

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 20-F

(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 2014

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)

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(Contact name)

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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

[Table of Contents](#)

* 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. 445,033,502 shares of common stock at 31 March 2014.

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

TABLE OF CONTENTS

	<u>Page(s)</u>
Form 20-F Cross-Reference Index	iii
Section 1	1
Introduction	1
Selected Financial Data	1
Information on the Company	4
History and Development of the Company	4
Business Overview	6
Organisational Structure	15
Property, Plants and Equipment	15
James Hardie Management Team	20
Board of Directors	24
Remuneration Report	28
Corporate Governance Report	68
Section 2	90
Reading this report	90
Management's Discussion and Analysis	92
Consolidated Financial Statements	118
Notes to Consolidated Financial Statements	124
Remuneration of Independent Registered Public Accounting Firm	168
Selected Quarterly Financial Data	169
Section 3	170
Risk Factors	170
Legal Proceedings	185
Employees	187
Listing Details	187
Purchases of Equity Securities by the Issuer and Affiliated Purchasers	190
Memorandum and Articles of Association	191
Material Contracts	199
Exchange Controls	199
Taxation	200
Quantitative and Qualitative Disclosures About Market Risk	207
American Depository Shares	210
Section 4	212
SHARE/CHESS Units of Foreign Securities Information	212
Glossary of Abbreviations and Definitions	216
Exhibits	223
Signatures	227

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."

[Table of Contents](#)

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.

FORM 20-F CROSS REFERENCE INDEX

<u>20-F Item Number and Description</u>	<u>Page(s)</u>
PART 1	
Item 1. Identity of Directors, Senior Management and Advisers	Not applicable
Item 2. Offer Statistics and Expected Timetable	Not applicable
Item 3. Key Information	
A. Selected Financial Data	1-4
B. Capitalisation and Indebtness	Not applicable
C. Reasons for the Offer and Use of Proceeds	Not applicable
D. Risk Factors	170-185
Item 4. Information on the Company	
A. History and Development of the Company	4-6; 18-19
B. Business Overview	6-14
C. Organisational Structure	5; 15
D. Property, Plants and Equipment	15-19; 115
Item 4A. Unresolved Staff Comments	None
Item 5. Operating and Financial Review and Prospects	
A. Operating Results	99-111
B. Liquidity and Capital Resources	111-117
C. Research and Development, Patents and Licenses, etc	12-13; 117
D. Trend Information	117
E. Off-Balance-Sheet Arrangements	117
F. Tabular Disclosure of Contractual Obligations	116-117
G. Safe Harbor	90-91
Item 6. Directors, Senior Management and Employees	
A. Directors and Senior Management	20-27
B. Compensation	28-67
C. Board Practices	24-27; 68-78
D. Employees	187
E. Share Ownership	51-54; 60-67
Item 7. Major Shareholders and Related Party Transactions	
A. Major Shareholders	212-215
B. Related Party Transactions	72
C. Interests of Experts and Counsel	None
Item 8. Financial Information	
A. Consolidated Statements and Other Financial Information	118-167; 195-196
B. Significant Changes	None
Item 9. The Offer and Listing	
A. Offer and Listing Details	187-189
B. Plan of Distribution	Not Applicable
C. Markets	189
D. Selling Shareholders	Not Applicable
E. Dilution	Not Applicable
F. Expenses of the Issue	Not Applicable
Item 10. Additional Information	
A. Share Capital	Not Applicable
B. Memorandum and Articles of Association	191-198
C. Material Contracts	199
D. Exchange Controls	199-200

FORM 20-F CROSS REFERENCE INDEX
(Continued)

<u>20-F Item Number and Description</u>	<u>Page(s)</u>
E. Taxation	200-207
F. Dividends and paying agents	Not Applicable
G. Statement by Experts	Not Applicable
H. Documents on Display	207
I. Subsidiary Information	Not Applicable
Item 11. Quantitative and Qualitative Disclosures About Market Risk	207-209
Item 12. Description of Securities Other Than Equity Securities	
A. Debt Securities	Not Applicable
B. Warrants and Rights	Not Applicable
C. Other Securities	Not Applicable
D. American Depositary Shares	210-211
PART II	
Item 13. Defaults, Dividend Arrearages and Delinquencies	None
Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds	None
Item 15. Controls and Procedures	81-84
Item 16A. Audit Committee Financial Expert	74
Item 16B. Code of Business Conduct and Ethics	76
Item 16C. Principal Accountant Fees and Services	168
Item 16D. Exemptions from the Listing Standards for Audit Committees	None
Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	190
Item 16F. Change in Registrant's Certifying Accountant	None
Item 16G. Corporate Governance	85-88
Item 16H. Mine Safety Disclosures	18
PART III	
Item 17. Financial Statements	Not Applicable
Item 18. Financial Statements	118-167
Item 19. Exhibits	223-226

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 remodelling 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 3,100 people and generated net sales of US\$1.5 billion in fiscal year 2014.

