protect against upward movements in US\$ LIBOR and the associated interest the Company pays on its external credit facilities. Interest rate swaps are recorded in the financial statements at fair value. Changes in fair value are recorded in the consolidated statements of operations and comprehensive income (loss) in *Other Income (Expense)*. At 31 March 2013 and 2012, the Company had interest rate swap contracts with a total notional principal of US\$25.0 million and US\$100.0 million, respectively. For all of these interest rate swap contracts, the Company has agreed to pay fixed interest rates while receiving a floating interest rate.

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 2013, the weighted average fixed interest rate of these contracts is 2.7% and the weighted average remaining life is 2.0 years. These contracts have a fair value of US\$1.3 million, which is included in *Accounts Payable*. For the years ended 31 March 2013 and 2012, the Company included in *Other Income (Expense)* an unrealised gain of US\$1.8 million and US\$3.0 million, respectively, on interest rate swap contracts. Included in interest expense is a realised loss on settlements of interest rate swap contracts of US\$2.1 million and US\$7.5 million for the years ended 31 March 2013 and 2012, respectively.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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 2013 according to the valuation techniques the Company used to determine their fair values.

(Millions of US dollars)	Fair Value at 31 March 2013	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 153.7	\$ 153.7	\$ -	\$ -
Restricted cash and cash equivalents	131.4	131.4	-	-
Restricted short-term investments	7.1	-	7.1	-
<b>Total Assets</b>	<b>\$ 292.2</b>	<b>\$ 285.1</b>	<b>\$ 7.1</b>	<b>\$ -</b>
<b>Liabilities</b>				
Interest rate swap contracts included in Accounts Payable	1.3	-	1.3	-
<b>Total Liabilities</b>	<b>\$ 1.3</b>	<b>\$ -</b>	<b>\$ 1.3</b>	<b>\$ -</b>

### 13. Commitments and Contingencies

The Company is involved from time to time in various legal proceedings and administrative actions related to the normal conduct of its business, including general liability claims, putative class action lawsuits and 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, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows, except as they relate to asbestos, New Zealand product liability claims and income taxes as described in these financial statements.

#### ASIC Proceedings

In February 2007, 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.

On 23 April 2009, the Supreme Court issued judgment against the Company and the ten former officers and directors of the Company.

The Company and nine of the former directors and officers lodged appeals against the Supreme Court'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.



## **James Hardie Industries plc**

### **Notes to Consolidated Financial Statements (Continued)**

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On 30 September 2010, the Company entered into agreements with third parties and subsequently received payment of US\$10.3 million relating to the costs of the ASIC proceedings for certain former officers. These recoveries were reflected as a reduction to selling, general and administrative expenses for the year ended 31 March 2011.

On 17 December 2010, the New South Wales Court of Appeal dismissed the Company's appeal against the Supreme Court's judgment and ASIC's cross appeal and ordered that the Company pay 90% of the costs incurred by ASIC in respect of the Company's appeal. The Court of Appeal also allowed the appeals brought by the non-executive directors, but dismissed ASIC's related cross-appeals, and ordered ASIC to pay the non-executive directors costs of the proceedings and the appeals. The Court of Appeal allowed the appeals and cross appeals in respect of certain former officers in part and reserved certain matters for further submissions. On 6 May 2011, the Court of Appeal rendered judgment in the exoneration, penalty and cost matters for certain former officers in which it varied certain orders made at first instance and ordered that there be no order as to the costs of the appeals of the certain former officers and ASIC's related cross-appeals.

ASIC subsequently filed applications for special leave to the High Court appealing from the Court of Appeal judgment in favour of the former directors' and former officers' appeals. Two former officers also filed special leave applications to the High Court. The Company did not file an application for special leave to the High Court. The High Court granted ASIC's application for special leave on 13 May 2011. The High Court also granted the special leave application for one of the former officers, with the other former officer withdrawing his application. Appeals brought by ASIC and the Company's former non-executive directors and former officer were heard by the High Court over three days commencing 25 October 2011.

On 3 May 2012, the High Court upheld ASIC's appeal with costs and overturned the Court of Appeal's decision in favour of the former non-executive directors and dismissed the former officer's appeal against the Court of Appeal's decision. The High Court did not render judgment on claims by the non-executive directors and former officer to be excused from liability, penalty and disqualification and on certain questions concerning costs and, instead, remitted these matters back to the Court of Appeal for further consideration.

The Court of Appeal heard submissions on the matters remitted by the High Court over a three-day period commencing 20 August 2012. The Court of Appeal delivered its judgment on 12 November 2012. In respect of five of the former non-executive directors, the Court of Appeal ordered that they each pay a penalty of A\$25,000 and in respect of two of the former non-executive directors, the Court of Appeal ordered that they each pay a penalty of A\$20,000. The Court of Appeal also imposed banning orders on each of the non-executive directors, which restrict them from serving as a director for various lengths of time, the longest of which is through 30 April 2013. The Court of Appeal ordered that the former officer pay a penalty of A\$75,000 plus interest and be banned from acting as a director for a period of seven years commencing on 27 August 2009. The Court of Appeal made costs orders against the former non-executive directors and former officer in respect of some of ASIC's costs incurred in the various Court of Appeal proceedings. The parties made further submissions to the Court of Appeal in respect of the remaining costs issues.

The amount of ASIC's costs that the Company is required to pay as a result of costs orders made in these proceedings (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 and those which may be

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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payable by the Company under indemnities) is contingent on a number of factors. These include, without limitation, whether the costs incurred by ASIC on issues in respect of which costs orders are made are reasonable having regard to the issues pursued in the case by ASIC, the number of legal practitioners involved in such legal work and their applicable fee rates. In addition, the amount of costs is contingent on the associated legal work undertaken specifically in respect of those issues for which ASIC is awarded costs (since ASIC is not entitled to certain costs including but not limited to costs of a previous claim and related order against the Company that was withdrawn by ASIC in September 2008, the overlapping claims against other parties in the first instance or appeal proceedings for which the Company is not liable or in respect of which costs orders are not made or the successful interlocutory appeal by the Company against ASIC during the course of the first instance hearing).

In April 2013, ASIC commenced without prejudice discussions with the Company, former non-executive directors and former officer in relation to the amount of costs payable to ASIC under certain of the various costs orders made to date in these proceedings. A decision from the Court of Appeal on the outstanding costs issues in dispute between ASIC and the former non-executive directors and former officer is awaited. In respect of the costs payable by the Company under orders made against the Company and under indemnities, the Company has recorded a provision of US\$2.0 million as of 31 March 2013. The Company notes that other recoveries may be available, including as a result of repayments by former directors in accordance with the terms of their indemnity agreements. Losses and expenses in future periods from these proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Throughout the proceedings, the Company has paid a proportion of the costs of the former non-executive directors and the former executive, with the remaining costs being met by third parties. It is the Company's policy to expense legal costs as incurred.

#### *New Zealand Product Liability*

Since fiscal year 2002, the Company's New Zealand subsidiaries have been and continue to be joined in a number of product liability claims in New Zealand that relate to residential buildings (single dwellings and apartment complexes) and a small number of non-residential buildings, primarily constructed from 1998 to 2004. The product liability claims often involve multiple parties and allege that losses were incurred due to excessive moisture penetration of the buildings' structures. The claims typically include allegations of poor building design, inadequate certification of plans, inadequate construction review and compliance certification and deficient work by sub-contractors.

The Company recognises a liability for both asserted and unasserted New Zealand product liability claims in the period in which the loss becomes probable and estimable. The amount of reasonably possible loss is dependent on a number of factors including, without limitation, the specific facts and circumstances unique to each claim brought against the Company's New Zealand subsidiaries, the existence of any co-defendants involved in defending the claim, the solvency of such co-defendants (including the ability of such co-defendants to remain solvent until the related claim is ultimately resolved), the availability of claimant compensation under a Government compensation scheme, the amount of loss estimated to be allocable to the Company's New Zealand subsidiaries in instances that involve co-defendants in defending the claim and the extent to which the Company's New Zealand subsidiaries have access to third-party recoveries to cover a portion of the costs incurred in defending and resolving such actions. In addition to the above limitations, the total loss incurred is also dependent on the manner and extent to which the statute of limitations will apply in future periods.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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Historically, the Company's New Zealand subsidiaries have been joined to these product liability claims as one of several co-defendants, including local government entities responsible for enforcing building codes and practices, resulting in the Company's New Zealand subsidiaries becoming liable for only a portion of each claim. In addition, the Company's New Zealand subsidiaries have had access to third-party recoveries to defray a significant portion of the costs incurred in resolving such claims.

The Company has made a provision for asserted and unasserted New Zealand product liability claims within *Other Current* and *Other Non-Current Liabilities*, with a corresponding estimated receivable for third-party recoveries being recognised within Accounts and *Other Receivables* at 31 March 2013. The amount of provision for product liability claims in New Zealand, net of estimated third-party recoveries, is US\$15.2 million at 31 March 2013. During the year ended 31 March 2013, the Company's New Zealand subsidiaries recognised US\$13.2 million in expenses related to the legacy New Zealand product liability claims.

The estimated loss incorporates assumptions that are subject to the foregoing uncertainties and are principally derived from, but not exclusively based on, historical claims experience. If the nature and extent of claims in future periods differ from the historical claims experience, then the actual amount of loss may be materially higher or lower than estimated losses accrued at 31 March 2013. For example, despite having resolved a number of legacy product liability claims in New Zealand since 2002, the Company's New Zealand subsidiaries are becoming exposed to increased losses for a greater proportion of these claims due to the insolvency of co-defendants and the expiration of some of the Company's New Zealand subsidiaries rights of third-party recoveries. Accordingly, due to the inherent uncertainties associated with estimating the amount of loss incurred for asserted and unasserted claims, as discussed above, and based on information presently available, the Company believes it is possible that the ultimate resolution of these legacy claims could result in an additional loss of up to approximately US\$10 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2013. Accordingly, losses incurred in connection with defending and resolving asserted and unasserted New Zealand product liability claims in the future could have a material adverse effect on the Company's financial position, liquidity, results of operations and cash flows.

#### *New Zealand Ministry of Education*

On 16 April 2013, the New Zealand Ministry of Education and other related plaintiffs initiated a 'representative action' in the New Zealand High Court against several building materials manufacturers, including two of the Company's New Zealand subsidiaries, in relation to several thousand New Zealand school buildings. The New Zealand Ministry of Education and other plaintiffs are alleging that the cladding systems used on school buildings were defective and prone to failure, and are asserting negligent conduct, negligent misstatement and breach of the New Zealand Consumer Guarantees Act 1993 and Fair Trading Act 1986. The claim seeks an unspecified and unquantified amount of damages in relation to alleged repair costs.

Two property surveying businesses were commissioned by the Ministry of Education to conduct visual inspections of school buildings to assess the potential exposure to damage arising from moisture ingress. The results of these surveys, completed on 12 April 2010 and in April 2012, indicated the Ministry of Education's national exposure to weathertightness risk to be approximately NZ\$1.5 billion. This amount was derived by conducting visual surveys to form a high-level review of potential risk of damage due to moisture ingress, but did not employ the use of destructive testing or internal inspections. The amount of exposure to potential damage due to weathertightness risk identified in

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

these reports may not represent damage actually incurred nor correspond with the amount of loss ultimately asserted by the Ministry of Education in the claim. In addition, the estimated remedial costs set forth in these reports are subject to inherent limitations in quantifying weathertightness risk based on limited information, as outlined in each report.

The reports having been commissioned by the Ministry of Education, the Company is unable to adequately scrutinise the reasonableness of the data inputs used or the manner in which inherent uncertainties were overcome in deriving the amount of weathertightness risk exposure. The actual amount of damage could be materially higher or lower than the amount noted by each surveyor, and may not be indicative of the actual amount of loss ultimately asserted by the Ministry of Education in the future for the purposes of the claim.

The amount of loss the Company may be liable to pay, if any, is dependent on a wide range of factors, which include, without limitation, the legal and technical merits of the claim, the amount of damages asserted by the New Zealand Ministry of Education and the other plaintiffs, the proportion of the claim specifically allocable to the Company's New Zealand subsidiaries and the extent to which statutory limitation periods (to which the claim is highly sensitive) will apply. Losses and expenses arising from defending and resolving this claim may have a material adverse effect on the Company's financial position, results of operations and cash flows in future periods. The Company and its New Zealand subsidiaries are continuing to assess the merits of the claim and intend to vigorously defend against the allegations made. The Company is not yet able to determine the amount of any loss or range of loss, if any, the New Zealand subsidiaries may become liable for in future periods.

#### *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.

#### *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 2013:

Years ending 31 March (Millions of US dollars):	
2014	\$ 21.2
2015	19.7
2016	17.2
2017	7.2
2018	6.8
Thereafter	13.3
<b>Total</b>	<b>\$ 85.4</b>

Rental expense amounted to US\$16.2 million, US\$16.0 million and US\$15.3 million for the years ended 31 March 2013, 2012 and 2011, respectively.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

#### 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 nil at 31 March 2013.

#### 14. Income Taxes

Income tax benefit (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 benefit (expense) consists of the following components:

(Millions of US dollars)	Years Ended 31 March		
	2013	2012	2011
Income (loss) from operations before income taxes:			
Domestic <sup>1</sup>	\$ 110.6	\$ 97.1	\$ 66.5
Foreign	(76.9)	54.0	30.1
Total income before income taxes	\$ 33.7	\$ 151.1	\$ 96.6
Income tax (expense) benefit:			
Current:			
Domestic <sup>1</sup>	\$ (5.3)	\$ (2.5)	\$ (15.6)
Foreign	(14.7)	454.3	(447.4)
Current income tax (expense) benefit	(20.0)	451.8	(463.0)
Deferred:			
Domestic <sup>1</sup>	0.7	(4.2)	(22.2)
Foreign	31.1	5.6	41.6
Deferred income tax benefit	31.8	1.4	19.4
Total income tax benefit (expense)	\$ 11.8	\$ 453.2	\$ (443.6)

<sup>1</sup> Since JHI plc became an Irish parent holding company during fiscal year 2011, domestic represents both Ireland and The Netherlands for fiscal year 2011.

Income tax benefit (expense) 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.

**James Hardie Industries plc**  
**Notes to Consolidated Financial Statements (Continued)**

Income tax benefit (expense) is reconciled to the tax at the statutory rates as follows:

(Millions of US dollars)	Years Ended 31 March		
	2013	2012	2011
Income tax benefit (expense) at statutory tax rates	\$ 8.8	\$ (28.4)	\$ (18.3)
US state income taxes, net of the federal benefit	(0.1)	(0.8)	(1.7)
Asbestos - effect of foreign exchange	(0.3)	(1.9)	(31.7)
Expenses not deductible	(2.0)	(0.7)	(4.0)
Non-assessable items	1.8	0.4	-
Repatriation of foreign earnings	2.7	(0.1)	(32.6)
Amortisation of intangibles	2.0	1.7	(5.9)
Taxes on foreign income	(1.6)	2.6	(2.0)
Tax assessment in dispute	-	478.4	(349.1)
Other permanent items	0.5	2.0	1.7
<b>Total income tax benefit (expense)</b>	<b>\$ 11.8</b>	<b>\$ 453.2</b>	<b>\$ (443.6)</b>
Effective tax (benefit) rate	<b>(35.0)%</b>	<b>(299.9)%</b>	<b>459.2%</b>

Deferred tax balances consist of the following components:

(Millions of US dollars)	31 March	
	2013	2012
<b>Deferred tax assets:</b>		
Asbestos liability	\$ 452.7	\$ 444.5
Other provisions and accruals	56.5	49.0
Net operating loss carryforwards	18.9	11.0
Foreign tax credit carryforwards	123.9	130.2
Capital loss carryforwards	34.5	34.5
Total deferred tax assets	686.5	669.2
Valuation allowance	(165.1)	(172.3)
Total deferred tax assets, net of valuation allowance	521.4	496.9
<b>Deferred tax liabilities:</b>		
Depreciable and amortisable assets	(110.8)	(117.3)
Other	(7.8)	(8.6)
Total deferred tax liabilities	(118.6)	(125.9)
<b>Net deferred tax assets</b>	<b>\$ 402.8</b>	<b>\$ 371.0</b>

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.

At 31 March 2013, the Company had a US tax loss carry-forward of US\$4.1 million that will expire in 2031.

At 31 March 2013, the Company had European tax loss carry-forwards of approximately US\$24.1 million that are available to offset future taxable income, of which US\$19.5 million will never expire. Carry-forwards of US\$4.6 million will expire in fiscal years 2016 through 2018. At 31 March 2013, the Company had a 100% valuation allowance against the European tax loss carry-forwards.

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### Notes to Consolidated Financial Statements (Continued)

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At 31 March 2013, the Company had US\$115.3 million in Australian capital loss carry-forwards which will never expire. At 31 March 2013, the Company had a 100% valuation allowance against the Australian capital loss carry-forwards. There was no change in the valuation allowance in fiscal year 2013 due to foreign currency fluctuations. Additionally, the Company has Australian tax loss carry-forwards of US\$31.4 million that will never expire.

At 31 March 2013, the Company had foreign tax credit carry-forwards of US\$123.9 million that are available to offset future taxes payable. At 31 March 2013, the Company had a 100% valuation allowance against the foreign tax credit 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 AFFA, 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 2013. 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 2013, the undistributed earnings of non-Irish subsidiaries approximated US\$654.6 million. The Company intends to indefinitely reinvest its undistributed earnings of subsidiaries owned by its US subsidiary 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 these undistributed earnings is impracticable to determine at this time.

Due to the size and nature of its business, the Company is subject to ongoing reviews by taxing jurisdictions on various tax matters. 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 2013, 2012 and 2011, the Company recorded an income tax benefit of US\$0.2 million, income tax expense of US\$0.5 million and nil, respectively, as a result of the finalisation of certain tax audits (whereby certain matters were settled), the expiration of the statute of limitations related to certain tax positions.

The Company or its subsidiaries files income tax returns in various jurisdictions including Ireland, the United States, Australia, New Zealand, the Philippines and The Netherlands. The Company is no longer subject to US federal examinations by the IRS for tax years prior to tax year 2009. The Company is no longer subject to examinations by The Netherlands tax authority, for tax years prior to

**James Hardie Industries plc**  
**Notes to Consolidated Financial Statements (Continued)**

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tax year 2008. The Company is no longer subject to Australian federal examinations by the ATO for tax years prior to tax year 2009.

Taxing authorities from various jurisdictions in which the Company operates are in the process of auditing the Company's respective jurisdictional income tax returns for various ranges of years. The Company accrues income tax liabilities in connection with ongoing audits and reviews based on knowledge of all relevant facts and circumstances, taking into account existing tax laws, its experience with previous audits and settlements, the status of current tax examinations and how the tax authorities view certain issues.

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 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 2010 during the period 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 2010 during the period 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 2013.



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### Notes to Consolidated Financial Statements (Continued)

#### 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
<b>Balance at 31 March 2010</b>	<b>\$ 7.7</b>	<b>\$ (26.9)</b>
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
<b>Balance at 31 March 2011</b>	<b>\$ 185.5</b>	<b>\$ 196.3</b>
Additions for tax positions of the current year	0.2	-
Additions for tax positions of prior year	-	6.1
Settlements paid during the current period	(184.4)	(208.9)
Other reductions for the tax positions of prior periods	(5.2)	-
Foreign currency translation adjustment	6.5	7.4
<b>Balance at 31 March 2012</b>	<b>\$ 2.6</b>	<b>\$ 0.9</b>
Additions for tax positions of the current year	0.1	-
Additions (deletions) for tax positions of prior year	2.6	(0.1)
Expiration of statute of limitations	(2.8)	(0.7)
Other reductions for the tax positions of prior periods	(1.0)	-
<b>Balance at 31 March 2013</b>	<b>\$ 1.5</b>	<b>\$ 0.1</b>

As of 31 March 2013, the total amount of unrecognised tax benefits and the total amount of interest and penalties accrued or prepaid by the Company related to unrecognised tax benefits that, if recognised, would affect the effective tax rate is US\$1.5 million and US\$0.1 million, respectively.

The Company recognises penalties and interest accrued related to unrecognised tax benefits in income tax expense. During the year ended 31 March 2013, income of US\$0.8 million relating to interest and penalties was recognised within income tax expense arising from movements in unrecognised tax benefits. During the prior year, the total amount of interest and penalties recognised in income tax expense was US\$6.1 million.

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 elapse before an uncertain tax position is audited or ultimately resolved. 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

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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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.

#### 15. Stock-Based Compensation

The Company recognised stock-based compensation expense (included in selling, general and administrative expense) of US\$10.8 million, US\$11.1 million and US\$11.3 million for the years ended 31 March 2013, 2012 and 2011, respectively. Compensation expense arising from equity-based award grants, as estimated using pricing models, was US\$7.0 million, US\$7.8 million and US\$9.1 million for the years ended 31 March 2013, 2012 and 2011, respectively. Included in stock-based compensation expense for the years ended 31 March 2013, 2012 and 2011 is US\$3.8 million, US\$3.3 million and US\$2.2 million, respectively, related to liability-classified awards. As of 31 March 2013, the unrecorded future stock-based compensation expense related to outstanding equity awards was US\$11.3 million after estimated forfeitures and will be recognised over an estimated weighted average amortisation period of 1.5 years.

##### *JHI plc 2001 Equity Incentive Plan*

Under the JHI plc 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 in 2011. 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 plc. 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 265,988 and 285,358 restricted stock units to its employees in the years ended 31 March 2013 and 2012, 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 include requirements of continued employment. At 31 March 2013, there were 579,432 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 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

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

amended the LTIP to also allow restricted stock units to be granted under the LTIP. The LTIP was re-approved by the Company's shareholders in 2012.

As of 31 March 2013, the Company had granted 7,265,992 restricted stock units under the LTIP. 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.

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.

At 31 March 2013, there were 1,677,102 options and 3,424,936 restricted stock units outstanding under the LTIP.

The following table summarises the Company's shares available for grant as options, restricted stock units or other equity instruments under the LTIP and 2001 Equity Incentive Plan at 31 March 2013, 2012 and 2011:

	Shares Available for Grant
<b>Balance at 31 March 2011</b>	<b>26,588,283</b>
Granted	(1,303,209)
Forfeited	-
Forfeitures available for re-grant	410,914
<b>Balance at 31 March 2012</b>	<b>25,695,988</b>
Granted	(1,415,605)
Forfeited	-
Forfeitures available for re-grant	223,400
<b>Balance at 31 March 2013</b>	<b>24,503,783</b>

**James Hardie Industries plc**  
**Notes to Consolidated Financial Statements (Continued)**

*Stock Options*

There were no stock options granted during the years ended 31 March 2013, 2012 and 2011. The following table summarises the Company's stock options activity during the noted period:

	Outstanding Options	
	Number	Weighted Average Exercise Price (A\$)
<b>Balance at 31 March 2011</b>	<b>11,355,295</b>	<b>7.40</b>
Exercised	(1,682,841)	6.25
Forfeited	(587,314)	7.76
Forfeitures available for re-grant	—	—
<b>Balance at 31 March 2012</b>	<b>9,085,140</b>	<b>7.59</b>
Exercised	(3,622,106)	7.01
Forfeited	(306,898)	8.56
Forfeitures available for re-grant	—	—
<b>Balance at 31 March 2013</b>	<b>5,156,136</b>	<b>7.94</b>

The total intrinsic value of stock options exercised was A\$7.2 million, A\$2.0 million and A\$0.6 million for the years ended 31 March 2013, 2012 and 2011, 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\$3.5 million, nil and US\$0.4 million for the years ended 31 March 2013, 2012 and 2011, respectively.

The following table summarises outstanding and exercisable options under both the 2001 Equity Incentive Plan and the LTIP as of 31 March 2013:

Options Outstanding and Exercisable			
Number	Weighted Average Remaining Life (in Years)	Weighted Average Exercise Price (A\$)	Aggregate Intrinsic Value (A\$)
285,750	1.7	5.99	1,148,715
93,000	1.9	6.30	345,030
624,254	4.7	6.38	2,266,042
298,000	0.7	7.05	882,080
932,502	4.4	7.83	2,032,854
1,515,530	3.6	8.40	2,440,003
1,392,100	2.7	8.90	1,545,231
15,000	2.9	9.50	7,650
<b>5,156,136</b>	<b>3.3</b>	<b>7.94</b>	<b>10,667,605</b>

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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\$10.01 as of 31 March 2013, 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 (US\$)
<b>Non-vested at 31 March 2011</b>	<b><u>5,112,095</u></b>	<b>4.52</b>
Granted	1,303,209	4.92
Vested	(2,527,601)	3.13
Forfeited	(210,192)	5.35
<b>Non-vested at 31 March 2012</b>	<b><u>3,677,511</u></b>	<b>5.57</b>
Granted	1,415,605	8.41
Vested	(846,415)	7.13
Forfeited	(242,333)	5.96
<b>Non-vested at 31 March 2013</b>	<b><u>4,004,368</u></b>	<b>6.13</b>

#### Restricted Stock – service vesting

On 7 December 2012 and 2011, the Company granted 265,988 and 281,556 restricted stock units (service vesting), respectively, to employees under the 2001 Equity Incentive Plan. 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 the grant, adjusted for the fair value of estimated dividends as the restricted stock holder is not entitled to dividends over the vesting period.

On 7 December 2012 and 2011, 240,645 and 81,619 restricted stock units (service vesting), respectively, that were previously granted as part of the 2001 Equity Incentive Plan became fully vested and the underlying common stock was issued.

Additionally, on 17 December 2011 and 30 May 2011, 316,283 and 925,024 restricted stock units (service vesting), respectively, that were previously granted as part of the 2001 Equity Incentive Plan became fully vested and the underlying common stock was issued.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

#### *Restricted Stock – performance vesting*

The Company granted 450,336 restricted stock units with a performance vesting condition under the LTIP to senior executives and managers of the Company on 14 September 2012 as part of the FY2013 long-term incentive award. The vesting of the restricted stock units is deferred for three years and is subject to a ROCE performance hurdle being met. The vesting of the restricted stock units is also subject to limited negative discretion by the Board. The Board's discretion will reflect the Board's judgment of the quality of the returns balanced against management's delivery of market share growth and a scorecard of key qualitative and quantitative performance objectives.

The Company granted 266,627 restricted stock units with a performance vesting condition under the LTIP to senior executives and managers of the Company on 7 June 2012 as part of the FY2012 long-term incentive award. On 7 June 2011, the Company granted 63,146 restricted stock units with a performance vesting condition under the LTIP. 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 subject to the Board's exercise of negative discretion.

When the Board reviews the awards and determines whether any negative discretion should be applied at the vesting date, the award recipients may receive all, some, or none of their awards. The Board may only exercise negative discretion and may not 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 plc's common stock price at each balance sheet date until the performance conditions are applied at the vesting date.

On 7 June 2012, 592,442 restricted stock units (performance vesting) that were granted on 7 June 2010 as part of the FY2010 long-term incentive award became fully vested and the underlying common stock was issued.

#### *Restricted Stock – market condition*

Under the terms of the LTIP, the Company granted 432,654 and 954,705 restricted stock units (market condition) to senior executives on 14 September 2012 and 15 September 2011, respectively. The vesting of these restricted stock units is subject to a market condition as outlined in the LTIP.

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 the Monte Carlo method. The following table includes the assumptions used for restricted stock grants (market condition) valued during the years ended 31 March 2013 and 2012:

Date of grant	14 Sep 2012	15 Sep 2011
Dividend yield (per annum)	1.5%	2.0%
Expected volatility	52.2%	51.9%
Risk free interest rate	0.7%	1.0%
Expected life in years	3.0	3.0
JHX stock price at grant date (A\$)	8.95	5.64
Number of restricted stock units	432,654	954,705

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

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On 15 September 2011 and 17 December 2011, 760,037 and 385,288 restricted stock units (market condition) that were previously granted became fully vested and the underlying common stock was issued.

#### *Scorecard LTI – cash settled units*

On 21 June 2012, 501,556 of the 1,083,021 Scorecard LTI units that were previously granted on 21 June 2009 as part of the FY2010 long-term incentive award became fully vested and the balance lapsed as a result of the Board's exercise of negative discretion. The cash amount paid to award recipients was based on JHI plc's common stock on the vesting date.

Under the terms of the LTIP, the Company granted awards equivalent to 506,627 and 716,536 Scorecard LTI units during the years ended 31 March 2013 and 2012, respectively, which provide recipients a cash incentive based in JHI plc's common stock price on the vesting date and each executive's scorecard rating. 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 plc's common stock on the date of grant and recorded as a liability. The expense is recognised ratably over the vesting period and the liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date.

#### **16. Capital Management and Dividends**

During the year ended 31 March 2012, the Company acquired approximately 3.4 million shares of its common stock under a share repurchase program announced on 17 May 2011. The acquired shares had an aggregate cost of US\$19.0 million (A\$19.1 million) and the average price paid per share of common stock was US\$5.55 (A\$5.59). The US dollar amount was determined using the weighted average spot exchange rates for the days on which shares were acquired. All acquired shares were officially cancelled prior to 31 March 2012.

On 21 May 2012, the Company announced a share buyback program to acquire up to 5% of its issued capital during the subsequent twelve month period. No securities were bought back during the year ended 31 March 2013.

On 23 July 2012, the Company paid a dividend to shareholders of US38.0 cents per security ("FY2012 second half dividend"). The total amount of the FY2012 second half dividend was US\$166.4 million.

On 25 January 2013, the Company paid a dividend to shareholders of US5.0 cents per security ("FY2013 first half dividend"). The total amount of the FY2013 first half dividend was US\$22.1 million.

On 23 May 2013 the Company declared an ordinary dividend of US13.0 cents per security ("FY2013 second half dividend") and a special dividend of US24.0 cents per security ("FY2013 special dividend"). The FY2013 second half dividend and the FY2013 special dividend are declared in US currency and will be paid on 26 July 2013, with a record date of 28 June 2013.

#### **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 senior management. USA and Europe Fibre Cement

**James Hardie Industries plc**  
**Notes to Consolidated Financial Statements (Continued)**

manufactures fibre cement interior linings, exterior siding products and related accessories 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.

**Operating Segments**

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

(Millions of US dollars)	Net Sales to Customers <sup>1</sup> Years Ended 31 March		
	2013	2012	2011
USA & Europe Fibre Cement	\$ 951.4	\$ 862.0	\$ 814.0
Asia Pacific Fibre Cement	369.9	375.5	353.0
Worldwide total	<u>\$ 1,321.3</u>	<u>\$ 1,237.5</u>	<u>\$ 1,167.0</u>

(Millions of US dollars)	Income Before Income Taxes Years Ended 31 March		
	2013	2012	2011
USA & Europe Fibre Cement <sup>2, 3</sup>	\$ 145.6	\$ 148.4	\$ 160.3
Asia Pacific Fibre Cement <sup>2, 8</sup>	61.7	80.3	79.4
Research and Development <sup>2</sup>	(26.0)	(20.7)	(20.1)
Segments total	181.3	208.0	219.6
General Corporate <sup>4</sup>	(151.8)	(52.5)	(114.9)
Total operating income	29.5	155.5	104.7
Net interest income (expense) <sup>5</sup>	2.4	(7.4)	(4.4)
Other income (expense)	1.8	3.0	(3.7)
Worldwide total	<u>\$ 33.7</u>	<u>\$ 151.1</u>	<u>\$ 96.6</u>

(Millions of US dollars)	Total Identifiable Assets 31 March	
	2013	2012
USA & Europe Fibre Cement	\$ 725.0	\$ 749.1
Asia Pacific Fibre Cement	230.7	238.4
Research and Development	20.9	15.6
Segments total	976.6	1,003.1
General Corporate <sup>6, 7</sup>	1,131.0	1,306.9
Worldwide total	<u>\$ 2,107.6</u>	<u>\$ 2,310.0</u>



**James Hardie Industries plc**  
**Notes to Consolidated Financial Statements (Continued)**

(Millions of US dollars)	Net Sales to Customers <sup>1</sup> Years Ended 31 March		
	2013	2012	2011
USA	\$ 923.8	\$ 833.9	\$ 789.2
Australia	272.0	282.4	266.4
New Zealand	56.1	54.4	52.9
Other Countries	69.4	66.8	58.5
Worldwide total	<u>\$ 1,321.3</u>	<u>\$ 1,237.5</u>	<u>\$ 1,167.0</u>

(Millions of US dollars)	Total Identifiable Assets 31 March	
	2013	2012
USA	\$ 734.2	\$ 748.5
Australia	156.3	160.5
New Zealand	39.8	43.7
Other Countries	46.3	50.4
Segments total	<u>976.6</u>	<u>1,003.1</u>
General Corporate <sup>6, 7</sup>	<u>1,131.0</u>	<u>1,306.9</u>
Worldwide total	<u>\$ 2,107.6</u>	<u>\$ 2,310.0</u>

<sup>1</sup> Export sales and inter-segmental sales are not significant.

<sup>2</sup> Research and development costs of US\$11.9 million, US\$10.1 million and US\$9.7 million in fiscal years 2013, 2012 and 2011, respectively, were expensed in the USA and Europe Fibre Cement segment. Research and development costs of US\$1.7 million, US\$1.6 million and US\$1.4 million in fiscal years 2013, 2012 and 2011, respectively, were expensed in the Asia Pacific Fibre Cement segment. Research and development costs of US\$23.6 million, US\$18.7 million and US\$16.9 million in fiscal years 2013, 2012 and 2011, respectively, were expensed in the Research and Development segment. The Research and Development segment also included selling, general and administrative expenses of US\$2.4 million, US\$2.0 million and US\$3.2 million in fiscal years 2013, 2012 and 2011, respectively.

Research and development expenditures are expensed as incurred and in total amounted to US\$37.2 million, US\$30.4 million and US\$28.0 million for the years ended 31 March 2013, 2012 and 2011, respectively.

<sup>3</sup> Included in the USA and Europe Fibre Cement segment for the years ended 31 March 2013, 2012 and 2011 are asset impairment charges of US\$16.9 million, US\$14.3 million and nil, respectively. See Note 7 for further information.

<sup>4</sup> The principal components of the General Corporate segment 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 the General Corporate segment for the year ended 31 March 2013 are unfavourable asbestos adjustments of US\$117.1 million, AICF SG&A expenses of US\$1.7 million and ASIC expenses of US\$2.6 million. Included in the General Corporate segment for the year ended 31 March 2012 are unfavourable asbestos adjustments of US\$15.8 million, AICF SG&A expenses of US\$2.8 million and ASIC expenses of US\$1.1 million. Included in the General Corporate segment 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

- <sup>5</sup> 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\$7.0 million, US\$3.3 million and US\$4.3 million in fiscal years 2013, 2012 and 2011, respectively. See Note 11 for more information.
- <sup>6</sup> 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 the General Corporate segment.
- <sup>7</sup> Asbestos-related assets at 31 March 2013 and 2012 are US\$882.8 million and US\$825.2 million, respectively, and are included in the General Corporate segment.
- <sup>8</sup> Included in the Asia Pacific Fibre Cement segment for the years ended 31 March 2013, 2012 and 2011 is an increase to the provision for New Zealand product liability claims of US\$13.2 million, US\$5.4 million and US\$1.4 million, respectively. See Note 13 for more information.

#### 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 22% and 21% of the Company's trade accounts receivable at 31 March 2013 and 2012, respectively. The following are gross sales generated by these two customers, which are all from the USA and Europe Fibre Cement segment:

(Millions of US dollars)	Years Ended 31 March					
	2013		2012		2011	
		%		%		%
Customer A	\$ 223.0	16.9%	\$ 207.4	16.8%	\$ 208.9	17.9%
Customer B	137.7	10.4%	135.7	11.0%	134.0	11.5%
	<u>\$ 360.7</u>		<u>\$ 343.1</u>		<u>\$ 342.9</u>	

Approximately 30% and 33% of the Company's net sales in fiscal year 2013 and 2012, respectively, 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.

## James Hardie Industries plc

### Notes to Consolidated Financial Statements (Continued)

#### 18. Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

During the year ended 31 March 2013, US\$106.5 million (A\$105.0 million) of available-for-sale securities held by AICF matured, resulting in a realised gain of US\$2.7 million (A\$2.6 million). Accordingly, US\$2.7 million (A\$2.6 million) was reclassified out of *Accumulated Other Comprehensive Income* and is reflected as a component of *Net Interest Income (Expense)* on the consolidated statements of operations and comprehensive income (loss).

(Millions of US dollars)	Pension and Post- Retirement Benefit Adjustment	Unrealised Gain on Investments	Foreign Currency Translation Adjustments	Total
Balance at 31 March 2012	\$ (0.3)	\$ 2.6	\$ 47.1	\$ 49.4
Other comprehensive income before reclassifications	-	3.6	(2.9)	0.7
Amounts reclassified from accumulated other comprehensive income to interest income	-	(2.7)	-	(2.7)
Net current-period other comprehensive income	-	0.9	(2.9)	(2.0)
<b>Balance at 31 March 2013</b>	<b>\$ (0.3)</b>	<b>\$ 3.5</b>	<b>\$ 44.2</b>	<b>\$ 47.4</b>

#### 19. Acquisitions

During the year ended 31 March 2012, the Company entered into an agreement to acquire the assets of a US business engaged in the pultrusion of fibreglass profiles. The Company made a deposit on the acquisition of US\$14.4 million during the fourth quarter of the 2012 financial year. The deposit was reflected within other non-current assets on the consolidated balance sheet at 31 March 2012. The acquisition was completed on 1 April 2012. The acquisition was immaterial to the Company and is consolidated within the USA and Europe Fibre Cement segment.

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**REMUNERATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**  
(UNAUDITED, NOT FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS)

Fees billed related to services provided by our independent registered public accounting firm for fiscal years 2013, 2012 and 2011 were as follows:

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
Audit Fees <sup>1</sup>	\$ 3.6	\$ 2.6	\$ 2.7
Audit-Related Fees <sup>2</sup>	—	0.1	0.3

<sup>1</sup> Audit Fees include the aggregate fees for professional services rendered by our independent registered public accounting firm. Professional services include the audit of our annual financial statements and services that are normally provided in connection with statutory and regulatory filings.

<sup>2</sup> Audit-Related Fees include the aggregate fees billed for assurance and related services rendered by our independent registered public accounting firm. Our independent registered public accounting firm did not engage any temporary employees to conduct any portion of the audit of our consolidated financial statements for the fiscal years ended 31 March 2013, 2012 and 2011.

Our independent registered public accounting firm did not receive any fees for allowable non-audit services or tax advisory services in fiscal years 2013, 2012 or 2011.

**Audit Committee Pre-Approval Policies and Procedures**

In accordance with our Audit Committee's policy and the requirements of the law, all services provided by our independent registered public accounting firm are pre-approved from time to time by the Audit Committee. Pre-approval includes a list of specific audit and non-audit services in the following categories: audit services, audit-related services, tax services and other services. Any additional services that we may ask our independent registered public accounting firm to perform will be set forth in a separate document requesting Audit Committee approval in advance of the service being performed.

All of the services pre-approved by the Audit Committee are permissible under the SEC's auditor independence rules. To avoid potential conflicts of interest, the law prohibits a publicly traded company from obtaining certain non-audit services from its independent registered public accounting firm. We obtain these services from other service providers as needed.

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**SELECTED QUARTERLY FINANCIAL DATA**  
(UNAUDITED, NOT FORMING PART OF THE  
CONSOLIDATED FINANCIAL STATEMENTS)

The information furnished in the selected quarterly financial data for the years ended 31 March 2013 and 2012 is unaudited but includes all adjustments which, in the opinion of management, are necessary for a fair statement of the financial results of the respective interim periods. Such adjustments are of a normal recurring nature. Interim financial statements are by necessity somewhat tentative; judgments are used to estimate interim amounts for items that are normally determinable only on an annual basis.

(Millions of US dollars, except per share data)	Fiscal Years Ended 31 March 2013				Fiscal Years Ended 31 March 2012			
	By Quarter				By Quarter			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$ 339.7	\$ 334.4	\$ 320.4	\$ 326.8	\$ 313.6	\$ 331.6	\$ 283.0	\$ 309.3
Cost of goods sold	(229.7)	(223.1)	(224.2)	(225.0)	(205.4)	(219.0)	(192.4)	(213.7)
Gross profit	110.0	111.3	96.2	101.8	108.2	112.6	90.6	95.6
Operating income (loss)	82.5	22.8	32.5	(108.3)	17.5	143.6	1.8	(7.4)
Interest expense	(1.3)	(1.3)	(1.4)	(1.5)	(1.7)	(2.1)	(2.3)	(5.1)
Interest income	1.5	1.3	3.5	1.6	0.7	0.9	0.8	1.4
Other income (expense)	0.4	0.3	0.5	0.6	(1.5)	(0.5)	1.5	3.5
Income (loss) before income taxes	83.1	23.1	35.1	(107.6)	15.0	141.9	1.8	(7.6)
Income tax (expense) benefit <sup>1</sup>	(14.6)	(8.1)	(3.6)	38.1	(14.0)	(14.5)	(6.6)	488.3
Net income (loss)	\$ 68.5	\$ 15.0	\$ 31.5	\$ (69.5)	\$ 1.0	\$ 127.4	\$ (4.8)	\$ 480.7
Net income (loss) per share - basic	\$ 0.16	\$ 0.03	\$ 0.07	\$ (0.16)	\$ -	\$ 0.29	\$ (0.01)	\$ 1.09
Net income (loss) per share - diluted	\$ 0.16	\$ 0.03	\$ 0.07	\$ (0.16)	\$ -	\$ 0.29	\$ (0.01)	\$ 1.08

<sup>1</sup> The fourth quarter of fiscal year ended 31 March 2012 includes a tax benefit of US\$485.2 million recognised upon RCI's successful appeal of the ATO's disputed 1999 amended assessment.

## SECTION 3

### RISK FACTORS

Our business, operations and financial condition are subject to various risks and uncertainties. We have described below significant factors that may adversely affect our business, operations, financial performance and condition or industry. You should be aware that the occurrence of any of the events described in the following risk factors, elsewhere in or incorporated by reference into this report, and other events that we have not predicted or assessed, could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

#### **ASBESTOS-RELATED RISKS**

***Our wholly owned Australian Performing Subsidiary, is required to make payments to a special purpose fund that provides compensation for Australian asbestos-related personal injury and death claims for which certain Former James Hardie Companies are found liable. These payments may affect our ability to grow the Company.***

On 21 November 2006, JHI plc (formerly JHI NV and JHI SE), AICF, the NSW Government and the Performing Subsidiary entered into the AFFA to provide long-term funding to AICF, a special purpose fund that provides compensation for Australian asbestos-related personal injury and death claims for which the Former James Hardie Companies are found liable.

We have recorded a gross asbestos liability of US\$1.7 billion in our consolidated financial statements as of 31 March 2013, based on the AFFA governing our anticipated future payments to AICF. The net unfunded AFFA liability, net of tax was US\$851.6 million at 31 March 2013. The initial funding was made to AICF in February 2007 and annual payments are to be made each July, subject to the terms of the AFFA. The amounts of these annual payments are dependent on several factors, including our free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the annual cash flow cap. In fiscal year 2013, we made contributions of US\$184.1 million (A\$177.5 million) to AICF. From the time AICF was established in February 2007 through May 2013, we have contributed approximately A\$599.2 million to the fund. Our obligation to make future contributions to AICF continues to be linked under the terms of the AFFA to our long-term financial success, especially our ability to generate net operating cash flow.

As a result of our obligation to make payments under the AFFA, our funds available for capital expenditures (either with respect to our existing business or new business opportunities), repayments of debt, payments of dividends or other distributions have been, and will be, reduced by the amounts paid to AICF, and consequently, our financial position, liquidity, results of operations and cash flows have been, and will be, reduced or materially adversely affected. Our obligation to make these payments could also affect or restrict our ability to access equity or debt capital markets.

***Potential escalation in proven claims made against, and associated costs of, AICF could increase our annual funding payments required to be made under the AFFA, which may cause us to have to increase our asbestos liability in the future.***

The amount of our asbestos liability is based, in part, on actuarially determined, anticipated (estimated), future annual funding payments to be made to AICF on an undiscounted and uninflated basis. Future annual payments to AICF are based on updated actuarial assessments that are to be performed as of 31 March of each year to determine expected asbestos-related personal injury and death claims to be funded under the AFFA for the financial year in which the payment is made and the next two financial years. Estimates of actuarial liabilities are based on many assumptions, which may

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not prove to be correct, and which are subject to considerable uncertainty, since the ultimate number and cost of claims are subject to the outcome of events that have not yet occurred, including social, legal and medical developments as well as future economic conditions.

If future proven claims are more numerous, the liabilities arising from them are larger than that currently estimated by AICF's actuary, KPMG Actuarial, or if AICF investments decline in value, it is possible that pursuant to the terms of the AFFA, we will be required to pay higher annual funding payments to AICF than currently anticipated and on which our asbestos liability is based. If this occurs, we may be required to increase our asbestos liability which would be reflected as a charge in our consolidated statements of operations and comprehensive income (loss) at that date. Any such changes to actuarial estimates which require us to increase our asbestos liability could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***Even though the AFFA has been implemented, we may be subject to potential additional liabilities (including claims for compensation or property remediation outside the arrangements reflected in the AFFA) because certain current and former companies of the James Hardie Group previously manufactured products that contained asbestos.***

Prior to 1937, ABN 60, which is now owned and controlled by AICF, manufactured products in Australia that contained asbestos. In addition, prior to 1987, two former subsidiaries of ABN 60, Amaca and Amaba, which are now also owned and controlled by AICF, manufactured products in Australia that contained asbestos. ABN 60 also held shares in companies that manufactured asbestos-containing products in Indonesia and Malaysia, and held minority shareholdings in companies that conducted asbestos-mining operations based in Canada and Southern Africa. Former ABN 60 subsidiaries also exported asbestos-containing products to various countries. AICF is designed to provide compensation only for certain claims and to meet certain related expenses and liabilities, and legislation in New South Wales, Australia in connection with the AFFA seeks to defer all other claims against the Former James Hardie Companies. The funds contributed to AICF will not be available to meet any asbestos-related claims made outside Australia, or claims made arising from exposure to asbestos occurring outside Australia, or any claim for pure property loss or pure economic loss or remediation of property. In these circumstances, it is possible that persons with such excluded claims may seek to pursue those claims directly against us. Defending any such litigation could be costly and time consuming, and consequently, our financial position, liquidity, results of operations and cash flows could be materially adversely affected.

Prior to 1988, a New Zealand subsidiary in the James Hardie Group manufactured products in New Zealand that contained asbestos. In New Zealand, asbestos-related disease compensation claims are managed by the state-run Accident Compensation Corporation ("ACC"). Our New Zealand subsidiary that manufactured products that contained asbestos contributed financially to the ACC fund as required by law via payment of an annual levy while it carried on business. All decisions relating to the amount and allocation of payments to claimants in New Zealand are made by the ACC in accordance with New Zealand law. The Injury Prevention, Rehabilitation and Compensation Act 2001 (NZ) bars compensatory damages for claims that are covered by the legislation which may be made against the ACC fund. However, we may be subject to potential liability if any of these claims are found not to be covered by the legislation and are later brought against us, and consequently, our financial position, liquidity, results of operations and cash flows could be materially adversely affected.

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***Because our revenues are primarily derived from sales in US dollars and the actuarially assessed asbestos liability is recorded in Australian dollars and payments pursuant to the AFFA are made in Australian dollars, we may experience unpredictable volatility in our reported results due to changes in the US dollar (and other currencies from which we derive our sales) compared to the Australian dollar.***

Payments pursuant to the AFFA are required to be made to AICF in Australian dollars. In addition, annual payments to AICF include calculations based on various estimates that are denominated in Australian dollars. To the extent that our future obligations exceed Australian dollar cash flows derived from our Australian operations, and we do not hedge this foreign exchange exposure, we will need to convert US dollars or other foreign currency into Australian dollars in order to meet our obligations pursuant to the AFFA. As a result, any unfavourable fluctuations in the US dollar (the majority of our revenues is derived from sales in US dollars) or other currencies against the Australian dollar could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

In addition, because our results of operations are reported in US dollars and the asbestos liability is based on estimated payments denominated in Australian dollars, fluctuations in the A\$/US\$ exchange rate will cause unpredictable volatility in our reported results for the foreseeable future. For example, during fiscal years 2013, 2012 and 2011, we recorded a favourable impact of US\$0.2 million, and unfavourable impacts of US\$6.2 million and US\$107.3 million, respectively, due to fluctuations in the US dollar compared to the Australian dollar.

Any unfavourable fluctuation in US dollar and the other currencies from which we derive our sales compared to the Australian dollar could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

### ***The AFFA imposes certain non-monetary obligations.***

Under the AFFA, we are also subject to certain non-monetary obligations that could prove onerous or otherwise materially adversely affect our ability to undertake proposed transactions or pay dividends. For example, the AFFA contains certain restrictions that generally prohibit us from undertaking transactions that would materially adversely affect the relative priority of AICF as a creditor, or that would materially impair our legal or financial capacity and that of the Performing Subsidiary, in each case such that we and the Performing Subsidiary would cease to be likely to be able to meet the funding obligations that would have arisen under the AFFA had the relevant transaction not occurred. Those restrictions apply to dividends and other distributions, reorganisations of, or dealings in, share capital which create or vest rights in such capital in third parties, or non-arm's length transactions. While the AFFA contains certain exemptions from such restrictions (including, for example, exemptions for arm's length dealings; transactions in the ordinary course of business; certain issuances of equity securities or bonds; and certain transactions provided certain financial ratios are met and certain amounts of dividends), implementing such restrictions could materially adversely affect our ability to enter into transactions that might otherwise be favourable to us and could materially adversely affect our financial position, liquidity, results of operations and cash flows.

### ***The AFFA does not eliminate the risk of adverse action being taken against us.***

There is a possibility that, despite certain covenants agreed to by the NSW Government in the AFFA, adverse action could be directed against us by one or more of the NSW Government, the government of the Commonwealth of Australia, governments of the other states or territories of Australia or any other governments, unions or union representative groups, or asbestos disease groups with respect to the asbestos liabilities of the Former James Hardie Companies or other current and former companies



of the James Hardie Group. Any such adverse action could materially adversely affect our financial position, liquidity, results of operations and cash flows.

***The complexity and long-term nature of the AFFA and related legislation and agreements may result in litigation as to their interpretation.***

Certain legislation, the AFFA and related agreements, which govern the implementation and performance of the AFFA are complex and have been negotiated over the course of extended periods between various parties. There is a risk that, over the term of the AFFA, some or all parties may become involved in disputes as to the interpretation of such legislation, the AFFA or related agreements or the terms of the AFFA may change. We cannot guarantee that no party will commence litigation seeking remedies with respect to such a dispute, nor can we guarantee that a court will not order other remedies which may materially adversely affect us.

***There is no certainty that the Facility to AICF will remain in place for the entire term of the Facility.***

Drawings under the Facility to AICF, as described in Note 11 to our consolidated financial statements, are subject to satisfaction of certain specified conditions precedent and the NSW Government (as lender) has the right to cancel the loan facility, require repayment of money advanced and enforce security granted to support the loan in the various circumstances prescribed in the Facility agreement and related security documentation. There are also certain positive covenants given by, and restrictions on the activities of, AICF and Former James Hardie Companies which apply during the term of the loan. A breach of any of these covenants or restrictions may also lead to cancellation of the Facility, early repayment of the loan and/or enforcement of the security. As such, there can be no certainty that the Facility will remain in place for its intended term.

If the Facility does not remain in place for its intended term, AICF may experience a short-term funding shortfall. A short-term funding shortfall for AICF could subject us to negative publicity. Such negative publicity could materially adversely affect our financial position, liquidity, results of operations and cash flows, employee morale and the market prices of our publicly traded securities.

***We may have insufficient Australian taxable income to utilise tax deductions.***

We may not have sufficient Australian taxable income in future years to utilise the tax deductions resulting from the funding payments under the AFFA to AICF. Further, if as a result of making such funding payments we incur tax losses, we may not be able to fully utilise such tax losses in future years of income. Any inability to utilise such deductions or losses could materially adversely affect our financial position, liquidity, results of operations and cash flows.

***Certain AFFA tax conditions may not be satisfied.***

Despite the ATO rulings for the expected life of the AFFA, it is possible that new (and adverse) tax legislation could be enacted in the future. It is also possible that the facts and circumstances relevant to operation of the ATO rulings could change over the life of the AFFA. We may elect to terminate the AFFA if certain tax conditions are not satisfied for more than 12 months. However, we do not have a right to terminate the AFFA if, among other things, the tax conditions are not satisfied as a result of the actions of a member of the James Hardie Group.

Under certain circumstances, we may still have an obligation to make annual funding payments on an adjusted basis if the tax conditions remain unsatisfied for more than 12 months. If the tax conditions are not satisfied in a manner which does not permit us to terminate the AFFA, our financial position,

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liquidity, results of operations and cash flows may be materially adversely affected. The extent of this adverse effect will be determined by the nature of the tax condition which is not satisfied.

### **DOMICILE RELATED RISKS**

#### ***The rules and regulations applying to us as an Irish plc may change.***

We became an Irish public limited company in fiscal year 2013. As an Irish plc, our board meetings and all strategic decisions occur in Ireland. However, there can be no assurance that Irish law will not become more restrictive or otherwise disadvantageous to us.

#### ***Tax benefits are available under the US-Netherlands Income Tax Treaty to US and Dutch taxpayers that qualify for those benefits. In spite of a favourable settlement with the Appeals Division of the IRS for calendar years 2006 and 2007, our eligibility for continuing benefits under the US-Netherlands Tax Treaty is still undetermined for 2010.***

On 28 December 2004, the United States and The Netherlands amended the US-Netherlands Income Tax Treaty (prior to amendment, the "Original US-NL Treaty"; post amendment, the "New US-NL Treaty"). We believe that, based on the transitional rules set forth in the New US-NL Treaty, the Original US-NL Treaty applied to us and to our Dutch and US subsidiaries until 31 January 2006. We believe that, under the limitation on benefits ("LOB") provision of the Original US-NL Treaty, no US withholding tax applied to interest or royalties that our US subsidiaries paid to our Dutch finance subsidiary. The LOB provision of the Original US-NL Treaty had various conditions of eligibility for reduced US withholding tax rates and other treaty benefits, all of which we satisfied. If, however, we do not qualify for benefits under the New US-NL Treaty, those interest and royalty payments would be subject to a 30% US withholding tax.

Companies eligible for benefits under the New US-NL Treaty qualify for a zero percent US withholding tax rate not only on interest and royalties but also, in certain circumstances, on dividends. However, the LOB provision of the New US-NL Treaty has a number of new, more restrictive eligibility requirements for eliminating or reducing US withholding taxes and for other treaty benefits. We changed our organisational and operational structure as of 1 January 2006 to satisfy the requirements of the LOB provision of the New US-NL Treaty and believe we are eligible for the benefits of the New US-NL Treaty commencing 1 February 2006 until 29 June 2010, at which time we became an Irish tax resident and eligible for benefits under the US-Ireland Income Tax Treaty (the "US-Ireland Treaty").

In spite of a favourable settlement with the Appeals Division of the IRS for calendar years 2006 and 2007, our eligibility for continuing benefits under the New US-NL Treaty is still undetermined for calendar year 2010 (since we became an Irish tax resident and eligible for benefits under the US-Ireland Treaty in June 2010) because such eligibility is determined on an annual basis. If during a subsequent tax audit or related process, the IRS determines that we are not eligible for continuing benefits under the New US-NL Treaty, we may not qualify for treaty benefits. As a result, our effective tax rate could significantly increase beginning in the fiscal year that such determination is made and we could be liable for taxes owed for calendar year 2010, which could materially adversely affect our financial position, liquidity, results of operations and cash flows.

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***Tax benefits are available under the US-Ireland Income Tax Treaty to US and Irish taxpayers that qualify for those benefits. Our eligibility for benefits under the US-Ireland Tax Treaty is determined on an annual basis and we could be audited by the IRS for this issue. If during a subsequent tax audit or related process, the IRS determines that we are not eligible for benefits under the US-Ireland Treaty, we may not qualify for treaty benefits. As a result, our effective tax rate could significantly increase and we could be subject to a 30% US withholding tax rate on payments of interest, royalties and dividends from our US subsidiaries to our Irish resident subsidiaries.***

In October 2009, we transferred our intellectual property and our treasury and finance operations to Irish resident subsidiaries. We believe that interest and royalties paid by our US subsidiaries to these Irish resident subsidiaries qualify for treaty benefits in the form of reduced withholding tax under the U.S.-Ireland Treaty. For the period between the incorporation of these subsidiaries until the date that we became a tax resident in Ireland, our Irish subsidiaries qualified for treaty benefits under the "derivative benefits" clause of the US-Ireland Treaty on the basis that we were also eligible for treaty benefits under the amended US-NL Income Tax Treaty.

We believe that, under the LOB provision of the US-Ireland Treaty, no US withholding tax applies to interest or royalties that our US subsidiaries paid to our Irish resident subsidiaries. The LOB provision has various conditions of eligibility for reduced US withholding tax rates and other treaty benefits, all of which we believe are satisfied. If, however, we do not qualify for benefits under the US-Ireland Treaty, those interest and royalty payments would be subject to a 30% US withholding tax.

With effect from 29 June 2010 forward (i.e., the date upon which we became an Irish tax resident), we believe that, under the US-Ireland Treaty, a 5% US withholding tax applies to dividends paid by our US subsidiaries to our Irish resident subsidiaries. The LOB provision of the US-Ireland Treaty has various conditions of eligibility for reduced US withholding tax rates and other treaty benefits, all of which we believe we have satisfied. If, however, we do not qualify for benefits under the US-Ireland Treaty, dividend payments by our US subsidiaries would be subject to a 30% US withholding rate.

Our eligibility for benefits under the US-Ireland Tax Treaty is determined on an annual basis and we could be audited by the IRS for this issue. If during a subsequent tax audit or related process, the IRS determines that we are not eligible for benefits under the US-Ireland Treaty, we may not qualify for treaty benefits. As a result, our effective tax rate could significantly increase beginning in the fiscal year that such determination is made and we could be liable for taxes owing for calendar year 2010 and subsequent periods, which could adversely affect our financial position, liquidity, results of operations and cash flows.

***Irish law contains provisions that could delay or prevent a change of control that may otherwise be beneficial to you.***

Irish law contains several provisions that could have the effect of delaying or preventing a change of control of our ownership. The Irish Takeover Rules generally prohibit the acquisition of shares of our common stock if, because of an acquisition of a relevant interest (including interests held in the form of shares of our common stock, CUFS or ADSs) in such shares, the voting rights of the shares in which a person (or persons acting in concert) holds relevant interests increases (i) from 30% or below to over 30% or (ii) from a starting point that is above 30% and below 50%. However, this prohibition is subject to exceptions, including acquisitions that result from acceptances under a mandatory takeover bid made in compliance with the Irish Takeover Rules. Although the Irish Takeover Rules may help to ensure that no person acquires voting control of us without making an offer to all shareholders, they may also have the effect of delaying or preventing a change of control that may otherwise be beneficial to you. In addition to the operation of the Irish Takeover Rules, the Company may, from time to time,

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put in place appropriate retention arrangements to ensure that it retains its key employees during periods of corporate change.

***Our ability to pay dividends and conduct share buy-backs is dependent on Irish law and may be limited in the future if we are not able to maintain sufficient levels of distributable profits.***

Under Irish law, an Irish company is able to pay dividends and/or conduct a buy-back of shares up to the amount of its distributable profits which are determined under applicable accounting practices generally accepted in Ireland ("Irish GAAP"). We believe that our current corporate structure has allowed us to maintain sufficient levels of distributable profits to continue paying dividends in accordance with our publicly disclosed dividend policy, which is updated from time to time, and to conduct share buy-backs as announced in May 2013. However, transactions or events could cause a reduction in our distributable profits, resulting in our inability to pay dividends on our securities or to conduct share buy-backs, which could have a material adverse impact on the market value of the securities that you have invested in.

***In the future, we may be required to withhold Irish dividend withholding tax from distributions made by us to you.***

The waiver received from the Irish Revenue authorities in respect of Irish dividend withholding tax, as described in Section 3, "Taxation" expires on 31 July 2013. After 31 July 2013, ie for our FY2014 half year dividend onwards, we may be required to withhold Irish dividend withholding tax from distributions made by us to you unless you complete and provide to us a Dividend Withholding Tax form as prescribed by Irish Revenue.

## **TAXATION RELATED RISKS**

***Our effective income tax rate could increase and materially adversely affect our business.***

We operate in multiple jurisdictions and pay tax on our income according to the tax laws of these jurisdictions. Various factors, some of which are beyond our control, determine our effective tax rate. The primary drivers of our effective tax rate are the tax rates of the jurisdictions in which we operate, the level and geographic mix of pre-tax earnings, intra-group royalties, interest rates and the level of debt which give rise to interest expense on external debt and intra-group debt, extraordinary and non-core items, and the value of adjustments for timing differences and permanent differences, including the non-deductibility of certain expenses, all of which are subject to change and which could result in a material increase in our effective tax rate. Such changes to our effective tax rate could materially adversely affect our financial position, liquidity, results of operations and cash flows.

***Exposure to additional tax liabilities due to audits could materially adversely affect our business.***

Due to our size and the nature of our business, we are subject to ongoing reviews by authorities in taxing jurisdictions on various tax matters, including challenges to various positions we assert on our income tax and withholding tax returns. We accrue for tax contingencies based upon our best estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available. Such amounts are included in taxes payable or other non-current liabilities, as appropriate. We record additional tax expense in the period in which we determine that the recorded tax liability is less than the ultimate assessment we expect. The amounts ultimately paid on resolution of reviews by taxing jurisdictions could be materially different from the amounts included in taxes payable or other non-current liabilities and result in additional tax expense which could materially adversely affect our financial position, liquidity, results of operations and cash flows.

**OTHER RISKS**

***Our business is dependent on the residential and commercial construction markets.***

Demand for our products depends in large part on the residential construction markets and, to a lesser extent, on commercial construction markets. The level of activity in residential construction markets depends on new housing starts and residential remodeling projects, which are a function of many factors outside our control, including general economic conditions, the availability of financing, mortgage and other interest rates, inflation, unemployment, the inventory of unsold homes, the level of foreclosures, home resale rates, housing affordability, demographic trends, gross domestic product growth and consumer confidence in each of the countries and regions in which we operate.

Any slowdown in the markets we serve could result in decreased demand for our products and cause us to experience decreased sales and operating income. In addition, deterioration or continued weaknesses in general economic conditions, such as higher interest rates, high levels of unemployment, restrictive lending practices and increased foreclosures could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***Substantial and increasing competition in the building products industry could materially adversely affect our business.***

Competition in the building products industry is based largely on price, quality, performance and service. Our fibre cement products compete with products manufactured from natural and engineered wood, vinyl, stucco, masonry, gypsum and other materials as well as fibre cement products offered by other manufacturers. Some of our competitors may have greater product diversity, greater financial and other resources, and better access to raw materials than we do and, among other factors, may be less affected by reductions in margins resulting from price competition.

Increased competition in any of the markets in which we compete would likely cause pricing pressures in those markets. Any of these factors could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***We rely on only a few customers to buy our fibre cement products and the loss of any major customer could materially adversely affect our business.***

Our two largest customers individually account for over 10% of our net sales. These two customers' accounts receivable represented 22% and 21% of our trade accounts receivable at 31 March 2013 and 2012, respectively. We generally do not have long-term contracts with our large customers. Accordingly, if we were to lose one or more of our large customers because our competitors were able to offer customers more favourable pricing terms or for any other reason, we may not be able to replace customers in a timely manner or on reasonable terms. The loss of one or more of our large customers could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***We may experience unforeseen delays and/or cost overruns in our planned capital expenditures in future periods, and such delays and/or cost overruns could result in additional expenses and impairment of the carrying value of our assets in future periods. Such unforeseen delays, cost overruns or asset impairment charges could have a material adverse effect on our business.***

We are expanding production capacity in anticipation of the continued improvement of the operating environment and we expect to incur significant capital expenditures in fiscal year 2014 and beyond to meet anticipated demand increases in major markets.

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For example, we currently expect to spend approximately US\$150 million in fiscal year 2014 on facility upgrades and expansions, equipment to ensure regulatory compliance and the implementation of new fibre cement technologies.

We may incur unforeseen delays and/or cost overruns due to a variety of factors, including but not limited to an overall decline in general economic conditions, a downturn in the principal markets in which we operate, the entrance of a key competitor leading to a loss in market share or an adverse change in the regulatory environment impacting our business. Any one or combination of these or other factors could have a significant adverse effect on the nature, timing, extent and amount of our planned capital expenditures, and may also result in potential additional expenses and write-down in the carrying value of our capital projects and other existing production assets. Such delays, cost overruns and asset impairment charges could have a material adverse effect on our financial position, results of operations and liquidity.

***Regulatory action and continued scrutiny may have an adverse effect on our business.***

Our compliance with laws and regulations can be subject to future government review and interpretation. If we fail to comply with applicable laws and regulations, we could be subject to fines, penalties, or other legal liability. Also, should these laws and regulations be amended or expanded, or should new laws and regulations be enacted, we could incur additional compliance costs or restrictions on our ability to manufacture our products and operate our business. Furthermore, our failure to comply with such laws and regulations could result in additional costs, fees or reporting requirements as well as significant regulatory action including fines, penalties and legal defense costs, and could subject us to negative publicity. Such actions could have a material adverse effect on our financial position, results of operations and cash flows.

Our Irish residency could also result in increased negative publicity related to the Company. There continues to be negative publicity regarding, and criticism of, companies that have subsidiaries which conduct substantial business in the US but are domiciled in foreign countries. We cannot assure you that we will not be subject to similar criticism. We previously have been the subject of significant negative publicity in connection with the events that were considered by the Special Commission Inquiry and the ASIC proceedings in Australia, which we believe has in the past contributed to declines in the price of our publicly traded securities.

We believe that any such adverse action or negative publicity could materially adversely affect our financial position, liquidity, results of operations and cash flows, employee morale and the market prices of our publicly traded securities.

***Because we have significant operations outside of the United States and report our earnings in US dollars, unfavourable fluctuations in currency values and exchange rates could have a material adverse effect on our business.***

Because our reporting currency is the US dollar, our non-US operations face the additional risk of fluctuating currency values and exchange rates. Such operations may also face hard currency shortages and controls on currency exchange. Approximately 30%, 33% and 32% of our net sales in fiscal years 2013, 2012 and 2011, respectively, were derived from sales outside the United States. Consequently, changes in the value of foreign currencies (principally Australian dollars, New Zealand dollars, Philippine pesos, Euros, U.K. pounds and Canadian dollars) could materially affect our business, results of operations and financial condition. We generally attempt to mitigate foreign exchange risk by entering into contracts that require payment in local currency, hedging transactional risk, where appropriate, and having non-US operations borrow in local currencies. Although we may enter into such financial instruments from time to time to manage our foreign exchange risks, we did

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not have any material foreign exchange contracts outstanding at 31 March 2013. There can be no assurance that we will be successful in these mitigation strategies, or that fluctuations in foreign currencies and other foreign exchange risks will not have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

### ***We may be adversely affected by the current disruptions and volatility in the Eurozone.***

The Eurozone has experienced difficult credit and liquidity conditions and market disruptions leading to general fiscal and economic weakening, including in Ireland, the Company's country of domicile. Concerns regarding the Eurozone sovereign debt and banking crisis have resulted in instability and uncertainty in financial markets and adversely impacted market sentiment across Europe. These negative trends have caused considerable turbulence on the global financial and credit markets due to concerns related to the possible downgrading of the sovereign debt and fiscal instability of several Eurozone countries.

The ongoing uncertainty surrounding conditions in the Eurozone, and the impact it has on the world financial markets, may result in reduced access to credit for the Company. In addition, if conditions in the Eurozone deteriorate and the initiatives being implemented to resolve the sovereign debt and banking crisis ultimately fail, there is a risk of departure from the Euro by one or more Eurozone countries, which may lead to volatility in foreign exchange rates as the negative effects of such a departure impact the world financial markets. Also, rescue measures that are or may be implemented to address the Eurozone sovereign debt and banking crisis may result in significant changes to the current tax structure in Eurozone countries, which could have a significant adverse effect on the Company's effective tax rate on earnings.

Any such adverse consequences from the current disruptions and volatility in the Eurozone could have a material adverse effect on our financial position, results of operations and cash flows.

### ***If payouts for product liability claims resulting from allegations of product defects exceed our insurance coverage, these payouts could result in a material adverse effect on our business.***

The actual or alleged existence of defects in any of our products could subject us to significant product liability or recall claims, including potential putative class action claims. Although we do not have insurance coverage for damage to, or defects in, our products, we do have product liability insurance coverage for bodily injury or property damage which may arise from the use of our products. Although we believe this coverage is adequate and we intend to maintain this coverage in the future, we cannot assure you that this coverage will be sufficient to cover all future product liability claims or that this coverage will be available at reasonable rates in the future. In some jurisdictions, we are subject to joint and several liability. The successful assertion of one or more claims against us, or a co-defendant, that exceed our insurance coverage could require us to incur significant expenses to pay these damages. These additional expenses could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

### ***Losses and expenses relating to the New Zealand product liability claims could have a material adverse effect on our business.***

Since fiscal year 2002, our New Zealand subsidiaries have been and continue to be joined in a number of product liability claims in New Zealand that relate to residential buildings (single dwellings and apartment complexes) and a small number of non-residential buildings, primarily constructed from 1998 to 2004. The product liability claims often involve multiple parties and allege that losses were incurred due to excessive moisture penetration of the buildings' structures. The claims typically include allegations of poor building design, inadequate certification of plans, inadequate construction review and compliance certification and deficient work by sub-contractors.

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We recognise a liability for both asserted and unasserted New Zealand product liability claims in the period in which the loss becomes probable and estimable. The amount of reasonably possible loss is dependent on a number of factors including, without limitation, the specific facts and circumstances unique to each claim brought against our New Zealand subsidiaries, the existence of any co-defendants involved in defending the claim, the solvency of such co-defendants (including the ability of such co-defendants to remain solvent until the related claim is ultimately resolved), the availability of claimant compensation under a Government compensation scheme, the amount of loss estimated to be allocable to our New Zealand subsidiaries in instances that involve co-defendants in defending the claim and the extent to which our New Zealand subsidiaries have access to third-party recoveries to cover a portion of the costs incurred in defending and resolving such actions. In addition to the above limitations, the total loss incurred is also dependent on the manner and extent to which the statute of limitations will apply in future periods.

The amount of provision for asserted and unasserted product liability claims in New Zealand, net of estimated third-party recoveries, is US\$15.2 million at 31 March 2013. During the year ended 31 March 2013 the Company recognised US\$13.2 million in expenses related to the legacy New Zealand product liability claims. Due to the inherent uncertainties associated with estimating the amount of loss incurred for asserted and unasserted claims, as discussed above, and based on information presently available, we believe it is possible that the ultimate resolution of these legacy claims could result in an additional loss of up to approximately US\$10 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2013. The provision and estimated additional loss incorporates assumptions that are subject to the foregoing uncertainties and are principally derived from, but not exclusively based on, historical claims experience. If the nature and extent of claims in future periods differ from historical claims experience, then the actual amount of losses incurred may be materially higher or lower than the Company's estimates. Accordingly, losses incurred in connection with defending and resolving asserted and unasserted New Zealand product liability claims in the future could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

The amount of provision, net of estimated third-party recoveries, and additional loss noted above is exclusive of a representative action initiated by the New Zealand Ministry of Education. For the risks and uncertainties associated with this matter, including the risk of material losses and expenses, see the separate New Zealand Ministry of Education risk factor, below.

### ***Losses and expenses relating to the New Zealand Ministry of Education claim could have a material adverse effect on our business.***

On 16 April 2013, the New Zealand Ministry of Education and other related plaintiffs initiated a 'representative action' in the New Zealand High Court against several building materials manufacturers, including two of the Company's New Zealand subsidiaries, in relation to several thousand New Zealand school buildings. The New Zealand Ministry of Education and other plaintiffs are alleging that the cladding systems used on school buildings were defective and prone to failure, and are asserting negligent conduct, negligent misstatement and breach of the New Zealand Consumer Guarantees Act 1993 and Fair Trading Act 1986. The claim seeks an unspecified and unquantified amount of damages in relation to alleged repair costs.

Two property surveying businesses were commissioned by the Ministry of Education to conduct visual inspections of school buildings to assess the potential exposure to damage arising from moisture ingress. The results of these surveys indicated the Ministry of Education's national exposure to weathertightness risk to be approximately NZ\$1.5 billion. Historically, our New Zealand subsidiaries have been joined to these New Zealand product liability claims as one of several co-defendants, including local government entities responsible for enforcing building codes and practices, resulting in our New Zealand subsidiaries becoming liable for only a portion of each claim. In addition, our



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New Zealand subsidiaries have had access to third-party recoveries to defray a significant portion of the costs incurred in resolving such claims.

The amount of loss that the New Zealand subsidiaries may be liable to pay, if any, is dependent on a wide range of factors, which include, without limitation, the legal and technical merits of the claim, the amount of damages asserted by the New Zealand Ministry of Education and the other plaintiffs, the proportion of the claim specifically allocable to the Company's New Zealand subsidiaries and the extent to which statutory limitation periods (to which the claim is highly sensitive) will apply. The Company and its New Zealand subsidiaries are continuing to assess the merits of the claim and intend to vigorously defend against the allegations made. The Company is not yet able to determine the amount of any loss or range of loss, if any, the New Zealand subsidiaries may become liable for in future periods. Losses and expenses arising from defending and resolving this claim may have a material adverse effect on the Company's financial position, results of operations and cash flows in future periods.

***Warranty claims relating to our products and exceeding our warranty reserves could have a material adverse effect on our business.***

We have offered, and continue to offer, various warranties on our products, including a prorated 50-year limited warranty offering until 2009 and a non-prorated 30-year limited warranty offering thereafter and to present for certain of our fibre cement siding products in the United States. In total, as of 31 March 2013, we have accrued US\$27.1 million for such warranties within "Accrued product warranties" on our consolidated balance sheets and have disclosed the movements in our consolidated warranty reserves within Note 10 to our consolidated financial statements in Section 2. Although we maintain reserves for warranty-related claims and legal proceedings that we believe are adequate, we cannot assure you that warranty expense levels or the results of any warranty-related legal proceedings will not exceed our reserves. If our warranty reserves are significantly exceeded, the costs associated with such warranties could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***We may incur significant costs, including capital expenditures, in complying with applicable environmental and health and safety laws and regulations.***

In each jurisdiction in which we operate, we are subject to environmental, health and safety laws and regulations governing our operations, including, among other matters (i) the air, soil, and water quality of our plants and (ii) the use, handling, storage, disposal and remediation of hazardous substances currently or formerly used by us or any of our affiliates. Under these laws and regulations, we may be held jointly and severally responsible for the remediation of any hazardous substance contamination at our or our predecessors' past or present facilities and at third-party waste disposal sites. We may also be held liable for any claims, penalties or fines arising out of human exposure to hazardous substances or other environmental damage, including damage to natural resources, and our failure to comply with air, water, waste, and other environmental regulations.

In addition, many of our products contain crystalline silica, which can be released in a respirable form in connection with manufacturing, and product installation, demolition, and handling or use. The inhalation of respirable crystalline silica, identified as a carcinogen by the State of California and other governmental entities, at high and prolonged exposure levels is known to be associated with silicosis and has been the subject of extensive tort litigation. If current standards are heightened, we may also face future costs related to engineering and compliance to meet these new standards or regulations relating to crystalline silica. Additionally, there is a risk that claims for silica-related health effects could be made against us resulting in litigation. Although we carry what we believe to be appropriate workers compensation and third-party liability insurance limits, we cannot assure you that we will have

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adequate limits or resources to satisfy any future silica-related health effect claims. Nor can we assure you that this coverage will continue to be available at reasonable rates in the future. In addition, our sales could decrease if silica-related claims are made against us, or regulations impact the use of our products, and as a result, potential users may decide not to use our products. Such outcomes may have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

The costs of complying with environmental and health and safety laws relating to our operations or the liabilities arising from past or future releases of, or exposure to, hazardous substances, greenhouse gases, or product liability matters, or our failure to comply with air, water, waste, and other than existing environmental regulations may result in us making future expenditures that could have a material adverse effect on our financial position, liquidity, results of operations and cash flows. Such regulations and laws may increase the cost to procure energy or other products necessary to our operation, thereby increasing our operating costs. In addition, we cannot make any assurances that the laws currently in place that directly or indirectly relate to environmental liability will not change. If, for example, applicable laws or judicial interpretations related to successor liability or "piercing the corporate veil" were to change, such changes could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***We may experience adverse fluctuations in the supply and cost of raw materials and energy supply necessary to our business which could have a material adverse effect on our business.***

Cellulose fibre (wood-based pulp), silica, cement and water are the principal raw materials used in the production of fibre cement, and the availability and cost of such raw materials are critical to our operations. Our fibre cement business periodically experiences fluctuations in the supply and costs of raw materials, and some of our supply markets are concentrated. In fiscal year 2013, the average NBSK pulp price relative to our US business was US\$878 per ton, a decrease of 8% compared to fiscal year 2012. In April 2013, the average NBSK pulp price relative to our US business increased to US\$930 per ton.

Freight costs in the US were also lower in fiscal year 2013 compared to the prior year. Freight costs are expected to decrease slightly in fiscal year 2014 as compared to fiscal year 2013.

Price fluctuations or material delays may occur in the future due to lack of raw materials, suppliers, or supply chain disruptions. The loss or deterioration of our relationship with a major supplier, an increase in demand by third parties for a particular supplier's products or materials, delays in obtaining materials, or significant increases in fuel and energy costs could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***Demand for our products is subject to changes in consumer preference.***

The continued development of builder and consumer preference for our fibre cement products over competitive products is critical to sustaining and expanding demand for our products. Therefore, a failure to maintain and increase builder and consumer acceptance of our fibre cement products could have a material adverse effect on our growth strategy, as well as our financial position, liquidity, results of operations and cash flows.

***Our ability to sell our products into certain markets is influenced by building codes and ordinances in effect in the related localities and states and may limit our ability to compete effectively in certain markets and our ability to increase or maintain our current market share for our products.***

Most states and localities in the markets in which we sell our products maintain building codes and ordinances that determine the requisite qualities of materials that may be used to construct homes and

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buildings for which our products are intended. Our products may not qualify under building codes and ordinances in certain markets, prohibiting our customers from using our products in those markets. This may limit our ability to sell our products into certain markets. In addition, ordinances and codes may change over time which may, from the time they are implemented, prospectively limit or prevent the use of our products in those markets, causing us to lose market share for our products. Although we keep up-to-date on the current and proposed building codes and ordinances of the markets in which we sell or plan to sell our products and, when appropriate, seek to become involved in the ordinance and code setting process, our efforts may be ineffective, which would have a material adverse effect on our financial condition, liquidity, results of operations and cash flows.

### ***Our financial performance could be impacted by a customer's inability to pay amounts owed.***

Our financial performance is dependent on our customers within the building products industry. Our customers' businesses have been impacted by the current economic environment, disruptions to the capital and credit markets and decreased demand for their products and services. If any of our largest customers or a substantial number of smaller customers are adversely affected by these conditions, if we become aware of information related to the credit worthiness of a major customer, or if future actual default rates on receivables in general differ from those currently anticipated, we may have to adjust the reserves for uncollectible receivables, which could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

### ***Our reliance on third-party distribution channels could impact our business.***

We offer our products directly and through a variety of third-party distributors and dealers. Changes in the financial or business condition of these distributors and dealers could subject the Company to losses and affect its ability to bring our products to market and could have a material adverse effect on our business, financial position, liquidity, results of operations and cash flows. Further, our ability to effectively manage inventory levels at distributor locations may be impaired under such arrangements, which could increase expenses associated with excess and obsolete inventory and negatively impact cash flows.

### ***Changes in, or failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction, a decrease in revenues or the imposition of additional taxes or other costs.***

Because we own assets, manufacture and sell our products internationally, our activities are subject to political, economic, legal and other uncertainties, including:

- changing political and economic conditions;
- changing laws and policies;
- the general hazards associated with the assertion of sovereign rights over certain areas in which we conduct our business; and
- laws limiting or conditioning the right and ability of subsidiaries and joint ventures to pay dividends or remit earnings to affiliated companies.

Although we seek to take applicable laws, regulations and conditions into account in structuring our business on a global basis, changes in, or our failure to comply with, the laws, regulations, policies or

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conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction, a decrease in revenues or the imposition of additional taxes. Therefore, any change in laws, regulations, policies or conditions of a jurisdiction could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***Because our intellectual property and other proprietary information may become publicly available, we are subject to the risk that competitors could copy our products or processes.***

Our success depends, in part, on the proprietary nature of our technology, including non-patentable intellectual property such as our process technology. To the extent that a competitor is able to reproduce or otherwise capitalise on our technology, it may be difficult, expensive or impossible for us to obtain adequate legal or equitable relief. Also, the laws of some foreign countries may not protect our intellectual property to the same extent as do the laws of the United States. In addition to patent protection of intellectual property rights, we consider elements of our product designs and processes to be proprietary and confidential and/or trade secrets. To safeguard our confidential information, we rely on employee, consultant and vendor non-disclosure agreements and contractual provisions and a system of internal and technical safeguards to protect our proprietary information. However, any of our registered or unregistered intellectual property rights may be subject to challenge or possibly exploited by others in the industry, which could materially adversely affect our financial position, liquidity, results of operations, cash flows and competitive position.

***Severe weather, natural disasters and climate change could have an adverse effect on our overall business.***

Our plants and other facilities are located in places that could be affected by natural disasters, such as hurricanes, typhoons, cyclones, earthquakes, floods, tornados and other natural disasters. Natural disasters and widespread adverse climate changes that directly impact our plants or other facilities could materially adversely affect our manufacturing or other operations and, thereby, harm our overall financial position, liquidity, results of operations and cash flows.

In the manufacture of our products, we rely on a continuous and uninterrupted supply of electric power, water and, in some cases, natural gas, as well as the availability of water, waste and emissions discharge facilities. Any future shortages or discharge curtailments, of a material nature, could significantly disrupt our operations and increase our expenses. We currently do not have backup generators on our sites with the capability of maintaining all of a site's full operational power needs and we do not have alternate sources of power in the event of a sustained blackout. While our insurance includes coverage for certain "business interruption" losses (i.e., lost profits) and for certain "service interruption" losses, such as an accident at our supplier's facility, any losses in excess of the insurance policy's coverage limits or any losses not covered by the terms of the insurance policy could have a material adverse effect on our financial condition. If blackouts interrupt our power supply, we would be temporarily unable to continue operations at the affected facilities. Any future material and sustained interruptions in our ability to continue operations at our facilities could damage our reputation, harm our ability to retain existing customers or obtain new customers and could result in lost revenue, any of which could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

***In the future, we may be unable to renew our credit facilities on their current terms or terms that are customary for other companies in our industry or which have similar credit ratings, or be able to obtain any alternative or additional financing arrangements.***

In the future, we may not be able to renew credit facilities on substantially similar terms, or at all; we may have to pay additional fees and expenses that we might not have to pay under current circumstances; and we may have to agree to terms that could increase the cost of our debt facilities. If we are unable to renew our credit facilities on terms which are not materially less favourable than the terms currently available to us or obtain alternative or additional financing arrangements, we may experience liquidity issues and will have to reduce our levels of planned capital expenditures, suspend dividend payments and/or share buy-back programs or take other measures to conserve cash in order to meet our future cash flow requirements.

***Ineffective internal controls over financial reporting could impact our business and operating results.***

The SEC, as directed by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring companies to include in their Annual Report on Form 20-F a report of management on the Company's internal controls over financial reporting that contains an assessment by management of the effectiveness of the Company's internal controls over financial reporting. In addition, the Company's independent registered public accounting firm must report on the Company's internal control over financial reporting. Our management concluded that our internal controls over financial reporting are effective. Moreover, our independent registered public accounting firm was satisfied with our internal controls, the level at which our controls are documented, designed, operated and reviewed. Nonetheless, during the course of future evaluation, documentation and attestation, we may identify deficiencies that we may not be able to remedy in a timely manner. Furthermore, our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. If we fail to achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls, on an ongoing basis, over financial reporting in accordance with the Sarbanes-Oxley Act. Furthermore, effective internal controls over financial reporting are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our ADSs. Furthermore, even effective internal controls can only provide reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, we have incurred considerable costs and used significant management time and other resources in our effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

***Our use of accounting estimates involves judgment and could impact our financial results.***

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, income, and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgments, and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The accounting policies deemed critical to the Company's results, based upon materiality and significant judgments and estimates, are described in Note 2 to our consolidated financial statements in Section 2. In addition, as discussed in Note 10, "Product Warranties" and Note 13, "Contingencies and Commitments" to our consolidated financial statements in Section 2, we make certain estimates including decisions related to legal

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proceedings and warranty reserves. If the judgment, estimates, and assumptions used by the Company in preparing its financial statements are subsequently found to be incorrect, there could be a material impact on the Company's results of operations.

***We may acquire or divest businesses from time to time, and this may materially adversely affect our results of operations and financial condition and may significantly change the nature of the company in which you have invested.***

In the past, we have divested business segments. In the future, we may acquire other businesses or sell some or all of our assets or business segments. Any significant acquisition or sale may materially adversely affect our results of operations and financial condition and could change the overall profile of our business. As a result, the value of our shares may decrease in response to any such acquisition or sale and, upon any such acquisition or sale, our shares may represent an investment in a company with significantly different assets and prospects from the Company when you made your initial investment in us.

***We are dependent upon our key management personnel for our future success.***

Our success is greatly influenced by our ability to attract and retain qualified executives with experience in our market and industry. Our ability to retain executive officers and key management personnel is important to the implementation of our strategy. We could potentially lose the services of any of our senior management personnel due to a variety of factors that could include, without limitation, death, incapacity, personal issues, retirement, resignation, or competing employers. We may fail to attract and retain qualified key management personnel required to continue to operate our business successfully. The unexpected loss of senior management, coupled with our failure to recruit qualified successors, could have a material adverse effect on our business and the trading price of our common stock.

***Our systems may be subject to security breaches and other cyber security incidents.***

We may face attempts by others to penetrate our computer systems and networks to misappropriate our proprietary information and technology or interrupt our business. The reliability and security of our information technology infrastructure and software, and our ability to expand and continually update technologies in response to our changing needs is critical to our business. To the extent that any disruptions or security breaches result in a loss or damage to our data, or in inappropriate disclosure of proprietary information, it could cause significant damage to our reputation and affect our relationships with our customers and ultimately harm our business.

**COMMITMENT TO PROVIDE FUNDING ON A LONG-TERM BASIS IN RESPECT OF ASBESTOS-RELATED LIABILITIES OF FORMER SUBSIDIARIES**

The AFFA to provide long-term funding to AICF was approved by shareholders in February 2007. The accounting policies utilised by us to account for the AFFA are described in Note 2 to our consolidated financial statements in Section 2.

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**Asbestos Adjustments**

The asbestos adjustments included in the consolidated statements of operations and comprehensive income (loss) comprise the following:

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
Change in estimates:			
Change in actuarial estimate – asbestos liability	\$ (163.0)	\$ (67.8)	\$ 9.8
Change in actuarial estimate – insurance receivable	27.9	49.8	(0.5)
Change in estimate – AICF claims handling costs	5.9	8.4	12.2
Subtotal – Change in estimates	(129.2)	(9.6)	21.5
Write – back of insurance receivable	11.9	–	–
Gain (loss) on foreign currency exchange	0.2	(6.2)	(107.3)
<b>Total Asbestos Adjustments</b>	<b>\$ (117.1)</b>	<b>\$ (15.8)</b>	<b>\$ (85.8)</b>

**Asbestos-Related Assets and Liabilities**

Under the terms of the AFFA, we have included on our 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 commonly referred to by us as the “Net AFFA Liability.”

(Millions of US dollars)	31 March	
	2013	2012
Asbestos liability – current	\$ (135.0)	\$ (125.3)
Asbestos liability – non-current	(1,558.7)	(1,537.3)
Asbestos liability – Total	(1,693.7)	(1,662.6)
Insurance receivable – current	22.2	19.9
Insurance receivable – non-current	209.4	208.6
Insurance receivable – Total	231.6	228.5
Workers’ compensation asset – current	0.9	0.5
Workers’ compensation asset – non-current	60.7	83.4
Workers’ compensation liability – current	(0.9)	(0.5)
Workers’ compensation liability – non-current	(60.7)	(83.4)
Workers’ compensation – Total	–	–
Loan facility	–	(30.9)
Other net liabilities	(1.6)	(2.3)
Restricted cash and cash equivalents and restricted short-term investment assets of AICF	133.5	65.0
<b>Net AFFA liability</b>	<b>(1,330.2)</b>	<b>(1,402.3)</b>
Deferred income taxes – current	18.6	23.0
Deferred income taxes – non-current	434.1	421.5
Deferred income taxes – Total	452.7	444.5
Income tax payable	25.9	18.5
<b>Net Unfunded AFFA liability, net of tax</b>	<b>\$ (851.6)</b>	<b>\$ (939.3)</b>

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On 2 April 2012, in accordance with arrangements agreed with the NSW Government and AICF, the Company contributed US\$138.7 million (A\$132.3 million) to AICF. A further contribution of US\$45.4 million (A\$45.2 million) was contributed on 2 July 2012, in accordance with the terms of the AFFA. Total contributions for the year ended 31 March 2013 were US\$184.1 million (A\$177.5 million).

Restricted cash and cash equivalents at 31 March 2012 reflected the early contribution to AICF of US\$138.7 million (A\$132.3 million). The determination of any contribution to AICF in respect of the year ended 31 March 2013 will reverse the effect of the increase in the Company's free cash flow resulting from the movement in restricted cash and cash equivalents to 31 March 2013 related to the early contribution. The Company's adjusted free cash flow for these purposes is net cash used by operating activities for the year ended 31 March 2013 of US\$29.4 million (A\$28.2 million). In accordance with the terms of the AFFA, and the arrangements agreed with the NSW Government and AICF for an early contribution based on the Company's free cash flow for the year ended 31 March 2012, the Company does not anticipate making a contribution to AICF in respect of the year ended 31 March 2013.

### Asbestos Liability

The amount of the asbestos liability reflects the terms of the AFFA, 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 AICF. The Company receives an updated actuarial estimate as of 31 March each year. The most recent actuarial assessment was performed as of 31 March 2013.

The changes in the asbestos liability for the year ended 31 March 2013 are detailed in the table below:

	<b>A\$ Millions</b>	<b>A\$ to US\$ rate</b>	<b>US\$ Millions</b>
Asbestos liability – 31 March 2012	A\$ (1,598.4)	0.9614	\$ (1,662.6)
Asbestos claims paid <sup>1</sup>	121.3	0.9694	125.1
AICF claims-handling costs incurred <sup>1</sup>	2.4	0.9694	2.5
Change in actuarial estimate <sup>2</sup>	(156.4)	0.9597	(163.0)
Change in estimate of AICF claims-handling costs <sup>2</sup>	5.7	0.9597	5.9
Loss on foreign currency exchange			(1.6)
<b>Asbestos liability – 31 March 2013</b>	<b>A\$ (1,625.4)</b>	<b>0.9597</b>	<b>\$ (1,693.7)</b>

<sup>1</sup> 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.

<sup>2</sup> The spot exchange rate at 31 March 2013 is used to convert the Australian dollar amount to US dollars as the adjustment to the estimate was made on that date.



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### Insurance Receivable – Asbestos

The changes in the insurance receivable for the year ended 31 March 2013 are detailed in the table below:

	<b>A\$ Millions</b>	<b>A\$ to US\$ rate</b>	<b>US\$ Millions</b>
Insurance receivable – 31 March 2012	A\$ 219.7	0.9614	\$ 228.5
Insurance recoveries <sup>1</sup>	(35.7)	0.9694	(36.8)
Write-back of insurance receivable <sup>3</sup>	11.5	0.9717	11.9
Change in actuarial estimate <sup>2</sup>	26.8	0.9597	27.9
Gain on foreign currency exchange			0.1
<b>Insurance receivable – 31 March 2013</b>	<b>A\$ 222.3</b>	<b>0.9597</b>	<b>\$ 231.6</b>

<sup>1</sup> 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.

<sup>2</sup> The spot exchange rate at 31 March 2013 is used to convert the Australian dollar amount to US dollars as the adjustment to the estimate was made on that date.

<sup>3</sup> The weighted average spot exchange rates on the dates the transactions occurred are used to convert the Australian dollar amounts to US dollars as the adjustments were made on those dates.

Included in insurance receivable is US\$6.0 million recorded on a discounted basis because the timing of the recoveries has been agreed with the insurer.

### Deferred Income Taxes – Asbestos

The changes in the deferred income taxes—asbestos for the year ended 31 March 2013 are detailed in the table below:

	<b>A\$ Millions</b>	<b>A\$ to US\$ rate</b>	<b>US\$ Millions</b>
Deferred tax assets – 31 March 2012	A\$ 427.3	0.9614	\$ 444.5
Amounts offset against income tax payable <sup>1</sup>	(24.8)	0.9694	(25.6)
AICF earnings <sup>1</sup>	31.9	0.9694	32.9
Gain on foreign currency exchange			0.9
<b>Deferred tax assets – 31 March 2013</b>	<b>A\$ 434.4</b>	<b>0.9597</b>	<b>\$ 452.7</b>

<sup>1</sup> 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.

### Income Taxes Payable

A portion of the deferred income tax asset is applied against the Company's income tax payable. At 31 March 2013 and 2012, this amount was US\$25.6 million and US\$23.1 million, respectively. During the year ended 31 March 2013, there was a US\$0.7 million unfavourable effect of foreign currency exchange.

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### Other Net Assets (Liabilities)

Other net assets (liabilities) include a provision for asbestos-related education and medical research contributions of US\$1.9 million and US\$2.3 million at 31 March 2013 and 2012, respectively.

Also included in other net assets (liabilities) are the other assets and liabilities of AICF including trade receivables, prepayments, fixed assets, trade payables and accruals. These other assets and liabilities of AICF were a net asset of US\$0.3 million and nil at 31 March 2013 and 2012, respectively. During the year ended 31 March 2013, there was nil effect of foreign currency exchange on these other assets and liabilities.

### Restricted Cash and Short-term Investments of AICF

Cash and cash equivalents and short-term investments of 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 AICF.

In June 2012, AICF invested US\$106.5 million (A\$105.0 million) of its excess cash in time deposits at a fixed interest rate of 5.1% and a six month maturity. In December 2012, these time deposits matured and are reflected as *Restricted cash and cash equivalents – Asbestos* on the consolidated balance sheet as of 31 March 2013.

At 31 March 2013, the Company revalued AICF's short-term investments available-for-sale resulting in a positive mark-to-market fair value adjustment of US\$0.9 million. This appreciation in the fair value of investments is recorded in *Other Comprehensive Income*.

The changes in restricted cash and short-term investments of AICF for the year ended 31 March 2013 are set forth in the table below:

	<b>A\$ Millions</b>	<b>A\$ to US\$ rate</b>	<b>US\$ Millions</b>
Restricted cash and cash equivalents and restricted short-term investments – 31 March 2012	A\$ 62.5	0.9614	\$ 65.0
Asbestos claims paid <sup>1</sup>	(121.3)	0.9694	(125.1)
Payments received in accordance with AFFA <sup>2</sup>	177.5	0.9641	184.1
AICF operating costs paid – claims handling <sup>1</sup>	(2.4)	0.9694	(2.5)
AICF operating costs paid – non-claims handling <sup>1</sup>	(1.6)	0.9694	(1.7)
Insurance recoveries <sup>1</sup>	35.7	0.9694	36.8
Interest and investment income <sup>1</sup>	6.8	0.9694	7.0
Unrealised gain on investments <sup>1</sup>	0.9	0.9694	0.9
NSW loan repayment <sup>2</sup>	(29.7)	0.9901	(30.0)
Other <sup>1</sup>	(0.3)	0.9694	(0.3)
Loss on foreign currency exchange			(0.7)
<b>Restricted cash and cash equivalents and restricted short-term investments – 31 March 2013</b>	<b>A\$128.1</b>	<b>0.9597</b>	<b>\$ 133.5</b>

<sup>1</sup> 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.

<sup>2</sup> The spot exchange rate on the date the transaction occurred is used to convert the Australian dollar amount to US dollars.

**Actuarial Study; Claims Estimate**

AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2013. 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\$1.7 billion (US\$1.8 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\$2.5 billion (US\$2.6 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 2013 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 2013, KPMG Actuarial's undiscounted (but inflated) central estimate of asbestos-related liabilities was A\$2.5 billion (US\$2.6 billion). This undiscounted (but inflated) central estimate is net of expected insurance recoveries of A\$342.9 million (US\$357.3 million) after making a general credit risk allowance for insurance carriers for A\$27.4 million (US\$28.6 million) and an allowance for A\$52.7 million (US\$54.9 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

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determine the central estimates. This analysis shows that the discounted (but inflated) central estimates could be in a range of A\$1.1 billion (US\$1.1 billion) to A\$2.6 billion (US\$2.7 billion). The undiscounted (but inflated) estimates could be in a range of A\$1.6 billion (US\$1.7 billion) to A\$4.2 billion (US\$4.4 billion) as of 31 March 2013. The actual cost of the liabilities could be outside of that range depending on the results of actual experience relative to the assumptions made.

During the 2013 financial year, mesothelioma claims reporting activity has been above actuarial expectations for the first time since the 2009 financial year. One of the critical assumptions is the estimated peak year of mesothelioma disease claims, which was targeted for 2010/2011. Potential variation in this estimate has an impact much greater than the other assumptions used to derive the discounted central estimate. For example, if the peak year occurs five years later, in 2015/2016, the discounted central estimate could increase by approximately 45%.

### **Claims Data**

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:

	Years Ended 31 March				
	2013	2012	2011	2010	2009
Number of open claims at beginning of period	592	564	529	534	523
Number of new claims	542	456	494	535	607
Number of closed claims <sup>1</sup>	672	428	459	540	596
Number of open claims at end of period	462	592	564	529	534
Average settlement amount per settled claim	A\$231,313	A\$218,610	A\$204,366	A\$190,627	A\$190,638
Average settlement amount per settled claim	US\$238,615	US\$228,361	US\$193,090	US\$162,250	US\$151,300
Average settlement amount per case closed	A\$200,561	A\$198,179	A\$173,199	A\$171,917	A\$168,248
Average settlement amount per case closed	US\$206,892	US\$207,019	US\$163,642	US\$146,325	US\$133,530

<sup>1</sup> Included in the number of closed claims of 672 for the year ended 31 March 2013 are 153 claims primarily settled at nil settlement amounts that had been closed in prior years but not reflected as such in the year in which they were closed. Accordingly these 153 claims have been included in claims activity during the year ended 31 March 2013 to appropriately reflect the actual number of open claims at 31 March 2013. These 153 additional claims that were closed in prior years have been excluded for the purposes of determining the average settlement amount in both US and Australian dollars, as reflected in the table above, for the year ended 31 March 2013. As these 153 claims were closed in prior years, the actual number of closed claims during the year ended 31 March 2013 was 519 claims.

Under the terms of the AFFA, the Company has rights of access to actuarial information produced for AICF by the Approved Actuary. The Company's disclosures with respect to claims statistics are subject to it obtaining such information from the Approved Actuary. The AFFA does not provide the Company an express right to audit or otherwise require independent verification of such information or the methodologies to be adopted by the Approved Actuary. As such, the Company relies on the accuracy and completeness of the information and analysis of the Approved Actuary when making disclosures with respect to claims statistics.

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### *AICF – NSW Government Secured Loan Facility*

On 9 December 2010, the Obligors entered into the 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\$333.4 million, based on the exchange rate at 31 March 2013).

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 2013, the discounted value of insurance policies was A\$216.3 million (US\$225.4 million, based on the exchange rate at 31 March 2013).

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 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. 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 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.

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 AICF and 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 AICF and contractual rights under certain documents including the AFFA. 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 AFFA, 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 AICF has sufficient liquidity to meet its future cash flow needs.