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 2014 and 2013, and our consolidated statements of operations and comprehensive income, changes in shareholders' (deficit) equity and cash flows for each of the years ended 31 March 2014, 2013 and 2012, 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.

[Table of Contents](#)

	Fiscal Year ended 31 March				
	2014	2013	2012	2011	2010
Consolidated Statements of Operations Data:					
Net Sales					
USA and Europe Fibre Cement.	\$ 1,127.6	\$ 951.4	\$ 862.0	\$ 814.0	\$ 828.1
Asia Pacific Fibre Cement ¹	366.2	369.9	375.5	353.0	296.5
Total net sales	\$ 1,493.8	\$ 1,321.3	\$ 1,237.5	\$ 1,167.0	\$ 1,124.6
Operating income (loss) ²	\$ 53.1	\$ 29.5	\$ 155.5	\$ 104.7	\$ (21.0)
Interest expense	(4.5)	(5.5)	(11.2)	(9.0)	(7.7)
Interest income	3.4	7.9	3.8	4.6	3.7
Other income (expense) ³	2.6	1.8	3.0	(3.7)	6.3
Income (loss) from operations before income taxes	54.6	33.7	151.1	96.6	(18.7)
Income tax benefit (expense) ⁴	44.9	11.8	453.2	(443.6)	(66.2)
Income (loss) from operations	\$ 99.5	\$ 45.5	\$ 604.3	\$ (347.0)	\$ (84.9)
Net income (loss)	\$ 99.5	\$ 45.5	\$ 604.3	\$ (347.0)	\$ (84.9)
Income (loss) from operations per common share – basic	\$ 0.22	\$ 0.10	\$ 1.39	\$ (0.80)	\$ (0.20)
Net income (loss) per common share – basic	\$ 0.22	\$ 0.10	\$ 1.39	\$ (0.80)	\$ (0.20)
Income (loss) from operations per common share – diluted	\$ 0.22	\$ 0.10	\$ 1.38	\$ (0.80)	\$ (0.20)
Net income (loss) per common share – diluted	\$ 0.22	\$ 0.10	\$ 1.38	\$ (0.80)	\$ (0.20)
Dividends paid per share	\$ 0.45	\$ 0.43	\$ 0.04	\$ -	\$ -
Weighted average number of common shares outstanding					
Basic	442.6	439.2	436.2	435.6	433.1
Diluted	444.6	440.6	437.9	435.6	433.1
Consolidated Cash Flow Information:					
Cash flows provided by operating activities	\$ 322.8	\$ 109.3	\$ 387.2	\$ 147.2	\$ 183.1
Cash flows used in investing activities	\$ (118.8)	\$ (59.7)	\$ (49.9)	\$ (49.6)	\$ (50.5)
Cash flows used in financing activities	\$ (186.3)	\$ (158.7)	\$ (84.4)	\$ (89.7)	\$ (159.0)
Other Data:					
Depreciation and amortisation	\$ 61.4	\$ 61.2	\$ 65.2	\$ 62.9	\$ 61.7
Adjusted EBITDA ⁵	\$ 114.5	\$ 90.7	\$ 220.7	\$ 167.6	\$ 40.7
Capital expenditures	\$ 115.4	\$ 61.1	\$ 35.8	\$ 50.3	\$ 50.5
Volume (million square feet)					
USA and Europe Fibre Cement	1,696.9	1,488.5	1,331.8	1,248.0	1,303.7
Asia Pacific Fibre Cement ¹	417.2	393.7	392.3	407.8	389.6
Average sales price per unit (per thousand square feet)					
USA and Europe Fibre Cement	US\$ 652	US\$ 626	US\$ 642	US\$ 648	US\$ 632
Asia Pacific Fibre Cement ¹	A\$ 930	A\$ 901	A\$ 906	A\$ 906	A\$ 886

Table of Contents

	Fiscal Year ended 31 March				
	2014	2013	2012	2011	2010
(Millions of US dollars)					
Consolidated Balance Sheet Data:					
Net current assets ⁶	\$ 116.0	\$ 373.7	\$ 463.3	\$ 126.9	\$ 50.4
Total assets	\$ 2,106.5	\$ 2,113.2	\$ 2,310.0	\$ 1,960.6	\$ 2,178.8
Total debt ⁷	\$ 47.0	\$ -	\$ 30.9	\$ 59.0	\$ 154.0
Common stock	\$ 230.6	\$ 227.3	\$ 224.0	\$ 222.5	\$ 221.1
Shareholders' equity (deficit)	\$ (199.0)	\$ 18.2	\$ 126.4	\$ (454.5)	\$ (117.9)

¹ 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.