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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 AFFA, 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.

On 17 February 2012, AICF made an initial drawing of A\$29.7 million (being US\$32.0 million translated at the prevailing spot exchange rate on 17 February 2012) under the Facility. On 3 April 2012, all amounts outstanding under the Facility were fully repaid.

Because the Company consolidates AICF due to the Company's pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA, any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company's consolidated financial position, results of operations and cash flows.

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

### **LEGAL PROCEEDINGS**

The Company is involved from time to time in various legal proceedings and administrative actions related to the normal conduct of its business, including general liability claims, putative class and representative action lawsuits and litigation concerning our products and services. Although it is impossible to predict the outcome of any pending legal proceeding, management believes that such proceedings and actions should not, individually or in the aggregate, have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows, except as they relate to asbestos, the ASIC proceedings, tax contingencies, New Zealand product liability claims, the New Zealand Ministry of Education matter and the matters described in the Other Legal Matters sections below. For further details, see "Risk Factors" in this Section.

#### **ASIC Proceedings**

In February 2007, 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.

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On 23 April 2009, the Supreme Court issued judgment against the Company and the ten former officers and directors of the Company.

The Company and nine of the former directors and officers lodged appeals against the Supreme Court'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 of US\$10.3 million relating to the costs of the ASIC proceedings for certain former officers. These recoveries were reflected as a reduction in selling, general and administrative expenses for the year ended 31 March 2011.

On 17 December 2010, the New South Wales Court of Appeal dismissed the Company's appeal against the Supreme Court's judgment and ASIC's cross appeal and ordered that the Company pay 90% of the costs incurred by ASIC in respect of the Company's appeal. The Court of Appeal also allowed the appeals brought by the non-executive directors, but dismissed ASIC's related cross-appeals, and ordered ASIC to pay the non-executive directors' costs of the proceedings and the appeals. The Court of Appeal allowed the appeals and cross appeals in respect of certain former officers in part and reserved certain matters for further submissions. On 6 May 2011, the Court of Appeal rendered judgment in the exoneration, penalty and cost matters for certain former officers in which it varied certain orders made at first instance and ordered that there be no order as to the costs of the appeals of the certain former officers and ASIC's related cross-appeals.

ASIC subsequently filed applications for special leave to the High Court appealing from the Court of Appeal judgment in favour of the former directors' and former officers' appeals. Two former officers also filed special leave applications to the High Court. The Company did not file an application for special leave to the High Court. The High Court granted ASIC's application for special leave on 13 May 2011. The High Court also granted the special leave application for one of the former officers, with the other former officer withdrawing his application. Appeals brought by ASIC and the Company's former non-executive directors and former officer were heard by the High Court over three days commencing 25 October 2011.

On 3 May 2012, the High Court upheld ASIC's appeal with costs and overturned the Court of Appeal's decision in favour of the former non-executive directors and dismissed the former officer's appeal against the Court of Appeal's decision. The High Court did not render judgment on claims by the non-executive directors and former officer to be excused from liability, penalty and disqualification and on certain questions concerning costs and, instead, remitted these matters back to the Court of Appeal for further consideration.

The Court of Appeal heard submissions on the matters remitted by the High Court over a three-day period commencing 20 August 2012. The Court of Appeal delivered its judgment on 12 November 2012. In respect of five of the former non-executive directors, the Court of Appeal ordered that they each pay a penalty of A\$25,000 and in respect of two of the former non-executive directors, the Court of Appeal ordered that they each pay a penalty of A\$20,000. The Court of Appeal also imposed banning orders on each of the non-executive directors, which restrict them from serving as a director for various lengths of time, the longest of which is through 30 April 2013. The Court of Appeal ordered that the former officer pay a penalty of A\$75,000 plus interest and be banned from acting as a director for a period of seven years commencing on 27 August 2009. The Court of Appeal made costs orders against the former non-executive directors and former officer in respect of some of ASIC's costs incurred in the various Court of Appeal proceedings. The parties made further submissions to the Court of Appeal in respect of some remaining costs issues and the Court of Appeal delivered its judgment on these remaining issues on 31 May 2013.

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The amount of ASIC's costs that the Company is required to pay as a result of costs orders made in these proceedings is contingent on a number of factors. These include, without limitation, whether the costs incurred by ASIC are reasonable having regard to the issues pursued in the case by ASIC, the number of legal practitioners involved in such legal work and their applicable fee rates, and the associated legal work undertaken specifically in respect of those issues for which ASIC is awarded costs (since ASIC is not entitled to certain costs).

In April 2013, ASIC commenced without prejudice discussions with the Company, former non-executive directors and former officer in relation to the amount of costs payable to ASIC under certain of the various costs orders made to date in these proceedings. In respect of the costs payable by the Company under orders made against the Company and under indemnities, the Company has recorded a provision of US\$2.0 million as of 31 March 2013. The Company notes that other recoveries may be available, including as a result of repayments by former directors in accordance with the terms of their indemnity agreements. Losses and expenses in future periods from these proceedings are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Throughout the proceedings, the Company has paid a proportion of the costs of the former non-executive directors and the former executive, with the remaining costs being met by third parties. It is the Company's policy to expense legal costs as incurred.

For further information, see Note 13 to our consolidated financial statements in Section 2.

### **Tax Contingencies**

Due to our size and the nature of our business, we are subject to ongoing reviews by taxing jurisdictions on various tax matters. We accrue for tax contingencies based upon our best estimate of the taxes ultimately expected to be paid, which we update over time as more information becomes available. Such amounts are included in taxes payable or other non-current liabilities, as appropriate. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognise a tax benefit during the period in which we determine that the liability is no longer necessary. We record additional tax expense in the period in which we determine that the recorded tax liability is less than the ultimate assessment we expect.

In fiscal years 2013, 2012 and 2011, we recorded an income tax benefit of US\$0.2 million, income tax expense of US\$0.5 million and nil, respectively, as a result of the finalisation of certain tax audits (whereby certain matters were settled) and the expiration of the statute of limitations related to certain tax positions.

We file income tax returns in various jurisdictions, including Ireland, the United States, Australia, New Zealand, the Philippines and The Netherlands. We are no longer subject to US federal examinations by the IRS for tax years prior to tax year 2009. We are no longer subject to examinations by The Netherlands tax authority, for tax years prior to tax year 2008. We are no longer subject to Australian federal examinations by the ATO for tax years prior to tax year 2009.

In connection with our re-domicile from The Netherlands to Ireland, we became an Irish tax resident on 29 June 2010. While we were domiciled in The Netherlands, we derived significant tax benefits under the US-Netherlands tax treaty. The treaty was amended during fiscal year 2005 and became effective for us on 1 February 2006. The amended treaty provided, among other things, requirements that we must meet for us to qualify for treaty benefits and its effective income tax rate. During fiscal year 2006, we made changes to our organisational and operational structure to satisfy the requirements of the amended treaty and believe that we were in compliance and qualified for treaty benefits while we were



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domiciled in The Netherlands. However, if during a subsequent tax audit or related process, the IRS determines that these changes did not meet the requirements, we may not qualify for treaty benefits and our effective income tax rate could significantly increase beginning in the fiscal year that such determination is made, and we could be liable for taxes owed for calendar year 2010 when we were domiciled in The Netherlands.

We believe that it is more likely than not that we were in compliance and should qualify for treaty benefits for calendar year 2010 when we were domiciled in The Netherlands. Therefore, we believe that the requirements for recording a liability have not been met and therefore we have not recorded any liability at 31 March 2013.

### **New Zealand Product Liability**

Since fiscal year 2002, our New Zealand subsidiaries have been and continue to be joined in a number of product liability claims in New Zealand that relate to residential buildings (single dwellings and apartment complexes) and a small number of non-residential buildings, primarily constructed from 1998 to 2004. The product liability claims often involve multiple parties and allege that losses were incurred due to excessive moisture penetration of the buildings' structures. The claims typically include allegations of poor building design, inadequate certification of plans, inadequate construction review and compliance certification and deficient work by sub-contractors.

We recognise a liability for both asserted and unasserted New Zealand product liability claims in the period in which the loss becomes probable and estimable. The amount of reasonably possible loss is dependent on a number of factors including, without limitation, the specific facts and circumstances unique to each claim brought against our New Zealand subsidiaries, the existence of any co-defendants involved in defending the claim, the solvency of such co-defendants (including the ability of such co-defendants to remain solvent until the related claim is ultimately resolved), the availability of claimant compensation under a Government compensation scheme, the amount of loss estimated to be allocable to our New Zealand subsidiaries in instances that involve co-defendants in defending the claim and the extent to which our New Zealand subsidiaries have access to third-party recoveries to cover a portion of the costs incurred in defending and resolving such actions. In addition to the above limitations, the total loss incurred is also dependent on the manner and extent to which the statute of limitations will apply in future periods.

Historically, our New Zealand subsidiaries have been joined to these New Zealand product liability claims as one of several co-defendants, including local government entities responsible for enforcing building codes and practices, resulting in our New Zealand subsidiaries becoming liable for only a portion of each claim. In addition, our New Zealand subsidiaries have had access to third-party recoveries to defray a significant portion of the costs incurred in resolving such claims.

We have made a provision for asserted and unasserted New Zealand product liability claims within Other Current and Other Non-current Liabilities, with a corresponding estimated receivable for third-party recoveries being recognised within Accounts and Other Receivables at 31 March 2013. The amount of provision for product liability claims in New Zealand, net of estimated third-party recoveries, is US\$15.2 million at 31 March 2013. During the year ended 31 March 2013 the Company recognised US\$13.2 million in expenses related to the legacy New Zealand product liability claims.

The estimated loss incorporates assumptions that are subject to the foregoing uncertainties and are principally derived from, but not exclusively based on, historical claims experience. If the nature and extent of claims in future periods differ from the historical claims experience, then the actual amount of loss may be materially higher or lower than estimated losses accrued at 31 March 2013. For example, despite having resolved a number of legacy product liability claims in New Zealand since 2002, our

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New Zealand subsidiaries are becoming exposed to increased losses for a greater proportion of these claims due to the insolvency of co-defendants and the expiration of some of our New Zealand subsidiaries rights of third-party recoveries. Accordingly, due to the inherent uncertainties associated with estimating the amount of loss incurred for asserted and unasserted claims, as discussed above, and based on information presently available, we believe it is possible that the ultimate resolution of these legacy claims could result in an additional loss of up to approximately US\$10 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2013. Accordingly, losses incurred in connection with defending and resolving asserted and unasserted New Zealand product liability claims in the future could have a material adverse effect on our financial position, liquidity, results of operations and cash flows.

For further information, see "Risk Factors" in this Section and Note 13 to our consolidated financial statements in Section 2.

### **New Zealand Ministry of Education**

On 16 April 2013, the New Zealand Ministry of Education and other related plaintiffs initiated a 'representative action' in the New Zealand High Court against several building materials manufacturers, including two of our New Zealand subsidiaries, in relation to several thousand New Zealand school buildings. The New Zealand Ministry of Education and other plaintiffs are alleging that the cladding systems used on school buildings were defective and prone to failure, and are asserting negligent conduct, negligent misstatement and breach of the New Zealand Consumer Guarantees Act 1993 and Fair Trading Act 1986. The claim seeks an unspecified and unquantified amount of damages in relation to alleged repair costs.

Two property surveying businesses were commissioned by the Ministry of Education to conduct visual inspections of school buildings to assess the potential exposure to damage arising from moisture ingress. The results of these surveys, completed on 12 April 2010 and in April 2012, indicated the Ministry of Education's national exposure to weathertightness risk to be approximately NZ\$1.5 billion. This amount was derived by conducting visual surveys to form a high-level review of potential risk of damage due to moisture ingress, but did not employ the use of destructive testing or internal inspections. The amount of exposure to potential damage due to weathertightness risk identified in these reports may not represent damage actually incurred nor correspond with the amount of loss ultimately asserted by the Ministry of Education in the claim. In addition, the estimated remedial costs set forth in these reports are subject to inherent limitations in quantifying weathertightness risk based on limited information, as outlined in each report.

As the reports have been commissioned by the Ministry of Education, we are unable to adequately scrutinise the reasonableness of the data inputs used or the manner in which inherent uncertainties were overcome in deriving the amount of weathertightness risk exposure. The actual amount of damage could be materially higher or lower than the amount noted by each surveyor, and may not be indicative of the actual amount of loss ultimately asserted by the Ministry of Education in the future for the purposes of the claim.

The amount of loss the New Zealand subsidiaries may be liable to pay, if any, is dependent on a wide range of factors, which include, without limitation, the legal and technical merits of the claim, the amount of damages asserted by the New Zealand Ministry of Education and the other plaintiffs, the proportion of the claim specifically allocable to our New Zealand subsidiaries and the extent to which statutory limitation periods (to which the claim is highly sensitive) will apply. Losses and expenses arising from defending and resolving this claim may have a material adverse effect on our financial position, results of operations and cash flows in future periods. We and our New Zealand subsidiaries are continuing to assess the merits of the claim and intend to vigorously defend against the allegations.

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made. We are not yet able to determine the amount of any loss or range of loss, if any, the New Zealand subsidiaries may become liable for in future periods.

For further information, see "Risk Factors" in this Section and Note 13 to our consolidated financial statements in Section 2.

### Other Legal Matters

#### *Environmental*

Our operations, 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. Our 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.

#### *Other Product Liability*

As of March 2013, one of our US subsidiaries has been named as a defendant in eleven related lawsuits in eight separate U.S. federal district courts. Four of the lawsuits were filed between March 2012 and March 2013, adding to the seven lawsuits already pending as of the end of March 2012. Each lawsuit has a different set of facts and circumstances; however, the lawsuits all relate to products allegedly manufactured by the subsidiary, raise virtually the same claims and are brought by generally the same underlying plaintiffs' counsel. In addition to the individually-named plaintiffs, each lawsuit seeks to pursue claims on behalf of a purported but unidentified class of homeowners.

The plaintiffs moved to transfer and consolidate all of the related actions within one federal district court, and their motion was granted in June 2012. However, no class has been certified. We believe we have meritorious defenses to each lawsuit and in opposition to class certification, and intend to vigorously defend the actions. Based on available information and circumstances presently known, we believe that the outcome of these related actions will not have a material adverse effect on our financial condition, results of operations or cash flows.

### EMPLOYEES

During each of the last three fiscal years, we employed the following average number of people:

	Fiscal Years Ended 31 March		
	2013	2012	2011
Fibre Cement United States and Canada	1,681	1,581	1,586
Fibre Cement Australia	446	453	416
Fibre Cement New Zealand	142	143	142
Fibre Cement Philippines	166	154	151
Pipes Australia	62	62	59
Fibre Cement Europe	53	47	43
Research & Development, including Technology	155	128	107
General Corporate	33	36	36
<b>Total Employees</b>	<b>2,738</b>	<b>2,604</b>	<b>2,540</b>

As of the end of 31 March 2013, of the 2,738 average number of people employed, approximately 350 employees were members of labour unions (approximately 300 and 50 employees in Australia and New Zealand, respectively). Under Australian law, we cannot keep records of union members. The

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number quoted is the number of people who work in our factories that have union participation and therefore may be represented by a union). Our management believes that we have a satisfactory relationship with these unions and its members and there are currently no ongoing labour disputes. We currently have no employees who are members of a union in the United States.

### LISTING DETAILS

As a company incorporated under the laws of Ireland, we have listed our securities for trading on the ASX, through the use of the Clearing House Electronic Subregister System ("CHESS"), via CUFS. CUFS are a form of depositary security that represent a beneficial ownership interest in the securities of a non-Australian corporation. Each of our CUFS represents the beneficial ownership of one share of common stock of JHI plc, the legal ownership of which is held by CHESS Depositary Nominees Pty Ltd. The CUFS are listed and traded on the ASX under the symbol "JHX."

We have also listed our securities for trading on the NYSE. We sponsor a program, whereby beneficial ownership of five CUFS is represented by one ADS, which is issued by The Bank of New York Mellon. These ADSs trade on the NYSE in the form of ADRs, under the symbol "JHX." Unless the context indicates otherwise, when we refer to ADSs, we are referring to ADRs or ADSs and when we refer to our common stock we are referring to the shares of our common stock that are represented by CUFS.

### Price History

The high and low trading prices of JHI plc CUFS on the ASX are as follows:

<u>Period</u>	<u>High (A\$)</u>	<u>Low (A\$)</u>
<b>Fiscal year ended:</b>		
31 March 2013	10.50	6.87
31 March 2012	7.99	4.66
31 March 2011	8.05	5.05
31 March 2010	8.86	3.73
31 March 2009	7.04	2.89
31 March 2008	9.65	5.34
<b>Fiscal quarter ended:</b>		
31 March 2013	10.50	9.03
31 December 2012	9.53	8.32
30 September 2012	9.25	7.57
30 June 2012	8.07	6.87
31 March 2012	7.99	6.59
31 December 2011	7.45	5.27
30 September 2011	6.30	4.66
30 June 2011	6.37	5.20
<b>Month ended:</b>		
31 May 2013	11.03	9.68
30 April 2013	10.20	9.09
31 March 2013	10.50	9.52
28 February 2013	10.15	9.03
31 January 2013	10.29	9.07
31 December 2012	9.48	8.89

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The high and low trading prices of JHI plc ADSs on the NYSE are as follows:

<u>Period</u>	<u>High (US\$)</u>	<u>Low (US\$)</u>
<b>Fiscal year ended:</b>		
31 March 2013	54.00	34.00
31 March 2012	40.90	25.23
31 March 2011	36.96	22.01
31 March 2010	41.22	14.50
31 March 2009	31.55	9.38
31 March 2008	40.50	23.00
<b>Fiscal quarter ended:</b>		
31 March 2013	54.00	47.86
31 December 2012	49.98	44.57
30 September 2012	48.01	39.47
30 June 2012	41.29	34.00
31 March 2012	40.90	34.29
31 December 2011	35.81	25.23
30 September 2011	32.94	25.28
30 June 2011	33.34	27.57
<b>Month ended:</b>		
31 May 2013	54.03	46.15
30 April 2013	53.24	46.88
31 March 2013	53.66	49.04
28 February 2013	54.00	47.86
31 January 2013	53.92	48.02
31 December 2012	49.90	46.63

### **Trading Markets**

Our securities are listed and quoted on the following stock exchanges:

Common Stock (in the form of CUFS)  
ADSs

Australian Securities Exchange  
New York Stock Exchange

We cannot predict the prices at which our shares and ADSs will trade or the volume of trading for such securities, nor can we assure you that these securities will continue to meet the applicable listing requirements of these exchanges.

### **Trading on the Australian Securities Exchange**

The ASX is headquartered in Sydney, Australia, with branches located in each Australian state capital. Our CUFS trade on the ASX under the symbol "JHX." The ASX is a publicly listed company with trading being undertaken by brokers licensed under the Corporations Act. Trading principally takes place between the hours of 10:00 a.m. and 4:00 p.m. on each weekday (excluding Australian public holidays). Settlement of trades in uncertificated securities listed on the ASX is generally effected electronically on the third business day following the trade. This is undertaken through CHESS, which is the clearing and settlement system operated by the ASX.

### **Trading on the New York Stock Exchange**

In the United States, five JHI plc CUFS equal one JHI plc ADS. Our ADSs trade on the NYSE under the symbol "JHX." Trading principally takes place between the hours of 9:30 a.m. and 4:00 p.m. Eastern Time on each weekday (excluding US public holidays). All inquiries and correspondence regarding ADSs

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should be directed to BNY Mellon, depository for our ADSs, at 101 Barclay Street, 22W, New York, NY 10286. To speak directly to a BNY Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the US, please call 201-680-6825. You may also send an e-mail inquiry to [shrelations@bnymellon.com](mailto:shrelations@bnymellon.com) or visit the website at [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner).

## MEMORANDUM AND ARTICLES OF ASSOCIATION

### General

On 17 June 2010, we completed our Re-domicile from The Netherlands to Ireland and became an Irish SE company incorporated and existing under the laws of Ireland. On 15 October 2012, we completed our conversion from an Irish SE to become an Irish public limited liability company under Irish law, with the name of James Hardie Industries plc.

Our corporate domicile is in Ireland and our office is located at Europa House, Second Floor, Harcourt Center, Harcourt Street, Dublin 2, Ireland. We are registered at the Companies Registration Office of the Department of Enterprise Trade and Innovation in Dublin, Ireland under number 485719.

### Key Provisions of our Articles of Association

#### *Purpose of the Company*

Our main object, which is stated in our Memorandum of Association, is to:

“carry on the businesses of manufacturer, distributor, wholesaler, retailer, service provider, investor, designer, trader and any other business (except the issuing of policies of insurance) which may seem to the Company’s board of directors capable of being conveniently carried on in connection with these objects or calculated directly or indirectly to enhance the value of or render more profitable any of the Company’s property.”

The Memorandum of Association also states that we will have the power to carry on the business of a holding company and co-ordinate the administration, finances and activities of any subsidiary companies or associated companies.

We also have the usual powers of an Irish public limited company. These include the power to borrow, to charge assets, to grant guarantees and indemnities, to incorporate new companies and to acquire existing companies.

#### *Provisions of our Articles of Association Related to Directors*

*General and borrowing powers:* Our Articles of Association grant the directors a general power to manage the Company. The directors will have the power to exercise all of the powers of the Company that have not been otherwise expressly reserved to the shareholders by Irish Company Law or our Articles of Association. In addition, the directors also will be granted certain specific powers by our Articles of Association, including:

- the power to delegate their powers to the CEO, any director, any person or persons employed by us or any of our subsidiaries or to a committee of the Board;
- the power to appoint attorneys to act on our behalf;
- the power to borrow money on our behalf and to mortgage or charge our undertaking, property, assets, and uncalled capital as security for such borrowings; and
- the power to do anything that is necessary or desirable for us to participate in any computerised, electronic or other system for the facilitation of the transfer of CUFs or the operation of our registers that may be owned, operated or sponsored by the ASX.

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Our Articles of Association expressly list some, but not all, of the duties of directors.

Under Irish law, directors have a common law fiduciary duty to act in the best interest of Irish plc and to exercise good faith and due care and skill. Directors also have statutory duties that mainly relate to administrative obligations.

*Power to vote on compensation*: The maximum aggregate remuneration of the non-executive directors is US\$2,000,000 and can be changed from time to time by an ordinary resolution. Changes to non-executive director remuneration are recommended by the Remuneration Committee and are approved at a properly convened meeting of the Board (which consists of eight non-executive directors and the CEO).

Arrangements for remuneration in the form of shares or CUFIs for directors requires shareholder approval pursuant to an ordinary resolution.

There is no requirement for our shareholders to approve the remuneration policy. The Company currently intends to continue voluntarily producing a remuneration report.

These provisions are subject to the relevant listing rules of the ASX regarding director remuneration.

*Age Limit for Retirement or Non-Retirement*: Our Articles of Association do not include any provisions regarding the mandatory retirement age of a director.

*Number of shares for Director's qualification*: No director will require a share qualification in order to act as a director.

*Power to vote on proposals, arrangements or contracts in which the director is materially interested*: The Company's Articles of Association provide that a director cannot vote on any resolution concerning a matter in which he has, directly or indirectly, an interest which is material or a duty which conflicts or may conflict with the interests of the Company. A director cannot be counted in the quorum present at a meeting in relation to any such resolution on which the director is not entitled to vote.

Under Irish law, directors who have a personal interest in a contract or a proposed contract with the Company are required to declare the nature of their interest at a meeting of the directors of the Company. The Company is required to maintain a register of such declared interests which must be made available for inspection by the shareholders at general meetings.

### ***Issuance of Shares; Preemptive Rights***

We have been registered with one class of shares; however, our Articles of Association will allow for any share to be issued with such rights or restrictions as the shareholders may by ordinary resolution determine.

Shareholders may authorise us (acting through our directors) by special resolution to issue shares in whatever manner on the basis that they will be subsequently redeemed. Once issued, we may cancel redeemed shares or alternatively hold them as treasury shares (which subsequently will be reissued or cancelled).

The Board has the power (a) to issue shares up to a maximum of our authorised share capital and (b) to limit or exclude statutory pre-emptive rights in respect of such issue for cash consideration, for a period of up to five years in each case, subject to renewal, by a special resolution of shareholders (which requires the approval of holders of 75% of shares present in person or by proxy and voting at



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the relevant general meeting) in the case of disapplication of statutory pre-emptive rights, and an ordinary resolution (which requires the approval of holders of a majority of shares present in person or by proxy and voting at the relevant general meeting) in the case of authorising the board to issue shares).

Our Articles of Association grant these authorisations to the board, which will expire (unless renewed) on 13 August 2017.

These authorisations are subject to the listing rules of the ASX and NYSE in relation to the issue of new equity securities, which require:

- in the case of the ASX, shareholder approval for the issue of equity securities which exceed 15% of the number of equity securities on issue (as determined in accordance with the ASX listing rules and subject to the various exemptions set out therein); and
- in the case of the NYSE, shareholder approval for the issuance of shares that have or will have upon issuance voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such shares (subject to certain exceptions).

If the Board is at any time not designated as the authorised body for such powers, the shareholders acting by ordinary resolution have the power to issue shares, but only upon the proposal of the Board.

As an Irish company that has listed securities in Australia and the United States, we are subject to applicable legislation regarding insider trading. Generally, Australian law prohibits persons from trading on the basis of information which is not generally available and which, if it were generally available, a reasonable person would expect to have a material effect on the price or value of securities. Similarly, in the United States, persons are prohibited from trading on the basis of material, non-public information. We have adopted an internal code on insider trading consistent with Australian and US laws and regulations.

### ***Repurchase of Shares and Reduction of Capital***

Irish law permits us to redeem our shares (provided such shares are redeemable) at any time whether on or off market without shareholder approval. Accordingly, our Articles of Association provide that, when we agree to acquire any shares (unless we elect to treat the acquisition as a purchase), it shall be a term of such contract that the relevant shares become redeemable on the entry into of that contract and that completion of that contract shall constitute redemption of the relevant shares. This means that we may acquire our own shares.

In addition, Irish law permits an Irish company and its subsidiaries to make market purchases of the shares of the Irish company on a recognised stock exchange if shareholders of the company have granted the company and/or its subsidiaries a general authority by ordinary resolution to do so. Currently, the Irish Stock Exchange, the NYSE, NASDAQ and the London Stock Exchange are the recognised stock exchanges for this purpose.

As the ASX is not currently a recognised stock exchange for the purposes of Irish law, on- and off-market purchases of our shares (by way of trading CUFS) will only be available to us through their redemption in accordance with the redemption mechanism in our Articles of Association, outlined above, provided we do not treat such acquisition as a purchase.

A redemption or repurchase of shares may only be funded out of freely distributable reserves or out of the proceeds of a fresh issue of shares for that purpose.

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Under Irish Company Law, the Board may determine whether shares that we have repurchased or redeemed will either be held in treasury or cancelled. However, under Irish Company Law, the nominal value of treasury shares held by us may not, at any one time, exceed 10% of the nominal value of our issued share capital.

Unless otherwise required by Irish plc's Articles of Association or Irish law, no business other than the appointment of a chairman may be transacted at any general meeting unless at least 5% of Irish plc's issued share capital is present or represented.

### ***Shareholders Meetings and Voting Rights***

Our AGMs will generally be held in Ireland unless shareholder approval, pursuant to an ordinary resolution, is granted at the preceding AGM to hold the following general meeting outside of Ireland. There is no requirement that extraordinary general meetings be held in Ireland. We must hold an AGM in each calendar year and within nine months after the financial year end and we shall announce the date of each such AGMs no less than 35 business days before such meeting is due to be held. All business that is transacted at an AGM shall be deemed to be special business, except: (1) the declaration of a dividend; (2) the consideration of the accounts, balance sheets and reports of the directors and auditors; (3) the election of directors in the place of those retiring (whether by rotation or otherwise, with rotation occurring at staggered intervals and in any event at least once every three years, except for the CEO, who is not subject to re-election); (4) the fixing of the remuneration of the directors (if required); and (5) the fixing of the remuneration of the auditors.

We shall announce the date of an extraordinary general meeting no less than 35 business days before such meeting is due to be held save in exceptional circumstances where the board resolves otherwise. An extraordinary general meeting may be convened by (1) the directors or (2) pursuant to Irish Company Law, by one or more persons who alone or together hold 10% of our issued share capital. An extraordinary general meeting must be convened within 21 calendar days after a request has been made of us by a shareholder (who holds 10% or more of our issued share capital), and the extraordinary general meeting must be held no later than two months after such a request has been made by a shareholder.

One or more persons who alone or together hold at least 10% of our issued share capital may request that the Board call an extraordinary general meeting. In addition, such holders may also request that the Board place a matter on the agenda of any general meeting so long as any such request shall be received by us at least 30 business days before the general meeting to which it relates, at such postal or e-mail address as specified by us for that purpose in the announcement of the general meeting. Such request must be accompanied by stated grounds justifying its inclusion, or a draft resolution, together not to exceed 1,000 words. Such a request will be declined by our Board where: (i) the request is contrary to the Memorandum or Articles of Association, Irish law or the ASX Listing Rules, or (ii) the time limits specified in the Articles of Association have not been complied with.

The quorum for general meetings and for meetings of a separate class of shareholders of an Irish plc is one or more persons who alone or jointly hold at least 5% of such Irish plc's issued share capital or, in the case of a separate class meeting, 5% of the issued share capital of that class. These same quorum requirements also apply to all adjourned meetings.

Holders of CUFs and ADSs do not appear on our share register as legal holders of shares. Accordingly, the ability to call an extraordinary general meeting only may be exercised, in the case of holders of CUFs, by providing instructions to the CUFs depository or by converting their CUFs to shares, and, in the case of holders of ADSs, by converting their ADSs to CUFs and thereafter providing instructions to the CUFs depository or converting their CUFs to shares.

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All shares issued have the right to one vote for each share held on every matter submitted to a vote of the shareholders. CUFS holders are entitled to attend and to speak at our shareholder meetings and can vote at our shareholder meetings:

- by instructing CHES Depository Nominees Pty Limited (“CDN”), as legal owner of our shares represented by CUFS, how to vote the shares represented by the holder’s CUFS;
- by directing CDN to appoint itself (or another person) as the Nominated Proxy pursuant to a voting instruction form provided by the Company; or
- by converting the holder’s CUFS into our shares and voting the shares at the meeting, which must be undertaken prior to the meeting. However, in order to sell their shares on the ASX thereafter, it will be first necessary to convert them back to CUFS.

ADS holders will not be entitled to attend our general meetings of shareholders, but can vote by giving an instruction to The Bank of New York Mellon, as the ADS depository on how to instruct CDN to vote at a meeting.

Irish law and our Articles of Association currently do not impose any limitations on the rights of persons who are not residents of Ireland to hold or vote shares, solely as a result of such non-resident status.

### ***Annual Report***

Our fiscal year runs from 1 April through 31 March. Irish law requires that our annual accounts must be laid before the shareholders at the AGM within nine months of the balance sheet date and that copies of our financial statements must be sent to the shareholders 21 days before the AGM. We prepare consolidated annual accounts under “modified” US GAAP, which is US GAAP to the extent that it is not inconsistent with Irish Company Law. We will also prepare standalone annual entity accounts under Irish GAAP and lay those accounts before a general meeting of shareholders.

The annual accounts will also include report of an independent accountant.

### ***Indemnification***

Our Articles of Association provide that our current and former directors, company secretary, employees and persons who may be deemed by our board to be our agent are indemnified by us for costs, losses and expenses arising out of such person’s exercise of their duties to us. However, under Irish Company Law, this indemnity only binds us to indemnify a current or former director or company secretary where judgment is given in any civil or criminal action in favour of such director or company secretary, or where a court grants relief because the director or company secretary acted honestly and reasonably and ought fairly to be excused. Our Articles of Association apply the same restrictions to employees and persons deemed by our board to be our agent who are not current or former directors or company secretary.

We have also entered into deeds of access, insurance and indemnity with our directors, company secretary and certain senior employees.

### ***Dividends***

Dividends and distributions of assets to shareholders may be declared (a) in the case of dividends, by the board or (b) upon the recommendation of the board, by an ordinary resolution of shareholders, provided that with respect to dividends or distributions declared pursuant to subsection (b) above, the dividends or distributions may not exceed the amount recommended by the Board.

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Dividends and distributions may only be made in-so-far as (a) we have sufficient distributable profits and (b) our net assets are in excess of the aggregate of called up share capital plus undistributable reserves and the distribution does not reduce our net assets below such aggregate.

If directors so resolve, any dividend that has remained unclaimed for twelve years from the date of its declaration shall be forfeited and cease to be owned by the Company. The payment by directors of any unclaimed dividend or other moneys payable in respect of a share into a separate account shall not constitute us a trustee in respect thereof. However, it is unlikely that any such unclaimed dividends will be forfeited due to the operation of Australian legislation, under which dividends that have been unclaimed for six years are paid to the relevant state authority, through which shareholders can claim a refund of such dividends in the future.

Our Board determines the record dates at which time registered holders of our shares, including the CHESSE Depository Nominee issuing CUFSS to the ADS depository, will be entitled to dividends and also sets the payment dates for these dividends. Dividends are declared payable to our shareholders in US dollars. The ADS Depository (Bank of New York Mellon) receives dividends in US dollars directly from JHI plc on each CUFSS dividend payment date and will distribute any dividend to holders of ADSs in US dollars pursuant to the terms of the deposit agreement. Other CUFSS holders registered at a dividend record date are paid their dividend on each CUFSS dividend payment date in the equivalent amount of Australian dollars, as determined by the prevailing exchange rate shortly after the CUFSS dividend record date.

### ***Amendment of Articles of Association***

Our Articles of Association may be amended by our shareholders, which include changes to the rights of shareholders, subject to Irish Company Law restrictions, by resolution approved by 75% of the votes cast at a general meeting of shareholders at which at least 5% of our issued share capital is present or represented.

### ***Liquidation Rights***

In the event of our liquidation, and after we have paid all debts and liquidation expenses, the excess of any assets shall be distributed among our shareholders in proportion to the capital at the commencement of the winding up paid up or credited as paid up on such shares held by our shareholders. As a holding company, our sole material assets will be the capital stock of its subsidiaries.

### ***Limitations on Right to Hold Common Stock***

The Irish Takeover Rules regulate takeover and merger transactions, however effected, by which control of a target incorporated in Ireland may be obtained or consolidated. Control means a holding or aggregate holding of shares carrying 30% or more of the voting rights of a company, irrespective of whether the holding or holdings give de facto control.

The Irish Takeover Rules are statute based. The Irish Takeover Panel is the body that regulates all transactions subject to the Irish Takeover Rules.

Rule 9 of the Irish Takeover Rules states that, except with the consent of the Irish Takeover Panel, when:

- any person acquires, whether by a series of transactions over a period of time or not, shares or other securities which (taken together with shares or other securities held or acquired by persons acting in concert) carry 30% or more of the voting rights of a company; or

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- any person, who together with persons acting in concert, holds not less than 30% of the voting rights and such person or any person acting in concert with them acquires, in any period of twelve months, additional shares or other securities of more than 0.05% of the total voting rights of the company,

such person must extend offers to the holders of any class of equity securities (whether voting or non-voting) and to holders of any class of transferable voting capital in respect of all such equity securities and transferable voting capital.

A single holder (that is, a holder excluding any parties acting in concert with the holder) holding more than 50% of the voting rights of a company is not subject to Rule 9.

The Irish Takeover Rules also contain rules called "Substantial Acquisition Rules" which restrict the speed with which a person may increase their holding of shares and rights over shares to an aggregate of between 15% and 30% of the voting rights of a company. These rules also require accelerated disclosure of acquisitions of shares or rights over shares relating to such holdings.

The Irish Takeover Rules are built on the following general principles that apply to any transaction regulated by such rules:

- all holders of the securities of an offeree of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected;
- the holders of the securities of an offeree must have sufficient time and information to enable them to reach a properly informed decision on the offer; where it advises the holders of securities, the board of the offeree must give its views on the effects of implementation of the offer on employment, conditions of employment and the locations of the offeree's places of business;
- the board of an offeree must act in the interests of the company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the offer;
- false markets must not be created in the securities of the offeree, of the offeror or of any other company concerned by the offer in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted;
- an offeror must announce an offer only after ensuring that he or she can fulfill in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration;
- an offeree must not be hindered in the conduct of its affairs for longer than is reasonable by an offer for its securities; and
- a substantial acquisition of securities (whether such acquisition is to be effected by one transaction or a series of transactions) shall take place only at an acceptable speed and shall be subject to adequate and timely disclosure.

The prohibition does not apply to holdings by the CUFS depository, CDN, of our shares as custodian for the CUFS holders but will apply to CDN where another person acquires or holds a relevant interest in breach of the provisions. If a person acquires or holds a relevant interest in breach of the prohibition, we have several powers available to it under our Articles of Association. These include powers to

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require the disposal of our common stock, disregard the exercise of votes and suspend dividend rights. These powers will only extend to that number of shares of common stock which are acquired or held in breach of the prohibition.

Although these provisions of our Articles of Association may help to ensure that no person may acquire voting control of us without making an offer to all shareholders, these provisions may also have the effect of delaying or preventing a change in control of the Company.

### **Disclosure of Holdings**

Under Irish law, a person must notify us in writing within five business days of an acquisition or disposition of shares in Irish plc where:

- such person's interest was below 5% of our issued share capital prior to such acquisition and equals or exceeds 5% after such acquisition;
- such person's interest was equal to or above 5% of our issued share capital before an acquisition or disposition and increases or decreases through an integer of a percentage as a result of such acquisition or disposition (e.g., from 5.8% to 6.3% or from 8.2% to 7.9%); and
- where such person's interest was equal to or above 5% of our issued share capital before a disposition and falls below 5% as a result of such disposition.

In addition, under Irish law, we can, if we have reasonable cause to believe that a person or company has an interest in our shares, require such person or company to confirm that belief (or as the case may be) to indicate whether or not it is the case and to provide certain information in relation to such holdings, including details of his or her interest in our shares and the interests (if any) of all persons having a beneficial interest in the shares. To the extent any such information is made available to us, Irish law requires that we make such information available to any person upon such person's request.

Failure of a shareholder to disclose its interests in our shares as described above will result in no right or interest of any kind in respect of that person's shares being enforceable, whether directly or indirectly by action or legal proceeding. If a person fails to respond to us when we make a request for information in the manner described above, we may apply to the High Court of Ireland for an order stating that: (a) any transfer of such shares will be void; (b) such shares will have no voting rights; (c) no further shares will be issued in right of those shares or pursuant to any offer made to the holder thereof; and (d) such shares will not be entitled to any payment from us. Such restrictions, whether imposed for a failure to disclose a notifiable interest or for a failure to respond to a request for information, may only be lifted by an order of the High Court of Ireland.

Shareholders are also subject to beneficial ownership reporting disclosure requirements under US securities laws, including the filing of beneficial ownership reports on Schedules 13D and 13G with the SEC. The SEC's rules require all persons who beneficially own more than 5% of a class of securities registered with the SEC to file either a Schedule 13D or 13G. This filing requirement applies to all holders of our shares of common stock, ADSs or CUFS because our securities have been registered with the SEC. The number of shares of common stock underlying ADSs and CUFS is used to determine whether a person beneficially owns more than 5% of the class of securities. This beneficial ownership-reporting requirement applies whether or not the holders are US residents. The decision of whether to file a Schedule 13D or a Schedule 13G will depend primarily on the nature of the beneficial owner and the circumstances surrounding the person's beneficial ownership. A copy of the rules and regulations relating to the reporting of beneficial ownership with the SEC, as well as Schedules 13D and 13G, are available on the SEC's website at [www.sec.gov](http://www.sec.gov).

## **MATERIAL CONTRACTS**

In addition to the other contracts that are described in this annual report, including without limitation the AFFA and certain other related agreements described in "Commitment to Provide Funding on a Long-Term Basis in Respect of Asbestos-Related Liabilities of Former Subsidiaries," our stock option plans and certain material employment contracts described under Section 2, "Remuneration Report," and any material contracts that have been entered into in the ordinary course of business, the following are the contracts we consider to be material to us. All contracts described below have been filed as exhibits to this annual report and are hereby incorporated by reference, and the summary below is qualified in its entirety by reference to the full texts of such contracts.

*US Dollar Cash Advance Facilities.* For all facilities, the interest rate is calculated two business days prior to the commencement of each draw-down period based on LIBOR, plus the margins of individual lenders, and is payable at the end of each draw-down period. At 31 March, 2013, there were no facilities drawn under the combined facilities and US\$405.0 million was available.

At 31 March 2013, 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) must not exceed a maximum of net debt to earnings before interest, tax, depreciation and amortisation, excluding all income, expense and other profit and loss statement impacts of AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited and excluding assets, liabilities and other balance sheet items of the AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) 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 AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, and (iii) must ensure that no more than 35% of Free Cash Flow (as defined in the AFFA), in any given financial year ("Annual Cash Flow Cap") is contributed to AICF on the payment dates under the AFFA in the next following financial year. The Annual Cash Flow Cap does not apply to payments of interest, if any, to AICF and is consistent with contractual obligations of the Performing Subsidiary and the Company under the AFFA.

*Gypsum Indemnity.* We sold our gypsum wallboard manufacturing facilities in April 2002. Under the terms of the sale agreement with the buyer, BPB US Holdings, Inc., we agreed to customary indemnification obligations which generally have expired. However, pursuant to the sale agreement, we agreed to indemnify the buyer for any future liabilities arising from asbestos-related injuries to persons or property arising from our former gypsum business. We are not aware of any asbestos-related claims arising from the gypsum business nor circumstances that would give rise to such claims. Further, our obligation under the sale agreement to indemnify the buyer for liabilities arising from asbestos-related injuries arises only if such claims exceed US\$5.0 million in the aggregate, is limited to US\$250.0 million in the aggregate and will continue for 30 years after the closing date of the sale of the gypsum business.

Pursuant to the terms of our agreement to sell our gypsum business, we also retained responsibility for any losses incurred by the buyer resulting from environmental conditions at the Duwamish River in the State of Washington so long as notice of a claim was given within 10 years of the closing date and subject to a US\$34.5 million limitation. The 10 year period in which to give notice expired in April 2012 and we received no such notice prior to that time period or since.

## **EXCHANGE CONTROLS**

The European Commission has imposed financial sanctions on a number of countries throughout the world that are suspected of being involved in activities such as terrorism or repression of its citizens. Ireland has given effect to these sanctions through the implementation of regulations and statutory

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instruments. We do not have any subsidiaries located in countries with imposed financial sanctions by the European Commission. In addition, we do not conduct business or other revenue-generating activities in these countries.

Except for restrictions contained in the regulations or statutory instruments referred to above, there are no legislative or other legal provisions currently in force in Ireland or arising under our Articles of Association restricting the import or export of capital, including the availability of cash and cash equivalents for use by JHI plc and its wholly owned subsidiaries, or remittances to our security holders not resident in Ireland. In addition, except for restrictions contained in the regulations or statutory instruments referred to above, cash dividends payable in US dollars on our common stock may be officially transferred from Ireland and converted into any other convertible currency.

There are no limitations, either by Irish law or in our Articles of Association, on the right of non-residents of Ireland to hold or vote our common stock.

### **TAXATION**

The following summarises the material US and Irish tax consequences of an investment in shares of our common stock. This summary does not address every aspect of taxation relevant to a particular investor subject to special treatment under any applicable law and is not intended to apply in all respects to all categories of investors. In addition, except for the matters discussed under "Irish Taxation", this summary does not consider the effect of other foreign tax laws or any state, local or other tax laws that may apply to an investment in shares of our common stock. This summary assumes that we will conduct our business in the manner described in this annual report. Changes in our organisational structure or the manner in which we conduct our business may invalidate all or parts of this summary. The laws on which this summary is based could change, perhaps with retroactive effect, and any law changes could invalidate all or parts of this summary. We will not update this summary for any law changes after the date of this annual report.

This discussion does not bind either the US or Irish tax authorities or the courts of those jurisdictions. Except where outlined below, we have not sought a ruling nor will we seek a ruling of the US or Irish tax authorities about matters in this summary. We cannot assure you that those tax authorities will concur with the views in this summary concerning the tax consequences of the purchase, ownership or disposition of our common stock or that any reviewing judicial body in the United States or Ireland would likewise concur.

### **PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS REGARDING THE PARTICULAR TAX CONSEQUENCES OF ACQUIRING, OWNING AND DISPOSING OF SHARES OF OUR COMMON STOCK, INCLUDING THE EFFECT OF ANY FOREIGN, STATE OR LOCAL TAXES.**

#### United States Taxation

The following is a summary of the material US federal income tax consequences generally applicable to "US Shareholders" (as defined below) who beneficially own shares of our common stock and hold the shares as capital assets. For purposes of this summary, a "US Shareholder" means a beneficial owner of our common stock that is: (1) a citizen or individual resident of the United States (as defined for US federal income tax purposes); (2) a corporation created or organised in or under the law of the United States or any of its political subdivisions; (3) an estate whose income is subject to US federal income taxation regardless of its source or (4) a trust if (i) a court in the United States can exercise primary supervision over the administration of the trust, and one or more United States persons can



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control all of the substantial decisions of the trust, or (ii) the trust was in existence on 20 August 1996 and properly elected to continue to be treated as a United States person. If a partnership (including for this purpose any entity treated as a partnership for US federal tax purposes) is a beneficial owner of a share of our common stock, the US federal tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of our common stock that is a partnership and partners in that partnership should consult their own tax advisers regarding the US federal income tax consequences of holding and disposing of those shares.

This summary does not comprehensively describe all possible tax issues that could influence a current or prospective US Shareholder's decision to buy or sell shares of our common stock. In particular, this summary does not discuss: (1) the tax treatment of special classes of US Shareholders, like financial institutions, life insurance companies, tax exempt organisations, tax-qualified employer plans and other tax-qualified or qualified accounts, investors liable for the alternative minimum tax, dealers in securities, shareholders who hold shares of our common stock as part of a hedge, straddle or other risk reduction arrangement, or shareholders whose functional currency is not the US dollar; (2) the tax treatment of US Shareholders who own (directly or indirectly by attribution through certain related parties) 10% or more of our voting stock; and (3) the application of other US federal taxes, like the US federal estate tax. The summary is based on the Internal Revenue Code, applicable US Department of Treasury regulations, judicial decisions and administrative rulings and practice, all as of the date of this annual report.

*Treatment of ADSs.* For US federal income tax purposes, a holder of an ADS is considered the owner of the shares of stock represented by the ADS. Accordingly, except as otherwise noted, references in this summary to ownership of shares of our common stock includes ownership of the shares of our common stock underlying the corresponding ADSs.

*Taxation of Distributions.* Subject to the passive foreign investment company rules discussed below, the tax treatment of a distribution on shares of our common stock held by a US Shareholder depends on whether the distribution is from our current or accumulated earnings and profits (as determined under US federal income tax principles). To the extent a distribution is from our current or accumulated earnings and profits, a US Shareholder will include the amount of the distribution in gross income as a dividend. To the extent a distribution exceeds our current and accumulated earnings and profits, a US Shareholder will treat the excess first as a non-taxable return of capital to the extent of the US Shareholder's tax basis in those shares and thereafter as capital gain. See the discussion of "Capital Gain Rates" below. Notwithstanding the foregoing described treatment, we do not intend to maintain calculations of our current and accumulated earnings and profits. Dividends received on shares of our common stock will not qualify for the inter-corporate dividends received deduction.

Distributions to US Shareholders that are treated as dividends may be subject to a reduced rate of tax under US tax laws. For taxable years ending on or prior to 31 December 2012, "qualified dividend income" is subject to a maximum tax rate of 15%. For taxable income years beginning after 31 December 2012 "qualified dividend income" is only subject to a maximum rate of 15% for taxpayers whose taxable income is below a certain threshold. For taxpayers whose taxable income is above this threshold the maximum rate is 20%. "Qualified dividend income" includes dividends received from a "qualified foreign corporation." A "qualified foreign corporation" includes (1) a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that contains an exchange of information program and (2) a foreign corporation that pays dividends with respect to shares of its stock that are readily tradable on an established securities market in the United States. We believe that we are, and will continue to be, a "qualified foreign corporation" and that dividends we pay with respect to our shares will qualify as "qualified dividend income." To be eligible for the 15% tax rate, a US Shareholder must hold our shares un-hedged for a minimum holding period (generally, 61 days during the 121-day period beginning on the date that is 60 days before the ex-dividend date of the

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distribution). Although we believe we presently are, and will continue to be, a “qualified foreign corporation,” we cannot guarantee that we will so qualify. For example, we will not constitute a “qualified foreign corporation” if we are classified as a “passive foreign investment company” (discussed below) in either the taxable year of the distribution or the preceding taxable year. In addition, effective 1 January 2013, the Health Care and Education Reconciliation Act of 2010 subjects net investment income (including dividend income) of certain taxpayers to a 3.8% tax rate.

Distributions to US Shareholders that are treated as dividends are generally considered income from sources outside the United States and, for purposes of computing the limitations on foreign tax credits that apply separately to specific categories of income, foreign source “passive category” income or, in the case of certain holders, “general category” income. In addition, special rules will apply to determine a US Shareholder’s foreign tax credit limitation if a dividend distributed with respect to our shares constitutes “qualified dividend income” (as described above). See the discussion of “Credit of Foreign Taxes Withheld” below.

The amount of any distribution we make on shares of our common stock in foreign currency generally will equal the fair market value in US dollars of that foreign currency on the date a US Shareholder receives it. A US Shareholder will have a tax basis in the foreign currency equal to its US dollar value on the date of receipt and will recognise ordinary US source gain or loss when it sells or exchanges the foreign currency. US Shareholders who are individuals will not recognise gain upon selling or exchanging foreign currency if the gain does not exceed US\$200 in a taxable year and the sale or exchange constitutes a “personal transaction” under the Code. The amount of any distribution we make with respect to shares of our common stock in property other than money will equal the fair market value of that property on the date of distribution.

*Credit of Foreign Taxes Withheld.* Under certain conditions, including a requirement to hold shares of our common stock un-hedged for a certain period, and subject to limitations, a US Shareholder may claim a credit against the US Shareholder’s federal income tax liability for the foreign tax owed and withheld or paid with respect to distributions on our shares. Alternatively, a US Shareholder may deduct the amount of withheld foreign taxes, but only for a year for which the US Shareholder elects to deduct all foreign income taxes. Complex rules determine how and when the foreign tax credit applies, and US Shareholders should consult their tax advisers to determine whether and to what extent they may claim foreign tax credits.

*Sale or Other Disposition of Shares.* Subject to the passive foreign investment company rules discussed below, a US Shareholder will recognise capital gain or loss on the sale or other taxable disposition of shares of our common stock, equal to the difference between the US Shareholder’s adjusted tax basis in the shares sold or disposed of and the amount realised on the sale or disposition. Individual US Shareholders may benefit from lower marginal tax rates on capital gains recognised on shares sold, depending on the US Shareholder’s holding period for the shares. See the discussion of “Capital Gain Rates” below. Capital losses that do not offset capital gains are subject to limitations on deductibility. The gain or loss from the sale or other disposition of shares of our common stock generally will be treated as income from sources within the United States for foreign tax credit purposes, unless the US Shareholder is a US citizen residing outside the United States and certain other conditions are met.

*Capital Gain Rates.* For individual US Shareholders, the tax rates applicable to capital gain and ordinary income may vary substantially. For calendar year 2012, the highest marginal income tax rate that could apply to the ordinary income of an individual US Shareholder (disregarding the effect of limitations on deductions) was 35%. In contrast, a maximum rate of 15% applied to any net capital gain of an individual US Shareholder if that gain was attributable to the sale or exchange of capital assets held more than one year. Gain attributable to the sale or exchange of capital assets held one year or

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less is short-term capital gain, taxable at the same rates as ordinary income. In addition, a maximum rate of 15% applies to "qualified dividend income" (as described above). Effective 1 January 2013, long-term capital gains of certain US individual Shareholders are subject to a maximum rate of 20%. In addition, the Health Care and Education Reconciliation Act of 2010 subjects net investment income (including long and short-term capital gain income) of certain taxpayers to additional tax of 3.8%.

*Passive Foreign Investment Company Status.* Special US federal income tax rules apply to US Shareholders owning capital stock of a PFIC. A foreign corporation will be a PFIC for any taxable year in which 75% or more of its gross income is passive income or in which 50% or more of the average value of its assets is "passive assets" (generally assets that generate passive income or assets held for the production of passive income). For these purposes, passive income excludes certain interest, dividends or royalties from related parties.

If we were a PFIC, each US Shareholder would likely face increased tax liabilities upon the sale or other disposition of shares of our common stock or upon receipt of "excess distributions," unless the US Shareholder elects (1) to be taxed currently on its pro rata portion of our income, regardless of whether the income was distributed in the form of dividends or otherwise (provided we furnish certain information to our shareholders), or (2) to mark its shares to market by accounting for any difference between the shares' fair market value and adjusted basis at the end of the taxable year by either an inclusion in income or a deduction from income (provided our ADSs, CUFS or common shares satisfy a test for being regularly traded on a qualified exchange or other market). Because of the manner in which we operate our business, we are not, nor do we expect to become, a PFIC.

*Controlled Foreign Corporation Status.* If more than 50% of either the voting power of all classes of our voting stock or the total value of our stock is owned, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of which owns 10% or more of the total combined voting power of all classes of our stock entitled to vote, which we refer to as "10-Percent Shareholders", we could be treated as a Controlled Foreign Corporation ("CFC"), under the Code. This classification would, among other consequences, require 10-Percent Shareholders to include in their gross income their pro rata shares of our "Subpart F income" (as specifically defined by the Code) and our earnings invested in US property (as specifically defined by the Code).

In addition, gain from the sale or exchange of our common shares by a United States person who is or was a 10-Percent Shareholder at any time during the five-year period ending with the sale or exchange is treated as dividend income to the extent of the earnings and profits attributable to the stock sold or exchanged. Under certain circumstances, a corporate shareholder that directly owns 10% or more of our voting shares may be entitled to an indirect foreign tax credit for income taxes we paid in connection with amounts so characterised as dividends under the Code.

*US Federal Income Tax Provisions Applicable to Non-United States Holders.* A Non-US Holder means a beneficial owner of our common stock that is (1) a nonresident alien of the United States for US federal income tax purposes; (2) a corporation created or organised in or under the law of a country, or any of its political subdivisions, other than the United States; or (3) an estate or trust that is not a US Shareholder. A Non-US Shareholder generally will not be subject to US federal income taxes, including US withholding taxes, on any dividends paid on our shares or on any gain realised on a sale, exchange or other disposition of the shares unless the dividends or gain is effectively connected with the conduct by the Non-US Shareholder of trade or business in the United States (and is attributable to a permanent establishment or fixed base the Non-US Shareholder maintains in the United States if an applicable income tax treaty so requires as a condition for the Non-US Shareholder to be subject to US taxation on a net income basis on income related to the common stock). A corporate Non-US Shareholder under certain circumstances may also be subject to an additional "branch profits tax" on

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that type of income, the rate of which may be reduced pursuant to an applicable income tax treaty. In addition, gain recognised on a sale, exchange or other disposition of our shares by a Non-US Shareholder who is an individual generally will be subject to US federal income taxes if the Non-US Shareholder is present in the United States for 183 days or more in the taxable year in which the sale, exchange or other disposition occurs and certain other conditions are met.

*US Information Reporting and Backup Withholding.* Dividend payments on shares of our common stock and proceeds from the sale, exchange or redemption of shares of our common stock may be subject to information reporting to the Internal Revenue Service and possible US backup withholding at a current rate of 28%. Backup withholding will not apply to a shareholder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt from backup withholding. United States persons who are required to establish their exempt status generally must provide that certification on a properly completed Internal Revenue Service Form W-9 (Request for Taxpayer Identification Number and Certification). Non-US Shareholders generally will not be subject to US information reporting or backup withholding. However, Non-US Shareholders may be required to provide certification of non-US status in connection with payments received in the United States or through certain US related financial intermediaries.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a shareholder's US federal income tax liability, and a shareholder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

### Irish Taxation

As discussed above, with effect from 29 June 2010 forward, we believe we should be considered to be an Irish tax resident and should no longer be considered to be a Dutch tax resident under the Netherlands/Ireland double tax treaty from the date that the Irish tax authorities treat us as an Irish resident company under the treaty. Accordingly, we believe that the Irish tax implications set out below are relevant for shareholders who invest in shares of our common stock and hold the shares as capital assets.

The following is a summary of the material Irish tax consequences generally applicable to shareholders who invest in shares of our common stock, who are neither tax resident, nor ordinarily resident in, Ireland. This summary does not contain a detailed description of all of the Irish tax consequences for all shareholders, which depend on that shareholder's particular circumstances, and should not be a substitute for advice from an appropriate professional adviser in relation to all of the possible tax issues that could influence a prospective shareholder's decision to acquire shares of our common stock. This summary is based on Irish tax legislation, relevant Irish case law, other Irish Revenue guidance and published opinions and administrative pronouncements of the Irish tax authorities, income tax treaties to which Ireland is a party, and such other authorities as we have considered relevant, all as in effect and available as at the date of this annual report, any of which may change possibly with retroactive effect.

*Treatment of ADSs.* In general, for Irish tax purposes, an owner of depositary receipts is considered the owner of the shares of stock represented by depositary receipts. Accordingly, except as otherwise noted, references in this section of the annual report to ownership of shares of our common stock includes ownership of the shares underlying the corresponding ADSs.

*Irish Dividend Withholding Tax.* Distributions made by us to non-Irish resident shareholders will, subject to certain exceptions, be subject to Irish dividend withholding tax at the standard rate of income tax (which is currently 20%) unless you are a shareholder who falls within one of the categories of exempt shareholders referred to below. Where dividend withholding tax applies, we will be responsible

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for withholding the dividend withholding tax at source. For dividend withholding tax purposes, a dividend includes any distribution made by us to our shareholders, including cash dividends, non-cash dividends and additional shares taken in lieu of a cash dividend.

Dividend withholding tax is not payable where an exemption applies provided that we have received all necessary documentation required by the relevant legislation from our shareholders prior to payment of the dividend.

Certain of our non-Irish tax resident shareholders (both individual and corporate) are entitled to an exemption from dividend withholding tax. In particular, a non-Irish tax resident shareholder is not subject to dividend withholding tax on dividends received from us where the shareholder is:

- an individual shareholder resident for tax purposes in either a member state of the EU (apart from Ireland) or in a country with which Ireland has a double tax treaty, and the individual is neither resident nor ordinarily resident in Ireland;
- a corporate shareholder not resident for tax purposes in Ireland nor ultimately controlled, directly or indirectly, by persons so resident and which is resident for tax purposes in either a member state of the EU (apart from Ireland) or a country with which Ireland has a double tax treaty;
- a corporate shareholder that is not resident for tax purposes in Ireland and which is ultimately controlled, directly or indirectly, by persons resident in either a member state of the EU (apart from Ireland) or in a country with which Ireland has a double tax treaty;
- a corporate shareholder that is not resident for tax purposes in Ireland and whose principal class of shares (or those of its 75% parent) is substantially and regularly traded on a recognised stock exchange in either a member state of the EU (including Ireland where the Company trades only on the Irish stock exchange) or in a country with which Ireland has a double tax treaty or on an exchange approved by the Irish Minister for Finance; or
- a corporate shareholder that is not resident for tax purposes in Ireland and is wholly-owned, directly or indirectly, by two or more companies the principal class of shares of each of which is substantially and regularly traded on a recognised stock exchange in either a member state of the EU (including Ireland where the Company trades only on the Irish stock exchange) or in a country with which Ireland has a double tax treaty or on an exchange approved by the Irish Minister for Finance,

and provided that, in all cases noted above, the shareholder has made the appropriate non-resident declaration to us prior to payment of the dividend.

Where the shareholder is not the beneficial owner, we will be required to withhold Irish dividend withholding tax at the standard rate of income tax unless the shareholder is a qualifying intermediary under Irish law and that shareholder has received all necessary documentation required by the relevant legislation, as described above, from the beneficial owner prior to payment of the dividend.

Where our shareholders hold ADSs, they may not be required to submit an appropriate declaration in order to receive dividends without deduction of Irish dividend withholding tax provided their registered address is in the US.

Up to 31 July 2013 non-resident shareholders who are entitled to an exemption, as outlined above, will generally be able to receive dividends without any dividend withholding tax and without the need to complete the aforementioned non-resident declaration forms, pursuant to a waiver we have received from the Irish Revenue authorities.

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After 31 July 2013 shareholders must complete and send to us a non-resident declaration form in order to avoid Irish dividend withholding tax. If the appropriate declaration is not made, these shareholders will be liable for Irish dividend withholding tax of 20% on dividends paid by us and may not be entitled to offset this tax. In this case, it would be necessary for shareholders to apply for a refund of the withholding tax directly from the Irish Revenue authorities.

Shareholders that do not fulfil the documentation requirements or otherwise do not qualify for one of the withholding tax exemptions outlined above may be able to claim treaty benefits under a double taxation convention. In this regard, where a double taxation convention is in effect between Ireland and the country of residence of a non-resident shareholder, depending on the terms of that double taxation convention, such a non-resident shareholder may be eligible for a full or partial exemption resulting in a lower dividend withholding tax rate than 20%.

For example, under the US-Ireland Treaty, certain US corporate shareholders owning directly at least 10% of our voting power, are eligible for a reduction in withholding tax to 5% with respect to dividends that we pay, unless the shares of common stock held by such residents form part of the business property of a business carried on through a permanent establishment in Ireland. The same exception applies if the beneficial owner of the shares, being a citizen or resident of the United States, performs independent personal services from a fixed base situated in Ireland and the holding of the shares of common stock in respect of which the dividends are paid pertains to such fixed base in Ireland. A shareholder of our common stock, other than an individual, will be ineligible for the benefits of the US-Irish Treaty unless the shareholder satisfies certain tests under the LOB provisions of Article 23 of the US-Ireland Treaty. To prevent so-called dividend stripping, Irish law generally denies the treaty benefit of a reduced dividend withholding tax rate for any dividend paid to a recipient who is not the "beneficial owner" of the dividend.

*Irish Taxes on Income and Capital Gains.* Shareholders who are neither tax resident of, nor ordinarily resident in, Ireland should not be subject to any Irish taxes in respect of dividends distributed by us (other than the dividend withholding tax described above) or capital gains realised on the disposition of shares of our common stock unless such shares are used, held or acquired for the purposes of a trade carried on in Ireland through a branch or an agency. An individual who is temporarily a non-resident of Ireland at the time of the disposal may, under anti-avoidance legislation, still be liable to Irish taxation on any chargeable gains realised (subject to the availability of exemptions).

*Capital Acquisitions Tax.* Irish capital acquisitions tax ("CAT") applies to gifts and inheritances. Subject to certain tax-free thresholds (which are determined by the relationship between the donor and successor or donee), gifts and inheritances are liable to tax. With effect from 6 December 2012, the rate of CAT increased from 30% to 33%. Gifts and inheritances passing between spouses are exempt from CAT.

Where a gift or inheritance is taken under a disposition made on or after 1 December 1999, it will be within the charge of CAT:

- to the extent that the property of which the gift or inheritance consists is situated in Ireland at the date of the gift or inheritance;
- where the person making the gift or inheritance is or was resident or ordinarily resident in Ireland at the date of the disposition under which the gift or inheritance is taken; or
- where the person receiving the gift or inheritance is resident or ordinarily resident in Ireland at the date of the gift or inheritance.

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Please note that the charge to CAT in respect of appointments from a discretionary trust can be different and as a result, specific advice should be taken in this regards.

A non-Irish domiciled individual will not be regarded as resident or ordinarily resident in Ireland for CAT purposes on a particular date unless they are resident or ordinarily resident in Ireland on that date and have been resident in Ireland for the five consecutive tax years immediately preceding the year of assessment in which the date falls.

A gift or inheritance of our common stock will be within the charge of CAT, notwithstanding that the person from whom or by whom the gift or inheritance is received is domiciled or resident outside Ireland.

The Estate Tax Convention between Ireland and the United States generally provides for CAT paid on inheritances in Ireland to be credited against US federal estate tax payable in the United States and for tax paid in the United States to be credited against tax payable in Ireland, based on priority rules set forth in the Estate Tax Convention. The Estate Tax Convention does not apply to CAT paid on gifts. Irish domestic legislation also provides for a general relief from double taxation in respect of gifts and inheritances.

*Irish Stamp Duty.* Any electronic transfers of shares through the CHESSE or the ADR system will be treated as exempt from stamp duty in Ireland. If a shareholder undertakes an off-market transaction involving a transfer of the underlying shares, this will be subject to Irish stamp duty at a rate of 1% of market value or consideration paid, whichever is greater and will not be able to be registered until duly stamped. An off-market transfer of CUFS will also, where evidenced in writing, be subject to the 1% Irish stamp duty. In addition a conversion of shares into CUFS or ADSs or a conversion of CUFS or ADSs into underlying shares will be liable to 1% Irish stamp duty where the conversion is on a sale or in contemplation of a sale. In each case, payment of this stamp duty will be the responsibility of the person receiving the transfer.

### **Documents Available for Review**

We are subject to the reporting requirements of the Exchange Act applicable to "foreign private issuers" and in accordance therewith file reports, including annual reports, and other information with the SEC. Such reports and other information have been filed electronically with the SEC since 4 November 2002. The SEC maintains a site on the Internet, at [www.sec.gov](http://www.sec.gov), which contains reports and other information regarding issuers that file electronically with the SEC. In addition, such reports may be obtained, upon written request, from our company secretary at our Corporate Headquarters in Ireland or our Investor Relations department in Australia. Such reports and other information filed with the SEC prior to November 2002 may be inspected and copied at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street N.E., Washington, D.C. 20549, or obtained by written request to our company secretary. Although, as a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and annual reports to shareholders and the quarterly reporting requirements of the Exchange Act, we:

- furnish our shareholders with annual reports containing consolidated financial statements examined by an independent registered public accounting firm; and
- furnish quarterly reports for the first three quarters of each fiscal year containing unaudited consolidated financial information in filings with the SEC under Form 6-K.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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.

We have operations in foreign countries and, as a result, are exposed to foreign currency exchange rate risk inherent in purchases, sales, assets and liabilities denominated in currencies other than the US dollar. We also are exposed to interest rate risk associated with our long-term debt and to changes in prices of commodities we use in production.

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. Our policy is to enter into derivative instruments solely to mitigate risks in our business and not for trading or speculative purposes.

### Foreign Currency Exchange Rate Risk

We have significant operations outside of the United States and, as a result, are exposed to changes in exchange rates which affect our financial position, results of operations and cash flow. In addition, payments to AICF are required to be made in Australian dollars which, because the majority of our revenues is produced in US dollars, exposes us to risks associated with fluctuations in the US dollar/Australian dollar exchange rate. See "Risk Factors" in this Section.

For our fiscal year ended 31 March 2013, the following currencies comprised the following percentages of our net sales, expenses and liabilities:

	US\$	A\$	NZ\$	Other <sup>1</sup>
Net sales	69.9%	20.6%	4.2%	5.3%
Expenses <sup>2</sup>	62.8%	28.3%	4.1%	4.8%
Liabilities (excluding borrowings) <sup>2</sup>	10.9%	86.6%	1.9%	0.6%

For our fiscal year ended 31 March 2012, the following currencies comprised the following percentages of our net sales, expenses and liabilities:

	US\$	A\$	NZ\$	Other <sup>1</sup>
Net sales	67.4%	22.8%	4.4%	5.4%
Expenses <sup>2</sup>	66.6%	24.1%	4.2%	5.1%
Liabilities (excluding borrowings) <sup>2</sup>	10.7%	87.3%	1.4%	0.6%

<sup>1</sup> Comprised of Philippine Pesos and Euros.

<sup>2</sup> Liabilities include A\$ denominated asbestos liability, which was initially recorded in the fourth quarter of fiscal year 2006. Expenses include cost of goods sold, selling general and administrative expenses, research and development expenses and adjustments to the asbestos liability. See "Risk Factors," "Commitment to Provide Funding on a Long-Term Basis in Respect of Asbestos-Related Liabilities of Former Subsidiaries" in this Section, and Note 11 of our consolidated financial statements in Section 2 for further information regarding the asbestos liability.

We purchase raw materials and fixed assets and sell some finished product for amounts denominated in currencies other than the functional currency of the business in which the related transaction is generated. In order to protect against foreign exchange rate movements, we may enter into forward exchange contracts timed to mature when settlement of the underlying transaction is due to occur. As of 31 March 2013, there were no material contracts outstanding.



### **Funding Under the AFFA**

The A\$ to US\$ assets and liabilities rate moved from 0.9614 as of 31 March 2012 to 0.9597 as of 31 March 2013, a 0.2% movement, resulting in a US\$0.2 million favourable impact on our fiscal year 2013 net income. Assuming that our unfunded net AFFA liability in Australian dollars remains unchanged at A\$817.3 million and that we do not hedge this foreign exchange exposure, a 10% movement in the A\$ to US\$ exchange rate (at the 31 March 2013 exchange rate of 0.9597) would have approximately a US\$77.4 million and US\$94.6 million favourable and unfavourable impact, respectively, on our net income.

For fiscal year 2012, assuming that our unfunded net AFFA liability in Australian dollars remained unchanged at A\$902.9 million and that we did not hedge this foreign exchange exposure, a 10% favourable or unfavourable movement in the A\$ to US\$ exchange rate (at the 31 March 2012 exchange rate of 0.9614) would have had approximately an US\$85.4 million and US\$104.3 million favourable and unfavourable impact, respectively, on our net income.

### **Interest Rate Risk**

We have market risk from changes in interest rates, primarily related to our credit facilities. As of 31 March 2013 and 2012, all of our credit facilities were subject to variable interest rate. 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 the individual lenders and is payable at the end of each draw-down period. From time to time, we may enter into interest rate swap contracts in an effort to mitigate interest rate risk. As of 31 March 2013, we had interest rate swap contracts with a total notional principal of US\$25.0 million and a fair value of US\$1.3 million, which are included in Accounts payable. For all of these interest rate swap contracts, we have agreed to pay fixed interest rates while receiving the floating interest rate. These contracts were entered into to protect against upward movements in LIBOR and the associated interest the Company pays on its external debt.

At 31 March 2013, we had no amounts outstanding under our credit facilities. However, if we draw-down on the existing credit facilities, we may become exposed to market risk due to changes in the rate at which interest accrues.

For fiscal year 2012, an assumed 10 basis point move in the interest rates applicable to our borrowings (a 10% move against our weighted-average floating rate interest rates as of 31 March 2012) would have had a 0.1% change on our fiscal year 2012 income before income taxes.

### **Commodity Price Risk**

We are exposed to changes in prices of commodities used in our operations, primarily associated with energy, fuel and raw materials such as pulp and cement. Pulp has historically demonstrated more price sensitivity than other raw materials that we use in our manufacturing process. We expect that pulp prices will rise and that energy, fuel and cement prices will also fluctuate in the near future. To minimise the additional working capital requirements caused by rising prices related to these commodities, we have entered into various contracts that discount pulp prices in relation to pulp indices and purchase our pulp from several qualified suppliers in an attempt to mitigate price increases and supply interruptions. However, if such commodity prices do not continue to rise, our cost of sales may be negatively impacted due to fixed pricing over the longer-term.

We have assessed the market risk for pulp and believe that, a US\$88 per metric ton movement in market pulp prices, which represents approximately 10% of the average NBSK average pulp price

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relative to our US business for the year ended 31 March 2013, would have had approximately a 0.9% change in our cost of sales in fiscal year 2013. We have also assessed the market risk for cement and believe that, a US\$9 per metric ton price movement in cement prices, which represents approximately 10% of the market cement price at 31 March 2013, would have had approximately a 0.5% change in cost of sales in fiscal year 2013.

For fiscal year 2012, we had assessed the market risk for pulp and believe that, a US\$103 per metric ton movement in market pulp prices, which represented approximately 10% of the average NBSK pulp price relative to our US business for the year ended 31 March 2012, would have had approximately a 1.2% change in our cost of sales in fiscal year 2012. We also assessed the market risk for cement and believe that, a US\$9 per metric ton price movement in cement prices, which represents approximately 10% of the market cement price at 31 March 2012, would have had approximately a 0.5% change in cost of sales in fiscal year 2012.

### **AMERICAN DEPOSITARY SHARES**

We have listed our securities for trading on the NYSE. We sponsor a program whereby beneficial ownership of five CUFS is represented by one ADS, which is issued by The BNY Mellon. These ADSs trade on the NYSE in the form of ADRs under the symbol "JHX." Trading principally takes place between the hours of 9:30 a.m. and 4:00 p.m. Eastern Time on each weekday (excluding US public holidays).

The following is a summary of the fee provisions of our deposit agreement with The Bank of New York Mellon. For more complete information regarding ADRs, the entire deposit agreement should be read. The deposit agreement, as amended, has been filed as an exhibit to this annual report as Exhibit 2.1.

#### **Persons depositing or withdrawing share or ADS holders must pay:**

Taxes and other governmental charges

Registration or transfer fees

Any charges incurred by the depository or its agents for servicing the deposited securities

Expenses of the depository

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.02 (or less) per ADS (or portion thereof)

#### **For:**

As necessary

Transfer and registration of shares on our share register to or from the name of the depository or its agent when you deposit or withdraw shares

As necessary

Converting foreign currency to US dollars, cable, telex and facsimile transmission expenses (when expressly provided for in the deposit agreement)

Execution and delivery of ADSs, including issuances resulting from a distribution of shares, rights, or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Cash distributions and depository services

If any tax or other governmental charge becomes payable with respect to any security on deposit, such tax or other governmental charge is payable by the ADS holder to the Depository. The Depository may refuse to effect any transfer or withdrawal of a deposited security until such payment is made. The

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Depository may withhold any dividends or other distributions or may sell for the account of the ADS holder any part or all of the deposited securities, and may apply such dividends, other distributions, or proceeds of any such sale in payment of such tax or other governmental charge and the ADS holder will remain liable for any deficiency.

The Depository collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depository collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depository may collect its annual fee for depository services by deductions from cash distributions or by directly billing investors or by charging the book-entry system of accounts of participants acting for them. The depository may generally refuse to provide fee-attracting services until its fees for those services are paid.

BNY Mellon, as depository, has agreed to reimburse us for expenses we incur that are related maintenance expenses of the American Depositary Receipt program. The Depository has also agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of postage and envelopes for mailing annual financial reports, printing and distributing dividend checks, electronic filing of U.S. Federal tax information, mailing required tax forms, stationery, postage, facsimile and telephone calls. It has also agreed to reimburse us annually for certain investor relationship programs or special investor relations promotional activities. There are limits on the amount of expenses for which the Depository will reimburse us, but the amount of reimbursement available is not necessarily tied to the amount of fees the Depository collects from investors. For fiscal years ended 31 March 2013 and 2012, the Depository waived US\$121,805 and US\$121,714, respectively, in fees for standard, out-of-pocket maintenance costs for the administration of the ADR program.

All inquiries and correspondence regarding ADSs should be directed to BNY Mellon, depository for our ADSs, at 101 Barclay Street, 22W, New York, NY 10286. To speak directly to a Bank of New York Mellon representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the US, please call 201-680-6825. You may also send an e-mail inquiry to [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com) or visit the website at [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner).

[Table of Contents](#)**SECTION 4****SHARE/CHESS UNITS OF FOREIGN SECURITIES INFORMATION****James Hardie Industries plc voting rights:**

As of 31 May 2013, James Hardie Industries plc had on issue 441,654,684 CUFS issued over 441,654,684 ordinary shares held by CHESSE Depository Nominees Pty Ltd ("CDN") on behalf of 10,479 CUFS holders. Each ordinary share carries the right to one vote. CUFS holders can direct CDN how to vote the ordinary shares on a one vote per CUFS basis. Options and RSUs carry no voting rights.

**James Hardie Industries plc distribution schedule as at 31 May 2013:**

Size of Holding Range	CUFS		Options	
	Holders	Holdings	Holders	Holdings
1-1,000	4,898	2,290,060	-	-
1,001-5,000	4,280	10,054,323	16	34,391
5,001-10,000	734	5,257,619	24	192,377
10,001-100,000	497	11,326,273	57	1,836,446
100,001 and over	70	412,726,409	9	3,082,722
<b>Totals</b>	<b>10,479</b>	<b>441,654,684</b>	<b>106</b>	<b>5,145,936</b>

Based on the closing price of A\$9.96 on 31 May 2013, 294 CUFS holders held less than a marketable parcel.

**James Hardie Industries plc substantial CUFS holders as at 31 May 2013:**

As of 31 May 2013, all issued and outstanding ordinary shares were listed on the ASX in the form of CUFS. CUFS represent beneficial ownership of our shares. CHESSE Depository Nominees Pty Ltd is the registered owner of the shares represented by CUFS. Each of our CUFS represents one share of our common stock.

To our knowledge, the following table identifies those shareholders who beneficially owned 5% or more of our shares based on the holdings reported by the shareholder in its last shareholder notice filed with the ASX and their percentage of shares outstanding based on the number of shares outstanding as of 31 May 2013 which was 441,654,684 shares.

Shareholder	Shares Beneficially Owned	Percentage of Shares Outstanding
FMR LLC and FIL Limited <sup>1</sup>	38,801,469	8.79%
Commonwealth Bank of Australia <sup>2</sup>	34,442,731	7.80%
Lazard Asset Management Pacific Co <sup>3</sup>	33,594,049	7.61%
Baillie Gifford & Co <sup>4</sup>	31,301,628	7.09%
National Australia Bank Limited Group <sup>5</sup>	28,198,184	6.38%
The Capital Group Companies, Inc <sup>6</sup>	27,010,612	6.12%
Schroder Investment Management Australia Limited <sup>7</sup>	24,136,828	5.47%
BlackRock Group <sup>8</sup>	22,196,091	5.03%

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- 1 FMR LLC and FIL Limited became a major shareholder on 23 July 2009, with a holding of 34,119,335 shares of our issued share capital and through subsequent sales and purchases, FMR LLC and FIL Limited increased its holding to 38,801,469 shares of our issued share capital on 17 October 2012 in the last notice received.
- 2 Commonwealth Bank of Australia became a major shareholder on 12 November 2009, with a holding of 21,820,423 shares of our issued capital and, through subsequent purchases and sales, increased its holdings of our issued capital to 34,442,731 shares on 19 July 2012 in the last notice received.
- 3 Lazard Asset Management Pacific Co became a major shareholder on 1 April 2004, with a holding of 24,505,916 shares of our issued share capital and, through subsequent purchases and sales, Lazard Asset Management Pacific Co ceased to be a major shareholder on 3 May 2010. On 29 April 2011, Lazard Asset Management Pacific Co became a substantial shareholder again and through subsequent purchases, increased its holding to 33,594,049 shares of our issued share capital on 22 February 2013 in the last notice received.
- 4 Baillie Gifford & Co and its affiliated companies became a major shareholder on 24 December 2007, with a holding of 24,577,253 shares of our issued share capital. On 26 June 2009, their holdings increased to over 5% of our issued share capital but their substantial holding status again ceased when their holdings of our issued share capital fell below 5% on 29 June 2009. On 12 November 2009, Baillie Gifford & Co became a major shareholder again and through subsequent purchases, has increased its holding to 31,301,628 shares of our issued share capital on 9 January 2012 in the last notice received.
- 5 National Australia Bank Limited Group became a major shareholder on 25 May 2004, with 23,060,940 shares of our issued share capital and increased its holding to 28,198,184 shares of our issued share capital on 16 June 2004 in the last notice received.
- 6 The Capital Group Companies, Inc became a major shareholder on 8 May 2012, with a holding of 22,021,150 shares of our issued share capital and increased its holding to 27,010,612 shares of our issued share capital on 15 January 2013 in the last notice received.
- 7 Schroder Investment Management Australia Limited became a major shareholder on 28 January 2004, with a holding of 25,485,997 shares of our issued share capital and, through subsequent purchases and sales, Schroder Investment Management Australia Limited decreased its holding to 24,136,828 shares on 30 May 2013 in the last notice received.
- 8 BlackRock Group became a major shareholder on 10 August 2012 with 21,970,820 shares of our issued capital and, through subsequent purchases and sales, they ceased to be a major shareholder on 10 September 2012. On 2 October 2012, their holdings increased to over 5% of our issued share capital, but their substantial holding status again ceased on 2 November 2012. Through subsequent purchases, they became a substantial shareholder again on 8 November 2012, but ceased their substantial holding status on 4 February 2013. BlackRock Group became a substantial shareholder once again by increasing its holding to 22,196,091 shares of our issued share capital on 19 February 2013 in the last notice received.

Ausbil Dexia became a major shareholder on 12 January 2011 with 24,980,920 shares of our issued capital, but their substantial holding status ceased when their holdings of our issued share capital fell below 5% on 4 September 2012 in the last notice received.

Each of the above shareholders has the same voting rights as all other holders of our common stock. To our knowledge, except for the major shareholders described above, we are not directly or indirectly owned or controlled by another corporation, by a foreign government or by any other natural or legal persons severally or jointly.

[Table of Contents](#)**James Hardie Industries plc 20 largest CUFS holders and their holdings as at 31 May 2013:**

Name	Note	CUFS Holdings	%	Position
HSBC Custody Nominees (Australia) Limited	1	140,784,111	31.88	1
JP Morgan Nominees Australia Limited	1	98,360,983	22.27	2
National Nominees Limited	1	85,062,807	19.26	3
Citicorp Nominees Pty Limited	1	23,731,836	5.37	4
Citicorp Nominees Pty Limited	1	21,236,362	4.81	5
JP Morgan Nominees Australia Limited	1	10,495,880	2.38	6
BNP Paribas Noms Pty Ltd	1	9,394,052	2.13	7
AMP Life Limited		2,634,486	0.60	8
HSBC Custody Nominees (Australia) Limited	1	1,598,423	0.36	9
RBC Investor Services Australia Nominees Pty Limited	1	1,440,713	0.33	10
Bond Street Custodians Limited	1	1,254,358	0.28	11
Mirrabooka Investments Limited		1,130,000	0.26	12
Share Direct Nominees Pty Ltd	1	838,000	0.19	13
Millenium Pty Ltd		675,000	0.15	14
BNP Paribas Nominees Pty Ltd	1	666,451	0.15	15
Carlton Hotel Limited		625,362	0.14	16
HSBC Custody Nominees (Australia) Limited	1	607,126	0.14	17
Gwynvill Investments Pty Limited		518,600	0.12	18
Mr. Louis Gries		469,150	0.11	19
Argo Investments Limited		464,000	0.11	20
<b>Total</b>		<b>401,987,700</b>	<b>91.04</b>	

<sup>1</sup> Entities which hold interests in the CUFS solely as a nominee or trustee for another person may have those interests disregarded for the purposes of the takeover and substantial share/CUFS holder provisions contained in the Articles of Association of the Company. Those nominees may hold CUFS for holders which include the substantial shareholders named above.

**Distribution of Issued Capital by Geography:**

The following analysis is based on a Top 100 extract of the share register:

	31 May 2013	31 May 2012
Australia	39.61%	51.02%
North America	31.37%	22.98%
United Kingdom	14.31%	13.36%
Asia	4.29%	5.13%
Europe (excluding the United Kingdom)	2.34%	1.62%
Other	0.10%	0.30%

As of 31 May 2013, 0.72% of the outstanding shares of our common stock was held by 73 CUFS holders with registered addresses in the United States. In addition, as of 31 May 2013, 0.52% of our outstanding shares was represented by ADSs held by 4 holders, all of whom have registered addresses in the United States. A total of 1.24% of our outstanding capital stock was registered to 77 US holders as of 31 May 2013.

**GLOSSARY OF ABBREVIATIONS AND DEFINITIONS**

**Abbreviations**

2001 Plan	2001 Equity Incentive Plan
ABS	Australian Bureau of Statistics
ADR	American Depositary Receipt
ADS	American Depositary Share
AFFA	Amended and Restated Final Funding Agreement, as amended from time to time
AGM	Annual General Meeting
AICF	Asbestos Injuries Compensation Fund
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHES	Clearing House Electronic Subregister System
Commonwealth	The Commonwealth of Australia
CUFS	CHES Units of Foreign Securities
EIP Plan	Executive Incentive Plan
EPS	Earnings Per Share
FASB	Financial Accounting Standards Board
GMT	Group Management Team
IP Plan	Individual Performance Plan
IRS	United States Internal Revenue Service
KPMG Actuarial	KPMG Actuarial Pty Limited
LIBOR	London Interbank Offered Rate
LTI	Long-Term Incentives
LTIP	Long-Term Incentive Plan 2006
NAHB	National Association of Home Builders
NBSK	Northern Bleached Softwood Kraft, the Company's benchmark grade of pulp relative to our US business
NSW	New South Wales
NYSE	New York Stock Exchange
RSU	Restricted Stock Unit
SEC	United States Securities and Exchange Commission
STI	Short-Term Incentives

Former James Hardie Companies – Consists of Amaca Pty Ltd, Amaba Pty Ltd and ABN 60 Pty Ltd.

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**Definitions**

**Financial Measures – Australian equivalent terminology**

The Remuneration Report included in Section 1 of this 20-F contains financial measures that are considered to be non-US GAAP, but are consistent with those used by Australian companies. Because the Company prepares its consolidated financial statements in accordance with US GAAP, the following table and definitions listing cross-references each US GAAP financial measure as used in the Company's consolidated financial statements to the equivalent non-US GAAP financial measure, as used in the Remuneration Report:

<b>Consolidated Statements of Operations and Other Comprehensive Income (Loss) (US GAAP)</b>	<b>Remuneration Report (non US GAAP)</b>
Net sales	Net sales
Cost of goods sold	Cost of goods sold
Gross profit	Gross profit
Selling, general and administrative expenses	Selling, general and administrative expenses
Research and development expenses	Research and development expenses
Asbestos adjustments	Asbestos adjustments
Operating income (loss)	EBIT*
Sum of interest expense and interest income	Net interest income (expense)*
Other income (expense)	Other income (expense)
Income (loss) before income taxes	Operating profit (loss) before income taxes*
Income tax (expense) benefit	Income tax (expense) benefit
Net income (loss)	Net operating profit (loss)*

\*- Represents non-US GAAP descriptions used by Australian companies.

**Operating income and Operating income margin** – is equivalent to EBIT and EBIT margin

**Income before income taxes** – is equivalent to operating profit before income taxes

**Net Income** – is equivalent to net operating profit

**Other Financial Measures**

**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.



[Table of Contents](#)**Non-GAAP Financial Information Derived from GAAP Measures**

The following tables set forth the reconciliation of our non-GAAP financial measures included in our discussion above to the most directly comparable GAAP financial measure. These non-GAAP financial measures are not prepared in accordance with US GAAP; therefore, the information is not necessarily comparable to other companies' financial information and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with US GAAP.

**Operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses** – operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than operating income. Management has included this financial measure to provide investors with an alternative method for assessing our operating results in a manner that is focussed on the performance of our ongoing operations and provide useful information regarding our financial condition and results of operations. Management uses these non-US GAAP measures for the same purposes.

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
USA and Europe Fibre Cement	\$ 162.5	\$162.7	\$160.3
Asia Pacific Fibre Cement	74.9	85.7	79.4
Research and Development	(26.0)	(20.7)	(20.1)
Asset impairments	(16.9)	(14.3)	—
New Zealand product liability expenses	(13.2)	(5.4)	—
General Corporate:			
General corporate costs	(33.0)	(33.9)	(26.9)
Asbestos adjustments	(117.1)	(15.8)	(85.8)
AICF SG&A expenses	(1.7)	(2.8)	(2.2)
Total operating income	\$ 29.5	\$155.5	\$104.7
Excluding:			
Asbestos:			
Asbestos adjustments	117.1	15.8	85.8
AICF SG&A expenses	1.7	2.8	2.2
Asset impairments	16.9	14.3	—
ASIC related expenses (recoveries)	2.6	1.1	(8.7)
New Zealand product liability expenses	13.2	5.4	—
Operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses	<u>\$ 181.0</u>	<u>\$194.9</u>	<u>\$184.0</u>

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**Effective tax rate on earnings excluding asbestos, asset impairments, New Zealand product liability expenses and tax adjustments** – Effective tax rate on earnings excluding asbestos, asset impairments, New Zealand product liability expenses 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. Management has included this financial measure to provide investors with an alternative method for assessing our operating results in a manner that is focussed on the performance of our ongoing operations. Management uses this non-US GAAP measure for the same purposes.

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
Income (loss) before income taxes	\$ 33.7	\$ 151.1	\$ 96.6
Excluding:			
Asbestos:			
Asbestos adjustments	117.1	15.8	85.8
AICF SG&A expenses	1.7	2.8	2.2
AICF interest income	(7.0)	(3.3)	(4.3)
Asset impairments	16.9	14.3	—
New Zealand product liability expenses	13.2	5.4	—
Income before income taxes excluding asbestos, asset impairments and New Zealand product liability expenses	<u>\$175.6</u>	<u>\$ 186.1</u>	<u>\$ 180.3</u>
Income tax benefit (expense)	\$ 11.8	\$ 453.2	\$(443.6)
Excluding:			
Asbestos:			
Tax (benefit) expense related to asbestos adjustments	(32.9)	(2.7)	6.9
Tax adjustments <sup>1</sup>	<u>(16.3)</u>	<u>(493.4)</u>	<u>380.7</u>
Income tax expense excluding asbestos and tax adjustments	<u>\$(37.4)</u>	<u>\$ (42.9)</u>	<u>\$(56.0)</u>
Effective tax (benefit) rate	(35.0)%	(299.9)%	459.2%
Effective tax rate excluding asbestos, asset impairments, New Zealand product liability expense and tax adjustments	21.3%	23.1%	31.1%

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**Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments** – Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability 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. Management has included this financial measure to provide investors with an alternative method for assessing our operating results in a manner that is focussed on the performance of our ongoing operations. Management uses this non-US GAAP measure for the same purposes.

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
Net income (loss)	\$ 45.5	\$ 604.3	\$(347.0)
Excluding:			
Asbestos:			
Asbestos adjustments	117.1	15.8	85.8
AICF SG&A expenses	1.7	2.8	2.2
AICF interest income	(7.0)	(3.3)	(4.3)
Tax (benefit) expense related to asbestos adjustments	(32.9)	(2.7)	6.9
Asset impairments	16.9	14.3	—
ASIC related expenses (recoveries)	2.6	1.1	(7.6)
New Zealand product liability expenses	13.2	5.4	—
Tax adjustments <sup>1</sup>	(16.3)	(493.4)	380.7
Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments	<u>\$140.8</u>	<u>\$ 144.3</u>	<u>\$ 116.7</u>

<sup>1</sup> Fiscal year 2012 includes a benefit of US\$485.2 million recognised upon RCI's successful appeal of the ATO's disputed 1999 amended assessment. Fiscal year 2011 includes a charge of US\$345.2 million related to the dismissal of RCI's appeal of the 1999 disputed amended assessment and a charge of US\$32.6 million arising from our corporate structure simplification announced on 17 May 2011.

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**General corporate costs excluding ASIC expenses, intercompany foreign exchange gain and recovery of RCI legal costs** – General corporate costs excluding ASIC expenses, intercompany foreign exchange gain and recovery of RCI legal costs is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than general corporate costs. Management has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. Management uses these non-US GAAP measures for the same purposes.

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
General corporate costs	\$ 33.0	\$ 33.9	\$ 26.9
Excluding:			
ASIC related (expenses) recoveries	(2.6)	(1.1)	8.7
Intercompany foreign exchange gain	5.5	—	—
Domicile change related costs	—	—	(1.8)
Recovery of RCI legal costs	2.7	—	—
General corporate costs excluding ASIC expenses, intercompany foreign exchange gain, domicile change related costs and recovery of RCI legal costs	\$ 38.6	\$ 32.8	\$ 33.8

**Selling, general and administrative expenses excluding New Zealand product liability expenses** – Selling, general and administrative expenses excluding New Zealand product liability expenses is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than selling, general and administrative expenses. Management has included this financial measure to provide investors with an alternative method for assessing its operating results in a manner that is focused on the performance of its ongoing operations and provides useful information regarding its financial condition and results of operations. Management uses these non-US GAAP measures for the same purposes.

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2013	2012	2011
Selling, general and administrative expenses	\$ 218.6	\$ 191.0	\$ 173.4
Excluding:			
New Zealand product liability expenses	(13.2)	(5.4)	—
Selling, general and administrative expenses excluding New Zealand product liability expenses	\$ 205.4	\$ 185.6	\$ 173.4
Net Sales	\$1,321.3	\$1,237.5	\$1,167.0
Selling, general and administrative expenses as a percentage of net sales	16.5%	15.4%	14.9%
Selling, general and administrative expenses excluding New Zealand product liability expenses as a percentage of sales	15.5%	15.0%	14.9%

**EXHIBITS**

Documents filed as exhibits to this annual report:

<b>Exhibit Number</b>	<b>Description of Exhibits</b>
1.1	Articles of Association dated 15 October 2012 of James Hardie Industries plc, an Irish public limited company registered in Ireland (15)
2.1	Deposit Agreement dated as of 24 September 2001, as amended and restated as of 19 February 2010 and as further amended on 17 June 2010, between James Hardie Industries plc and The Bank of New York Mellon, as depositary (13)
2.2	Amended and Restated Common Terms Deed Poll dated 21 January 2013 among James Hardie International Finance Limited, James Hardie Building Products, Inc., James Hardie Industries plc, James Hardie International Group Limited and James Hardie Technology Limited
2.3	Form of Lender Deeds of Confirmation dated 23 June 2009 between James Hardie International Finance B.V., James Hardie Building Products, Inc., James Hardie Industries N.V. and Financier (7)
2.4	Form of Novation Deed dated 9 October 2009 between James Hardie International Finance Limited, James Hardie International Finance B.V., James Hardie Building Products, Inc., James Hardie Industries N.V. and Financier (12)
2.5	AET Guarantee Trust Deed dated 19 December 2006 between James Hardie Industries N.V. and AET Structured Finance Services Pty Limited (12)
2.6	Amending Deed to the AET Guarantee Trust Deed dated 6 October 2009 between James Hardie Industries N.V. and AET Structured Finance Services Pty Limited (13)
2.7	Performing Subsidiary Undertaking and Guarantee Trust Deed dated 19 December 2006 between James Hardie 117 Pty Limited and AET Structured Finance Services Pty Limited (12)
2.8	Amending Deed to the Performing Subsidiary Undertaking and Guarantee Trust Deed dated 6 October 2009 between James Hardie 117 Pty Limited and AET Structured Finance Services Pty Limited (13)
2.9	Form of Term (Bullet) Facility Agreement entered into between James Hardie International Finance Limited and Financier (14)
2.10	Form of Term (Bullet) Facility Agreement entered into between James Hardie International Finance Limited, James Hardie Building Products, Inc and Financier
4.1	Amended and Restated James Hardie Industries plc 2001 Equity Incentive Plan (16)
4.2	Executive Incentive Plan 2009 (7)
4.3	Amended and Restated James Hardie Industries plc Long Term Incentive Plan 2006 (10)
4.4	Form of Joint and Several Indemnity Agreement among James Hardie N.V., James Hardie (USA) Inc. and certain former executive officers and Managing Board directors thereto (2)
4.5	Form of Joint and Several Indemnity Agreement among James Hardie Industries N.V., James Hardie Inc. and certain former Supervisory Board and Managing Board directors thereto (2)
4.6	Form of Deed of Access, Insurance and Indemnity between James Hardie Industries N.V. and Supervisory Board directors and Managing Board directors (6)
4.7	Form of Indemnity Agreement between James Hardie Building Products, Inc. and Supervisory Board directors, Managing Board directors and certain executive officers (6)

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<b>Exhibit Number</b>	<b>Description of Exhibits</b>
4.8	Form of Irish law-governed Deed of Access, Insurance and Indemnity between James Hardie Industries SE, a European Company registered in Ireland, and its directors, company secretary and certain senior employees (7)
4.9	Variation of Lease dated 23 March 2004, among Brookfield Rosehill Landowner Pty Ltd (f/k/a Brookfield Multiplex Rosehill Landowner Pty Ltd f/k/a Multiplex Rosehill Landowner Pty Ltd) as successor in interest to Amaca Pty Limited (f/k/a James Hardie & Coy Pty Limited), James Hardie Australia Pty Limited and James Hardie Industries N.V. re premises at the corner of Colquhoun & Devon Streets, Rosehill, New South Wales, Australia (1)
4.10	Lease dated 3 April 2009, between Welshpool Landowner Pty and James Hardie Australia Pty Limited re premises at Rutland Avenue, Welshpool, Western Australia, Australia (7)
4.11	Lease Amendment dated 23 March 2004, among Brookfield Meeandah Landowner Pty Ltd (f/k/a Brookfield Multiplex Meeandah Landowner Pty Ltd f/k/a Multiplex Meeandah Landowner Pty Ltd) as successor in interest to Amaca Pty Limited (f/k/a James Hardie & Coy Pty Limited), James Hardie Australia Pty Limited and James Hardie Industries N.V. re premises at 46 Randle Road, Meeandah, Queensland, Australia (1)
4.12	Notice of sale of property, 46 Randle Road, Meeandah, Queensland, dated 6 December 2011, between Northshore No 3 Pty Ltd and Brookfield Meeandah Landowner Pty Ltd re premises at 46 Randle Road, Meeandah, Queensland, Australia (16)
4.13	Deed of Partial Surrender and Variation of Lease dated 24 September 2012, among Northshore No 3 Pty Ltd, James Hardie Australia Pty Ltd and James Hardie Industries SE re premises at 46 Randle Road, Meeandah, Queensland, Australia
4.14	Lease Agreement dated 23 March 2004 among Penrose Land Limited as successor in interest to Studorp Limited, James Hardie New Zealand Limited and James Hardie Industries N.V. re premises at the corner of O'Rorke and Station Roads, Penrose, Auckland, New Zealand (1)
4.15	Lease Agreement dated 23 March 2004 among Penrose Land Limited as successor in interest to Studorp Limited, James Hardie New Zealand Limited and James Hardie Industries N.V. re premises at 44-74 O'Rorke Road, Penrose, Auckland, New Zealand (1)
4.16	Ownership transfer related to corner of O'Rorke and Station Roads, Penrose, Auckland, New Zealand and 44-74 O'Rorke Road, Penrose, Auckland, New Zealand effective 30 June 2005 (3)
4.17	Industrial Building Lease Agreement, effective 6 October 2000, between James Hardie Building Products, Inc. and Fortra Fibre-Cement L.L.C., re premises at Waxahachie, Ellis County, Texas (2)
4.18	Asset Purchase Agreement by and between James Hardie Building Products, Inc. and Cemplank, Inc. dated as of 12 December 2001 (2)
4.19	Amended and Restated Stock Purchase Agreement dated 12 March 2002, between BPB US Holdings, Inc. and James Hardie Inc. (2)
4.20	Amended and Restated Final Funding Agreement (AFFA) dated 21 November 2006 (4)
4.21	AFFA Amendment dated 6 August 2007 (6)
4.22	AFFA Amendment dated 8 November 2007 (6)
4.23	AFFA Amendment dated 11 June 2008 (6)
4.24	Address for Service of Notice on Trustee dated 13 June 2008 (6)
4.25	AFFA Amendment dated 17 July 2008 (7)
4.26	Deed to amend the AFFA and facilitate the Authorised Loan Facility dated 9 December 2010 between James Hardie Industries SE, James Hardie 117 Pty Limited, The State of New South Wales and Asbestos Injuries Compensation Fund Limited in its capacity as trustee of each of the Compensation Funds (14)

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<b>Exhibit Number</b>	<b>Description of Exhibits</b>
4.27	AFFA Amendment dated 29 February 2012 (16)
4.28	AFFA Amendment dated 28 March 2012 (16)
4.29	Asbestos Injuries Compensation Fund Amended and Restated Trust Deed by and between James Hardie Industries N.V. and Asbestos Injuries Compensation Fund Limited dated 14 December 2006 (5)
4.30	Deed Poll dated 11 June 2008 – amendment of the Asbestos Injuries Compensation Fund Amended and Restated Trust Deed (6)
4.31	Deed of Release by and among James Hardie Industries N.V., Australian Council of Trade Unions, Unions New South Wales, and Bernard Douglas Banton dated 21 December 2005 (3)
4.32	Amending Agreement (Parent Guarantee) dated 23 June 2009 by and among Asbestos Injuries Compensation Fund Limited, The State of New South Wales, and James Hardie Industries N.V. (13)
4.33	Deed of Release by and between James Hardie Industries N.V. and The State of New South Wales dated 22 June 2006 (3)
4.34	Second Irrevocable Power of Attorney by and between Asbestos Injuries Compensation Fund Limited and The State of New South Wales dated 14 December 2006 (5)
4.35	Deed of Accession by and among Asbestos Injuries Compensation Fund Limited, James Hardie Industries N.V., James Hardie 117 Pty Limited, and The State of New South Wales dated 14 December 2006 (5)
4.36	Intercreditor Deed dated 19 December 2006 between The State of New South Wales, James Hardie Industries N.V., Asbestos Injuries Compensation Fund Limited and AET Structured Finance Services Pty Limited (12)
4.37	Letter agreement dated 21 March 2007 amending Intercreditor Deed between The State of New South Wales, James Hardie Industries N.V., Asbestos Injuries Compensation Fund Limited and AET Structured Finance Services Pty Limited (12)
4.38	Amending Deed (Intercreditor Deed) dated 23 June 2009 between The State of New South Wales, James Hardie Industries N.V., Asbestos Injuries Compensation Fund Limited and AET Structured Finance Services Pty Limited (13)
4.39	Performing Subsidiary Intercreditor Deed dated 19 December 2006 between The State of New South Wales, James Hardie 117 Pty Limited, Asbestos Injuries Compensation Fund Limited and AET Structured Finance Services Pty Limited (12)
4.40	Letter agreement dated 21 March 2007 amending Performing Subsidiary Intercreditor Deed between The State of New South Wales, James Hardie 117 Pty Limited, Asbestos Injuries Compensation Fund Limited and AET Structured Finance Services Pty Limited (12)
4.41	Amending Deed (Performing Subsidiary Intercreditor Deed) dated 23 June 2009 between The State of New South Wales, James Hardie 117 Pty Limited, Asbestos Injuries Compensation Fund Limited and AET Structured Finance Services Pty Limited (13)
4.42	Deed of Confirmation dated 23 June 2009 between James Hardie Industries N.V., James Hardie 117 Pty Limited, The State of New South Wales and Asbestos Injuries Compensation Fund Limited in its capacity as trustee of the Asbestos Injuries Compensation Fund (8)
4.43	AICF facility agreement dated 9 December 2010 between Asbestos Injuries Compensation Fund Limited, ABN 60 Pty Limited, Amaca Pty Ltd, Amaba Pty Ltd and The State of New South Wales (14)

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<b>Exhibit Number</b>	<b>Description of Exhibits</b>
4.44	Fixed and floating charge dated 9 December 2010 between Asbestos Injuries Compensation Fund Limited, ABN 60 Pty Limited, Amaca Pty Ltd, Amaba Pty Ltd and The State of New South Wales (14)
4.45	2013 Advance Payment Agreement between James Hardie Industries SE, James Hardie 117 Pty Limited, The State of New South Wales, and Asbestos Injuries Compensation Fund Limited (16)
8.1	List of significant subsidiaries of James Hardie Industries plc
12.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Ernst & Young LLP, independent registered public accounting firm
15.2	Consent of KPMG Actuarial Pty Limited
101INS	Instance Document
101SCH	Schema Document
101CAL	Calculation Linkbase Document
101LAB	Label Linkbase Document
101PRE	Presentation Linkbase Document
101DEF	Definition Linkbase Document

1	Previously filed as an exhibit to our Annual Report on Form 20-F dated 22 November 2004 and incorporated herein by reference.
2	Previously filed as an exhibit to our Annual Report on Form 20-F dated 7 July 2005 and incorporated herein by reference.
3	Previously filed as an exhibit to our Annual Report on Form 20-F dated 29 September 2006 and incorporated herein by reference.
4	Previously filed as an exhibit to our Current Report on Form 6-K dated 5 January 2007 and incorporated herein by reference.
5	Previously filed as an exhibit to our Annual Report on Form 20-F dated 6 July 2007 and incorporated herein by reference.
6	Previously filed as an exhibit to our Annual Report on Form 20-F dated 8 July 2008 and incorporated herein by reference.
7	Previously filed as an exhibit to our Form F-4 dated 23 June 2009 and incorporated herein by reference.
8	Previously filed as an exhibit to our Amendment No. 2 to Form F-4 dated 10 July 2009 and incorporated herein by reference.
9	Previously filed as an exhibit to our Post-Effective Amendment No. 1 to Form F-4 dated 19 February 2010 and incorporated herein by reference.