² 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				
	2014	2013	2012	2011	2010
(Millions of US dollars)					
(Unfavourable) favourable asbestos adjustments	\$ (195.8)	\$ (117.1)	\$ (15.8)	\$ (85.8)	\$ (224.2)
AICF SG&A expenses	\$ (2.1)	\$ (1.7)	\$ (2.8)	\$ (2.2)	\$ (2.1)
ASIC related (expenses) recoveries	\$ -	\$ (2.6)	\$ (1.1)	\$ 8.7	\$ (3.4)
Asset impairments	\$ -	\$ (16.9)	\$ (14.3)	\$ -	\$ -
New Zealand product liability expenses ⁸	\$ (1.8)	\$ (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.

³ Other income (expense) in fiscal years 2014, 2013, 2012 and 2011 are due to changes in the fair value of interest rate swap and foreign exchange forward contracts. Other income in fiscal year 2010 primarily includes a realised gain arising from the sale of restricted short-term investments held by AICF. For additional information see Section 2, "Management's Discussion and Analysis – Results of Operations."

⁴ 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.

⁵ 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 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 operating activities," "Adjustments to reconcile net income (loss) to net cash provided by operating activities" and "Change in operating assets and liabilities, net" for fiscal years ended 31 March 2014, 2013, and 2012 are set forth in the consolidated statements of cash flows in Section 2 of this report.

Table of Contents

	Fiscal Years Ended 31 March				
	2014	2013	2012	2011	2010
	(Millions of US dollars)				
Net cash provided by operating activities	\$ 322.8	\$ 109.3	\$ 387.2	\$ 147.2	\$ 183.1
Adjustments to reconcile net income (loss) to net cash provided by operating activities	(189.4)	(145.9)	(114.4)	(136.8)	(312.0)
Change in operating assets and liabilities, net	(33.9)	82.1	331.5	(357.4)	44.0
Net income (loss)	99.5	45.5	604.3	(347.0)	(84.9)
Income tax (benefit) expense	(44.9)	(11.8)	(453.2)	443.6	66.2
Interest expense	4.5	5.5	11.2	9.0	7.7
Interest income	(3.4)	(7.9)	(3.8)	(4.6)	(3.7)
Other (income) expense	(2.6)	(1.8)	(3.0)	3.7	(6.3)
Depreciation and amortisation	61.4	61.2	65.2	62.9	61.7
Adjusted EBITDA	<u>\$ 114.5</u>	<u>\$ 90.7</u>	<u>\$ 220.7</u>	<u>\$ 167.6</u>	<u>\$ 40.7</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 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.

6 Total current assets less total current liabilities.

7 Total debt at 31 March 2014 and 2012 represents the amount owed by AICF under a secured standby loan facility with the government of New South Wales ("Facility"). 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.

8 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.

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 Dutch 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

[Table of Contents](#)

James Hardie Industries N.V., which retained its primary listing on the Australian Securities Exchange (“ASX”). In October 2001, JHIL transferred all of its fibre cement businesses from to James Hardie Industries N.V. 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”).

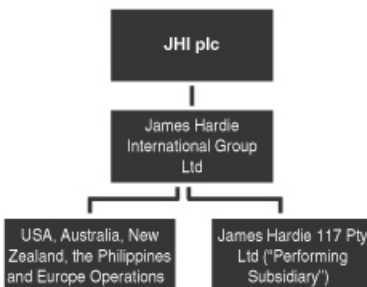
We conduct our operations under legislation in various jurisdictions. As an Irish plc we are governed by the Irish Companies Acts. In addition, we operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the New York Stock Exchange (“NYSE”), the 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, 3rd 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 was 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:



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.

[Table of Contents](#)

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* on our consolidated statements of operations and comprehensive income 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 73%, 70% and 67% of our total net sales in fiscal years 2014, 2013 and 2012, 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 remodelling 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.