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10	Previously filed as an exhibit to our Post-Effective Amendment No. 2 to Form S-8 (Registration No. 333-161482) dated 17 June 2010 and incorporated herein by reference.
11	Previously filed as an exhibit to our Current Report on Form 6-K dated 18 June 2010 and incorporated herein by reference.
12	Previously filed as an exhibit to our Post-Effective Amendment No. 2 to Form F-4 dated 17 June 2010 and incorporated herein by reference.
13	Previously filed as an exhibit to our Annual Report on Form 20-F dated 30 June 2010 and incorporated herein by reference.
14	Previously filed as an exhibit to our Annual Report on Form 20-F dated 29 June 2011 and incorporated herein by reference.
15	Previously filed as an exhibit to our Form 6-K dated 15 October 2012 and incorporated herein by reference.
16	Previously filed as an exhibit to our Annual report on Form 20-F dated 2 July 2012 and incorporated herein by reference.



# James Hardie Group - Common Terms Deed Poll

Amended and restated on 21 January 2013  
Effective date 29 January 2013

James Hardie International Finance Limited (“**JHIFL**”, a “**Borrower**” and the initial “**Obligors’ Agent**”)

James Hardie Building Products, Inc. (“**JHBP**” and a “**Borrower**”)

James Hardie Industries plc (“**Parent**”)

James Hardie International Group Limited (“**JHIGL**” and a “**Guarantor**”)

James Hardie Technology Limited (“**JHT**” and a “**Guarantor**”)

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
T +61 2 9296 2000  
F +61 2 9296 3999  
DX 113 Sydney  
www.kwm.com

Ref: GNH:YC:CC  
02-5504-3204

# James Hardie Group - Common Terms Deed Poll

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# James Hardie Group - Common Terms Deed Poll Details

**Interpretation** – Definitions are in clause 1 (“Interpretation”).

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**Parties** **JHIFL, JHBP, Parent, JHIGL and JHT**, each as described below, including in their various capacities as **Obligors’ Agent, Borrower and Guarantor**.

---

**JHIFL, the initial Obligors’ Agent and a Borrower**

Name	<b>James Hardie International Finance Limited</b>
Incorporated in	Ireland with Registration Number 471702
Address	Europa House Second Floor Harcourt Centre Harcourt Street Dublin 2, Ireland
Fax	+ 353 1 479 1128
Attention	Treasurer

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**JHBP and a Borrower**

Name	<b>James Hardie Building Products, Inc.</b>
Incorporated in	Nevada
Address	Suite 400 26300 La Alameda Mission Viejo CA 92691 United States of America
Fax	+ 1 949 348 4534
Attention	Company Secretary

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**Parent**

Name	<b>James Hardie Industries plc</b>
Incorporated in	Ireland with Registration Number 485719
Address	Europa House Second Floor Harcourt Centre Harcourt Street Dublin 2, Ireland
Fax	+ 353 1 479 1128
Attention	Company Secretary

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<b>JHIGL and a Guarantor</b>	Name	<b>James Hardie International Group Limited</b>
	Incorporated in	Ireland with Registration Number 504374
	Address	Europa House Second Floor Harcourt Centre Harcourt Street Dublin 2, Ireland
	Fax	+ 353 1 479 1128
	Attention	Company Secretary

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<b>JHT and a Guarantor</b>	Name	<b>James Hardie Technology Limited</b>
	Incorporated in	Bermuda
	Address	Europa House Second Floor Harcourt Centre Harcourt Street Dublin 2, Ireland
	Fax	+ 353 1 479 1128
	Attention	Company Secretary

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<b>In favour of:</b>	Each Creditor as defined in this amended and restated deed.
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<b>Date of deed</b>	See Signing page
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<b>Recitals</b>	<p><b>A</b> This amended and restated deed amends and restates the "James Hardie - Common Terms Deed Poll" dated 15 June 2005 as amended by the "CTDP Amendment Deed and New Borrower Deed Poll" dated 12 January 2006 and as further amended and restated on 20 February 2008, 6 October 2009 and 21 December 2009 (together, the "<b>Previous Deeds</b>").</p> <p><b>B</b> The amendment and restatement of the Previous Deeds does not affect the nomination of any Person as a Creditor nor the nomination of any document as a Facility Agreement or Transaction Document prior to the execution of this amended and restated deed.</p> <p><b>C</b> The amendment and restatement of the Previous Deeds only applies to a Creditor which has agreed to the changes made to the Previous Deeds by this amended and restated deed.</p> <p><b>D</b> The Parent was formerly known as James Hardie Industries NV, and then James Hardie Industries SE, having successively transformed from a Dutch <i>naamloze vennootschap</i> into a <i>societas europaea</i>, moved its corporate domicile from The Netherlands to Ireland, and converted to an Irish public limited company.</p>
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# James Hardie Group - Common Terms Deed Poll

## General terms

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### 1 Interpretation

#### 1.1 Definitions

These meanings apply unless the contrary intention appears:

**A\$, AUD or Australian Dollars** means the lawful currency of Australia.

**AFFA** means the document entitled "Amended & 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" dated 21 November 2006 between the Parent (then known as James Hardie Industries N.V.), James Hardie 117 Pty Limited (formerly known as LGTDD Pty Limited), the State of New South Wales and the Asbestos Injuries Compensation Fund Limited in its capacity as trustee of the Asbestos Injuries Compensation Fund.

**Amended and Restated Trust Deed** means the Asbestos Injuries Compensation Fund Amended and Restated Trust Deed dated 14 December 2006 between the Parent (then known as James Hardie Industries N.V.) and Asbestos Injuries Compensation Fund Limited.

**Asbestos Injuries Compensation Fund** has the meaning given to it in the Amended and Restated Trust Deed.

**ASX** means ASX Limited or the stock exchange operated by it.

**ASX CNW Announcement** means any release of information by the Parent through the ASX concerning any event or circumstance affecting the financial position of the Group in a manner which would affect the calculation of Consolidated Net Worth and which sets out specific details of the balance sheet impact of such event or circumstance.

**ASX CNW Announcement Date** means the date on which an ASX CNW Announcement is made.

**Authorisation** means:

- (a) any consent, registration, filing, agreement, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with a Government Agency; and
- (b) any consent or authorisation regarded as given by a Government Agency due to the expiration of the period specified by a statute within which the Government Agency should have acted if it wished to proscribe or limit anything already lodged, registered or notified under that statute.

**Authorised Officer** means:

- (a) in the case of a Creditor, a director or secretary of the Creditor, or an officer of that party whose title contains the word "director", "chief", "head", "president", "vice-president", "executive" or "manager", or a

person performing the functions of any of them, or any other person appointed by the Creditor as an Authorised Officer for the purposes of a Transaction Document; and

- (b) in the case of an Obligor:
  - (i) any person who is a director, chief financial officer, treasurer or company secretary of that Obligor; and
  - (ii) any other person appointed by the Obligor and notified to the Creditor as an Authorised Officer for the purposes of a Transaction Document, and whose specimen signature is provided with such notification to the Creditor.

**Borrower** means each of JHIFL, JHBP and any new borrower under clause 15.1 ("New Borrowers") individually but not jointly. It excludes any person released pursuant to clause 15.2 ("Release of Borrowers").

**Break Costs** means the actual costs and losses which a Creditor certifies (with reasonable details) that it has suffered or incurred by reason of:

- (a) the liquidation or re-employment of deposits or other funds acquired or contracted for by the Creditor to fund or maintain financial accommodation under a Facility; or
- (b) the termination or reversing of any agreement or arrangement entered into by the Creditor to hedge, fix or limit its effective cost of funding in relation to a Facility,

calculated in accordance with normal banking practices, but excluding any loss of margin.

**Business Day** means a weekday (not being a public holiday) on which:

- (a) in respect of a day on which the interest rate under a Facility Agreement is required to be determined and for the purposes of giving drawdown notices and selection notices under a Facility Agreement, banks are open for general banking business in London;
- (b) for the purposes of making or receiving any payments in US Dollars, banks are open for general banking business in Dublin, London, New York and Sydney;
- (c) for the purpose of making or receiving any payments in another currency, banks are open for general banking business in Dublin, Sydney and such place or places specified in a relevant Facility Agreement; and
- (d) for all other purposes, banks are open for general banking business in Dublin, Sydney and any other place specified in a relevant Facility Agreement.

**Capital Lease** means, at any time, a lease with respect to which the lessee is required concurrently to recognise the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

**Capital Lease Obligation** means, with respect to any Group Member (other than an Excluded Entity) and a Capital Lease, the amount of the obligation of such Group Member as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Group Member.

**Change of Control** means the Parent becoming a Subsidiary of another person.

**Charitable Fund** has the meaning given to it in the AFFA.

**Compensation Provision** means, at any time, the aggregate amount (without double counting) of provisions made by the Group at that time in accordance with GAAP for asbestos related liabilities (including, without limitation, obligations to fund or pay compensation pursuant to the AFFA).

**Consolidated Funded Capitalisation** means, at any time, the sum of Consolidated Net Worth and Consolidated Funded Debt at that time.

**Consolidated Funded Debt** means, as of any date of determination, the total of all Funded Debt of the Group outstanding on that date, after eliminating:

- (a) all Funded Debt (if any) of the Excluded Entities; and
- (b) all offsetting debits and credits between any Group Members (excluding the Excluded Entities) and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Group in accordance with GAAP.

**Consolidated Net Worth** means, at any date of determination, the sum of:

- (a) the par value (or value stated in the books of the Group) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Group; and
- (b) the amount of the paid-in capital and retained earnings of the Group,

plus the Compensation Provision on that date (and eliminating all other consequential balance sheet impacts relating to the Compensation Provision), in each case as such amounts would be shown on the consolidated balance sheet of the Group prepared:

- (i) as if the Excluded Entities were not Subsidiaries of the Parent (to the intent that the assets, liabilities and other balance sheet items of all Excluded Entities shall be excluded in calculating Consolidated Net Worth); and
- (ii) in accordance with GAAP,

in each case, on:

- (A) the most recent Reporting Date; or
- (B) where applicable, on the most recent ASX CNW Announcement Date, to the extent such amounts have been adjusted to reflect the content of any ASX CNW Announcement which post-dates such balance sheet.

**Consolidated Permitted External Financial Indebtedness** means, as of any date of determination, the total of all Permitted External Financial Indebtedness of the Group outstanding on that date, after eliminating all offsetting debits and credits between any Group Members (excluding the Excluded Entities) and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Group in accordance with GAAP.

**Controller** has the meaning it has in the Corporations Act or, in the case of an Obligor constituted in a jurisdiction other than Australia, an equivalent insolvency officeholder such as a liquidator, receiver, receiver and manager, administrative receiver, official manager, statutory manager, examiner or other person performing equivalent functions (howsoever called).

**Corporations Act** means the *Corporation Act 2001* of Australia.

**Costs** means costs, fees, disbursements, charges and expenses, including, without limitation where an Obligor is liable to pay or reimburse the Costs, those incurred in connection with advisers and, unless an Event of Default is subsisting, only for an amount and on a basis previously agreed to in writing by the Obligors' Agent or the Parent.

**Creditor** means each party nominated as a "Creditor" under a Facility Nomination Letter which has been countersigned by that party (or in the case of a syndicated facility agreement, the facility agent on that party's behalf) in accordance with clause 2.2 ("Becoming a Creditor"), subject to clause 2.4 ("Removal of benefit for a particular Creditor"). If there are more than one, "Creditor" means each of them individually but not jointly. It includes, in the case of any syndicated facility, the facility agent. It does not include any Group Member.

**Deed of Release** means a deed poll in the form of schedule 5 ("Form of Deed of Release").

**Default Rate** means, in respect of a Transaction Document, the rate of interest specified in that document as payable on any amount not paid under the document on the due date for payment. If not otherwise specified in the relevant Transaction Document, for the purpose of this definition, the Interest Rate is calculated as if the overdue amount is a cash advance with interest periods of 30 days (or another period chosen from time to time by the relevant Creditor), with the first interest period starting on and including the due date.

**Details** means the section of this amended and restated deed headed "Details".

**Directive** means:

- (a) a law; or
- (b) a treaty, official directive, regulation, request, guideline or policy (whether or not having the force of law) with which responsible financiers generally comply in carrying on their business.

**Due Currency** means, in respect of any payment to be made under a Transaction Document, the currency in which that payment is due.

**EBIT** means the operating profit of the Group, on a consolidated basis, before adjustments for:

- (a) significant, extraordinary, abnormal or exceptional items;
- (b) items recognised in connection with the Special Commission of Inquiry into Medical Research and Compensation Foundation and other related expenses; and
- (c) income tax,

but after:

- (i) adding back Net Interest Charges and all items referred to in paragraphs (a) to (e) of the definition of "Net Interest Charges" that were deducted in deriving the operating profit figure of the Group; and

- (ii) eliminating all income, expense and other profit and loss statement impact of the Excluded Entities, determined in each case by reference to the latest audited consolidated financial statements of the Group delivered under clause 9.6(b) ("Reporting undertakings"). It excludes any earnings from any Project Activities if these are derived from Project Vehicles or Project Property over which there exist Security Interests (unless such earnings have actually been received in cash by an Obligor).

<sup>1</sup> **Effective Date** means the date specified by the Obligors' Agent, by a notice given to each Creditor having the benefit of the Previous Deeds in the manner specified in clause 18 ("Notices") of the Previous Deeds, as the date on which this amended and restated deed will take effect in accordance with clause 1.8 ("Effective Date"), provided that the Obligors' Agent may not give that notice until after:

- (a) all such Creditors have confirmed receipt of:
- (i) a certificate in relation to each Obligor given by a director of the relevant Obligor substantially in the form of schedule 1 ("Verification Certificate") with the attachments referred to in that certificate; and
  - (ii) a certified copy of this amended and restated deed executed by all the Obligors;
- (b) all such Creditors have received a Facility Nomination Letter executed by the Obligors' Agent and all such Creditors have accepted nomination under that Facility Nomination Letter by returning a signed copy to the Obligors' Agent;
- (c) all such Creditors have confirmed receipt of legal opinions in respect of the relevant Obligors' obligations under this amended and restated deed from:
- (i) Arthur Cox, Irish legal advisers to JHIFL, JHIGL and the Parent;
  - (ii) McDonald Carano & Wilson, United States of America legal advisers to JHBP;
  - (iii) Conyers Dill & Pearman Limited, special Bermuda legal advisers to JHT; and
  - (iv) King & Wood Mallesons, Australian legal advisers to the Obligors; and
- (d) **(know your customer)** if any Creditor is required to comply with any KYC Checks and the information necessary is not already available to it, and to the extent not previously provided to that Creditor:
- (i) such documentation and other evidence as is reasonably requested by that Creditor to enable that Creditor to so comply; and
  - (ii) that Creditor has confirmed such documentation and other evidence has been provided to it.

<sup>1</sup> 29 January 2013 has been specified by the Obligors' Agent as the Effective Date.

**Environmental Laws** means any and all applicable statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licences, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

**Event of Default** means an Event of Default set out in clause 10.1 ("Events of Default").

**Exchange Act** means the Securities Exchange Act 1934 of the United States of America.

**Excluded Entity** means the Fund (and Asbestos Injuries Compensation Fund Limited in its personal capacity) and each of the following entities:

- (a) Amaba Pty Limited (ACN 000 387 342);
- (b) Amaca Pty Limited (ACN 000 035 512);
- (c) ABN 60 Pty Limited (ACN 000 009 263); and
- (d) Marlew Mining Pty Limited (formerly known as Asbestos Mines Pty Limited) (ACN 000 049 650),

and any other entity agreed in writing by the Parent and each Creditor (or, in the case of a syndicated facility, the facility agent).

**Excluded Tax** means:

- (a) a Tax imposed by any jurisdiction on or assessed against a Creditor as a consequence of the Creditor being a resident of or organised in or doing business in that jurisdiction, but not any Tax:
  - (i) that is calculated on or by reference to the gross amount of a payment derived under a Transaction Document or another document referred to in a Transaction Document (without the allowance of a deduction);
  - (ii) that is imposed as a result of the Creditor being considered a resident or organised or doing business in that jurisdiction solely as a result of it being a party to a Transaction Document or a transaction contemplated by a Transaction Document;
- (b) in relation to any payment by an Obligor resident or incorporated in the United States of America (" **US Obligor**"), any Tax payable by reason of the Creditor not being in receipt of such payment through, or such payment not being attributable to, a branch or lending office in the United States of America or by reason of the payment not being considered effectively connected income of a trade or business conducted within the United States of America by such branch or lending office (including, without limitation, any withholding tax payable under the laws of the United States of America in respect of interest due from a US Obligor under a Facility Agreement);
- (c) a Tax which would not be required to be deducted by an Obligor if, before the Obligor makes a relevant payment, the relevant Creditor provided the Obligor with written confirmation as to any of its name, address, registration number, country of residence for tax purposes (including whether the relevant Creditor carries on a trade or business in the Obligor's country of residence and/or incorporation through a branch

or agency in connection with which the relevant Creditor receives the relevant payment) or similar details or any relevant tax exemption or similar details; or

- (d) in relation to any payment by an Irish Obligor, any Tax imposed by Ireland by reason of the Creditor to which the payment is made not being an Irish Qualifying Creditor.

**Facility** means any facility for the provision of financial accommodation under a Facility Agreement.

**Facility Agreement** means each agreement to which a Creditor (together with any other persons) and a Borrower are party, which is nominated as a "Facility Agreement" in a Facility Nomination Letter.

**Facility Nomination Letter** means a letter substantially in the form set out in schedule 2 ("Facility Nomination Letter") to a Previous Deed or in the form set out in schedule 2 ("Facility Nomination Letter"), in either case in favour of a Creditor providing a Facility.

**Financial Indebtedness** means, with respect to any Group Member, without double counting:

- (a) its liabilities for borrowed money (including all liabilities in respect of letters of credit (excluding letters of credit and performance guarantees posted in respect of payment of accounts payable arising in the ordinary course of business) or instruments serving a similar function issued or accepted for its account by banks and other financial institutions);
- (b) its liabilities for the deferred purchase price (for more than 90 days) of property acquired by such Group Member (excluding accounts payable arising in the ordinary course of business);
- (c) its Capital Lease Obligations;
- (d) all Preferred Stock of Subsidiaries (excluding the Excluded Entities) of such Group Member which is not owned by such Group Member or a Wholly Owned Subsidiary of such Group Member; and
- (e) any Guarantee of such Group Member with respect to liabilities of a type described in any of paragraphs (a) to (d) of this definition.

**Financial Year** means each year ending on 31 March.

**Free Cash Flow** has the meaning given to that term in the AFFA.

**Fund** means Asbestos Injuries Compensation Fund Limited as trustee for the Asbestos Injuries Compensation Fund.

**Funded Debt** means, at any time, with respect to any Group Member (other than an Excluded Entity), all drawn and outstanding Financial Indebtedness (other than Non-Recourse Debt) of such Group Member owing to any person outside the Group (other than an Excluded Entity) at that time.

**GAAP** means generally accepted accounting principles as in effect from time to time in the United States of America.

**Government Agency** means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity:

- (a) having jurisdiction over, or in relation to the affairs of, a Group Member and, for the avoidance of doubt, includes, without limitation, the Australian Taxation Office, the US Internal Revenue Service and the Irish Revenue Commissioners, in each case to the extent applicable; or



- (b) in the jurisdiction in which a Creditor is incorporated or in which a Facility Office of the Creditor is located and having jurisdiction over, or in relation to the affairs of, the Creditor,

as the case may be.

**Group** means the Parent and its Subsidiaries and **Group Member** means any one of them.

**Guarantee** means any guarantee, suretyship, letter of credit, or any other obligation (whatever called and of whatever nature):

- (a) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;
- (b) to indemnify any person against the consequences of default in the payment of; or
- (c) to be responsible for,

any debt or monetary liability of another person or the assumption of any responsibility or obligation in respect of the insolvency or the financial condition of any other person.

**Guarantee and Indemnity** means the guarantee and indemnity in clause 14 ("Guarantee and indemnity").

**Guarantee Trust Deed** means the deed entitled "Guarantee Trust Deed" dated 19 December 2006 between the Parent (then known as James Hardie Industries N.V.) and AET Structured Finance Services Pty Limited.

**Guarantor** means each of JHIGL and JHT and any new guarantor under clause 15.3 ("New Guarantors") jointly and severally. For the avoidance of doubt, neither Borrower nor the Parent is a Guarantor.

**Indirect Tax** means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

A person is **Insolvent** if it:

- (a) admits in writing its inability to pay its debts as they become due (otherwise than as contemplated in clause 16.6 ("NSW Government's right and power to enforce") of the AFFA);
- (b) was established under Irish law and files a petition with any court in Ireland in relation to its liquidation, the bringing forward of a scheme of arrangement or the appointment of an examiner;
- (c) files, or consents by answer or otherwise to the filing against it of, a petition for relief or insolvent reorganisation or insolvent arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, insolvent reorganisation, insolvent moratorium or other similar law of any jurisdiction (including, without limitation, a filing by the person under Chapter 7 or Chapter 11 of the US Bankruptcy Code), provided that where the filing is a filing under Chapter 11

of that Code, the person is at the time of filing unable to pay its debts generally as and when they become due and also provided that, in such filing under Chapter 11 of that Code a person is Insolvent no later than the earliest date as of which creditors may vote on any matter or accept or reject a plan of reorganisation;

- (d) makes an assignment for the benefit of its creditors generally;
- (e) consents to the appointment of a custodian (not being a nominee for the person), receiver, receiver and manager, trustee or other officer with similar powers with respect to it or with respect to a substantial part of its property;
- (f) consents to the appointment of an insolvency administrator or such an insolvency administrator is appointed and that appointment is not terminated within 28 days;
- (g) is adjudicated as insolvent or to be liquidated, in each case, by a court of competent jurisdiction;
- (h) is subject to Winding Up,

and **Insolvency** has a corresponding meaning.

**Intercreditor Deed** means the deed so entitled dated 19 December 2006 between the State of New South Wales, the Parent (then known as James Hardie Industries N.V.), Asbestos Injuries Compensation Fund Limited in its capacity as trustee for the Charitable Fund and AET Structured Finance Services Pty Limited as amended by the letter dated 19 December 2006 between the same parties.

**IP Assets** means:

- (a) any patents, trademarks, service marks, designs, business names, copyrights, database rights, design rights, domain names, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests (which may now or in the future subsist), whether registered or unregistered;
- (b) any interest in any of them; and
- (c) the benefit of all applications and rights to use any such assets (which may now or in the future subsist).

**Irish Obligor** means an Obligor resident or incorporated in Ireland.

**Irish Qualifying Creditor** means in respect of an Irish Obligor, a Creditor which at the time the payment is made, is beneficially entitled to the interest payable to that Creditor in respect of an advance under a Facility and is:

- (a) an entity which is, pursuant to Section 9 of the Central Bank Act, 1971 of Ireland, licensed to carry on banking business in Ireland and whose Facility office is located in Ireland and which is recognised by the Revenue Commissioners of Ireland as carrying on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) of the Taxes Consolidation Act 1997 of Ireland ("**TCA**") in circumstances where the payments are made from Ireland and which is regarded by the Revenue Commissioners of Ireland as having made the advance for the purposes of Section 246(3)(a) TCA;

- (b) an authorised credit institution under the terms of the European Union Consolidation Directive (Directive 2000/12/EC) that has duly established a branch in Ireland or has made all necessary notifications to its home state competent authorities required thereunder in relation to its intention to carry on banking business in Ireland and which is recognised by the Revenue Commissioners of Ireland as carrying on a bona fide banking business in Ireland for the purposes of Section 246(3)(a) TCA and has its Facility office located in Ireland in circumstances where the payments are made from Ireland and which is regarded by the Revenue Commissioners of Ireland as having made the advance for the purposes of Section 246(3)(a) TCA;
- (c) a company (within the meaning of Section 246(1) TCA) which is resident in a country with which Ireland has a double taxation treaty or resident in a member state of the European Communities (other than Ireland) where residence is determined under the tax laws of the relevant country or Member State (together a "**Relevant Territory**"), provided that such company does not provide its commitment through or in connection with a branch or agency in Ireland, and where the company has provided written confirmation of the foregoing to the Irish Obligor before the Irish Obligor makes a relevant payment;
- (d) a US company, where such company has provided written confirmation to the Irish Obligor that it is incorporated in the US and subject to tax in the US on its worldwide income provided that such company does not provide its commitment through or in connection with a branch or agency in Ireland; or
- (e) a Creditor which is entitled under a double taxation agreement between the jurisdiction in which such Creditor is resident for Tax purposes and Ireland, subject to the completion of any necessary procedural formalities, to receive all payments from the Irish Obligor without a tax deduction, where such Creditor has applied for and the relevant Irish Obligor has obtained authorisation from the Revenue Commissioners of Ireland to make payments without deduction of Irish tax, and where such authorisation remains in force and effect.

**JH Insurance** means James Hardie Insurance Ltd, a company incorporated in Guernsey.

**JHT Undertaking** means the deed poll dated on or about 25 September 2009 given by JHT in favour of the Creditors.

**KYC Checks** means, for a Creditor, the Creditor's 'know your customer' or similar identification and verification checks and procedures required for the Creditor to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* of Australia and the *Anti-Money Laundering and Counter-Terrorism Financing Act Rules* and any other analogous law or regulation in Australia or of another country, to manage anti-money laundering, counter-terrorism financing or economic and trade sanctions risk.

**Majority Creditor** means:

- (a) in relation to a syndicated or capital markets facility, the Creditors who form a "majority" (howsoever described) as defined under that facility or all such Creditors, to the extent so required under that facility; and
- (b) in relation to a bilateral facility, the Creditor under that facility.

**Material Adverse Effect** means a material adverse effect on:

- (a) the ability of any Borrower to perform its obligations to pay Outstanding Moneys when the same are due or within any applicable grace period;

- (b) the ability of any Guarantor to perform its obligations to pay any amounts under the Guarantee and Indemnity if a Borrower does not pay the Guaranteed Money on time and in accordance with a Transaction Document; or
- (c) the validity or enforceability of the Transaction Documents.

**Material Subsidiary** means any Subsidiary of the Parent (other than an Excluded Entity) whose total assets at the time of determination (consolidated in the case of a Subsidiary which itself has one or more Subsidiaries) represent not less than 15% of Consolidated Net Worth at that time.

**Net Interest Charges** for a period means all interest and amounts in the nature of interest or of similar effect to interest, paid or payable by the Group (excluding the Excluded Entities), on a consolidated basis, less interest income received by or arising to the Group (excluding the Excluded Entities), on a consolidated basis, in the same period for which such Net Interest Charges are being determined, in each case by reference to the financial statements referred to in clause 9.6 ("Reporting undertakings"). It excludes:

- (a) any swap break or reset costs incurred and paid as part of any termination of any hedging or facility;
- (b) any break costs, early redemption premium, make-whole payments, liquidated damages or other penalties (howsoever described) incurred and paid in connection with the prepayment of any facility;
- (c) capitalising interest under any agreement for the provision of Financial Indebtedness to a Group Member which is in the nature of:
  - (i) a construction facility to fund capital expenditure to be undertaken by a Group Member (but only while that capitalising interest is not payable under the terms of that agreement); or
  - (ii) a capital-indexed or zero coupon debt instrument which contractually allows the capitalisation of interest;
- (d) establishment, arrangement, underwriting and other fees payable once only on the initial provision of financial accommodation; and
- (e) all interest and amounts in the nature of interest, and any other amounts of the kind referred to in paragraphs (a) to (d) above, relating to:
  - (i) Subordinated Debt;
  - (ii) hybrid capital;
  - (iii) Non-Recourse Debt; or
  - (iv) a loan under which financial accommodation is provided from one Group Member (not being an Excluded Entity) to another Group Member (not being an Excluded Entity).

**New Borrower** means a person who executes a New Borrower Deed Poll in accordance with clause 15.1 ("New Borrowers").

**New Borrower Deed Poll** means each deed poll entered into by a New Borrower substantially in the form set out in schedule 3A ("Form of New Borrower Deed Poll").

**New Guarantor** means a person who executes a New Guarantor Deed Poll in accordance with clause 15.3 ("New Guarantors").

**New Guarantor Deed Poll** means each deed poll entered into by a New Guarantor substantially in the form set out in schedule 3B ("Form of New Guarantor Deed Poll").

**Non-Australian Obligor** means an Obligor which is not resident or incorporated in Australia.

**Non-Recourse Debt** means any Project Debt if, and for so long as:

- (a) the person to whom the Project Debt is owed does not have recourse (whether by way of execution, set-off or otherwise) to a Group Member or its assets for the payment or repayment of the Project Debt other than to assets which the Security Interest ("**Project Securities**") securing that Project Debt are permitted to extend to under paragraph (h) of the definition of Permitted Security Interest (that person, and any agent or trustee on that person's behalf, being a "**Non-Recourse Financier**");
- (b) the Non-Recourse Financier may not seek to wind up or place into administration, or pursue or make a claim in the winding up or administration of, any other Group Member to recover or to be repaid that Project Debt;
- (c) the Non-Recourse Financier cannot obtain specific performance or a similar remedy with respect to any obligation of another Group Member to pay or repay that Project Debt; and
- (d) the Non-Recourse Financier and any receiver, receiver and manager, agent or attorney appointed under the Project Securities, may not incur a liability on behalf of, or for the account of, a Group Member which liability itself is not subject to the above paragraphs as if references to Project Debt in those paragraphs included that liability.

For the avoidance of doubt, if Project Debt is incurred or owed by a Group Member which is not a Project Vehicle, then the tests in paragraphs (b) and (c) above must also be satisfied in respect of that Group Member in order for the Project Debt to qualify as Non-Recourse Debt.

**Obligor** means:

- (a) a Borrower;
- (b) the Parent; or
- (c) a Guarantor.

**Obligors' Agent** means JHIFL or another Borrower:

- (a) appointed by all the Borrowers, the Parent and all the Guarantors as Obligors' Agent;
- (b) which has accepted such appointment; and
- (c) whose appointment has been notified to all Creditors.

**Obligor Financial Reports** means:

- (a) in the case of JHBP, the non-public financial or equivalent reports prepared in respect of JHBP (or separate reports prepared for each division of JHBP) for the purpose of preparing consolidated financial statements of the Group, the form and content of which is at the discretion of JHBP;
- (b) in the case of JHIFL, the non-public financial or equivalent reports prepared in respect of JHIFL for the purpose of preparing consolidated financial statements of the Group, the form and content of which is at the discretion of JHIFL;
- (c) in the case of JHIGL, the non-public financial or equivalent reports prepared in respect of JHIGL for the purpose of preparing consolidated financial statements of the Group, the form and content of which is at the discretion of JHIGL; and
- (d) in the case of JHT, the non-public financial or equivalent reports prepared in respect of JHT for the purpose of preparing consolidated financial statements of the Group, the form and content of which is at the discretion of JHT.

For the avoidance of doubt, no Obligor Financial Reports are required in relation to the Parent, but without prejudice to the provisions of clauses 9.6(a), 9.6(b) and 9.6(d) ("Reporting undertakings") in relation to the financial statements and reports of the Parent and the Group.

**Outstanding Moneys** means all debts and monetary liabilities of each Obligor to a Creditor under or in relation to any Transaction Document and in any capacity, irrespective of whether the debts or liabilities:

- (a) are present or future;
- (b) are actual, prospective, contingent or otherwise;
- (c) are at any time ascertained or unascertained;
- (d) are owed or incurred by, or on account of, that Obligor alone or severally or jointly with any other person;
- (e) are owed to or incurred for the account of that Creditor alone or severally or jointly with any other person;
- (f) are owed or incurred as principal, interest, fees, charges, taxes, duties or other imposts, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs or expenses, or on any other account; or
- (g) comprise any combination of the above.

**Permitted Disposal** means in the case of any Group Member:

- (a) a disposal in the ordinary course of business;
- (b) a disposal of assets in exchange for other assets comparable or superior as to type, value and quality;
- (c) a disposal of obsolete assets or assets no longer required for the purpose of the relevant Group Member's business or operations;

- (d) the payment of cash for any asset acquired in the ordinary course of business;
- (e) the investment of funds which are not immediately required in the relevant Group Member's business in accordance with the Group's established money market treasury policies or the realisation of such investments;
- (f) the sale of assets for cash which is applied in or towards the purchase of assets comparable or superior as to type, value and quality within 6 months or used to reduce the Financial Indebtedness of any Obligor;
- (g) the application of the proceeds of an issue of securities (whether debt or equity) for the purpose stated in the prospectus or other offering document relating to that issue;
- (h) a disposal comprised in or which occurs as part of any forward sale, stock loan or repurchase transaction;
- (i) a disposal constituted by, or arising as a result of, any Permitted Security Interest or any Permitted External Financial Indebtedness;
- (j) a disposal by a Group Member to another Group Member;
- (k) all other disposals where the aggregate net proceeds of such other disposals in any 12 month period does not exceed 10% of total assets as shown in the balance sheet on the most recent Reporting Date; and
- (l) a disposal not falling within paragraphs (a) to (k) above which has the prior written consent of each Majority Creditor (or in the case of a syndicated facility, an agent or trustee acting on the instructions of the relevant Majority Creditor).

**Permitted External Financial Indebtedness** means Financial Indebtedness of a Group Member (other than an Obligor or an Excluded Entity) owing to any person outside the Group under or in connection with:

- (a) a working capital facility;
- (b) a transactional banking facility;
- (c) a Capital Lease;
- (d) Non-Recourse Debt;
- (e) a "soft loan" or other form of financial accommodation given to a Group Member by a Government Agency in connection with capital works or expansion plans undertaken by that Group Member or any other Group Member; or
- (f) any financial accommodation which, in the opinion of the Parent, it is preferable for the relevant Group Member to raise from external sources (rather than by an intra-Group borrowing) for reasons based on economic advantage, administrative convenience and/or legal, structural, political and/or tax considerations.

**Permitted Security Interest** means:

- (a) a Security Interest created by operation of law or otherwise to secure taxes, assessments or other governmental charges which are not more than 90 days overdue or are being contested in good faith;

- (b) a Security Interest which a Group Member is required to create by any applicable law or is required or considers it necessary or expedient to create in order to obtain, maintain or renew any Authorisation;
- (c) a Security Interest created by operation of law or otherwise in favour of a landlord, carrier, warehouseman, mechanic, materialman or other supplier (including rights by way of reservation or retention of title to property) or other similar Security Interest, in each case, incurred in the ordinary course of business for sums which are not more than 90 days overdue or are being contested in good faith;
- (d) a Security Interest incurred, or deposits made, in the ordinary course of business:
  - (i) in connection with workers' compensation, unemployment insurance and other types of social security, employment or retirement benefits; or
  - (ii) to secure (or to obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations,  
in each case not incurred or made:
    - (A) in connection with the borrowing of money, the obtaining of advances or credit or payment of the deferred purchase price of property; nor
    - (B) to secure obligations due under the AFFA or any Related Agreement (as defined in the AFFA);
- (e) a Security Interest in respect of a judgment debt of a Group Member, provided that the judgment is discharged or execution of it is stayed (permanently or pending appeal) within 90 days of entry thereof or adequate reserves have been provided for it;
- (f) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Group;
- (g) a Security Interest on property or assets of a Group Member (not being an Excluded Entity) securing Financial Indebtedness owing to another Group Member (not being an Excluded Entity);
- (h) a Security Interest existing or created under or in respect of Non-Recourse Debt facilities where the party holding any such Security Interest has security over Project Property or Project Vehicles only but no right of recourse to an Obligor or any Obligor's other assets;
- (i) a Security Interest created on any asset or group of associated assets acquired by a Group Member or developed by a Group Member after 15 June 2005:
  - (i) for the sole purpose of financing or refinancing that acquisition or development; and
  - (ii) securing principal moneys not exceeding one hundred per cent (100%) of the cost of that acquisition or development;



- (j) a Security Interest existing at the time of acquisition on any asset acquired by a Group Member after 15 June 2005 and not created in contemplation of the acquisition, provided that there is no increase in the amount of the principal moneys secured by that Security Interest;
- (k) a Security Interest existing on property of a person immediately prior to its being consolidated with or merged into a Group Member or its becoming a Group Member (by becoming a Subsidiary of the Parent), provided that the Security Interest was not created in contemplation of the consolidation, merger or acquisition and there is no increase in the amount of the principal moneys secured by that Security Interest;
- (l) any Security Interest existing at 15 June 2005 provided there is no increase in the amount of the principal moneys secured by that Security Interest;
- (m) a Security Interest replacing, renewing, extending or refunding any Security Interest permitted by paragraph (i), (j), (k), (l) or (m), provided that:
  - (i) the principal moneys secured by such Security Interest immediately prior to such replacement, renewal, extension or refunding is not increased or the maturity thereof reduced; and
  - (ii) the Security Interest is not extended to any other property;
- (n) a Security Interest created with the prior written consent of each Majority Creditor (or in the case of a syndicated facility, an agent or trustee acting on the instructions of the relevant Majority Creditor); or
- (o) a Security Interest created by a Group Member over its interest in a joint venture to secure:
  - (i) its obligations under the joint venture to any other party to the joint venture; or
  - (ii) its obligations, or the obligations of the joint venture, or the obligations of any entity formed for the purpose of the joint venture, under any agreement (including an agreement relating to financial accommodation) entered into for the purposes of the joint venture,

provided the aggregate amount of Financial Indebtedness of the Group (excluding intra-Group transactions and Financial Indebtedness of the Excluded Entities) secured by all such Permitted Security Interests granted in favour of persons outside the Group may not exceed 10% of the total assets of the Group (excluding the Excluded Entities) at any time.

**Potential Event of Default** means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

**PPSA** means the *Personal Property Securities Act 2009* of Australia.

**Preferred Stock** means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to payment of dividends or the payment of any amount upon liquidation or dissolution of the corporation.

**Previous Deeds** has the meaning given to it in the Recitals to this amended and restated deed.

**Project Activity** means the acquisition, development, construction, extension, expansion or improvement of any asset.

**Project Debt** means with respect to a project or development:

- (a) Financial Indebtedness in relation to the acquisition and/or cost of Project Activities;
- (b) Financial Indebtedness incurred before or at the time of carrying out Project Activities solely for the purpose of financing or refinancing the acquisition and/or cost of the Project Activities;
- (c) any Financial Indebtedness incurred solely to refinance any Financial Indebtedness referred to above or incurred under any successive refinancing;
- (d) any liabilities under hedging transactions entered into in connection with any Financial Indebtedness referred to above or any Project Activity;
- (e) interest or amounts in the nature of interest, charges, fees, costs of any nature (including break costs or costs arising from changes in law), duties, expenses, currency indemnities, withholding taxes, indirect taxes and other similar indebtedness (however described) which, in any case, is or are incurred or payable in connection with any of the above; or
- (f) any guarantee or indemnity securing payment or repayment of any of the above amounts (but not any other Financial Indebtedness),

but does not include any Financial Indebtedness which is used to refinance any assets owned by an Obligor as at 15 June 2005.

**Project Property** means a Group Member's assets used or predominantly used in, or generated by, any Project Activities for a project or development including:

- (a) assets forming part of or connected with or derived from that project or development; and
- (b) proceeds derived from other Project Property relating to that project or development.

**Project Vehicle** means an entity, which is established for the purposes of, and confines its business operations solely to, owning or producing Project Property, carrying out Project Activities and incurring Project Debt.

**Related Entity** has the meaning given in the Corporations Act.

**Release Request** means a letter in the form of schedule 4 ("Form of Release Request").

**Relevant Entity** means an Obligor or a Material Subsidiary.

**Reporting Date** means each 31 March, 30 June, 30 September and 31 December in any year.

**Security Interest** means any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset. This definition:

- (a) includes any retention of title agreements arising other than in the ordinary course of business; and

- (b) excludes:
- (i) any right of set-off, right to combine accounts, or other similar right or arrangement arising in the ordinary course of business or by operation of law; and
  - (ii) in respect of any assets located, or taken by legislation to be located, in Australia, any security that is created or provided for by (each as defined in the PPSA) a PPS lease, a commercial consignment or a transfer of an account or chattel paper.

**Subordinated Debt** means any Financial Indebtedness of any Group Member (other than an Excluded Entity) which is subordinated to the Facilities on terms which each Creditor (or under a syndicated facility, an agent or trustee acting on the instructions of the Majority Creditor) has confirmed are acceptable to it (such confirmation not to be unreasonably withheld or delayed).

**Subsidiary** in relation to a corporation means a subsidiary of the corporation for the purposes of the Corporations Act.

**Tax** means any present or future tax (including Indirect Taxes), levy, impost, duty, charge, fee, deduction, compulsory loan or withholding or any income, stamp or transaction duty, tax or charge, in the nature of tax whatsoever called (except if imposed on, or calculated having regard to, the net income of a Creditor) and whether imposed, levied, collected, withheld or assessed by any Government Agency and includes, but is not limited to, any penalty, fine, charge, fee, interest or other amount payable in connection with failure to pay or delay in paying the same.

**Termination Date** in respect of a Facility Agreement, means the termination date, maturity date, final repayment date, final redemption date or other final payment date (howsoever described) of a Facility as defined in the relevant Facility Agreement.

**Transaction Document** means each of:

- (a) this amended and restated deed;
- (b) each Facility Agreement;
- (c) each Facility Nomination Letter;
- (d) each New Borrower Deed Poll;
- (e) each New Guarantor Deed Poll;
- (f) each Deed of Release;
- (g) any other document agreed to be a Transaction Document by the Obligors' Agent or the Parent and a Creditor; and
- (h) any document given under or entered into connection with any of the above documents or entered into for the purpose of amending or novating any of the above.

**US\$, USD or US Dollars** means the lawful currency of the United States of America.

**Wholly Owned Subsidiary** has the meaning given in section 9 of the Corporations Act.

**Winding Up** means, in respect of a person, the occurrence of any one or more of the following events in relation to that person:

- (a) a final court order is entered that it be wound up or declared bankrupt;
- (b) a liquidator (excluding a provisional liquidator) is appointed to it and the appointment is not subsequently terminated;
- (c) a court declaration of bankruptcy is made in relation to it and is not subsequently withdrawn, struck out or dismissed, vacated or reversed;
- (d) the liquidation of that person;
- (e) a final order for relief occurs or is deemed to occur in relation to it under Chapter 7 or Chapter 11 of the US Bankruptcy Code which, when implemented, will result in the Liquidation of that person; and
- (f) any comparable action occurs under the law of any competent jurisdiction which has a substantially similar effect to any of the above paragraphs (a) to (e) of this definition,

and an order shall be deemed to be final when timely-commenced proceedings for review of such an order have been concluded without such order being subsequently dismissed, withdrawn, struck out, vacated or reversed, and the time for commencing any further proceeding for review of such order has expired.

## 1.2 References to certain general terms

Unless the contrary intention appears, a reference in a Transaction Document to:

- (a) a group of persons is to each of them individually only, although a reference to the "Guarantors" is a reference to any two or more of them jointly and to each of them individually;
- (b) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (c) an agreement, representation or warranty by two or more persons binds each of them individually only, although in the case of the Guarantors, binds them jointly and each of them individually;
- (d) anything (including an amount) is a reference to the whole and each part of it (but nothing in this clause 1.2(d) implies that performance of part of an obligation constitutes performance of the obligation);
- (e) a document (including this amended and restated deed) includes any variation, supplement to, novation or replacement of it;
- (f) **law** includes (without limitation) common law, principles of equity, and laws made by any legislative body of any jurisdiction (and references to any statute, regulation or by-law include any consolidation, modification, re-enactment or replacement of or any provision substituted for, and all statutory and subordinate instruments issued under such statute, regulation or by-law or such provision);
- (g) an **accounting term** is a reference to that term as it is used in GAAP;
- (h) the word "**person**" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated association and any Government Agency;

- (i) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (j) the words "**including**", "**for example**" or "**such as**" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (k) other parts of speech and grammatical forms of a word or phrase defined in this amended and restated deed have a corresponding meaning;
- (l) an agreement includes an undertaking, deed, agreement or legally enforceable arrangement or understanding whether or not in writing;
- (m) a reference to a document includes any agreement in writing, or any certificate, notice, instrument or other document of any kind;
- (n) a reference to a body, other than a party to, or a beneficiary of, a Transaction Document (including an institute, association or authority) whether statutory or not:
  - (i) that ceases to exist; or
  - (ii) whose powers or functions are transferred to another body,is a reference to the body that replaces it or any body that substantially succeeds to its powers or functions; and
- (o) "**continuing**" or "**subsisting**", in relation to an Event of Default or Potential Event of Default, means an Event of Default or Potential Event of Default (as the case may be) that has not been waived in writing or remedied.

### 1.3 Numbers

In a Transaction Document, the singular includes the plural and vice versa.

### 1.4 Headings

In a Transaction Document, headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of the Transaction Document.

### 1.5 Conflict

Even if any other Transaction Document is not expressly made subject to this amended and restated deed and despite the time and date of its execution, where a conflict arises between the provisions of this amended and restated deed and any other Transaction Document, the provisions of this amended and restated deed shall prevail unless the relevant provision in the other Transaction Document includes words substantially to the effect of "Despite the terms of the Common Terms Deed Poll".

### 1.6 Shareholder ratification

Each Obligor which is a shareholder of another company (a "**Relevant Company**") which is, or is to become, an Obligor, ratifies and approves in its capacity as a shareholder of that Relevant Company, the execution and performance by each such Relevant Company of each Transaction Document to which it is a party.

**1.7 Borrowers severally liable only**

Notwithstanding any other provision of this or any other Transaction Document, no Borrower is liable under the Transaction Documents for any obligation of another Borrower (including, without limitation, any obligation to indemnify a Creditor).

**1.8 Effective Date**

The terms of this amended and restated deed will take effect (and prevail over the terms of the Previous Deeds) as between the Obligors and a Creditor on and from the Effective Date. <sup>2</sup> Until that time the Previous Deeds remain in full force and effect and will apply as between the Obligors and that Creditor.

**1.9 Guarantee Trust Deed and Intercreditor Deed**

In accepting nomination under a Facility Nomination Letter, each Creditor acknowledges that on and from the Effective Date:

- (a) neither the Guarantee Trust Deed nor the Intercreditor Deed apply to any Facility; and
- (b) neither any Creditor nor any Facility Agreement continues to be, or will be, nominated under:
  - (i) a "Beneficiary Nomination Letter" (as that term is defined in the Guarantee Trust Deed); or
  - (ii) a "Financier Nomination Letter" (as that term is defined in the Intercreditor Deed).

**1.10 JHT Undertaking**

In accepting nomination under a Facility Nomination Letter, each Creditor acknowledges that on and from the Effective Date the JHT Undertaking is withdrawn and no longer applies for the benefit of that Creditor.

<sup>2</sup> 29 January 2013 has been specified by the Obligors' Agent as the Effective Date.

## **2 Creditors and Facilities**

### **2.1 Deed for benefit of Creditors**

This amended and restated deed is for the benefit of, and is enforceable by, each Creditor from time to time even though it is not a party to, or is not in existence at the time of execution and delivery of this amended and restated deed, in relation to the Facility under which that Creditor is entitled and each Transaction Document under which that Creditor has benefits or obligations.

### **2.2 Becoming a Creditor**

The benefit and obligations of this amended and restated deed may be extended to any other person (and such person shall become a Creditor) in relation to any other document (and such document shall become a Facility Agreement), by the Obligors' Agent signing and delivering to that Creditor (or, in the case of a syndicated facility, the facility agent) a Facility Nomination Letter and the Creditor (or in the case of a syndicated facility, the facility agent) countersigning such Facility Nomination Letter.

### **2.3 Authorisation by each other Obligor**

Each Obligor irrevocably authorises the Obligors' Agent to sign and deliver any Facility Nomination Letter and acknowledges and confirms that the provisions of this amended and restated deed which are for the benefit of the Creditors will extend to the Facility Agreement so nominated in that Facility Nomination Letter.

### **2.4 Removal of benefit for a particular Creditor**

Subject to reinstatement of a Creditor's rights under this deed pursuant to clause 14.4 ("Reinstatement of rights"), this amended and restated deed ceases to be for the benefit of, and enforceable by, a Creditor if at any time:

- (a) all Outstanding Moneys owing to that Creditor have been fully and finally paid;
- (b) that Creditor is not committed to providing further financial accommodation to a Borrower pursuant to any Facility; and
- (c) this is confirmed in writing by the Creditor. If requested by an Obligor, a Creditor will promptly confirm in writing that this amended and restated deed has ceased to be for the benefit of, and enforceable by, that Creditor.

A facility agent under a syndicated facility shall cease to be a Creditor if it ceases to be the agent under the relevant syndicated facility or each Creditor under that Facility has ceased to be a Creditor.

### 3 Conditions precedent

#### 3.1 Conditions to first drawdown

A Creditor's obligation to make available the first drawdown under a Facility Agreement entered into on or after the Effective Date is subject to the following conditions precedent:

- (a) the Creditor (or, in the case of a syndicated facility, the facility agent) has received each of the following items in form and substance satisfactory to the Creditor or the facility agent (as the case may be):
  - (i) **(verification certificate)** to the extent not previously provided to the Creditor in relation to this amended and restated deed, a certificate in relation to each Obligor given by a director of the relevant Obligor substantially in the form of schedule 1 ("Verification Certificate") with the attachments referred to therein;
  - (ii) **(legal opinions)** to the extent not previously provided to the Creditor in relation to this amended and restated deed, closing legal opinions in respect of this amended and restated deed and the Facility Agreement from:
    - (A) Arthur Cox, Irish legal advisers to JHIFL, JHIGL and the Parent;
    - (B) McDonald Carano & Wilson, United States of America legal advisers to JHBP;
    - (C) Conyers Dill & Pearman Limited, special Bermuda legal advisers to JHT;
    - (D) King & Wood Mallesons, Australian legal advisers to the Obligors; and
    - (E) if a new Borrower is party to a Facility Agreement, legal advisers to the new Borrower of recognised standing and acceptable to the Creditor;
  - (iii) **(executed documents)**:
    - (A) to the extent not previously provided to the Creditor in relation to this amended and restated deed, a certified copy of this amended and restated deed;
    - (B) original counterparts of the Facility Agreement; and
    - (C) original counterparts of a Facility Nomination Letter;executed by all relevant Obligors or the Obligors' Agent, as the case may be; and
  - (iv) **(fees)** evidence of instructions issued by the Obligors' Agent to pay all fees and expenses which are due under the Facility Agreement on or before the first drawdown;



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- (b) **(KYC)** if, in relation to the relevant Facility, a Creditor is required to comply with any KYC Checks and the information necessary is not already available to it and to the extent not previously provided to the Creditor under this amended and restated deed or under any other agreement, such documentation and other evidence as is reasonably requested to enable the Creditor to so comply, each in form and substance satisfactory to the Creditor (acting reasonably);
  - (c) **(representations true)** the representations and warranties by each Obligor in clause 8.1 (“Representations and warranties”) are true as at the date of the first drawdown notice and on the date of the first drawdown; and
  - (d) **(no default)** no Event of Default or Potential Event of Default subsists at the date of the first drawdown notice or on the date of the first drawdown or will result from the provision of the requested financial accommodation.

### 3.2 Conditions to subsequent drawdowns

The Creditor need not provide any financial accommodation subsequent to the first drawdown under a Facility Agreement unless:

- (a) **(representations true)** the representations and warranties by each Obligor in clause 8.1 (“Representations and warranties”) are true as at the date of the drawdown notice and on the drawdown date, as though they had been made at that date in respect of the facts and circumstances then subsisting; and
- (b) **(no default)** no Event of Default or Potential Event of Default subsists at the date of the drawdown notice or on the drawdown date or will result from the provision of the requested financial accommodation.

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## 4 Payments

### 4.1 Manner of payment

Each Obligor agrees to make payments (including by way of reimbursement) under each Transaction Document:

- (a) on the due date (or, if that is not a Business Day, on the next Business Day unless that day falls in the following month or after the Termination Date for the relevant Facility, in which case, on the previous Business Day);
- (b) at the time which is customary at the time for settlement of transactions in the relevant currency in the place for payment (if any) specified in the relevant Facility Agreement;
- (c) in the Due Currency in immediately available funds;
- (d) in full without set-off or counterclaim, and without any deduction in respect of Taxes unless prohibited by law and then in accordance with relevant provisions of the Transaction Documents dealing with withholding taxes; and
- (e) to the applicable Creditor (or, in the case of a Creditor under a syndicated facility, the facility agent on its behalf) by making payment to the account nominated by the Creditor or by payment as the Creditor otherwise directs.

If a Creditor directs an Obligor to pay a particular party or in a particular manner, the Obligor is taken to have satisfied its obligation to the Creditor by paying in accordance with the direction.

An Obligor satisfies a payment obligation only when the Creditor (or, in the case of a Creditor under a syndicated facility, the facility agent on its behalf) or the person to whom it has directed payment actually receives the amount.

#### 4.2 Currency of payment

Each Obligor waives any right it has in any jurisdiction to pay an amount other than in Due Currency. However, if a Creditor receives an amount in a currency other than the Due Currency:

- (a) it may convert the amount received into the Due Currency (even though it may be necessary to convert through a third currency to do so) on the day and at such rates (including spot rate, same day value rate or value tomorrow rate) as it reasonably considers appropriate. It may deduct its usual Costs in connection with the conversion; and
- (b) the Obligor satisfies its obligation to pay in the Due Currency only to the extent of the amount of the Due Currency obtained from the conversion after deducting the Costs of the conversion. Any surplus amount will be paid promptly by that Creditor to the relevant Obligor.

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## 5 Withholding tax

### 5.1 Payments by Obligor

If a law requires an Obligor to deduct or withhold an amount in respect of Taxes (other than Indirect Taxes) in respect of a payment under any Transaction Document such that a Creditor ("**Indemnified Party**") would not actually receive on the due date the full amount provided for under the Transaction Document, then:

- (a) the Obligor agrees to deduct the amount for such Taxes and any further deduction applicable to any further payment due under paragraph (c) below;
- (b) the Obligor agrees to pay an amount equal to the amount deducted or withheld to the relevant authority in accordance with applicable law; and
- (c) unless the Tax is an Excluded Tax, the amount payable is increased so that, after making the deduction or withholding and further deductions or withholdings applicable to additional amounts payable under this clause 5.1(c), the Indemnified Party is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required.

### 5.2 Payments by a facility agent to Creditors

If a law requires a facility agent under a syndicated facility to deduct or withhold an amount in respect of Taxes (other than Indirect Taxes) in respect of a payment by the facility agent to a Creditor under a syndicated facility such that the Creditor would not actually receive on the due date the full amount provided for under the syndicated facility, then:

- (a) the facility agent must deduct or withhold the amount for such Taxes and any further deduction or withholding applicable to any further payment due under paragraph (c) below;

- (b) the facility agent must pay an amount equal to the amount deducted or withheld to the relevant authority in accordance with applicable law and promptly give the original receipts to the relevant Borrower;
- (c) unless the Tax is an Excluded Tax, the amount payable is increased so that, after making the deduction or withholding and further deductions or withholdings applicable to additional amounts payable under this clause 5.2(c), the Creditor is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required; and
- (d) unless the Tax is an Excluded Tax, the relevant Borrower must pay to the facility agent an amount equal to any deduction or withholding which the facility agent is required to make under this clause 5.2.

### **5.3 Tax credit**

If and to the extent that any Creditor is able in its opinion to apply for or otherwise take advantage of any offsetting tax credit, tax rebate or other similar tax benefit out of or in conjunction with any deduction or withholding which gives rise to an obligation on any Obligor to pay any additional amount pursuant to clause 5.1 ("Payments by Obligor") or 5.2(d) ("Payments by a facility agent to Creditors"), that Creditor shall:

- (a) give notice thereof to the Obligors' Agent and take steps to obtain that credit, rebate or benefit; and
- (b) to the extent that in its opinion it can do so without prejudice to the retention of the credit, rebate or benefit, and upon receipt thereof, reimburse to the Obligor such amount of the credit, rebate or benefit as that Creditor shall, in its opinion (acting reasonably), have determined to be attributable to the deduction or withholding. In complying with this clause 5.3(b), no Creditor need disclose to any Obligor information about their tax affairs or order them in a particular way.

### **5.4 Early repayment or redemption**

Without limiting the other provisions of this clause 5, if a Borrower is required to pay any amount to a Creditor or facility agent under a syndicated facility under this clause 5, that Borrower may elect to repay or redeem early all of that Creditor's outstandings under the applicable Facility which is affected by the event or events referred to in clause 5.1 ("Payments by Obligor") or 5.2 ("Payments by a facility agent to Creditors").

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## **6 Increased costs**

### **6.1 Compensation**

Subject to clause 6.2 ("Excluded matters"), the relevant Borrower agrees to compensate a Creditor on 30 days written notice if the Creditor determines that:

- (a) a Directive, or change in Directive, in either case applying for the first time after the date of the relevant Facility Agreement;

- (b) a change in a Directive's interpretation or administration by an authority after the date of the relevant Facility Agreement; or
- (c) compliance by the Creditor or any of its Related Entities with any such Directive, changed Directive or changed interpretation or administration,  
directly or indirectly:
  - (i) increases the effective cost to that Creditor of making, funding or maintaining the relevant Facility or its proportion of the Facility; or
  - (ii) reduces any amount paid or payable to, or received or receivable by, that Creditor or the effective return to that Creditor in connection with the relevant Facility.

In this clause 6.1 a reference to a Directive:

- (A) does not include a Directive imposing or changing the basis of a Tax on the overall net income of the Creditor; and
- (B) in the case of a Creditor incorporated in the United States, for the avoidance of doubt and notwithstanding anything in a Transaction Document to the contrary, shall be deemed to include the United States Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and all requests, rules, guidelines or directives under it or issued in connection with it, regardless of the date enacted, adopted or issued.

Compensation need not be in the form of a lump sum and may be demanded as a series of payments.

Any demand under this clause 6.1 is to be made to the Obligors' Agent by the Creditor (except in the case of a Creditor under a syndicated facility, in which case demand must be made by the facility agent).

## 6.2 Excluded matters

A notice under clause 6.1 ("Compensation") may not claim compensation for an increase or reduction:

- (a) suffered more than 180 days before the date of the notice, except to the extent that the event or circumstance giving rise to the increased cost or reduction is that a Directive is applied retrospectively and the notice was given by the Creditor no later than 120 days after it became aware of that event or circumstance and was able to quantify the amount for which it is entitled to be compensated under clause 6.1 ("Compensation");
- (b) attributable to a deduction in respect of Taxes required by law to be made by an Obligor;
- (c) compensated for by a payment by an Obligor under a tax indemnity clause in a Transaction Document (or would have been compensated for under such clause) but was not so compensated solely because one of the exclusions in that clause applied);
- (d) attributable to the wilful breach by the relevant Creditor of any law; or
- (e) which, in the case of a Facility Agreement entered into on or after the date of this amended and restated deed, is specified in that Facility Agreement as an excluded matter for the purposes of this clause 6.2(e).

### **6.3 Substantiating costs**

If a Creditor (or a facility agent on its behalf) makes a demand under clause 6.1 ("Compensation"), it must provide the relevant Borrower with reasonably detailed calculations showing how the amount demanded has been ascertained. However, nothing in this clause 6.3 obliges the Creditor to provide details of its business or tax affairs which it considers in good faith to be confidential.

### **6.4 Procedure for claim**

- (a) In the absence of manifest error, and subject to clause 6.3 ("Substantiating costs"), a certificate by a Creditor is sufficient evidence of the amount of the compensation payable by the relevant Borrower to the Creditor under clause 6.1 ("Compensation").
- (b) In determining the amount of the compensation payable under clause 6.1 ("Compensation"), the Creditor may use averaging and attribution methods commonly used by the Creditor or any other method it reasonably considers appropriate to determine the amount.

### **6.5 Possible minimisation**

- (a) The Creditor agrees:
  - (i) to use reasonable endeavours to mitigate the effects of those events or circumstances giving rise to the increased cost or reduction in any payment or return for which the Creditor (or a facility agent on its behalf) claims compensation under clause 6.1 ("Compensation"); and
  - (ii) at the request of the Obligors' Agent, to consider the transfer or assignment of its rights and obligations under this amended and restated deed and the other relevant Transaction Documents to which it is a party to another bank or financial institution at par.
- (b) Subject to clause 6.5(a)(i), the relevant Borrower agrees to compensate the Creditor whether or not the increase or the reduction could have been avoided.

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## **7 Illegality**

### **7.1 Creditor's right to suspend or cancel**

This clause 7 applies if a Creditor determines in good faith that:

- (a) a change in a Directive;
- (b) a change in the interpretation or administration of a Directive by an authority; or
- (c) a Directive,

makes it (or will make it) illegal in practice for the Creditor to fund, provide, or continue to fund or provide, financial accommodation under any Transaction Document.

In these circumstances, the Creditor by giving a notice to the Obligors' Agent, may suspend or cancel some or all of the Creditor's obligations under the relevant Transaction Document as indicated in the notice.

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## 7.2 Extent and duration

The suspension or cancellation:

- (a) must apply only to the extent necessary to avoid the illegality; and
- (b) in the case of suspension, may continue only for so long as the illegality continues.

## 7.3 Notice requiring early repayment or redemption

If the illegality relates to an amount outstanding to a Creditor, the Creditor (or, in the case of a syndicated facility, the facility agent), by giving a notice to the Obligors' Agent, may require early repayment or redemption of all or part of the affected outstandings and interest accrued on that part. The relevant Borrower in respect of which the Creditor has made a determination under clause 7.1 ("Creditor's right to suspend or cancel") agrees to repay or redeem the amount specified no later than the date the illegality arises.

## 7.4 Creditor to seek alternative funding method

The affected Creditor (at no cost to an Obligor) during the period of 90 days after the notice pursuant to clause 7.1 ("Creditor's right to suspend or cancel") agrees to use reasonable endeavours to make that part of the facility affected by the illegality available by alternative means (including changing its lending office to another then existing lending office or making the financial accommodation available through a Related Entity of the Creditor).

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# 8 Representations and warranties

## 8.1 Representations and warranties

Each Obligor (but in the case of a Borrower or Guarantor only from the date that it becomes a Borrower or a Guarantor, as the case may be) represents and warrants (except in relation to matters disclosed to the Creditors and accepted in writing by the Creditors) that:

- (a) **(status)** it is a corporation duly incorporated and validly existing under the laws of its place of incorporation;
- (b) **(corporate authorisation, documents binding)** each Transaction Document to which it is a party has been duly authorized by all necessary corporate action on the part of the Obligor and constitutes a legal, valid and binding obligation of the Obligor enforceable against the Obligor in accordance with its terms, except as such enforceability may be limited by:
  - (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and
  - (ii) general principles of law (regardless of whether such enforceability is considered in a proceeding in equity or at law);
- (c) **(compliance with laws)** the execution, delivery and performance of the Transaction Documents to which it is a party will not:
  - (i) contravene its constitution;

- (ii) result in the creation of any Security Interest (other than any Permitted Security Interest) in respect of any property of the Obligor or any of its Subsidiaries (excluding the Excluded Entities);
  - (iii) contravene in any material respect any law to which the Obligor or any of its Subsidiaries (excluding the Excluded Entities) is subject or by which the Obligor or any of its Subsidiaries (excluding the Excluded Entities) or any of their respective properties may be bound;
  - (iv) conflict with or result in a breach in any material respect of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Government Agency applicable to the Obligor or any of its Subsidiaries (excluding the Excluded Entities); and
  - (v) result in the acceleration or cancellation of any agreement or obligation in respect of Financial Indebtedness of any Group Member (excluding the Excluded Entities);
- (d) **(disclosure)**
- (i) all information given to the Creditors by it or with its authority was, when given, true and correct in all material respects; and
  - (ii) the most recent Form 20-F filed by the Parent with the United States Securities and Exchange Commission was prepared and filed in accordance with the applicable requirements of US securities laws;
- (e) **(Group financial statements )**
- (i) the most recent financial statements of the Group (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Group as at the end of the financial period to which they relate and have been prepared in accordance with GAAP consistently applied throughout the periods involved, except as set forth in the notes thereto (subject, in the case of an interim financial statements, to normal year-end adjustments); and
  - (ii) since the date of delivery of those statements, there has been no change in the financial condition, operations, business or prospects of the Group (excluding the Excluded Entities), except changes that individually or in the aggregate do not or are not likely to have a Material Adverse Effect;
- (f) **(Borrower and Guarantor financial statements )** for so long as JHIFL, JHBP, JHIGL or JHT is an Obligor:
- (i) its most recent financial statements provided in accordance with clause 9.6 ("Reporting undertakings") (including in each case the related schedules and notes) fairly present in all material respects its consolidated financial position as at the end of the financial period to which they relate and have been prepared in accordance with generally accepted accounting principles as in effect from time to time in its place of incorporation consistently applied throughout the periods involved, except as set forth in the notes thereto (subject, in the case of interim financial statements, to normal year-end adjustments); and

- (ii) since the date of delivery of those statements, there has been no change in its financial condition, operations, business or prospects, except changes that individually or in the aggregate do not or are not likely to have a Material Adverse Effect;
- (g) **(Authorisations)** all Authorisations necessary in connection with the execution, delivery or performance by the Obligor of the Transaction Documents to which it is a party have been obtained and are in full force and effect;
- (h) **(litigation)** except as disclosed in the most recent financial statements of the Group, in an announcement by the Parent through the ASX or under clause 9.6(f) ("Reporting undertakings"), no litigation, arbitration, administrative proceeding or other procedure for the resolution of disputes is currently taking place or pending against any Group Member (excluding the Excluded Entities) or any Group Member's assets (excluding the Excluded Entities' assets) which has or is likely to have a Material Adverse Effect;
- (i) **(Security Interests)** no Security Interest exists over any Group Member's assets (excluding the Excluded Entities' assets) which is not permitted by clause 9.3 ("Negative pledge and disposals");
- (j) **(environmental matters)** each Group Member (excluding the Excluded Entities) has complied with all applicable Environmental Laws and the terms and conditions of any Authorisation issued pursuant to an Environmental Law, except where a failure to comply does not or is not likely to have a Material Adverse Effect;
- (k) **(no immunity)** neither it nor any of its assets has any immunity from jurisdiction, suit, execution, attachment or other legal process in any jurisdiction in which its assets are located or it carries on business;
- (l) **(not a trustee)** it does not enter into any Transaction Document as trustee;
- (m) **(ranking)** its obligations under the Transaction Documents rank at least pari passu with all of its other unsecured and unsubordinated obligations, other than those mandatorily preferred by law;
- (n) **(default under law)** no member of the Group (excluding the Excluded Entities) is in breach of any law, Authorisation, agreement or obligation binding upon it or its assets which has or is likely to have a Material Adverse Effect;
- (o) **(holding company)** in the case of the Parent only, at the date of this amended and restated deed, it has no material liabilities other than:
  - (i) creditors, provisions and indemnities incidental to its activities as a holding company without a material operating business;
  - (ii) liabilities under this amended and restated deed and its liabilities (if any) under the Guarantee Trust Deed and the Intercreditor Deed;
  - (iii) liabilities to the Fund, the Charitable Fund and the State of New South Wales under the AFFA (and the Fund Guarantee and other Related Agreements, as defined in the AFFA);
  - (iv) liabilities in relation to taxation; and



- (v) liabilities to shareholders in their capacity as such not prohibited under the AFFA; and
- (p) **(JH Insurance)** in the case of the Parent only:
  - (i) the only Group Member (if any, and excluding JHIGL) which is a Subsidiary of the Parent, and not also a Subsidiary of JHIGL, is JH Insurance; and
  - (ii) the assets of JH Insurance comprise less than 1% of the total assets of the Group (excluding the Excluded Entities) as shown in the balance sheet on the most recent Reporting Date.

## 8.2 When representations and warranties made

Each representation and warranty is made in favour of a Creditor on the date of execution of its Facility Agreement and is not repeated unless specified in that Facility Agreement or in clause 3.2(a) ("Conditions to subsequent drawdowns").

## 8.3 Reliance on representations and warranties

Each Obligor acknowledges that the Creditors have entered into the Transaction Documents in reliance on the representations and warranties in this clause 8.

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# 9 Undertakings

## 9.1 Application

All undertakings set out in this clause 9 apply to a Facility Agreement unless the Majority Creditor (or under a syndicated facility, an agent or trustee acting on the instructions of the Majority Creditor) under that Facility Agreement consents in writing.

## 9.2 General undertakings

Each Obligor undertakes to each Creditor as follows:

- (a) **(nature of business)** it will not (and will not permit any of its Subsidiaries (excluding the Excluded Entities) to) engage in any business if, as a result, the general nature of the business, taken on a consolidated basis, which would then be engaged in by the Group would be substantially changed from the general nature of the business engaged in by the Group on the date of the relevant Facility Agreement;
- (b) **(compliance with laws)** it will comply (and will procure that its Subsidiaries (excluding the Excluded Entities) comply) with all applicable laws (including, without limitation, all Environmental Laws and the terms and conditions of any Authorisation required under an Environmental Law) in all material respects where non-compliance has or is likely to have a Material Adverse Effect;
- (c) **(ranking)** it will ensure that its obligations to the Creditor under the Transaction Documents rank and will continue to rank at least pari passu with all of its other unsecured and unsubordinated obligations, other than those mandatorily preferred by law;

- (d) **(Financial Indebtedness of Group Members)** without limiting clause 9.4(d) (“Financial undertakings – Funded Debt”) or 9.4(e) (“Financial undertakings - Permitted External Financial Indebtedness”):
- (i) in the case of the Parent and JHIGL only, it will ensure that each Group Member (excluding the Excluded Entities and the Parent) that is not a Borrower does not; and
  - (ii) JHT and JHIGL will not, incur any Financial Indebtedness owing to any person outside the Group that is not Financial Indebtedness owing under or in connection with any facility or other form of financial accommodation described in paragraphs (a) to (e) inclusive of the definition of Permitted External Financial Indebtedness;
- (e) **(holding company status)** in the case of the Parent only:
- (i) it will have no material liabilities other than those described in clause 8.1(o) (“Representations and warranties – holding company”);
  - (ii) it will not, directly or indirectly, hold any material assets, other than through JHIGL and, for the avoidance of doubt, JH Insurance and its assets do not constitute “material assets” for the purposes of this clause 9.2(e)(ii); and
  - (iii) notwithstanding clause 9.2(e)(ii), it will ensure that at all times the only Group Member (if any, and excluding JHIGL) which is a Subsidiary of the Parent, and not also a Subsidiary of JHIGL, will be JH Insurance;
- (f) **(AFFA)** in the case of the Parent only, it will not (without the prior written consent of each relevant Creditor (or under a syndicated facility, an agent or trustee acting on the instructions of the Majority Creditor), such consent not to be unreasonably withheld or delayed) vary, or agree to vary, in any material adverse respect the AFFA; and
- (g) **(KYC)** within a reasonable amount of time after the request from any Creditor, it will provide such information as is required for the purposes of conducting KYC Checks with respect to it that a Creditor is required to conduct.

### 9.3 Negative pledge and disposals

Each Obligor undertakes to each Creditor that it will not, and will not permit any of its Subsidiaries (excluding the Excluded Entities):

- (a) to, create or allow to exist a Security Interest over any of its assets, other than a Permitted Security Interest;
- (b) to, dispose of any assets (other than any disposal of IP Assets by JHT to the extent permitted under clause 9.3(c)), other than a Permitted Disposal; or
- (c) in the case of JHT only, to dispose of any IP Assets or agree or attempt to do so, except where the disposal:
  - (i) is of obsolete assets no longer required for its business;
  - (ii) is in the ordinary course of day to day trading, provided that such disposals do not exceed 10% of its IP Assets in any financial year; or

- (iii) occurs with the prior consent of the Creditor (or under syndicated facility, the consent of an agent or trustee acting on the instructions of the Majority Creditor).

For the avoidance of doubt, nothing in this clause 9.3(c) restricts or prohibits any distribution by JHT of cash or inter-company receivables to a shareholder of JHT by way of the payment of dividends, the making of subordinated loans or any other available means.

#### 9.4 Financial undertakings

- (a) **(Consolidated Net Worth)** The Parent must ensure that Consolidated Net Worth is not less than US\$420 million on each Reporting Date and, where applicable, on each ASX CNW Announcement Date.
- (b) **(EBIT)** The Parent and JHIGL will ensure that EBIT will not be less than 3.25 times Net Interest Charges for the 12 month period ending on each Reporting Date.
- (c) **(Compensation funding)** The Parent will ensure that:
  - (i) no more than 35% of its Free Cash Flow in any given Financial Year is contributed to the Fund on the payment dates under the AFFA in the next following Financial Year. For avoidance of doubt, if the Parent elects to make instalment payments to the Fund pursuant to clause 9.7(a)(i) ("Payment options") of the AFFA, the 35% cap does not include any interest payable under clause 9.7(b) ("Payment options") of the AFFA; and
  - (ii) no Group Member (other than the Parent) provides any guarantee, indemnity or other form of financial support in relation to the obligations under the AFFA of the Group Member primarily liable to make funding payments to the Fund under the AFFA (currently James Hardie 117 Pty Limited).
- (d) **(Funded Debt)** The Parent and JHIGL will ensure that the ratio of Consolidated Funded Debt to Consolidated Funded Capitalisation does not exceed 55% at any time.
- (e) **(Permitted External Financial Indebtedness)** The Parent and JHIGL will ensure that the ratio of Consolidated Permitted External Financial Indebtedness to Consolidated Funded Capitalisation does not exceed 10% at any time.
- (f) **(New financial undertakings)** If, after the date of this amended and restated deed and prior to 30 June 2013, a Facility Agreement entered into by a particular Creditor:
  - (i) contains one or more financial undertakings ("**additional financial undertakings**") which are in addition to the financial undertakings in clauses 9.4(a) to 9.4(e) inclusive, then the additional financial undertakings apply in relation to all Transaction Documents for the benefit of all Creditors and the Obligors' Agent must promptly notify each Creditor of the additional financial undertakings; or
  - (ii) contains one or more financial undertakings ("**substituted financial undertakings**") which are expressly stated to be in substitution for, or in lieu of, any one or more of the financial undertakings in clauses 9.4(a) to 9.4(e) inclusive ("**replaced financial undertakings**"), then:
    - (A) the substituted financial undertakings apply in relation to all Transaction Documents to which that particular Creditor is a party or which apply for the benefit of that particular Creditor;

- (B) the Parent and JHIGL are not required to comply with the replaced financial undertakings for the benefit of that particular Creditor; and
- (C) the Obligors' Agent must promptly notify each other Creditor of the substituted financial undertakings and offer to comply with the substituted financial undertakings in relation to all Transaction Documents to which that other Creditor is a party or which apply for the benefit of that other Creditor in substitution for, and in lieu of, being required to comply with the replaced financial undertakings. If any other Creditor accepts that offer, then paragraphs (A) and (B) above also apply in relation to that other Creditor.

#### 9.5 GAAP

The financial undertakings in clause 9.4 have been drafted such that compliance with them is based on GAAP. If:

- (a) the Parent's accountants or auditors advise at any time that any change to GAAP occurring after 15 June 2005 (or, in the case of a new financial undertaking referred to in clause 9.4(f), the date of the relevant Facility Agreement) materially and adversely alters the effect of any such provision (or any related definition) and the Obligors' Agent so notifies the Creditor; or
- (b) the Creditor gives written notice to the Obligors' Agent referring specifically to this clause 9.5 and giving details of a change to GAAP occurring after 15 June 2005 (or, in the case of a new financial undertaking referred to in clause 9.4(f), the date of the relevant Facility Agreement) which in the Creditor's opinion (acting reasonably) materially and adversely alters the effect of any such provision (or any related definition),

then:

- (c) the Creditor and the Parent must negotiate in good faith to amend such provision so that they have an effect comparable to that at the date of this amended and restated deed; and
- (d) until such time as the amendments referred to in clause 9.5(c) are agreed, compliance with the relevant provision (and related definitions) will be determined by reference to GAAP.

#### 9.6 Reporting undertakings

The Obligors' Agent shall deliver to each Creditor (or, in the case of a syndicated facility, the facility agent) the following:

- (a) **(quarterly Group statements)** within 60 days after the end of each quarterly fiscal period in each fiscal year of the Parent (other than the last quarterly fiscal period of each such fiscal year) a copy of:
  - (i) a consolidated balance sheet of the Group as at the end of such quarter; and

- (ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Group, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by the chief financial officer, treasurer or principal accounting officer of the Group as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Parent's Quarterly Report on Form 10-Q prepared in compliance with the requirements applicable thereto and filed with the United States Securities and Exchange Commission shall be deemed to satisfy the requirements of this clause 9.6(a);

- (b) **(annual Group statements)** within 105 days after the end of the fiscal year of the Parent a copy of:

- (i) a consolidated balance sheet of the Group, as at the end of such year; and
- (ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Group, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognised national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that the delivery within the time period specified above of the Parent's Annual Report on Form 10-K for such fiscal year (together with the Parent's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements applicable thereto and filed with the United States Securities and Exchange Commission shall be deemed to satisfy the requirements of this clause 9.6(b);

- (c) **(Borrower and Guarantor statements and reports)** for so long as an entity is a Borrower or a Guarantor:

- (i) at the same time at which each financial statement or report is delivered pursuant to clause 9.6(a) ("**Consolidated Quarterly Statement**") and for as long as the relevant Obligor Financial Reports are prepared as a matter of general internal accounting practice of the Obligors, a copy of the relevant Obligor Financial Reports for each Borrower or Guarantor for the year to date as at the end of the quarterly fiscal period to which the Consolidated Quarterly Statement relates;
- (ii) at the same time at which each financial statement or report is delivered pursuant to clause 9.6(b) ("**Consolidated Annual**");

**Statement**") and for as long as the relevant Obligor Financial Reports are prepared as a matter of general internal accounting practice of the relevant Obligor, a copy of the relevant Obligor Financial Reports for each Borrower or a Guarantor for the fiscal year to which the Consolidated Annual Statement relates;

- (d) **(SEC and other reports)** promptly upon their becoming available, one copy of:
  - (i) to the extent not already provided under clauses 9.6(a), 9.6(b) or 9.6(c) ("Reporting undertakings"), each financial statement, report, notice or proxy statement sent by a Group Member (other than an Excluded Entity) to public securities holders generally; and
  - (ii) each regular or periodic report, each registration statement (without exhibits, except as expressly requested by the Creditor or facility agent as the case may be), and each prospectus and all amendments thereto filed by a Group Member (other than an Excluded Entity) with the United States Securities and Exchange Commission and all announcements made by the Parent through ASX and press releases and other statements made available generally by any Group Member (other than an Excluded Entity) to the public concerning developments that are material;
- (e) **(Notice of Event of Default or Potential Event of Default)** promptly upon becoming aware of it, written notice to each Creditor (or, in the case of a syndicated facility, the facility agent) of:
  - (i) the existence of any Event of Default or Potential Event of Default; and
  - (ii) the occurrence of any event which has or is likely to have a Material Adverse Effect;
- (f) **(litigation)** to the extent not disclosed in a document provided under clause 9.6(a), 9.6(b), 9.6(c), 9.6(d) or 9.6(e) ("Reporting undertakings"), notice in writing and in reasonable detail of any litigation, arbitration, administrative proceeding or other procedure for the resolution of disputes commenced, taking place, pending or to its knowledge, threatened against any Group Member (other than an Excluded Entity) or any Group Member's assets (other than an Excluded Entity's assets) which has or is likely to have a Material Adverse Effect;
- (g) **(Facilities)** at the same time at which each financial statement or report is delivered pursuant to clause 9.6(a) ("Reporting undertakings"), summary information in relation to the quantum and type of each Facility provided by a Creditor to a Borrower including (as applicable):
  - (i) in the case of a Facility which comprises the issue of bonds, notes, loan stock, debentures or similar instruments:
    - (A) the name of the relevant dealer, manager, underwriter or placement agent;
    - (B) the aggregate amount issued, and the amount of each tranche, under the relevant Facility; and
    - (C) the term of each tranche under the relevant Facility; and

- (ii) in the case of each other Facility:
  - (A) the name of each relevant Creditor;
  - (B) the amount of the commitment under the relevant Facility; and
  - (C) the maturity date of the relevant Facility; and
- (h) **(requested information)** such other information relating to the business, operations and condition (financial or otherwise) of the Group (excluding the Excluded Entities) as from time to time may be reasonably requested by a Creditor (but excluding any information which the Parent is bound by an obligation of confidentiality not to disclose).

#### 9.7 Officer's certificate

Each set of consolidated financial statements delivered pursuant to clause 9.6(a) or 9.6(b) ("Reporting undertakings") shall be accompanied by:

- (a) a supplementary set of financial statements for the Group (excluding the Excluded Entities), showing adjustments made to the consolidated financial statements to eliminate the impact of the Excluded Entities; and
- (b) a certificate of the chief financial officer, treasurer or principal accounting officer of the Group setting forth the information (including reasonably detailed calculations) required in order to establish whether there was compliance with the relevant requirements of clause 9.4 ("Financial undertakings").

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## 10 Events of default

### 10.1 Events of Default

Each of the following is an Event of Default:

- (a) **(non-payment of principal)** a Borrower fails to pay an amount of principal payable by it under a Facility Agreement when due and does not remedy that failure within 2 Business Days after that amount becomes due and payable;
- (b) **(non-payment of other amounts)** a Borrower fails to pay any amount, other than an amount described in paragraph (a), payable by it under a Facility Agreement and does not remedy that failure within 3 Business Days after that amount becomes due and payable;
- (c) **(financial undertakings)**
  - (i) there is at any time a breach of any financial undertaking in clause 9.4 ("Financial undertakings") and, in the case of a breach of clause 9.4(d) or 9.4(e) ("Financial undertakings"), the breach is not cured within 10 Business Days of the Obligors' Agent receiving written notice from a Creditor (or, in the case of a syndicated facility, the facility agent) requiring such remedy; or
  - (ii) the Obligors' Agent fails to deliver a certificate as required by clause 9.7(b) ("Officer's certificate") within 7 days of receipt of written notice from a Creditor of failure to provide such certificate;

- (d) **(other default)**
- (i) any Obligor defaults in the performance of or compliance with any material obligation contained in a Transaction Document (other than those referred to in clause 10.1(a), 10.1(b) or 10.1(c) ("Events of Default")); and
  - (ii) the default is not waived or, if capable of remedy, the default is not remedied within 21 days of the Obligor receiving written notice from a Creditor (or, in the case of a syndicated facility, the facility agent) referring specifically to this clause 10.1(d) ("Events of Default") and requiring such remedy;
- (e) **(AFFA)** the Group Member primarily liable to make funding payments to the Fund under the AFFA defaults in the performance of, or compliance with, its obligation to make any such payment when due or within any applicable grace period and such default is not cured by that Group Member or the Parent within 3 Business Days;
- (f) **(misrepresentation)**
- (i) any representation or warranty made or deemed to be made by an Obligor in a Transaction Document proves to have been inaccurate in any material respect when made or deemed to be repeated; and
  - (ii) the misrepresentation or breach of warranty is not waived or, if capable of remedy, the matter giving rise to the misrepresentation or breach of warranty is not remedied within 21 days of the Obligor becoming aware that the representation or warranty was inaccurate when made or deemed to have been repeated;
- (g) **(cross-default)**
- (i) an Obligor is in default in the payment of any Financial Indebtedness that is outstanding in an aggregate principal amount of at least US\$20,000,000 (or its equivalent in another currency) beyond any period of grace provided with respect thereto and such Financial Indebtedness is not paid within 3 Business Days; or
  - (ii) any Financial Indebtedness of an Obligor exceeding US\$20,000,000 (or its equivalent in another currency) has become, or has been declared, due and payable before its stated maturity and such Financial Indebtedness is not paid within 3 Business Days;
- (h) **(insolvency)** a Relevant Entity:
- (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due;
  - (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganisation or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction (for the avoidance of doubt, this includes, in respect of a person established under Irish law, a filing of a petition with any court in Ireland in relation to its liquidation, the bringing forward of a scheme of arrangement or the appointment of an examiner);



- (iii) makes an assignment for the benefit of its creditors;
  - (iv) consents to the appointment of a custodian, receiver, receiver and manager, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property;
  - (v) consents to the appointment of an administrator;
  - (vi) is adjudicated as insolvent or to be liquidated; or
  - (vii) takes corporate action for the purpose of any of the foregoing;
- (i) **(receiver)**
- (i) A court or Government Agency of competent jurisdiction enters an order appointing, without consent by a Relevant Entity, a custodian, receiver, receiver and manager, trustee or other officer with similar powers with respect to the Relevant Entity or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganisation or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Relevant Entity, or any such petition shall be filed against the Relevant Entity (other than a frivolous or vexatious petition) and such petition is not dismissed or cancelled within 30 days (and for the avoidance of doubt, this includes, in respect of a person established under Irish law, appointment by a court of an examiner); or
  - (ii) an administrator of the Relevant Entity is appointed; or
  - (iii) a receiver, receiver and manager, administrative receiver or similar officer is appointed to all or any substantial part of the assets of a Relevant Entity in respect of Financial Indebtedness that has been due and payable for at least 5 Business Days in an aggregate principal amount of at least US\$20,000,000 (or its equivalent in another currency) and that officer is not removed within 7 days of his appointment;
- (j) **(judgment)** a final non-appealable judgment for the payment of money aggregating in excess of US\$20,000,000 or its equivalent in another currency (to the extent not paid or fully covered by insurance) is obtained against a Relevant Entity and not set aside or satisfied by the time allowed under applicable law;
- (k) **(vitiation of documents)**
- (i) any material provision of a Transaction Document ceases for any reason to be in full force and effect or becomes void, voidable or unenforceable;
  - (ii) any law suspends, varies, terminates or excuses performance by an Obligor of any of its material obligations under a Transaction Document or purports to do any of the same;

- (iii) it becomes impossible or unlawful for an Obligor to perform any of its material obligations under a Transaction Document or for the Creditors to exercise all or any of their rights, powers and remedies under a Transaction Document; or
- (iv) an Obligor alleges that a Transaction Document has been affected as described in this paragraph;
- (l) **(ownership of Borrowers and Guarantors)** any Borrower or Guarantor ceases to be directly or indirectly fully owned and controlled by the Parent;
- (m) **(Authorisation)** any Authorisation necessary in connection with the execution, delivery or performance by an Obligor of the Transaction Documents, or the validity or enforceability of the Transaction Documents, is not granted or ceases to be in full force and effect for any reason or is modified or amended in a manner which, in the reasonable opinion of all Creditors, would have a Material Adverse Effect; or
- (n) **(material change)** a change occurs in the financial condition of the Group (as a whole, but excluding the Excluded Entities) which has a Material Adverse Effect.

## 10.2 Consequences of default

If an Event of Default is continuing, a Creditor (or, in the case of a syndicated facility, an agent or trustee acting on the instructions of the Majority Creditor) may declare at any time by notice to the Obligors' Agent that:

- (a) an amount equal to all or any part of the Outstanding Moneys payable to the Creditor (or, in the case of a syndicated facility, the facility agent) is:
  - (i) payable on demand; or
  - (ii) immediately due for payment;
- (b) the obligations of the Creditor specified in the notice are terminated and cancelled.

A Creditor (or, in the case of a syndicated facility, the facility agent) may make either or both of these declarations. The making of either of them gives immediate effect to its provisions.

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## 11 Review events

If, at any time after the date of a Facility Agreement and for any reason, whether or not within the control of the Obligors:

- (a) a Change of Control occurs;
- (b) the securities of the Parent are suspended from quotation by ASX for more than 10 consecutive Business Days or the Parent is removed from the Official List of ASX;
- (c) provisions made by the Group in accordance with GAAP for asbestos related liabilities (if any) not arising in connection with the AFFA exceed 15% of Consolidated Net Worth at that time (with Consolidated Net Worth for this purpose calculated by adding back all such asbestos related liabilities under this paragraph (c), ignoring the 15% cap); or

- (d) either:
- (i) a law is adopted in a country or any political subdivision thereof having jurisdiction over, or in relation to the affairs of, a Group Member (other than the Parent) requiring that Group Member to provide a guarantee, indemnity or other form of financial support; or
  - (ii) a law is enacted in such a country or any political subdivision which contains a guarantee, indemnity or other form of financial support from that Group Member,

in relation to the obligations under the AFFA of the Group Member primarily liable to make funding payments to the Fund under the AFFA (currently James Hardie 117 Pty Limited),

then the Obligors' Agent must notify each Creditor (or, in the case of a syndicated facility, the facility agent) in writing of the occurrence of the event as soon as reasonably practicable. A Creditor may, by notice to any Borrower and the Obligors' Agent (with a reasonably detailed explanation of the reasons for its election to discontinue funding that Borrower) within 60 days of the date of receipt of notice from the Obligors' Agent:

- (e) cancel its commitment to provide financial accommodation under the relevant Facility Agreement with immediate effect; and/or
- (f) declare the moneys borrowed under the relevant Facility Agreement to be, and the borrowed moneys will be, due and payable on a date no earlier than 90 days from the date of the Creditor's notice.

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## 12 Costs and indemnities

### 12.1 What the Borrower agrees to pay

Each relevant Borrower agrees to pay a Creditor promptly on demand to the Obligors' Agent from that Creditor (except in the case of a Creditor under a syndicated facility, in which case demand must be made by the facility agent):

- (a) the reasonable Costs of each Creditor in connection with:
  - (i) the registration of any Transaction Document; and
  - (ii) giving and considering consents, waivers, variations, discharges and releases requested by the relevant Borrower, a Guarantor, the Parent or the Obligors' Agent;
- (b) the Costs of each Creditor in exercising, enforcing or preserving rights in connection with a Transaction Document; and
- (c) Taxes and fees (including registration fees) (other than Excluded Taxes) and fines and penalties in respect of fees paid in connection with any Transaction Document or a payment or receipt or any other transaction contemplated by any Transaction Document. However, the relevant Borrower need not pay a fine or penalty in connection with Taxes or fees to the extent that it has lodged with the relevant Creditor sufficient cleared funds for the relevant Creditor to be able to pay the Taxes or fees by the due date.

This clause 12.1 shall not apply to any amounts, which have otherwise been paid or compensated for under a Transaction Document.

## 12.2 Indemnity

Each relevant Borrower indemnifies each Creditor against any claim, action, damage, loss, liability, cost, charge, expense, outgoing and payment of Break Costs which that Creditor pays, suffers, incurs or is liable for in connection with:

- (a) any failure by the relevant Borrower to draw down financial accommodation requested by it under a Transaction Document for any reason except default of a Creditor;
- (b) financial accommodation under a Transaction Document being repaid, discharged or made payable other than at its maturity, an interest payment date or other due date applicable to it;
- (c) any failure to prepay any part of the amount outstanding to a Creditor in accordance with a prepayment notice given under a Facility;
- (d) a Creditor acting in connection with a Transaction Document in good faith on fax or telephone instructions which have no apparent irregularity on their face, purport to originate from the offices of an Obligor or to be given by an Authorised Officer of an Obligor which, in the case of fax instructions, are signed and such signature accords with a current specimen signature of an Authorised Officer in the possession of the Creditor;
- (e) an Event of Default or Potential Event of Default;
- (f) a Creditor exercising or attempting to exercise a right or remedy in connection with a Transaction Document after an Event of Default; or
- (g) any indemnity a Creditor gives a Controller or administrator of the Obligor.

Each Borrower agrees to pay amounts due under this indemnity on demand to the Obligors' Agent from the applicable Creditor (except in the case of a Creditor under a syndicated facility, in which case demand must be made by, and payment must be made to the facility agent).

## 12.3 Currency conversion on judgment debt

If a judgment, order or proof of debt for an amount in connection with a Transaction Document is expressed in a currency other than that in which the amount is due under the Transaction Document, then the relevant Borrower indemnifies each Creditor against:

- (a) any difference arising from converting the other currency if the rate of exchange used by the Creditor under clause 4.2 ("Currency of payment") for converting currency when it receives a payment in the other currency is less favourable to the Creditor than the rate of exchange used for the purpose of the judgment, order or acceptance of proof of debt; and
- (b) the Costs of conversion.

Each Borrower agrees to pay amounts due under this indemnity to a Creditor on demand from that Creditor (except in the case of a Creditor under the syndicated facility, in which case demand must be made by the facility agent).

## 12.4 Indirect Taxes

- (a) All payments to be made by an Obligor under or in connection with any Transaction Document have been calculated without regard to Indirect

Tax. If all or part of any such payment is the consideration for a taxable supply or chargeable with Indirect Tax then, when the Obligor makes the payment:

- (i) it must pay to the Creditor an additional amount equal to that payment (or part) multiplied by the appropriate rate of Indirect Tax; and
  - (ii) the Creditor will promptly provide to the Obligor a tax invoice complying with the relevant law relating to that Indirect Tax.
- (b) Where a Transaction Document requires an Obligor to reimburse a Creditor for any costs or expenses, that Obligor shall also at the same time pay and indemnify that Creditor against all Indirect Tax incurred by that Creditor in respect of the costs or expenses save to the extent that that Creditor is entitled to repayment or credit in respect of the Indirect Tax. The Creditor will promptly provide to the Obligor a tax invoice complying with the relevant law relating to that Indirect Tax.

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## **13 Interest on overdue amounts**

### **13.1 Obligation to pay**

If an Obligor does not pay any amount under any Transaction Document (including an amount of interest payable under this clause 13.1 on the due date for payment, that Obligor must pay interest on that amount at the Default Rate. The interest accrues daily from (and including) the due date to (but excluding) the date of actual payment and is calculated on actual days elapsed and either a 360 or 365 day year, whichever is the length of time customarily adopted for such calculations for the currency in which the relevant amount is denominated.

The relevant Obligor must pay interest under this clause 13.1 to the relevant Creditor.

### **13.2 Compounding**

Interest payable under clause 13.1 ("Obligation to pay"), which is not paid when due for payment, may be added to the overdue amounts by the relevant Creditor on the last Business Day of each calendar month. Interest is payable on the increased overdue amount at the Default Rate in the manner set out in clause 13.1 ("Obligation to pay").

### **13.3 Interest following judgment**

If a liability becomes merged in a judgment, the relevant Obligor must pay interest on the amount of that liability as an independent obligation. This interest:

- (a) accrues daily from (and including) the date the liability becomes due for payment both before and after the judgment up to (but excluding) the date the liability is paid; and
- (b) is calculated at the judgment rate or the Default Rate (whichever is higher).

The relevant Obligor must pay interest under this clause 13 to the relevant Creditor on demand from the relevant Creditor.

## 14 Guarantee and indemnity

### 14.1 Guarantee

Each Guarantor unconditionally and irrevocably guarantees payment to each Creditor of all amounts due under or in connection with the Transaction Documents by each Borrower ("**Guaranteed Money**"). If a Borrower does not pay the Guaranteed Money on time and in accordance with a Transaction Document, then each Guarantor agrees to pay the Guaranteed Money on demand from that Creditor (except in the case of a Creditor under the syndicated facility, in which case demand must only be made by the facility agent on their behalf). A demand may be made at any time and from time to time and whether or not that Creditor has made demand on the Borrower.

### 14.2 Nature of guarantee

The guarantee in clause 14.1 ("Guarantee") is a continuing obligation despite any intervening payment, settlement or other thing and extends to all of the Guaranteed Money. Each Guarantor waives any right it has of first requiring a Creditor to commence proceedings or enforce any other right against a Borrower or any other person before claiming from that Guarantor under this Guarantee and Indemnity.

### 14.3 Indemnity

Each Guarantor indemnifies each Creditor against any liability or loss arising, and any Costs they suffer or incur:

- (a) if a Borrower does not, or is unable to pay, the Guaranteed Money in accordance with a Transaction Document; or
- (b) if an obligation a Borrower would otherwise have to pay the Guaranteed Money is found to be unenforceable; or
- (c) if an obligation a Guarantor would otherwise have under clause 14.1 ("Guarantee") is found to be unenforceable; or
- (d) if that Creditor is obliged, or agrees, to pay an amount to a trustee in bankruptcy or liquidator (of an Insolvent person) in connection with a payment received from a Guarantor or Borrower; or
- (e) if a Guarantor defaults under this Guarantee and Indemnity; or
- (f) in connection with any person exercising, or not exercising, rights under this Guarantee and Indemnity.

Each Guarantor agrees to pay amounts due under this clause 14.3 on demand from the affected Creditor (except in the case of a Creditor under a syndicated facility, in which case demand must only be made by the facility agent on their behalf).

### 14.4 Acknowledgment

Each Guarantor acknowledges that it is responsible for making itself aware of the financial position of a Borrower and any other person who guarantees payment of the Guaranteed Money.

#### **14.5 Variations and replacements**

Each Guarantor acknowledges that the Transaction Documents may be varied or replaced from time to time.

Each Guarantor confirms that the Guaranteed Money includes any amount payable under any Transaction Document as varied or replaced. Each Guarantor confirms that this applies regardless of:

- (a) how the Transaction Document is varied or replaced; and
- (b) the reasons for the variation or replacement; and
- (c) whether the Guaranteed Money decreases or increase or the Transaction Document is otherwise more onerous as a result of the variation or replacement.

This clause does not limit clause 14.8 ("Rights of Creditors are protected").

#### **14.6 Reinstatement of rights**

Under law relating to Insolvency, a person may claim that a transaction (including a payment) in connection with this Guarantee and Indemnity or the Guaranteed Money is void or voidable. If a claim is made and upheld, conceded or compromised, then:

- (a) each Creditor is immediately entitled as against each Guarantor to the rights in respect of the Guaranteed Money to which it was entitled immediately before the transaction; and
- (b) on request from any Creditor (except in the case of a Creditor under a syndicated facility, in which case the request must be made by the facility agent on their behalf), each Guarantor agrees to do anything (including signing any document) to restore to the Creditor this Guarantee and Indemnity held by it from the Guarantor immediately before the transaction.

This clause 14.6 survives the termination of any Transaction Document and remains in full force and effect despite any settlement of account or the occurrence of any other thing.

#### **14.7 No merger**

This Guarantee and Indemnity does not merge with or adversely affect, and is not adversely affected by, any of the following:

- (a) any other guarantee, indemnity, or Security Interest, or other right or remedy to which any Creditor is entitled; or
- (b) a judgment which any Creditor obtains against a Guarantor in connection with the Guaranteed Money or any other amount payable under this Guarantee and Indemnity.

A Creditor may still exercise rights under this Guarantee and Indemnity as well as under the judgment, other guarantee, indemnity, Security Interest, or other right or remedy.

#### **14.8 Rights of Creditors are protected**

Rights given to the Creditors under this Guarantee and Indemnity, and each Guarantor's liabilities under it, are not affected by any act or omission of any

Creditor or any other person or by anything else that might otherwise affect them under law or otherwise. For example, those rights and liabilities are not affected by:

- (a) any act or omission:
  - (i) varying or replacing in any way and for any reason any agreement or arrangement under which the Guaranteed Money is expressed to be owing (such as by adding, replacing or changing the purpose of a facility, increasing a facility limit or extending the term of a facility including in connection with a restructuring or refinancing of the Guaranteed Money);
  - (ii) releasing a Borrower or giving a Borrower a concession (such as more time to pay);
  - (iii) releasing any person who gives a guarantee or indemnity in connection with any Borrower's obligations;
  - (iv) releasing, losing the benefit of, or not obtaining any Security Interest or negotiable instrument;
  - (v) by which the obligations of any person who guarantees any Borrower's obligations (including under this Guarantee and Indemnity) may not be enforceable;
  - (vi) by which any person who was intended to guarantee any Borrower's obligations does not do so, or does not do so effectively;
  - (vii) by which a person who is a co-surety or co-indemnifier for payment of the Guaranteed Money is discharged under an agreement or by operation of law;
  - (viii) by which any Security Interest which could be registered is not registered;
- (b) a person dealing in any way with a Security Interest, guarantee, indemnity, judgement or negotiable instrument;
- (c) the death, mental or physical disability or Insolvency of any person including a Guarantor or a Borrower;
- (d) changes in the membership, name or business of any person;
- (e) a Borrower opening an account with them;
- (f) acquiescence or delay by a Creditor or any other person; or
- (g) an assignment of rights in connection with the Guaranteed Money.

#### **14.9 Guarantor's rights are suspended**

As long as any of the Guaranteed Money remains unpaid, each Guarantor may not, without the consent of all Creditors:

- (a) reduce its liability under this Guarantee and Indemnity by claiming that it or an Obligor or any other person has a right of set-off or counterclaim against any Creditor; or



- (b) exercise any legal right to claim to be entitled to the benefit of another guarantee, indemnity, or Security Interest given in connection with the Guaranteed Money or any other amount payable under this Guarantee and Indemnity; or
- (c) claim an amount from an Obligor, or another guarantor of the Guaranteed Money (including a person who has signed this deed as a Guarantor), under a right of indemnity; or
- (d) claim an amount in the insolvency of an Obligor or of another guarantor of the Guaranteed Money (including a person who has signed this amended and restated deed as a "Guarantor").

**14.10 Guarantor's right of proof limited**

Each Guarantor agrees not to exercise a right of proof after an event occurs relating to an Insolvency of an Obligor or another guarantor of the Guaranteed Money, independently of an attorney appointed under clause 14.13 ("Right to prove").

**14.11 No set-off against assignees**

If a Creditor assigns or otherwise deals with its rights under this Guarantee and Indemnity, a Guarantor may not claim against any assignee (or any other person who has an interest in this Guarantee and Indemnity) any right of set-off or other right the Guarantor has against the Creditor.

**14.12 Suspense account**

- (a) A Creditor may place in an interest bearing suspense account any payment it receives from a Guarantor (and any net interest on that payment after tax) for as long as it thinks prudent and need not apply the payment or net interest towards satisfying the Guaranteed Money.
- (b) If the money in the suspense account is applied in satisfaction of the Guaranteed Money, the Guarantor will be deemed to have made payment on the date that it provided the funds to the Creditor and the Guarantor will not be liable for any interest or fees accrued after that date in relation to such amount.

**14.13 Right to prove**

Each Guarantor irrevocably appoints each Creditor (but in the case of each Creditor under a syndicated facility, only the facility agent is so appointed) and each of its Authorised Officers individually as its attorney and agrees to formally approve all action taken by an attorney under this clause 14.13.

Each attorney appointed under this clause 14.13 may:

- (a) do anything which a Guarantor may lawfully do to exercise their right of proof after an Insolvency of the Borrower or any other guarantor of the Borrower's obligations. These things may be done in the Guarantor's name or the attorney's name and they include signing and delivering documents, taking part in legal proceedings and receiving any dividend arising out of the right of proof; and
- (b) delegate its powers (including this power) and may revoke a delegation; and

- (c) exercise its powers even if this involves a conflict of duty and even if it has a personal interest in doing so.

The attorney need not account to a Guarantor for any dividend received on exercising the right of proof under paragraph (a) except to the extent that any dividend remains after all of the Guaranteed Money and all other amounts payable under this Guarantee and Indemnity have been paid in full.

## Part 3 General

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### 15 Change of Borrowers and Guarantors

#### 15.1 New Borrowers

A Wholly Owned Subsidiary of the Parent may, with the consent of each relevant Creditor, become a party to this amended and restated deed as a Borrower (after the date of this amended and restated deed) by:

- (a) signing and delivering to each relevant Creditor (or, in the case of a syndicated facility, the facility agent) a deed poll substantially in the form of schedule 3A ("Form of New Borrower Deed Poll"); and
- (b) doing any other thing the relevant Creditors reasonably request to ensure the enforceability of that company's obligations as a Borrower and, if requested, agrees to provide an opinion in form and substance satisfactory to the relevant Creditors from legal advisers of recognised standing acceptable to the relevant Creditors in that company's place of incorporation confirming such enforceability.

#### 15.2 Release of Borrowers

- (a) The Parent may request that a Borrower cease to be a Borrower by giving to each relevant Creditor (or, in the case of a syndicated facility, the facility agent) a duly completed Release Request executed by an Authorised Officer of the Parent and the Borrower that is, subject to the remaining provisions of this clause 15.2, to cease being a Borrower.
- (b) On giving a Release Request to the Creditor (or, in the case of a syndicated facility, the facility agent) pursuant to clause 15.2(a), the Parent and the Borrower identified in that Release Request represent and warrant to the Creditor that no Event of Default or Potential Event of Default is continuing or would result from the release of that Borrower from its obligations under this amended and restated deed.
- (c) The Creditor (or, in the case of a syndicated facility, the facility agent) must, as soon as reasonably practicable after receiving a Release Request, execute a Deed of Release releasing the Borrower identified in the Release Request from its obligations under this amended and restated deed if, and only if:
  - (i) no amount due and payable to that Creditor by that Borrower under this amended and restated deed remains outstanding and unpaid; and
  - (ii) that Creditor is not committed to providing further financial accommodation to that Borrower pursuant to any Facility.

- 
- (d) The Borrower identified in the Release Request will cease to be a Borrower when the Creditor (or, in the case of a syndicated facility, the facility agent) executes a Deed of Release in respect of that Borrower.

### **15.3 New Guarantors**

A Wholly Owned Subsidiary of the Parent may become a party to this amended and restated deed as a Guarantor (after the date of this amended and restated deed) by:

- (a) signing and delivering to each relevant Creditor (or, in the case of a syndicated facility, the facility agent) a deed poll substantially in the form of schedule 3B ("Form of New Guarantor Poll"); and
- (b) doing any other thing the relevant Creditors reasonably request to ensure the enforceability of that company's obligations as a Guarantor and, if requested, agrees to provide an opinion in form and substance satisfactory to the relevant Creditors from legal advisers of recognised standing acceptable to the relevant Creditors in that company's place of incorporation confirming such enforceability.

---

## **16 Dealing with interests**

### **16.1 Dealings by Obligors**

An Obligor may only assign or otherwise deal with its rights or obligations under any Transaction Document with the consent of each Creditor.

### **16.2 Dealings by Creditors**

A Creditor may assign, transfer, sub-participate or otherwise deal with all or any of its rights or obligations under a Transaction Document at any time if:

- (a) the Obligors' Agent has given its prior consent, which consent shall not be unreasonably withheld; and
- (b) in the case of a transfer of obligations, the transfer is effected by a novation in form and substance reasonably satisfactory to the relevant Borrower.

### **16.3 Change in lending office**

A Creditor may change its lending office if it first notifies and consults with the Obligors' Agent. If this occurs, clause 16.5 ("No increased costs") will apply.

### **16.4 Securitisation permitted**

- (a) Subject to clause 16.4(b), a Creditor may, without having to obtain the consent of or notify any Obligor, assign, transfer, sub-participate or otherwise deal with all or any part of its rights and benefits under any Transaction Document to a trustee of a trust, company or other entity which in each case is established for the purposes of securitisation.
- (b) Notwithstanding any assignment, transfer, sub-participation or other dealing by that Creditor under clause 16.4(a):
- (i) that Creditor remains bound by, and must continue to perform all its obligations under the Transaction Documents;

- (ii) that Creditor is the only person entitled to exercise any power, and no assignee, transferee, sub-participant or other person who obtains an interest in any of the rights or benefits of that Creditor under the Transaction Documents pursuant to clause 16.4(a) may do so; and
  - (iii) any amount payable by the Obligors to that Creditor under any Transaction Document will, if paid by an Obligor to that Creditor, operate as an effective discharge of the Obligor's obligation to make that payment.
- (c) Nothing done by a Creditor under this clause 16.4 will affect any Obligor's rights under any Transaction Documents.

#### **16.5 No increased costs**

Despite anything to the contrary in this amended and restated deed or the Transaction Documents, if a Creditor changes its lending office or transfers, assigns, novates or otherwise deals with its rights or obligations under the Transaction Documents, then no Obligor will be required to pay:

- (a) any net increase in the total amount of fees, Taxes, costs, expenses or charges which arises as a consequence of the change in lending office, transfer, assignment, novation or other dealing; or
- (b) any fees, Taxes, costs, expenses or charges in respect of the change in lending office, transfer, assignment, novation or other dealing.

A substitution will be regarded as a transfer for the purposes of this clause 16.5.

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## **17 Obligors' Agent**

### **17.1 Obligors' Agent as agent of the Obligors**

Each Obligor (other than the Obligors' Agent):

- (a) irrevocably authorises the Obligors' Agent to act on its behalf as its agent in relation to the Transaction Documents, including:
  - (i) to give and receive as agent on its behalf all notices and instructions (including drawdown notices);
  - (ii) to sign on its behalf all documents in connection with the Transaction Documents (including amendments and variations of any Transaction Documents, and to execute any new Transaction Documents); and
  - (iii) to take such other action as may be necessary or desirable under or in connection with the Transaction Documents; and
- (b) confirms that it will be bound by any action taken by the Obligors' Agent under or in connection with the Transaction Documents.

### **17.2 Acts of Obligors' Agent**

- (a) The respective liabilities of each of the Obligors under the Transaction Documents shall not be in any way affected by:
  - (i) any actual or purported irregularity in any act done or failure to act by the Obligors' Agent;

- (ii) the Obligors' Agent acting (or purporting to act) in any respect outside any authority conferred upon it by any Obligor; or
  - (iii) any actual or purported failure by or inability of the Obligors' Agent to inform any Obligor of receipt by it of any notification under the Transaction Documents.
- (b) In the event of any conflict between any notices or other communications of the Obligors' Agent and any other Obligor, those of the Obligors' Agent shall prevail.

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## 18 Notices

### 18.1 Form

Unless expressly stated otherwise in a Transaction Document, all notices, certificates, consents, approvals, waivers and other communications in connection with that Transaction Document ("**Notices**") must be in writing, signed by an Authorised Officer of the sender and marked for attention as set out or referred to in the Details or another Transaction Document or, if the recipient has notified otherwise, marked for attention in the way last notified.

### 18.2 Delivery

Notices must be:

- (a) delivered to the address set out or referred to in this amended and restated deed or as set out as the recipient's relevant address in another Transaction Document; or
- (b) sent by prepaid post (airmail, if appropriate) to the address set out or referred to in the Details or as set out as the recipient's address in another Transaction Document; or
- (c) sent by fax to the fax number set out or referred to in the Details or as set out as the recipient's relevant fax number in another Transaction Document.

However, if the intended recipient has notified a changed postal address or changed fax number, then the communication must be to that address or number.

### 18.3 When effective

Notices take effect from the time they are received unless a later time is specified in them.

### 18.4 Receipt - postal

If sent by post, Notices are taken to be received three Business Days after posting (or five Business Days after posting if sent across national boundaries).

### 18.5 Receipt - fax

If sent by fax, Notices are taken to be received at the time shown in the transmission report as the time that the whole fax was sent.

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**18.6 Receipt - general**

Despite clauses 18.4 ("Receipt - postal") and 18.5 ("Receipt - fax"), if Notices are received after 5:00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9:00am on the next Business Day.

**18.7 Notices to or from facility agent**

A Notice to or from a facility agent appointed under a syndicated facility constitutes sufficient notice to or from the Creditors under that Facility Agreement for the purposes of this amended and restated deed.

**18.8 Waiver of notice period**

The Majority Creditor may waive a period of notice required to be given by an Obligor under any Transaction Document.

---

**19 General****19.1 Consents**

Each Obligor agrees to comply with all conditions in any consent a Creditor gives in connection with a Transaction Document if the Obligor relies on that consent in performing its obligations under the Transaction Documents.

**19.2 Certificates**

A Creditor may give an Obligor a certificate about an amount payable or other matter in connection with a Transaction Document. Subject to any applicable provision of the Transaction Documents specifying the form or content of the certificate (including clause 6.3 ("Substantiating costs")), the certificate is sufficient evidence of the amount or matter, unless it is proved to be incorrect.

**19.3 Set-off**

At any time after a declaration is made under clause 10.2 ("Consequences of default"), the Creditor making the declaration (or on whose behalf a declaration was made by a facility agent for a syndicate of financiers) may set off any amount due for payment by the Creditor to an Obligor against any amount due for payment by the Obligor to the Creditor under the Transaction Document.

**19.4 Discretion in exercising rights**

A Creditor may exercise a right or remedy or give or refuse its consent under a Transaction Document in any way it considers appropriate (including by imposing conditions).

**19.5 Partial exercising of rights**

If a Creditor does not exercise a right or remedy under a Transaction Document fully or at a given time, the Creditor may still exercise it later.

**19.6 No liability for loss**

No Creditor is liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy under a Transaction Document.

**19.7 Conflict of interest**

A Creditor's rights and remedies under any Transaction Document may be exercised even if this involves a conflict of duty or the Creditor has a personal interest in their exercise.

**19.8 Remedies cumulative**

The rights and remedies of a Creditor under any Transaction Document are in addition to other rights and remedies given by law independently of the Transaction Document.

**19.9 Indemnities**

Any indemnity in a Transaction Document is a continuing obligation, independent of each Obligor's other obligations under that Transaction Document and continues after the Transaction Document ends. It is not necessary for a Creditor to incur expense or make payment before enforcing a right of indemnity under a Transaction Document.

**19.10 Rights and obligations are unaffected**

Rights given to a Creditor under a Transaction Document and each Obligor's liabilities under it are not affected by anything which might otherwise affect them at law.

**19.11 Inconsistent law**

To the extent permitted by law, each Transaction Document prevails to the extent it is inconsistent with any law.

**19.12 Supervening legislation**

Any present or future legislation which operates to vary the obligations of any Obligor in connection with a Transaction Document with the result that a Creditor's rights, powers or remedies are adversely affected (including by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

**19.13 Variation**

A provision of a Transaction Document, or right created under it, may not be varied except in writing signed by the party or parties to be bound (whether directly or through a properly authorised agent or attorney). A provision of this amended and restated deed may only be amended by agreement between the Obligors and each relevant Creditor.

**19.14 Waiver**

A provision of this amended and restated deed or right created under it may not be waived except in writing by the party granting the waiver.

**19.15 Confidentiality**

No Obligor or Creditor may disclose information provided by any party to a Transaction Document that is not publicly available (including the existence of or contents of any Transaction Document) except:

- (a) to any person in connection with an exercise of rights or (subject to compliance with clause 16 ("Dealing with interests")) a dealing with rights

or obligations under a Transaction Document (including when a Creditor consults other Creditors after an Event of Default or in connection with preparatory steps such as negotiating with any potential assignee or potential sub-participant or other person who is considering contracting with the Creditor in connection with a Transaction Document);

- (b) on a confidential basis, to officers, employees, legal and other advisers and auditors of any Obligor or Creditor;
- (c) on a confidential basis, to any party to a Transaction Document or any Related Entity of any party to a Transaction Document;
- (d) with the consent of the party who provided the information (such consent not to be unreasonably withheld); or
- (e) as required by any law or stock exchange or any Governmental Agency (including for Australian, US and Irish tax authorities, in each case to the extent applicable), except this paragraph does not require a Creditor to disclose any information of the kind referred to in section 275(1) of the PPSA.

Each Obligor and Creditor is taken to consent to disclosures made in accordance with this clause 19.15.

**19.16 Creditor's compliance with law**

Each Obligor consents to a Creditor obtaining, verifying, recording and/or disclosing to any Government Agency all information concerning that Obligor, the Transaction Documents and the transactions contemplated thereunder which the Creditor is required by the law of any country (including, without limitation, laws relating to money laundering and/or the financing of terrorism) to obtain, verify, record and/or disclose. The Obligors agree to provide all information to the Creditor that the Creditor reasonably requires to comply with any such law.

**19.17 No responsibility for other's obligations**

If a Creditor does not comply with its obligations under a Transaction Document, this does not relieve any other Creditor or an Obligor of any of their respective obligations. No party is responsible for the obligations of another party.

**19.18 Further steps**

Each Obligor agrees to do anything a Creditor reasonably asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the Obligor and any other person intended to be bound under a Transaction Document;
- (b) to enable a Creditor to register any power of attorney or any Transaction Document; or
- (c) to show whether the Obligor is complying with this amended and restated deed.

**19.19 Counterparts**

A Transaction Document may consist of a number of copies, each signed by one or more parties to the document. If so, the signed copies are treated as making up the one document.



---

**19.20 Governing law**

Each Transaction Document is governed by the law in force in New South Wales. Each Obligor submits to the non-exclusive jurisdiction of the courts of that place.

**19.21 Serving documents**

Subject to clause 19.22 ("Process Agent") and without preventing any other method of service, any document in a court action may be served on a party by being delivered to or left at that party's address for service of notices under clause 18 ("Notices").

**19.22 Process Agent**

Each Non-Australian Obligor appoints James Hardie Australia Pty Limited (ABN 12 084 635 558) of Level 3, 22 Pitt Street, Sydney NSW 2000 (Attention: The Company Secretary) as its agent for service of process to receive any document in connection with the Transaction Documents. If for any reason James Hardie Australia Pty Limited (ABN 12 084 635 558) ceases to be able to act as process agent for the Non-Australian Obligor, the Non-Australian Obligor must promptly appoint another person in New South Wales to act as its process agent and must promptly notify each Creditor (or, in the case of a syndicated facility, the facility agent) of that appointment.

**EXECUTED** as a deed poll.

# James Hardie Group - Common Terms Deed Poll

## Schedule 1 - Verification Certificate (clause 3.1)



[name]  
[address]

Tel [insert]  
Fax [insert]

To: [Name of financier]

**[James Hardie Group Common Terms Deed Poll as amended and restated on 21 January 2013 (“CTDP”) / [ —] Facility Agreement dated [—] between [Name of Borrower] and [Name of financier] (“Facility Agreement”)]**

I [name] am a director of [insert name of Obligor] (“**Company**”). I refer to the [CTDP / Facility Agreement]. Definitions in the [CTDP / Facility Agreement] apply in this Certificate.

**I CERTIFY** as follows:

- 1 Attached to this Certificate is a complete and up to date copy of:
  - (a) the constituent documents of the Company; and
  - (b) a written resolution of the board of directors of the Company [, / and] a written resolution of a duly appointed committee of the board of directors of the Company [and power of attorney in the name of the Company], evidencing the resolutions approving execution of those of the following documents to which the Company is expressed to be a party[, appointing attorneys for that purpose] and appointing Authorised Officers of the Company for the purposes of those documents:
    - (i) [the Facility Agreement;
    - (ii) the [CTDP / Common Terms Deed Poll]; and
    - (iii) any Facility Nomination Letter in relation to the Facility Agreement.]

Those resolutions [and that power of attorney] have not been amended, modified or revoked and are in full force and effect.

- 2 Attached to this Certificate is a complete and up to date copy of the specimen signatures of the Authorised Officers # of the Company.

# One of the Authorised Officers must be the chief financial officer, treasurer or principal accounting officer of the Group (see clause 9.7 of the Common Terms Deed Poll).

---

**DATED**

\_\_\_\_\_  
Name:

# James Hardie Group - Common Terms Deed Poll

## Schedule 2 - Facility Nomination Letter (clause 2.1)



**James Hardie International Finance Limited**

Europa House  
Second Floor  
Harcourt Centre  
Harcourt Street  
Dublin 2  
Ireland

Tel [insert]  
Fax +35 1 479 1128

[Date]

To: [Creditor]

### James Hardie Group Common Terms Deed Poll - Facility Nomination Letter

We refer to the James Hardie Group Common Terms Deed Poll as amended and restated on 21 January 2013 ("CTDP").

For the purposes of the CTDP, on and from the date of this letter:

1. we nominate [each of] the following agreement[s] as a Facility Agreement:

Name: [—]  
Date: [—]  
Parties: [—]

[repeat as necessary]

2. the agreement, and each document named or referred to as a ["Financing Document"] in such agreement, is a Transaction Document for the purposes of the CTDP; and
3. we nominate you as a "Creditor" pursuant to that Facility Agreement.

Please confirm your acceptance of the above nomination, and the benefit and obligations of the CTDP, by signing and returning the attached copy of this letter.

Clauses 1 ("Interpretation") and 19.20 ("Governing law") of the CTDP described above apply to this letter as they were fully set out in this letter.

---

For and on behalf of  
**James Hardie International Finance Limited as Obligors' Agent**

Authorised Officer: *[Name]*

---

We accept and agree to the above nomination. We accept the benefit and obligations of the CTDP, and we agree to be bound by the terms of that deed.

For and on behalf of ***[Insert name of Creditor]***

by its Authorised Officer

Name:

Title:

# James Hardie Group - Common Terms Deed Poll

## Schedule 3A - Form of New Borrower Deed Poll (clause 15.1)

### Deed Poll

---

**New Borrower** *[Insert name and ABN/ACN or other registration number]*

of: *[Insert address]*

Fax no:

Attention:

---

**CTDP** James Hardie Group Common Terms Deed Poll as amended and restated on 21 January 2013.

**BY THIS DEED POLL** the New Borrower described above, for the benefit of each Creditor under the CTDP described above:

- (a) irrevocably agrees that from the date of this deed poll it is a Borrower under the CTDP;
- (b) irrevocably agrees to comply with and be bound by all current and future obligations of a Borrower or an Obligor under the CTDP or any other Transaction Document to which it is a party;
- (c) acknowledges having read a copy of the CTDP before signing this deed poll;
- (d) gives, as at the date of this deed poll, all representations and warranties on the part of a Borrower or an Obligor contained in the CTDP; and
- (e) acknowledges receiving valuable consideration for this deed poll.

Clauses 1 ("Interpretation") and 19.20 ("Governing law") of the CTDP described above apply to this deed poll as if they were fully set out in this deed poll.

**DATED** *[Insert Date]*

**EXECUTED** as a deed poll

*[Insert execution clause for New Borrower]*

# James Hardie Group - Common Terms Deed Poll

## Schedule 3B - Form of New Guarantor Deed Poll (clause 15.3)

### Deed Poll

---

**New Guarantor** *[Insert name and ABN/ACN]*

of: *[Insert address]*

Fax no:

Attention:

---

**CTDP** James Hardie Group Common Terms Deed Poll as amended and restated on 21 January 2013.

**BY THIS DEED POLL** the New Guarantor described above, for the benefit of each Creditor under the CTDP described above:

- (a) irrevocably agrees that from the date of this deed poll it is a Guarantor under the CTDP;
- (b) irrevocably agrees to comply with and be bound by all current and future obligations of a Guarantor or an Obligor under the CTDP or any other Transaction Document;
- (c) acknowledges having read a copy of each Transaction Document before signing this deed poll;
- (d) gives, as at the date of this deed poll, all representations and warranties on the part of a Guarantor or an Obligor contained in the CTDP; and
- (e) acknowledges receiving valuable consideration for this deed poll.

Clauses 1 ("Interpretation") and 19.20 ("Governing law") of the CTDP described above apply to this deed poll as if they were fully set out in this deed poll.

**DATED** *[Insert Date]*

**EXECUTED** as a deed poll.

*[Insert execution clause for New Guarantor]*

---

# James Hardie Group - Common Terms Deed Poll

## Schedule 4 - Form of Release Request (clause 15.2)

[Date]

To: [Each relevant Creditor]

### James Hardie Group Common Terms Deed Poll - Release Request

We refer to the deed entitled James Hardie Group Common Terms Deed Poll as amended and restated on 21 January 2013 (“CTDP”).

(a) **Release request**

We request each of you release [Insert name of retiring Borrower] (“Retiring Borrower”) from all liability under the CTDP pursuant to the attached Deed of Release.

(b) **Representation and warranty**

We represent and warrant that no Event of Default or Potential Event of Default is continuing or will result from the release of the Retiring Borrower.

Clause 1 of the CTDP applies to this Release Request as if it was fully set out in this Release Request.

For and on behalf of  
**James Hardie Industries plc**

For and on behalf of  
[Insert the name of the retiring Borrower]

.....  
Authorised Officer:  
[Name]

.....  
Authorised Officer:  
[Name]



# James Hardie Group - Common Terms Deed Poll

## Schedule 5 - Form of Deed of Release (clause 15.2)

### Deed of Release

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**Parties**                      **The Creditor, the Retiring Borrower and the Obligors' Agent, as described below.**

---

**Creditor**                      *[Insert name and ABN/ACN or other registration number of a relevant Creditor ]*

---

**Retiring Borrower**                      *[Insert name and ABN/ACN or other registration number ]*

---

**Obligors' Agent**                      [    ] on behalf of each Obligor other than the Retiring Borrower.

---

**CTDP**                                      James Hardie Group Common Terms Deed Poll as amended and restated on 21 January 2013.

The Creditor releases the Retiring Borrower described above from all liability under the CTDP described above, with effect from *[insert date or "the date of this deed"]*.

Nothing in this deed affects the obligations of the Retiring Borrower described above other than under the CTDP.

Each Obligor (other than the Retiring Borrower) consents to this release and agrees that nothing in this deed affects its obligations to the Creditor or the Creditor's rights in respect of the Obligors (other than the Retiring Borrower) under a Transaction Document.

Clauses 1 ("Interpretation") and 19.20 ("Governing law") of the CTDP described above apply to this deed as if they were fully set out in this deed.

**DATED** *[Insert date]*

**EXECUTED** as a deed

*[Insert execution clauses for (1) each Creditor, (2) the Obligors' Agent (and its corporate seat) on behalf of each Obligor other than the Retiring Borrower, and (3) the Retiring Borrower]*



**EXECUTED AS A DEED** by )  
**MARCIN FIREK** )  
and )  
**LORCAN MURTAGH** )  
as attorneys for **JAMES HARDIE** )  
**INDUSTRIES PLC** under power of )  
attorney dated 21 January 2013 )  
in the presence of: )  
  
/s/ M Kavanagh )  
  
Signature of witness )  
  
MARGARET KAVANAGH )  
Name of witness (block letters) )  
  
EUROPA HOUSE, HARCOURT ST, )  
DUBLIN 2 )  
Address of witness (block letters) )

/s/ Marcin Firek

/s/ Lorcan Murtagh

)  
By executing this amended and )  
restated deed each attorney states that )  
the attorney has received no notice of )  
revocation of the power of attorney )

**EXECUTED AS A DEED** by )  
**MARCIN FIREK** )  
and )  
**LORCAN MURTAGH** )  
as attorneys for **JAMES HARDIE** )  
**INTERNATIONAL GROUP LIMITED** )  
under power of attorney dated )  
21 January 2013 in the presence of: )  
  
/s/ M Kavanagh )  
  
Signature of witness )  
  
MARGARET KAVANAGH )  
Name of witness (block letters) )  
  
EUROPA HOUSE, HARCOURT ST, )  
DUBLIN 2 )  
Address of witness (block letters) )

/s/ Marcin Firek

/s/ Lorcan Murtagh

)  
By executing this amended and )  
restated deed each attorney states that )  
the attorney has received no notice of )  
revocation of the power of attorney )



# James Hardie – Bullet Facility Agreement

Dated [—] March 2013

James Hardie International Finance Limited (“**JHIFL**”, a “**Borrower**” and the “**Obligors’ Agent**”)

James Hardie Building Products, Inc. (“**JHBP**” and a “**Borrower**”)

[—] (“**Financier**”)

**King & Wood Mallesons**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
T +61 2 9296 2000  
F +61 2 9296 3999  
DX 113 Sydney  
www.kwm.com  
Ref: [—]

# Bullet Facility Agreement

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# Bullet Facility Agreement

## Details

**Interpretation** – Definitions are in clause 1.

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**Parties** JHIFL, JHBP and Financier, each as described below.

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<b>JHIFL and a Borrower</b>	Name	<b>James Hardie International Finance Limited</b>
	Incorporated in	Ireland with Registration Number 471702
	Address	Europa House Second Floor Harcourt Centre Harcourt Street Dublin 2, Ireland
	Fax	+ 353 1 479 1128
	Attention	Treasurer

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<b>JHBP and a Borrower</b>	Name	<b>James Hardie Building Products, Inc.</b>
	Incorporated in	Nevada
	Address	Suite 400 26300 La Alameda Mission Viejo CA 92691 United States of America
	Fax	+1 949 348 4534
	Attention	Company Secretary

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<b>Financier</b>	Name	[—]
	Registered number	[—]
	Address	[—]
	Fax	[—]
	Attention	[—]

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<b>Facility</b>	Description	Revolving US\$ line of credit facility.
	Facility Limit	US\$[—]
	Maturity Date	[—]
	Currency	US\$



Interest Rate	For an Interest Period, means LIBOR plus the Margin.
Margin	[—]% p.a.
Interest Periods	Subject to clause 4.2 (“Selection of Interest Period”), [ —] months, or such other period as agreed between a Borrower (or the Obligors’ Agent) and the Financier.
Purpose	For general corporate purposes of the Group, including, without limitation: <ul style="list-style-type: none"> <li>— to fund the Group’s working capital requirements;</li> <li>— to refinance existing Financial Indebtedness and pay related transaction costs;</li> <li>— to fund acquisitions;</li> <li>— to fund or reimburse against capital expenditure costs and payments to the Fund by any Group member; and/or</li> <li>— to fund distributions or other capital payments (if any).</li> </ul>

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<b>Fees</b> (also see clause 8)	[•] Fee	[—]% of the Facility Limit, payable on the terms set out in clause 8.1 (“[•] Fee”).
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	[•] Commitment Fee	[—]% per annum of the applicable Margin calculated on the daily balance of the Undrawn Facility Limit. It accrues and is payable on the terms set out in clause 8.2 (“[•] Commitment Fee”).
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<b>Date of agreement</b>	See Signing page
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# Bullet Facility Agreement

## General terms

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### 1 Definitions

#### 1.1 Definitions

**Amount Owing** means the total of all amounts which are then due for payment, or which will or may become due for payment, in connection with any Financing Document (including transactions in connection with them) to the Financier.

**Availability Period** means the period commencing on the date of this agreement and ending on the Maturity Date or, if earlier, the date on which the Facility Limit is cancelled in full.

**Borrower** means each of JHIFL and JHBP individually but not jointly.

**Common Terms Deed Poll** means the deed poll entitled "James Hardie Group - Common Terms Deed Poll" as amended and restated on 21 January 2013 and having an Effective Date (as defined therein) of 29 January 2013.

**Default Rate** means the applicable Interest Rate at the time plus [ — ]% per annum. For the purpose of this definition, the interest accrues daily from (and including) the due date to (but excluding) the date of actual payment and is calculated on actual days elapsed and a year of 360 days as if the overdue amount is a cash advance with Interest Periods of 30 days (or another period chosen from time to time by the Financier) with the first Interest Period starting on and including the due date.

**Details** means the section of this agreement headed "Details".

**Drawdown Date** means the Business Day on which a drawdown of the Facility is or is to be made but does not include a rollover of a Drawing on the last day of an Interest Period.

**Drawdown Notice** means a completed notice in writing, substantially in the form of, and containing the information and representations and warranties set out in, schedule 2 ("Drawdown Notice") and signed by an Authorised Officer of the Obligors' Agent.

**Drawing** means the outstanding principal amount of a drawdown made under the Facility.

**Facility** means the facility made available under this agreement.

**Facility Limit** means the amount set out as such in the Details, as reduced by the total of all cancellations under this agreement.

**FATCA** means:

- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 or any associated regulations or other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

**Fee Payment Date** means each 31 March, 30 June, 30 September and 31 December after the date of this agreement.

**Financier** means the person so described in the Details.

**Financing Document** means each of:

- (a) this agreement;
- (b) the Common Terms Deed Poll;
- (c) each Drawdown Notice;
- (d) each Selection Notice;
- (e) any other document which the Obligors' Agent and the Financier agree to be a Financing Document; and
- (f) any document entered into for the purpose of amending or novating any of the above.

**Interest Payment Date** means, in respect of an Interest Period, the last day of that Interest Period.

**Interest Period** means each period selected in accordance with clause 4.2 ("Selection of Interest Period").

**Interest Rate** means, subject to clause 4.6 ("Market disruption"), the interest rate set out in the Details.

**LIBOR** means, in relation to any Drawing:

- (a) the London interbank offered rate administered by the British Bankers Association (or any other person which takes over the administration of that rate) for US\$ and the relevant period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (but if the agreed page is replaced or service ceases to be available, the Financier may specify another page or service displaying the appropriate rate after consultation with the Obligors' Agent) ("**Screen Rate**"); or
- (b) (if no Screen Rate is available for US\$ and the Interest Period of that Drawing) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Financier at its request quoted by the principal London offices of at least three leading international banks chosen by the Financier in consultation with the Obligors' Agent to other leading banks in the London interbank market,

as of 11:00am ([•] time) on the day two Business Days before the first day of an Interest Period for which the interest rate is to be determined for the offering of deposits in US\$ and for a period comparable to the Interest Period for that Drawing.

**Margin** means on any day, the margin set out in the Details.

**Market Disruption Event** means:

- (a) at or about noon on the day two Business Days before the first day of an Interest Period for which the interest rate is to be determined, by reason of circumstances affecting the London interbank market for US\$, the "LIBOR" component of the Interest Rate cannot be determined; or
- (b) before close of business in London on the day two Business Days before the first day of an Interest Period for which the interest rate is to be determined, the Financier determines that the cost to it of obtaining matching deposits in the London interbank market would be in excess of LIBOR.

**Maturity Date** means the maturity date for the Facility as set out in the Details, but if that is not a Business Day, then the preceding Business Day.

**Prepayment Notice** means a completed notice in writing, substantially in the form of, and containing the information and representations and warranties set out in, schedule 5 ("Prepayment Notice") and signed by an Authorised Officer of the Obligors' Agent.

**Repayment Notice** means a completed notice in writing, substantially in the form of, and containing the information and representations and warranties set out in, schedule 4 ("Repayment Notice") and signed by an Authorised Officer of the Obligors' Agent.

**Selection Notice** means a notice under clause 4.2(b) ("Selection of Interest Period"), to be substantially in the form of, and containing the information and representations and warranties set out in, schedule 3 ("Selection Notice") and signed by an Authorised Officer of the Obligors' Agent.

**Undrawn Facility Limit** means the Facility Limit less the aggregate of all Drawings outstanding.

## 1.2 Interaction with the Common Terms Deed Poll

- (a) Each Borrower acknowledges that:
  - (i) the Financier is a Creditor; and
  - (ii) this agreement is a Facility Agreement,  
for the purposes of the Common Terms Deed Poll.
- (b) On execution of this agreement, the provisions of the Common Terms Deed Poll (subject to paragraphs (d) and (e) below) are incorporated into this agreement to the intent and effect that any such provision for the benefit of a Creditor or a Borrower (as defined in the Common Terms Deed Poll) may be enforced by the Financier or a Borrower to the same extent as if the Financier was a party to the Common Terms Deed Poll.
- (c) A term which has a defined meaning (including by reference to another document) in the Common Terms Deed Poll has the same meaning when used in this agreement unless it is expressly defined in this agreement, in which case the meaning in this agreement prevails.
- (d) Where a conflict arises between a provision of the Common Terms Deed Poll and this agreement, the Common Terms Deed Poll will prevail unless the provision in this agreement includes words substantially to the effect of "Despite the terms of the Common Terms Deed Poll", in which case the relevant provision of this agreement prevails.

- (e) The Common Terms Deed Poll is supplemented and varied as set out in Schedule 1 ("Common Terms Deed Poll: supplemental provisions and variations").

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## **2 The Facility and Facility Limit**

### **2.1 Financier to fund**

Subject to the terms of this agreement, the Financier agrees to provide to the relevant Borrower the financial accommodation requested by the Obligors' Agent under this agreement.

### **2.2 Maximum accommodation**

The financial accommodation to be provided under this agreement must not exceed the Facility Limit.

---

## **3 Using the Facility**

### **3.1 Drawing down**

The Borrowers need not use the Facility. However, if a Borrower wants to use the Facility, it may do so by one or more drawdowns.

### **3.2 Requesting a drawdown**

- (a) If a Borrower wants a drawdown, the Obligors' Agent must provide a written Drawdown Notice to the Financier by 11:00am ([\*] time) at least 2 Business Days prior to the requested Drawdown Date (or such later time as the Financier may agree).
- (b) The minimum amount of a Drawing is the lesser of:
- (i) US\$[\*]; and
  - (ii) the Undrawn Facility Limit,
- and any Drawing must be a whole multiple of US\$[\*].

### **3.3 Effect of a Drawdown Notice**

A Drawdown Notice is effective when the Financier actually receives it in legible form. An effective Drawdown Notice is irrevocable.

### **3.4 Conditions to first drawdown**

Each Borrower agrees not to request the first drawdown, and the Financier is not obliged to provide the first drawdown, unless:

- (a) all the conditions precedent listed in clause 3 ("Conditions precedent") of the Common Terms Deed Poll have been either satisfied or waived in accordance with that deed; and
- (b) a completed Facility Nomination Letter nominating this agreement as a Facility Agreement has been received by the Financier.

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### 3.5 Conditions to all drawdowns

In addition to the conditions precedent in clause 3 ("Conditions precedent") of the Common Terms Deed Poll, the Financier need not provide any financial accommodation on a Drawdown Date unless it is satisfied that:

- (a) the Drawdown Date is a Business Day during the Availability Period for the Facility;
- (b) the amount of the Drawing equals or exceeds the minimum drawdown amount set out in clause 3.2(b) ("Requesting a drawdown");
- (c) after the Drawing has been made, the sum of all outstanding Drawings will not exceed the Facility Limit;
- (d) the Financier has received a Drawdown Notice in respect of the requested drawdown in accordance with clause 3.2 ("Requesting a drawdown"); and
- (e) the proposed Drawing is for one or more of the purposes set out in the Details.

### 3.6 Benefit of conditions

Each condition to a drawdown is for the sole benefit of the Financier and may only be waived by the Financier.

### 3.7 Currency and timing of drawdowns

The Financier agrees to make each drawdown available to the account specified in the relevant Drawdown Notice in immediately available US\$ funds by 2:00pm (local time in [\*]) on the relevant Drawdown Date.

### 3.8 Cancellation of certain facilities

Upon satisfaction of the conditions precedent in clause 3.4, the following facilities will be automatically cancelled:

- (a) [—]; and
- (b) [—].

---

## 4 Interest

### 4.1 Interest charges

Each Borrower must pay interest on each Drawing it makes for each of its Interest Periods at the applicable Interest Rate. Interest:

- (a) accrues daily from and including the first day of an Interest Period to, but excluding, the last day of the Interest Period;
- (b) is payable in arrears on each Interest Payment Date; and
- (c) is calculated on actual days elapsed and a year of 360 days.

#### 4.2 Selection of Interest Period

An Interest Period for a Drawing is:

- (a) for the first Interest Period, the period specified in the Drawdown Notice for that Drawing; and
- (b) for each subsequent Interest Period, a period notified in a Selection Notice given by the Obligors' Agent to the Financier on the Business Day before the last day of the current Interest Period. However, in each case, the specified period must be one that is set out in the Details. If the Obligors' Agent does not give correct notice, the subsequent Interest Period is the same length as the Interest Period which immediately precedes it (or it is the period until the Maturity Date, if that is shorter than the preceding Interest Period).

#### 4.3 When Interest Periods begin and end

- (a) An Interest Period for a Drawing begins:
  - (i) for the first Interest Period, on its Drawdown Date; and
  - (ii) for each subsequent Interest Period, on the day when the preceding Interest Period for the Drawing ends.
- (b) An Interest Period which would otherwise end on a day which is not a Business Day ends on the next Business Day (unless that day falls in the following month, in which case the Interest Period ends on the previous Business Day). However, an Interest Period which would otherwise end after the Maturity Date ends on the Maturity Date.
- (c) If an Interest Period of one or a number of months commences on a date in a month for which there is no corresponding date in the month in which the Interest Period is to end, it will end on the last Business Day of the latter month.

#### 4.4 Limit on Interest Periods

In selecting Interest Periods under clause 4.2 ("Selection of Interest Period"), the Obligors' Agent must ensure that there are no more than 5 different Interest Periods at any one time.

#### 4.5 Notification of interest

Interest on a Drawing is payable in immediately available funds.

The Financier will notify the Obligors' Agent of the interest rates determined under this agreement as soon as they are ascertained. Failure to do so will not affect the obligations of a Borrower in any way.

#### 4.6 Market disruption

If a Market Disruption Event occurs in relation to a Drawing for any Interest Period, then the Interest Rate on that Drawing for the Interest Period shall be the rate per annum which is the sum of:

- (a) the Margin; and
- (b) the rate notified by the Financier as soon as practicable and in any event before interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to the Financier of funding its participation in that Drawing from whatever source it may reasonably select.

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#### 4.7 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Financier or a Borrower so requires, the Financier and the Obligors' Agent shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of the Financier and the Obligors' Agent, be binding on each of them and the Borrowers.

---

## 5 Repaying and prepaying

### 5.1 Repayment

- (a) Each Borrower agrees to repay the total of the Drawings drawn by it and all interest and other amounts (including default interest) which have accrued or which are otherwise payable (but unpaid) in respect of this agreement on the Maturity Date.
- (b) The Obligors' Agent must provide a written Repayment Notice to the Financier by 11:00am ([\*] time) at least 2 Business Days prior to the Maturity Date (or such later time as the Financier may agree), but failure to do so is without prejudice to the obligations of the Borrowers under clause 5.1(a) above.

### 5.2 Prepayment

Each Borrower may prepay all or part of a Drawing drawn by it as follows:

- (a) if only part of a Drawing is prepaid, it must be at least US\$[\*] and a whole multiple of US\$[\*], or such lesser amount as may be agreed by the Financier (at its discretion) from time to time; and
- (b) that Borrower must also pay all accrued (but unpaid) interest on that Drawing; and
- (c) the Obligors' Agent must provide a written Prepayment Notice to the Financier at least 10 Business Days prior to the date of the requested prepayment (as at close of business [\*] time) (once given, a notice of prepayment is irrevocable and that Borrower is obliged to prepay in accordance with the notice).

If the prepayment is made on an Interest Payment Date for the Drawing to be prepaid, no Break Costs are payable. However, if a Borrower prepays on a day other than the Interest Payment Date for the Drawing to be prepaid and the Financier incurs any Break Costs as a result of such prepayment, then that Borrower will be liable for Break Costs (if any) under clause 12 ("Costs and indemnities") of the Common Terms Deed Poll.

### 5.3 Prepayment and the Facility Limit

The Facility Limit is not reduced by amounts prepaid under clause 5.2 ("Prepayment").



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## 6 Payments

### 6.1 Payment by direction

If the Financier directs a Borrower to pay a particular party or in a particular manner, that Borrower is taken to have satisfied its obligation to the Financier by paying in accordance with the direction.

### 6.2 Amount Owing

Subject to the provisions of any Financing Document, each Borrower agrees to repay the Amount Owing on the Maturity Date under this agreement.

### 6.3 Application of payments - pre-default

Prior to an Event of Default, the Financier will apply amounts paid by each Borrower in accordance with the terms of the Financing Documents.

### 6.4 Application of payments - post-default

If an Event of Default subsists, the Financier may apply amounts paid by each Borrower towards satisfaction of the Borrower's obligations under the Financing Documents in the manner it sees fit, unless the Financing Documents expressly provide otherwise. This appropriation overrides any purported appropriation by a Borrower or any other person.

---

## 7 Cancellation

The Obligors' Agent may cancel the Undrawn Facility Limit in whole or in part at any time during the Availability Period by notifying the Financier in writing at least 2 Business Days prior to the date the cancellation is to take effect. A partial cancellation must be at least US\$[\*], unless the Financier agrees otherwise. Once given, the notice is irrevocable. The Facility Limit is reduced by the amount of any cancellation.

The Facility Limit is automatically cancelled at 5:30pm ([\*] time) on the last day of the Availability Period.

---

## 8 Fees

### 8.1 [—] Fee

The Obligors' Agent agrees to pay on execution of this agreement, an [\*] Fee as set out in the Details.

### 8.2 [—] Commitment Fee

The Obligors' Agent agrees to pay in arrears on each Fee Payment Date, on any cancellation date described below and on the Maturity Date, the accrued but [\*] Commitment Fee as set out in the Details.

If the Obligors' Agent cancels any of the Undrawn Facility Limit, it also agrees to pay on the cancellation date, the [\*] Commitment Fee in respect of the cancelled amount from (but excluding) the last Fee Payment Date up to and including the cancellation date.

The [\*] Commitment Fee is calculated on actual days elapsed using a 360 day year.

---

## 9 Interest on overdue amounts

This clause applies despite the provisions of the Common Terms Deed Poll.

### 9.1 Obligation to pay

If a Borrower does not pay any amount under or in respect of this agreement (including an amount of interest payable under this clause 9.1) on the due date for payment, that Borrower must pay interest on that amount at the Default Rate. The interest accrues daily from (and including) the due date to (but excluding) the date of actual payment and is calculated on actual days elapsed and a year of 360 days.

A Borrower must pay interest under this clause to the Financier on demand from the Financier on the last Business Day of each calendar month.

### 9.2 Compounding

Interest payable under clause 9.1 ("Obligation to pay") which is not paid when due for payment may be added to the overdue amount by the Financier on the last Business Day of each calendar month. Interest is payable on the increased overdue amount at the Default Rate in the manner set out in clause 9.1 ("Obligation to pay").

### 9.3 Interest following judgment

If a liability becomes merged in a judgment, the relevant Borrower must pay interest on the amount of that liability as an independent obligation. This interest:

- (a) accrues daily from (and including) the date the liability becomes due for payment both before and after the judgment up to (but excluding) the date the liability is paid; and
- (b) is calculated at the judgment rate or the Default Rate (whichever is higher).

The relevant Borrower must pay interest under this clause to the Financier on demand from the Financier.

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## 10 Money Laundering

Each Borrower agrees that the Financier may delay, block, or refuse to make any payment if the Financier believes on reasonable grounds that making that payment will breach any law in Australia or any other country where such payment is to be made, and the Financier will incur no liability to that Borrower if it does so.

Each Borrower must provide all information to the Financier that the Financier reasonably requires to comply with any law in Australia or any other country. Each Borrower agrees the Financier may disclose information which it provides to the Financier where required by any law in Australia or any other country.

Unless a Borrower has disclosed that it is acting in a trustee capacity or on behalf of another party, that Borrower warrants that it is acting on its own behalf in applying for and using any of the Financier's products or services.

Each Borrower declares and undertakes to the Financier that the payment of monies by the Financier in accordance with any written instructions given by that Borrower will not breach any law in Australia or any other country where such money is to be paid.

---

## 11 Taxation – additional matters

### 11.1 Withholding Tax

Despite the terms of the Common Terms Deed Poll, the Borrowers undertake to the Financier as follows:

- (a) to lodge on or before the specified return date(s) for the relevant chargeable period(s), relevant information returns with the Irish Revenue Commissioner, where interest under this Facility is treated by JHIFL as exempt from the requirement to withhold; and
- (b) if any payment has been made to a relevant authority pursuant to clause 5 (“Withholding tax”) of the Common Terms Deed Poll, the relevant Borrower will, within 30 days of either making the payment or receiving original receipts from the Financier, deliver to the Financier evidence that the appropriate payments has been paid to the relevant taxing authority.

### 11.2 FATCA

Despite the terms of the Common Terms Deed Poll, each party to this agreement shall deliver to the other party at the time or times prescribed by law and at such time or times reasonably requested by the other party such documentation prescribed by FATCA and such additional documentation reasonably requested by the other party as may be necessary for the other party to comply with their obligations under FATCA.

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## 12 Governing law and jurisdiction

This agreement is governed by the law in force in New South Wales and each Borrower submits to the non-exclusive jurisdiction of the courts of that place.

**EXECUTED** as an agreement.

# Bullet Facility Agreement

## Schedule 1 – Common Terms Deed Poll: supplemental provisions and variations (clause 1.2(e))

---

### 1 New financial undertakings

#### 1.1 Substituted financial undertakings

In accordance with clause 9.4(f)(ii) (“New financial undertakings”) of the Common Terms Deed Poll and in substitution for, and in lieu of, the financial undertakings in clauses 9.4(a) - (e) inclusive of the Common Terms Deed Poll (the “replaced financial undertakings”), the financial undertakings set out below apply.

- (a) **(EBIT)** The Parent and JHIGL will ensure that EBIT will not be less than 3.25 times Net Interest Charges for the 12 month period ending on each Reporting Date.
- (b) **(Compensation funding)** The Parent will ensure that:
  - (i) no more than 35% of its Free Cash Flow in any given Financial Year is contributed to the Fund on the payment dates under the AFFA in the next following Financial Year. For avoidance of doubt, if the Parent elects to make instalment payments to the Fund pursuant to clause 9.7(a)(i) (“Payment options”) of the AFFA, the 35% cap does not include any interest payable under clause 9.7(b) (“Payment options”) of the AFFA; and
  - (ii) no Group Member (other than the Parent) provides any guarantee, indemnity or other form of financial support in relation to the obligations under the AFFA of the Group Member primarily liable to make funding payments to the Fund under the AFFA (currently James Hardie 117 Pty Limited).
- (c) **(Funded Debt)** The Parent and JHIGL will ensure that Consolidated Funded Net Debt will not be more than 3.00 times EBITDA for the 12 month period ending on each Reporting Date.
- (d) **(Permitted External Financial Indebtedness)** The Parent and JHIGL will ensure that the ratio of Consolidated Permitted External Financial Indebtedness to Consolidated Total Tangible Assets does not exceed 10% on each Reporting Date.

Defined terms are set out in clause 1.3 of this schedule.

#### 1.2 Compliance

In accordance with clause 9.4(f)(ii) (“New financial undertakings”) of the Common Terms Deed Poll:

- (a) the substituted financial undertakings set out in clause 1.1 of this schedule apply in relation to all Transaction Documents (as defined for both the purposes of both the Common Terms Deed Poll and this agreement) to which that particular Financier is a party or which apply for the benefit of that particular Financier; and

- (b) the Parent and JHIGL are not required to comply with the replaced financial undertakings.

### 1.3 Definitions

The following definitions set out in clause 1.1 ("Definitions") of the Common Terms Deed Poll are no longer applicable:

Consolidated Funded Capitalisation  
Consolidated Funded Debt  
Consolidated Permitted External Financial Indebtedness  
EBIT  
Funded Debt  
Net Interest Charges  
Subordinated Debt

In addition, these meanings apply unless the contrary intention appears:

**Consolidated Funded Net Debt** means, as of any Reporting Date, the total of all Funded Debt of the Covenant Group outstanding on that date:

- (a) after deducting the aggregate amount of freely available cash and cash equivalent investments held by any member of the Covenant Group on that date; and
- (b) after eliminating all offsetting debits and credits between any members of the Covenant Group and all other items which would be required to be eliminated in the course of the preparation of consolidated financial statements of the Covenant Group in accordance with GAAP,

and determined by reference to the latest financial statements of the Group delivered under, and in accordance with, clauses 9.6(a) ("quarterly Group Statements") and 9.6(b) ("annual Group Statements") of the Common Terms Deed Poll.

**Consolidated Permitted External Financial Indebtedness** means, as of any Reporting Date, the total of all Permitted External Financial Indebtedness of the Covenant Group (other than an Obligor or an Excluded Entity) outstanding on that date, after eliminating all offsetting debits and credits between any members of the Covenant Group and all other items which are required to be eliminated if consolidated financial statements of the Covenant Group were prepared in accordance with GAAP.

**Consolidated Total Tangible Assets** means, on any Reporting Date, the total assets of the Covenant Group on that Reporting Date, but after (to the extent included):

- (a) the deduction of revaluations since the last audit; and
- (b) the deduction of goodwill and any other intangible assets of the Covenant Group.

**Covenant Group** means the Group excluding:

- (a) the Excluded Entities; and

- (b) (to the extent applicable) all asbestos-related assets (e.g. deferred tax assets and insurance receivables relating to asbestos compensation) and liabilities.

**EBIT** means the operating profit of the Covenant Group, on a consolidated basis, before adjustments for:

- (a) significant, extraordinary, abnormal or exceptional items;
- (b) items recognised in connection with the Special Commission of Inquiry into Medical Research and Compensation Foundation and other related expenses; and
- (c) income tax,

but after adding back Net Interest Charges and all items referred to in paragraphs (a) to (e) of the definition of "Net Interest Charges" that were deducted in deriving the operating profit figure of the Covenant Group and:

- (i) determined by reference to the latest financial statements of the Group delivered under, and in accordance with, clauses 9.6(a) ("quarterly Group Statements") and 9.6(b) ("annual Group Statements") of the Common Terms Deed Poll; and
- (ii) excluding any earnings from any Project Activities if these are derived from Project Vehicles or Project Property over which there exist Security Interests (unless such earnings have actually been received in cash by an Obligor).

**EBITDA** means the sum of EBIT plus depreciation and amortisation expense of the Covenant Group and:

- (a) determined by reference to the latest financial statements of the Group delivered under, and in accordance with, clauses 9.6(a) ("quarterly Group Statements") and 9.6(b) ("annual Group Statements") of the Common Terms Deed Poll; and
- (ii) excluding any depreciation and amortisation expense related to any Project Activities if these are related to Project Vehicles or Project Property over which there exist Security Interests (unless such earnings have actually been received in cash by an Obligor).

**Funded Debt** means, at any time, with respect to any member of the Covenant Group, all drawn and outstanding Financial Indebtedness of such member owing to any person outside the Covenant Group at that time, other than:

- (a) Subordinated Debt;
- (b) Preferred Stock or other hybrid capital; and
- (c) Non-Recourse Debt,

of the member of the Covenant Group at that time and determined by reference to the latest financial statements of the Group delivered under, and in accordance with, clauses 9.6(a) ("quarterly Group Statements") and 9.6(b) ("annual Group Statements") of the Common Terms Deed Poll.

**Net Interest Charges** for a period means all interest and amounts in the nature of interest or of similar effect to interest, paid or payable by the Covenant Group, on a consolidated basis, less interest income received by or arising to the Covenant Group, on a consolidated basis, in the same period for which such Net

Interest Charges are being determined, in each case by reference to the latest financial statements delivered under, and in accordance with, clauses 9.6(a) (“quarterly Group Statements”) and 9.6(b) (“annual Group Statements”) of the Common Terms Deed Poll. It excludes:

- (a) any swap break or reset costs incurred and paid as part of any termination of any hedging or facility;
- (b) any break costs, early redemption premium, make-whole payments, liquidated damages or other penalties (howsoever described) incurred and paid in connection with the prepayment of any facility;
- (c) capitalising interest under any agreement for the provision of Financial Indebtedness to a member of the Covenant Group which is in the nature of:
  - (i) a construction facility to fund capital expenditure to be undertaken by a member of the Covenant Group (but only while that capitalising interest is not payable under the terms of that agreement); or
  - (ii) a capital-indexed or zero coupon debt instrument which contractually allows the capitalisation of interest;
- (d) establishment, arrangement, underwriting and other fees payable once only on the initial provision of financial accommodation; and
- (e) all interest and amounts in the nature of interest, and any other amounts of the kind referred to in paragraphs (a) to (d) above, relating to:
  - (i) Subordinated Debt;
  - (ii) hybrid capital;
  - (iii) Non-Recourse Debt; or
  - (iv) a loan under which financial accommodation is provided from one member of the Covenant Group to another member of the Covenant Group.

**Subordinated Debt** means any Financial Indebtedness of any member of the Covenant Group which is:

- (a) subordinated to all unsecured and unsubordinated creditors of that member of the Covenant Group in a winding up, liquidation or dissolution of that member of the Covenant Group; or
- (b) subordinated to the Facilities on terms which each Creditor (or under a syndicated facility, an agent or trustee acting on the instructions of the Majority Creditor) has confirmed are acceptable to it (such confirmation not to be unreasonably withheld or delayed).

#### 1.4 Consequential variations

- (a) In clause 9.2(d) (“General undertakings”) of the Common Terms Deed Poll, the references to “clause 9.4(d) (“Financial undertakings – Funded Debt”) or 9.4(e) (“Financial undertakings - Permitted External Financial Indebtedness”)” are taken to be references to the new financial undertakings set out in clause 1.1 of this schedule.

- (b) In clause 10.1(c)(i) (“Events of default – financial undertakings”) of the Common Terms Deed Poll:
  - (i) the reference to “clause 9.4(d)” is taken to be a reference to the financial undertaking set out in clause 1.1(c) of this schedule; and
  - (ii) the reference to “clause 9.4(e)” is taken to be a reference to the financial undertaking set out in clause 1.1(d) of this schedule.

---

## 2 Other amendments and additions

### 2.1 Definition of Excluded Tax

Paragraph (a) of the definition of **Excluded Tax** set out in clause 1.1 (“Definitions”) of the Common Terms Deed Poll is amended to read as follows:

- (a) a Tax imposed by any jurisdiction on or assessed against the Creditor as a consequence of the Creditor being a resident of or organised in or doing business in that jurisdiction, but not any Tax:
  - (i) that is calculated on or by reference to the gross amount of a payment derived under a Transaction Document or another document referred to in a Transaction Document (without the allowance of a deduction); or
  - (ii) that is imposed as a result of the Creditor being considered a resident or organised or doing business in that jurisdiction solely as a result of it being a party to a Transaction Document or a transaction contemplated by a Transaction Document;

### 2.2 Definition of Tax

The definition of **Tax** set out in clause 1.1 (“Definitions”) of the Common Terms Deed Poll is amended to read as follows:

**Tax** means any present or future tax (including Indirect Taxes), levy, impost, duty, charge, fee, deduction, compulsory loan or withholding or any income, stamp or transaction duty, tax or charge, in the nature of tax whatsoever called and whether imposed, levied, collected, withheld or assessed by any Government Agency and includes, but is not limited to, any penalty, fine, charge, fee, interest or other amount payable in connection with failure to pay or delay in paying the same.

### 2.3 Additional Event of Default

In addition to the Events of Default set out in clause 10.1 of the Common Terms Deed Poll, it will also be an Event of Default if any Obligor suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business, except as a result of:

- (b) a Permitted Disposal; or
- (c) a scheme of amalgamation or reconstruction or other transaction, not involving an Insolvency, and where the obligations of the Obligor under the Transaction Documents are assumed by the successor entity to which all, or substantially all of the property, assets and undertaking of the Obligor are transferred or where an arrangement with similar effect not involving an Insolvency is implemented.



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## 2.4 Additional Dealings by Creditors

In addition to the circumstances set out in clause 16.2 of the Common Terms Deed Poll, the Financier may also assign, transfer, sub-participate or otherwise deal with all or any of its rights or obligations under a Transaction Document (a "**Transfer**") at any time if:

- (a) an Event of Default subsists; or
- (b) the Transfer is to a Related Entity of the Lender.

For the avoidance of doubt, clause 16.5 ("No increased costs") of the Common Terms Deed Poll will apply to any Transfer made pursuant to this clause.

# Bullet Facility Agreement

## Schedule 2 - Drawdown Notice (clause 3)



James Hardie International Finance Limited  
Ireland Trade Register number : 471702  
Europa House,  
2nd Floor  
Harcourt Centre,  
Harcourt Street Dublin 2  
Ireland

Tel +353 1 4116924  
Fax +353 1 4791128

To: [—]  
Attention: [—]  
Email: [—]  
Copy to: [—]  
Fax: [—]

**[Insert date]**

**Drawdown Notice - James Hardie – Bullet Facility Agreement dated [—] March 2013 between James Hardie International Finance Limited. (“JHIFL”, a “Borrower” and “Obligors’ Agent”), James Hardie Building Products, Inc. (“JHBP” and a “Borrower”) and [—] (“Financier”) (“Facility Agreement”)**

Under clause 3.2 (“Requesting a drawdown”) of the Facility Agreement, the Obligors’ Agent gives notice as follows. <sup>1</sup>

[Borrower name] wants to borrow under the Facility.

- The requested Drawdown Date is [—].<sup>2</sup>
- The amount of the proposed drawdown is US\$[—].
- The requested first Interest Period is [—].
- The proposed drawdown is to be paid to:

Account number: [—]  
Account name: [—]  
Bank: [—]  
Branch: [—]  
Branch identifying  
number (Fedwire, BSB, etc): [—]

### **Representations and Warranties and no Event of Default or Potential Event of Default:**

We confirm that:

- (a) the representations and warranties in clause 8 (“Representations and warranties”) of the Common Terms Deed Poll are correct and not misleading on the date of this notice and that each will be correct and not misleading on the Drawdown Date.

- 
- (b) no Event of Default or Potential Event of Default subsists at the date of this notice or will result from the provision of the requested utilisation.

Clause 1 ("Definitions") of the Facility Agreement applies to this notice as if it was fully set out in this notice.

Yours faithfully

.....  
**[Name of person]** being  
an Authorised Officer of  
**James Hardie International Finance Limited**  
as Obligors' Agent

**Instructions for completion**

- 1 All items must be completed.
- 2 Must be a Business Day within the Availability Period.

# Bullet Facility Agreement

## Schedule 3 - Selection Notice (clause 4.2)



James Hardie International Finance Limited  
Ireland Trade Register number : 471702  
Europa House,  
2nd Floor  
Harcourt Centre,  
Harcourt Street Dublin 2  
Ireland

Tel +353 1 4116924  
Fax +353 1 4791128

To: [—]

Attention: [—]

Email: [—]

Copy to: [—]

Fax: [—]

**[Insert date]**

**Selection Notice - James Hardie – Bullet Facility Agreement dated [—] March 2013 between [James Hardie International Finance Limited (“JHIFL”, a “Borrower” and “Obligors’ Agent”), James Hardie Building Products, Inc. (“JHBP” and a “Borrower”)] and [—] (“Financier”) (“Facility Agreement”)**

Terms defined in the Facility Agreement have the same meaning when used in this notice.

This is an irrevocable notice under clause 4.2 (“Selection of Interest Period”) of the Facility Agreement.

Under clause 4.2 (“Selection of Interest Period”) of the Facility Agreement, the Obligors’ Agent gives notice as follows:

The current Interest Period in respect of the Drawing drawn by [ *Borrower name* ] is due to end on [ — ].

The Interest Period following the current Interest Period is to be a period of [ — ]<sup>1</sup>.

**Representations and Warranties and no Event of Default or Potential Event of Default:**

We confirm that:

- (a) the representations and warranties in clause 8 (“Representations and warranties”) of the Common Terms Deed Poll are correct and not misleading on the date of this notice and that each will be correct and not misleading on the Drawdown Date.

---

(b) no Event of Default or Potential Event of Default subsists at the date of this notice or will result from the provision of the requested selection of Interest Period.

Clause 1 ("Definitions") of the Facility Agreement applies to this notice as if it was fully set out in this notice.

Yours faithfully

.....  
**[Name of person]** being  
an Authorised Officer of  
**James Hardie International Finance Limited**  
as Obligors' Agent

**Instructions for completion**

1 To be an Interest Period set out in the Details

# Bullet Facility Agreement

## Schedule 4 - Repayment Notice (clause 5.1)



James Hardie International Finance Limited  
Ireland Trade Register number : 471702

Europa House,  
2nd Floor  
Harcourt Centre,  
Harcourt Street Dublin 2  
Ireland

Tel +353 1 4116924  
Fax +353 1 4791128

To: [—]  
Attention: [—]  
Email: [—]  
Copy to: [—]  
Fax: [—]

**[Insert date]**

**Repayment Notice - James Hardie – Bullet Facility Agreement dated [—] March 2013 between [James Hardie International Finance Limited (“JHIFL”, a “Borrower” and “Obligors’ Agent”), James Hardie Building Products, Inc. (“JHBP” and a “Borrower”)] and [—] (“Financier”) (“Facility Agreement”)**

Terms defined in the Facility Agreement have the same meaning when used in this notice and where not otherwise defined in this notice.

Under clause 5.1 (“Repayment”) of the Facility Agreement, the Obligors’ Agent gives notice as follows:

The Borrower, [*Borrower name*], wants to repay under the Facility Agreement in accordance with clause 5.1 (“Repayment”) of the Facility Agreement.

- Repayment date: [—]
- The amount of the repayment: US\$[—]
- Principal maturing: US\$[—]
- This repayment will not trigger any Break Costs under clause 5.2 of the Facility Agreement.

Yours faithfully

.....  
**[Name of person]** being  
an Authorised Officer of  
**James Hardie International Finance Limited**  
as Obligors’ Agent

# Bullet Facility Agreement

## Schedule 5 - Prepayment Notice (clause 5.2)



James Hardie International Finance Limited  
Ireland Trade Register number : 471702

Europa House,  
2nd Floor  
Harcourt Centre,  
Harcourt Street Dublin 2  
Ireland

Tel +353 1 4116924  
Fax +353 1 4791128

To: [—]  
Attention: [—]  
Email: [—]  
Copy to: [—]  
Fax: [—]

**[Insert date]**

**Prepayment Notice - James Hardie – Bullet Facility Agreement dated [—] March 2013 between [James Hardie International Finance Limited (“JHIFL”, a “Borrower” and “Obligors’ Agent”), James Hardie Building Products, Inc. (“JHBP” and a “Borrower”)] and [—] (“Financier”) (“Facility Agreement”)**

Terms defined in the Facility Agreement have the same meaning when used in this notice and where not otherwise defined in this notice.

Under clause 5.2 (“Prepayment”) of the Facility Agreement, the Obligors’ Agent gives notice as follows:

The Borrower, [**Borrower name**], wants to prepay under the Facility Agreement in accordance with clause 5.2 (“Prepayment”) of the Facility Agreement.

- Prepayment date: [—]
- The amount of the prepayment (including any accrued but unpaid interest): US\$[ —]
- This repayment [will/will not] not trigger any Break Costs under clause 5.2 of the Facility Agreement.

Yours faithfully

.....  
**[Name of person]** being  
an Authorised Officer of  
**James Hardie International Finance Limited**  
as Obligors’ Agent

# Bullet Facility Agreement

## Signing page

DATED: [—] March 2013

### JHIFL

SIGNED by )

and )

as attorneys for **JAMES HARDIE** )

**INTERNATIONAL FINANCE LIMITED** )

under power of attorney )

dated )

in the presence of: )

..... )  
Signature of witness )

..... )  
Name of witness (block letters) )

.....  
By executing this agreement each  
attorney states that the attorney has  
received no notice of revocation of the  
power of attorney

### JHBP

SIGNED by )

and )

as Authorised Representatives of )

**JAMES HARDIE BUILDING** )

**PRODUCTS, INC.** in the presence of: )

..... )  
Signature of witness )

..... )  
Name of witness (block letters) )

.....  
By executing this agreement each  
Authorised Representative states that  
the Authorised Representative has  
received no notice of revocation of his  
or her authority to execute this  
agreement



**Financier**

**SIGNED** by )  
 )  
and )  
 )  
as attorneys for [—] under power of )  
attorney )  
dated )  
 )  
in the presence of: )  
 )  
 )  
..... )  
Signature of witness )  
 )  
..... )  
Name of witness (block letters) )

.....  
By executing this agreement each  
attorney states that the attorney has  
received no notice of revocation of the  
power of attorney

**Northshore No 3 Pty Ltd (as trustee)**

**James Hardie Australia Pty Limited**

**James Hardie Industries SE**

**DEED OF PARTIAL SURRENDER  
AND VARIATION OF LEASE**

**COOPER GRACE WARD**

Lawyers

Level 21, 400 George Street

Brisbane Qld 4000

**T** 61 7 3231 2444

**F** 61 73221 4356

**W** [www.cgw.com.au](http://www.cgw.com.au)

**DEED OF PARTIAL SURRENDER AND VARIATION OF LEASE****PARTIES**

**Northshore**      **NORTHSHORE NO 3 PTY LTD ACN 154 082 961 (AS TRUSTEE UNDER INSTRUMENT 714227876)**

**JH**                **JAMES HARDIE AUSTRALIA PTY LIMITED ACN 084 635 558**

**Guarantor**      **JAMES HARDIE INDUSTRIES SE ARBN 097 829 895** (formerly James Hardie Industries N. V)

**BACKGROUND**

- A. Northshore is the owner of the Premises.
- B. JH leases the Premises from Northshore under the Lease.
- C. The Guarantor has provided a guarantee and indemnity in relation to the performance by JH of its obligations under the Lease.
- D. JH wishes to surrender the Lease over the part of the Premises identified as the Surrender Area as and from the Surrender Date, subject to the terms and conditions of this document.
- E. Northshore, JH and the Guarantor wish to vary the Lease.

**AGREEMENTS****1. INTERPRETATION****Definitions**

1.1 In this document:

<b>Competitor</b>	has the same meaning as in the Lease.
<b>GST</b>	has the same meaning as in the GST Act.
<b>GST Act</b>	means the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Lease</b>	means registered lease number 706009769 (dated 6 November 1998), as amended by registered amendment 706009780 (dated 30 October 2000) and as further amended by registered amendment 707678947 (dated 17 March 2004).
<b>Outgoings</b>	has the same meaning as in the Lease.
<b>Premises</b>	has the same meaning as in the Lease



<b>Surrender Area</b>	means the areas identified as Lot 2 on RP34121 and Lot 27 on RP34120, County of Stanley, Parish of Toombul (title reference 15944054).
<b>Surrender Date</b>	means 31 July 2012
<b>Taxable Supply</b>	has the same meaning as in the GST Act.
<b>Tax Invoice</b>	has the same meaning as in the GST Act.

### Construction

1.2 In this document:

- (a) words in the singular include the plural and vice versa;
- (b) words indicating any gender indicate the appropriate gender;
- (c) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (d) a reference to a person is to be construed as a reference to an individual, body corporate, unincorporated association, partnership, joint venture or government body;
- (e) references to any document (including this document) include references to the document as amended, consolidated, supplemented, novated or replaced;
- (f) a reference to a statute includes a reference to or citation of all enactments amending or consolidating the statute and to an enactment substituted for the statute;
- (g) monetary references are references to Australian currency;
- (h) the Schedule and Annexures form part of this document;
- (i) a reference to an Item is a reference to an Item in the Schedule to this document; and
- (j) headings are included for convenience only and do not affect interpretation of this document.

## 2. PARTIAL SURRENDER OF LEASE

- 2.1 Subject to the terms of this document Northshore, JH and the Guarantor agree that the Surrender Area is surrendered as and from the Surrender Date.
- 2.2 Unless specified otherwise in this document, JH must deliver up vacant possession of the Surrender Area on the Surrender Date.
- 2.3 Unless otherwise specified in this document, JH is liable to comply with all of the terms and conditions and all of its obligations contained in the Lease in respect of the Surrender Area up to and including the Surrender Date. The surrender of the Lease over the Surrender Area does not affect or extinguish the right of Northshore to recover any money owing to it or otherwise to enforce any other right it may have under the Lease in respect of breach by JH in respect of the Surrender Area before the Surrender Date.



- 2.4 This clause 2 does not release JH and/or the Guarantor from its obligations or any indemnity JH and/or the Guarantor have given under the Lease for that part of the Lease area which is still governed by the Lease after the Surrender Date.
- 2.5 The parties agree that despite the Surrender, JH will continue to be responsible for the payment of council rates on the whole of the Premises. For clarity, JH will continue to be responsible for the payment of all council rates assessed/levied in relation to whole of Lot 3 on RP199034 (title reference 17103067), the whole of Lot 27 on RP34120 and the whole of Lot 2 on RP34121 (title reference 15944054), including after the Surrender Date.
- 2.6 The parties acknowledge and agree that Northshore intends to lease the Surrender Area to third parties. Northshore covenants with JH that it will not grant any lease or right of occupancy of or right to erect, install, affix, paint or otherwise display signage or advertising on any part of the Surrender Area to any Competitor of JH without the Consent of JH.

### 3. OBLIGATIONS OF JH

- 3.1 On or before the Surrender Date, JH must:
- (a) cancel all contracts and agreements for the provision of services to the Surrender Area; and
  - (b) remove all of the JH's property from the Surrender Area, including, but not limited to, signs, rubbish, scrap metal, pipes, machinery and plant.

### 4. EXECUTION OF FORM 8 SURRENDER

- 4.1 JH must execute, stamp and deliver to Northshore on or before the Surrender Date a Form 8 Surrender capable of registration in the Department of Environment and Resource Management, in the form of the Form 8 contained in Annexure A of this Deed.
- 4.2 Northshore must lodge the Form 8 for registration in the Department of Environment and Resource Management, along with the consent of Northshore's mortgagee.
- 4.3 Northshore must provide JH with a registration confirmation statement showing the registration of the Surrender after the Surrender has registered.
- 4.4 The parties acknowledge and agree that the Surrender is subject to Northshore's mortgagee providing its consent to the Surrender.

### 5. VARIATION OF THE LEASE

- 5.1 From the Surrender Date, the Lease is varied as follows (as contained in the Form 13 Amendment contained in Annexure B):
- (a) Item 1 of the Schedule of Terms is amended as follows:
    - Lessor means Northshore No 3 Pty Ltd ACN 154 082 961 as trustee under instrument 714227876 of PO Box 1031, Hamilton QLD 4007*
  - (b) Item 3 of the Schedule of Terms is amended as follows:
    - Land means Lot 3 on RP199034*
  - (c) clause 5.3 is deleted and replaced with:



*“The Lessee shall pay to the Lessor for each Lease Year an amount equal to the Lessee’s Proportion of the Outgoings in respect of the Land. The Lessee must also pay the council rates (as defined in paragraph (a) of the definition of “Outgoings” in clause 1.1) in respect of the whole of Lot 2 on RP34120 and the whole of Lot 27 on RP34121 (title reference 15944054). This obligation shall not extend to any fines, penalties or interest on the Outgoings which arise because of the Lessor’s delay in payment or the Lessor’s delay in providing relevant invoices and accounts to the Lessee for payment.”*

(d) all references to “Lessee’s Proportion of Outgoings” in clauses 5.4, 5.5 and 5.6 shall be taken to be a reference to the Lessee’s Proportion of Outgoings in respect of the Land plus the council rates (as defined in paragraph (a) of the definition of Outgoings in clause 1.1 of the Lease) in respect of the whole of Lot 2 on RP34120 and the whole of Lot 27 on RP34121 (title reference 15944054);

(e) clause 7.6(e)(ii) of the Lease is deleted.

(f) A new clause 15.1(c) is to be included as follows:

*“any Environmental contamination in, on, under or migrating onto or from the Land resulting from the western drain and any works required to remediate it including:*

*(i) installing inverted box culvert sections along the western drain within the Land;*

*(ii) installing a block retaining wall; and*

*(iii) installing sprayed concrete drain batter lining*

*whether such Environmental contamination occurs before or after the Effective Date.*

(g) A new clause 8.6 is to be included as follows:

*“(Sublease) The Lessor acknowledges that the Lessee is entering into subleases with the Lessor as sub-tenant for various parts of the Premises and the Lessor consents to these subleases. The parties agree that Clauses 3.2, 4.1(a)(iii), 4.1(b), 4.4, 4.5, 4.6, 4.7, 5.3, 5.4, 5.5, 5.6, 8.1(b), 8.2, 8.3, 8.4, 8.5, 9.1, 9.2, 9.3, 9.6, 15.1, 15.5(b) and (c), 15.6 and 20 of the Lease do not apply to a sublease that has been entered into between the Lessee (as sub-landlord) and the Lessor (as sub-tenant) for any part of the Premises.”*

(h) Clause 5.1(b) is amended so that it reads as follows:

*(Costs) The Lessee shall pay all Costs for all Services supplied to the Premises (but with respect to water, the obligation under this clause 5.1(b) is limited to water usage and consumption charges and trade waste charges).*

**6. EXECUTION OF FORM 13 AMENDMENT OF LEASE**

- 6.1 JH must execute and deliver to Northshore on or before the Surrender Date a Form 13 Amendment of Lease capable of registration in the Department of Environment and Resource Management, in the form of the Form 13 contained in Annexure B of this Deed.
- 6.2 Northshore must lodge it for registration in the Department of Environment and Resource Management, immediately following lodgement of the Form 8 Surrender.
- 6.3 Northshore must provide JH with a registration confirmation statement showing the registration of the Amendment after it has registered.
- 6.4 The parties acknowledge and agree that the Amendment is subject to Northshore’s mortgagee providing its consent to the Amendment.



**7. WORKS BY NORTHSHORE**

- 7.1 The parties acknowledge and agree that Northshore intends to lease the Surrender Area to third parties.
- 7.2 Northshore agrees to install at its cost, a separate water meter (or meters as the case may be) and electricity meter (or meters as the case may be) to the Surrender Area. The parties agree that no occupant of the Surrender Area will be entitled to connect to water or electricity supply through the Premises or the supply of any other service through the Premises charged on a per use basis and capable of being separately metered, unless subject to a separate metering and billing from Northshore or the relevant supplier and that JH will not be responsible for payment of water and electricity consumed in the Surrender Area.
- 7.3 Northshore agrees to install at its cost a new communications line from the former administration building located on the Land (fronting Randle Road) to JH's current administration office.

**8. WORKS BY JH**

- 8.1 JH agrees to engage at its cost a qualified air-conditioning contractor to provide a report addressed to Northshore (and upon which Northshore is entitled to rely), confirming that the air-conditioning system servicing JH's former administration building has been serviced and repaired and taking into account the age of the system and allowing for fair wear and tear, is in good working order. The report must be provided to Northshore within 30 days of the date of this Deed. JH has no liability for or in connection with the future functioning of the air-conditioning system and offers no warranties or guarantees as to its ability to service the former administration building on an ongoing basis.

**9. NOTICES**

- 9.1 All notices given under this document must be in writing and may be delivered in person or by mail or by the medium specified in the address for service stated in Item 1 of the Schedule.
- 9.2 A party may change its particulars for service by notice in writing to the other parties.
- 9.3 A notice sent by post will be deemed received three days after posting.
- 9.4 A notice sent by facsimile transmission will be deemed received on the date stated on the facsimile transmission report produced by the machine sending the facsimile.
- 9.5 A notice sent by email will be deemed received at the time and on the date that it is sent, unless the sender receives notification that the delivery of the email was unsuccessful, in which case the email will not be deemed to have been received.
- 9.6 For the purposes of clause 9.5, 'delivery' of an email means the time that an email reaches the recipient's server.

**10. REFERENCES TO AND CALCULATIONS OF TIME**

- 10.1 Where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.
- 10.2 Where something is done or received after 5.00 pm on any day, it will be taken to have been done or received on the following day.
- 10.3 Where a provision in this agreement requires anything to be done on a Saturday, Sunday or public holiday, that matter or thing may be done or will be taken to have been done on the next succeeding day which is not a Saturday, Sunday or public holiday.



**11. GST**

- 11.1 If GST is or becomes payable on a Taxable Supply made under or in connection with this document, the party providing consideration for that Taxable Supply (recipient) must pay an additional amount equal to the GST payable on the Taxable Supply.
- 11.2 The additional amount payable under clause 11.1 must be paid at the same time as the consideration for the Taxable Supply or on the date on which the party making the supply delivers a Tax Invoice (whichever is later).

**12. GENERAL****Governing law**

- 12.1 This document will be construed in accordance with the laws in force in Queensland and the parties submit to the jurisdiction of the Courts of Queensland.

**Reference to a party**

- 12.2 Any reference to a party in this document includes, and any obligation or benefit under this document will bind or take effect for the benefit of, that party's executors, trustees, administrators, successors in title and permitted assigns.

**Duty and legal fees**

- 12.3 Each party will bear its own legal and other costs and expenses relating to this document. JH must pay any duty.

**Entire agreement**

- 12.4 This document represents the entire agreement between the parties and supersedes all prior representations, agreements, statements and understandings between the parties.

**Severability**

- 12.5 If any part of this document is invalid or unenforceable, that part will (if possible) be read down to the extent necessary to avoid the invalidity or unenforceability, or alternatively will be deemed deleted; and this document will remain otherwise in full force.

**Amendments to be in writing**

- 12.6 No amendment to this document has any force unless it is in writing.

**Further assurances**

- 12.7 Each party will sign and complete all further documents and do anything else that may be reasonably necessary to effect, perfect or complete the provisions of this document and the transactions to which it relates.

**Joint and several**

- 12.8 An obligation of two or more persons under this document binds them jointly and severally and every expressed or implied agreement or undertaking by which two or more persons derive any benefit in terms of this document will take effect for the benefit of those persons jointly and severally.





**Waiver**

- 12.9 The failure of a party to this document to enforce a provision or the granting of any time or indulgence will not be construed as a waiver of the provision nor of a waiver of the right of the party at a later time to enforce the provision.

**Counterparts**

- 12.10 This document may consist of a number of counterparts and if so the counterparts taken together constitute one and the same instrument. This document, including counterparts of it, may be exchanged physically, or by post, facsimile or email.

**No merger**

- 12.11 The rights and obligations of the parties contained in this document will not be extinguished by or upon completion.



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**SCHEDULE**

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**Item 1: Address for service of notices****Northshore**

Northshore No 3 Pty Ltd (as trustee)  
PO Box 1031 Hamilton QLD 4007  
Email: angusc@northshorecorp.com.au

**JH**

James Hardie Australia Pty Limited  
10 Colquhoun Street, Rosehill NSW 2141  
Facsimile: 1800 818 819

**Guarantor**

James Hardie Industries SE (formerly James Hardie Industries N. V)  
2<sup>nd</sup> Floor Europa House  
Harcourt Centre Harcourt Street  
Dublin 2, Ireland  
Facsimile: +353 1 479 1128



**ANNEXURE A**

Form 8 Surrender



Deed of partial surrender and variation of lease

**SURRENDER OF FREEHOLD LEASE  
OR SUBLEASE**

Duty Imprint

Dealing Number



**OFFICE USE ONLY**

**Privacy Statement**

Collection of this information is authorised by the Land Title Act 1994 the Land Act 1994 and the Water Act 2000 and is used to maintain the publicly searchable registers in the land registry and the water register. For more information about privacy in NR&W see the department's website.

<b>1. Dealing number of instrument being surrendered</b> 706009769	<b>Lodger</b> (Name, address, E-mail & phone number) Cooper Grace Ward GPO Box 834, Brisbane 4001 katie.miller@cgw.com.au T 3231 2983 Ref: 10107764	<b>Lodger Code</b> 131B
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2. Lot on Plan Description	County	Parish	Title Reference
LOT 27 ON RP34120	STANLEY	TOOMBUL	15944054
LOT 2 ON RP34121	STANLEY	TOOMBUL	15944054
LOT 3 ON RP199034	STANLEY	TOOMBUL	17103067

**3. Lessor**  
NORTHSHORE NO 3 PTY LTD ACN 154 082 961 AS TRUSTEE UNDER INSTRUMENT 714227876

**4. Lessee**  
JAMES HARDIE AUSTRALIA PTY LIMITED ACN 084 635 558

**5. Surrender/Execution**

**a) Surrender of Freehold Lease/Sublease**

~~\*Full Surrender~~ The lease/sublease in item 1 is surrendered from / / .

\*Partial Surrender The lease/sublease in item 1 is surrendered from 18/05/2012.

~~\*so far as relates to the land in item 2.~~

\*so far as relates to part of the leased area. The area being surrendered is Lot 2 on RP34121 and Lot 27 on RP34120 (title reference 15994054).

\* delete if not applicable

Witnessing officer must be aware of his/her obligations under section 162 of the Land Title Act 1994

James Hardie Australia Pty Limited ACN 084 635 558

.....	Signature	/s/ Shane Dias
.....	full name	Director
.....	qualification	/s/ Bruce Potts
	24/9/2012	Director/Company Secretary

**Witnessing Officer** **Execution Date** **Lessee's Signature**

(Witnessing officer must be in accordance with Schedule 1 of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

**6. Acceptance**

The Lessor accepts this surrender. **Northshore No 3 Pty Ltd ACN 154 082 961 (as trustee)**

/s/ Angus Campbell  
.....  
Director

7/ 9/2012 /s/ Angel Russo  
.....  
Director/Company Secretary

**Execution Date** **Lessor's Signature**

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**ANNEXURE B**

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Form 13 Amendment of Lease

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Deed of partial surrender and variation of lease



OFFICE USE ONLY

**Privacy Statement**

Collection of this information is authorised by the Land Title Act 1994 the Land Act 1994 and the Water Act 2000 and is used to maintain the publicly searchable registers in the land registry and the water register. For more information about privacy in DERM see the department's website.

Mortgagee's ACL number (if any)

<b>1.</b>	<b>Type/Dealing No of Instrument/Document being amended</b>	<b>Lodger</b> (Name, address, E-mail & phone number)	<b>Lodger Code</b>
	Type of Instrument/Document	Cooper Grace Ward	131B
	Lease.....	GPO Box 834, Brisbane 4001	
	Dealing Number	katie.miller@cgw.com.au	
		T 3231 2983 Ref: 10107764	
<b>2.</b>	<b>Lot on Plan Description</b>	<b>County</b>	<b>Parish</b> <b>Title Reference</b>
	Lot 3 on RP199034	Stanley	Toombul      17103067
<b>3.</b>	<b>Grantor/Mortgagor/Lessor</b>		
	Northshore No 3 Pty Ltd ACN 154 082 961 as trustee under instrument 714227876		
<b>4.</b>	<b>Grantee/Mortgagee/Lessee</b>		
	James Hardie Australia Pty Limited ACN 084 635 558		
<b>5.</b>	<b>Amendment of Lease Details</b> (Only to be completed for an amendment of the term and/or option of lease)		
	Expiry date:      /      /      AND/OR Event:		
	Option/s#:		
	# Insert <i>nil</i> if no option or insert option period (eg 3 years or 2 x 3 years etc)		

**6. Request/Execution**  
 The parties identified in items 3 and 4 agree that the instrument/document in item 1 is amended in accordance with ~~item 5; \*item 5 and attached schedule;~~ \*attached schedule.  
 \* delete if not applicable

**Witnessing officer must be aware of his/her obligations under section 162 of the Land Title Act 1994**  
**Northshore No 3 Pty Ltd ACN 154 082 961 as trustee**

.....	Signature	/s/ Angel Russo
.....	full name	Director/Company Secretary
.....	qualification	7/9/2012 /s/ Angus Campbell

<b>Witnessing Officer</b>	<b>Execution Date</b>	Director	<b>Lessor's Signature</b>
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(Witnessing officer must be in accordance with Schedule 1 of Land Title Act 1994 eg Legal Practitioner JP, C Dec)

**James Hardie Australia Pty Limited ACN 084 635 558**

.....	Signature	/s/ Bruce Potts
.....	full name	Director/Company Secretary
.....	qualification	24/9/2012 /s/ Shane Dias

<b>Witnessing Officer</b>	<b>Execution Date</b>	Director	<b>Lessee's Signature</b>
---------------------------	-----------------------	----------	---------------------------

(Witnessing officer must be in accordance with Schedule 1 of Land Title Act 1994 eg Legal Practitioner, JP, C Dec)

## Title Reference 17103067

The Lessor and Lessee agree that registered lease number 7006009769 (as varied by Amendment 706009780 and Amendment 707678948) (Lease) is amended as follows from 1 August 2012:

1. **Item 1 of the Schedule of Terms is deleted and replaced with:**

2. **"Lessor Northshore No 3 Pty Ltd ACN 154 082 961 as trustee under instrument 714227876 of PO Box 1031 Hamilton QLD 4007" Item 3 of the Schedule of Terms is deleted and replaced with:**

*"Land means Lot 3 on RP199034"*

3. Clause 5.3 is deleted and replaced with:

*"The Lessee shall pay to the Lessor for each Lease Year an amount equal to the Lessee's Proportion of the Outgoings in respect of the Land. The Lessee must also pay the council rates (as defined in paragraph (a) of the definition of Outgoings" in clause 1.1) in respect of the whole of Lot 2 on RP34120 and the whole of Lot 27 on RP34121 (title reference 15944054). This obligation shall not extend to any fines, penalties or interest on the Outgoings which arise because of the Lessor's delay in payment or the Lessor's delay in providing relevant invoices and accounts to the Lessee for payment."*

4. All references to "Lessee's Proportion of Outgoings" in clauses 5.4, 5.5 and 5.6 of the Lease shall be taken to be a reference to the Lessee's Proportion of Outgoings in respect of the Land plus the council rates (as defined in paragraph (a) of the definition of Outgoings in clause 1.1 of the Lease) in respect of the whole of Lot 2 on RP34120 and the whole of Lot 27 on RP34121 (title reference 15944054).

5. Clause 7.6(e)(ii) is deleted.

6. A new clause 15.1(c) is to be included as follows:

*"any Environmental contamination in, on, under or migrating onto or from the Land resulting from the western drain and any works required to remediate it including:*

*(i) installing inverted box culvert sections along the western drain within the Land;*

*(ii) installing a block retaining wall; and*

*(iii) installing sprayed concrete drain batter lining*

*whether such Environmental contamination occurs before or after the Effective Date."*

7. A new clause 8.6 is to be included as follows:

*"(Sublease) The Lessor acknowledges that the Lessee is entering into subleases with the Lessor as sub-tenant for various parts of the Premises and the Lessor consents to these subleases. The parties agree that Clauses 3.2, 4.1(a)(iii), 4.1(b), 4.4, 4.5, 4.6, 4.7, 5.3, 5.4, 5.5, 5.6, 8.1(b), 8.2, 8.3, 8.4, 8.5, 9.1, 9.2, 9.3, 9.6, 15.1, 15.5(b) and (c), 15.6 and 20 of the Lease do not apply to a sublease that has been entered into between the Lessee (as sub-landlord) and the Lessor (as sub-tenant) for any part of the Premises."*

8. Clause 5.1(b) is amended so that it reads as follows:

*"(Costs) The Lessee shall pay all Costs for all Services supplied to the Premises (but with respect to water, the obligation under this clause 5.1(b) is limited to water usage and consumption charges and trade waste charges)."*

SIGNED AS DEED on the date the last party signed this document

SIGNED SEALED AND DELIVERED by )  
NORTHSHORE NO 3 PTY LTD ACN 154 082 961 )  
(AS TRUSTEE UNDER INSTRUMENT 714227876) )  
in accordance with section 127(1) of the )  
Corporations Act 2001 (Cth) by a director and a )  
director/secretary or by a sole director (if applicable): )

/s/ Angel Russo )  
..... )  
Director )  
  
ANGEL RUSSO )  
..... )  
Name )  
  
7 September 2012 )  
..... )  
Date )

/s/ Angus Campbell )  
..... )  
Director/Secretary )  
  
ANGUS CAMPBELL )  
..... )  
Name )  
  
7 September 2012 )  
..... )  
Date )

SIGNED SEALED AND DELIVERED by JAMES )  
HARDIE AUSTRALIA PTY LIMITED ACN 084 635 558 )  
in accordance with section 127(1) of the )  
Corporations Act 2001 (Cth) by a director and a )  
director/secretary or by a sole director (if applicable): )

/s/ Shane Dias )  
..... )  
Director )  
  
SHANE DIAS )  
..... )  
Name )  
  
24 September 2012 )  
..... )  
Date )

/s/ Bruce Potts )  
..... )  
Director/Secretary )  
  
BRUCE POTTS )  
..... )  
Name )  
  
24 September 2012 )  
..... )  
Date )

GIVEN UNDER THE COMMON SEAL OF JAMES )  
HARDIE INDUSTRIES SE ARBN 097 829 895 and )  
delivered: )  
)  
)  
)  
)

/s/ David Dilger )  
..... )  
Director )  
  
DAVID DILGER )  
..... )  
Name )  
  
23 September 2012 )  
..... )  
Date )

/s/ Marcin Firek )  
..... )  
Director/Company Secretary )  
  
MARCIN FIREK )  
..... )  
Name )  
  
23 September 2012 )  
..... )  
Date )



## LIST OF SIGNIFICANT SUBSIDIARIES

The table below sets forth our significant subsidiaries as of 31 March 2013, all of which are 100% owned by James Hardie Industries plc, either directly or indirectly.

<u>Name of Company</u>	<u>Jurisdiction of Establishment</u>
James Hardie 117 Pty Ltd	Australia
James Hardie Aust Holdings Pty Ltd.	Australia
James Hardie Austgroup Pty Ltd.	Australia
James Hardie Australia Management Pty Ltd.	Australia
James Hardie Australia Pty Ltd	Australia
James Hardie Building Products Inc	United States
James Hardie Europe B.V.	Netherlands
James Hardie Finance Holdings 3 Limited	Bermuda
James Hardie Holdings Limited	Ireland
James Hardie International Finance Limited	Ireland
James Hardie International Group Limited	Ireland
James Hardie International Holdings Limited	Ireland
James Hardie New Zealand	New Zealand
James Hardie NZ Holdings	New Zealand
James Hardie Philippines Inc	Philippines
James Hardie Technology Limited	Bermuda
James Hardie U.S. Investments Sierra LLC	United States
N.V. Technology Holdings, A Limited Partnership	Australia
RCI Holdings Pty Ltd	Australia

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Louis Gries, certify that:

1. I have reviewed this annual report on Form 20-F of James Hardie Industries plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

\_\_\_\_\_  
/s/ Louis Gries  
Louis Gries  
Chief Executive Officer

Date: 27 June 2013

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Russell Chenu, certify that:

1. I have reviewed this annual report on Form 20-F of James Hardie Industries plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

\_\_\_\_\_  
/s/ Russell Chenu  
Russell Chenu  
*Chief Financial Officer*

Date: 27 June 2013

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002\***

Each of the undersigned hereby certifies, in his capacity as an officer of James Hardie Industries plc (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- the Annual Report on Form 20-F for the fiscal year ended 31 March 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: 27 June 2013

/s/ Louis Gries

Louis Gries

*Chief Executive Officer*

/s/ Russell Chenu

Russell Chenu

*Chief Financial Officer*

\* The foregoing certification is being furnished as an exhibit pursuant to the rules of Form 20-F and Section 906 of the Sarbanes-Oxley Act of 2002 and, accordingly, is not being filed with the Securities and Exchange Commission as part of the Form 20-F and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 20-F, irrespective of any general incorporation language contained in such filing).

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-14036) pertaining to the Amended and Restated James Hardie Industries plc 2001 Equity Incentive Plan;
- (2) Registration Statement (Form S-8 No. 333-153446) pertaining to the Amended and Restated James Hardie Industries plc Managing Board Transitional Stock Option Plan 2005 and the Amended and Restated James Hardie Industries plc Supervisory Board Share Plan 2006;
- (3) Registration Statement (Form S-8 No. 333-161482) pertaining to the Amended and Restated James Hardie Industries plc Long Term Incentive Plan 2006;

of our reports dated May 23, 2013, with respect to the consolidated financial statements of James Hardie Industries plc and the effectiveness of internal control over financial reporting of James Hardie Industries plc included in this Annual Report (Form 20-F) of James Hardie Industries plc for the year ended March 31, 2013.

/s/ Ernst & Young LLP

Irvine, California  
June 27, 2013

**Consent of KPMG Actuarial Pty Ltd (“KPMG Actuarial”) in relation to Form 20-F filing**

We hereby consent to your references to KPMG Actuarial Pty Ltd (“KPMG Actuarial”) and to our actuarial valuation report effective as of 31 March 2013, dated 23 May 2013 (the “Report”), and to make use of, or quote, information and analyses contained within that Report for the purpose of James Hardie Industries plc’s (“JHI plc”) Annual Report on Form 20-F for fiscal year ended 31 March 2013.

In addition, we hereby consent to your references to past actuarial valuations performed by KPMG Actuarial (formerly KPMG Actuaries Pty Ltd) for the purpose of JHI plc’s (formerly JHI SE’s) Annual Report on Form 20-F for the fiscal year ended 31 March 2013.

Your attention is drawn to the Important Note at the beginning of the Executive Summary of the Report.

/s/ Neil Donlevy

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Neil Donlevy MA FIA FIAA

Executive

KPMG Actuarial Pty Ltd

Fellow of the Institute of Actuaries (London)

Fellow of the Institute of Actuaries of Australia

Sydney, Australia

27 June 2013