In contrast to some other building materials, fibre cement provides durability attributes, such as strong resistance to damage from 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 coloured finishes.

Table of Contents

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		
	2014	2013	2012
	(Millions of US dollars)		
USA and Europe Fibre Cement	\$ 1,127.6	\$ 951.4	\$ 862.0
Asia Pacific Fibre Cement	366.2	369.9	375.5
Total	<u>\$ 1,493.8</u>	<u>\$ 1,321.3</u>	<u>\$ 1,237.5</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 remodelling 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 9% to 615,400 for fiscal year 2014, compared to fiscal year 2013.

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.

Australia

According to Australian Bureau of Statistics, the total number of dwellings approved for fiscal year 2014 were 186,449, an increase of 21% compared to fiscal year 2013. Further, approvals for detached houses, which are the primary driver of the Asia Pacific business' sales volume, were 104,394 for fiscal year 2014, an increase of 16%, compared to fiscal year 2013.

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

Table of Contents

early 1980s and asbestos cement pipe production ceased in 1987. Competition for fibre cement 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, the total number of new dwelling consents excluding apartments, the primary driver of the New Zealand business' net sales were 19,768, an increase of 25% compared to fiscal 2013.

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 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. Our total product offering is aimed at the building and construction markets, including new residential construction, manufactured housing, repair and remodelling 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

[Table of Contents](#)

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 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 resistance to moisture damage 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 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 colours to the palette for James Hardie® products using ColorPlus® technology.

Table of Contents

- During fiscal year 2013, we introduced a new profile HZ10® HardiePlank® siding.
- During fiscal year 2014, we introduced an improved touch up accessory to support products using ColorPlus® technology.

In Australia and New Zealand, new products released over the past five years in the Scyon™ lightweight advanced cement composite range include Stria™ Splayed cladding, and Axent™ trim. In the James Hardie product range; in Australia and New Zealand over the same timeframe, new products include Invibe™ panels and Inraw™ panels; and in New Zealand only, RAB™ PreClad™ Lining and Horizon™ Lining products were released. 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 and Hardieflex™ Pro primarily for wet area application.

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.

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."

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

Table of Contents

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 2014, the average Northern Bleached Softwood Kraft ("NBSK") pulp price relative to our US business was US\$971 per ton, an 11% increase compared to fiscal year 2013.

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 markets, 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), 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 centre retailers and specialist distributors. Our top five US customers accounted for approximately 50% of our total USA and Europe Fibre Cement gross sales in fiscal year 2014. 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

Table of Contents

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 2014, the sales teams (including telemarketing staff) consisted of approximately 334 regular and 1 part-time employees in the United States and Canada, 66 people in Australia, 23 people in New Zealand, 38 people in the Philippines, and 31 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 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 counter clerks 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.

[Table of Contents](#)

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		
	2014	2013	2012
Research and Development Expenditures ¹	\$ 35.3	\$ 39.6	\$ 32.4
Research and Development Expenditures as a percentage of total net sales	2.4%	3.0%	2.6%

¹ Included within research and development expenditures for fiscal years 2014, 2013 and 2012 is US\$2.2 million, US\$2.4 million and US\$2.0 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 licences; 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 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;

Table of Contents

- 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.

[Table of Contents](#)

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 2014.

<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 1 Limited	Bermuda
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 North America Inc.	United States
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. 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 emissions and other waste streams from our plants. In the past, from time to time, we have received notices of alleged discharges in excess of our water and air permit limits. In each case, and in compliance with our Environmental Policy, we have addressed the concerns raised in those notices, in part, through 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

Table of Contents

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 3,226 mmsf and 520 mmsf in the United States and Asia Pacific, respectively, for our fibre cement building products. Fiscal year 2014 capacity utilisation, based on this annual design capacity, for our fibre cement building products locations was an average of 58% and 76% 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 additional capital expenditures in fiscal year 2015 and beyond to meet anticipated demand increases in major markets. Those capacity expansion projects are as follows:

- Fourth sheet machine and ancillary facilities in the Plant City, Florida location with an investment of US\$65.0 million with nominal capacity of 300 mmsf or 9% capacity increase.
- Third sheet machine and ancillary facilities at the company's Cleburne, Texas location with an investment of US\$37.0 million with nominal capacity of 200 mmsf or 6% capacity increase.
- Production capacity expansion at the company's Carole Park, Queensland location with an investment of A\$89.0 million with a nominal capacity increase of 40%.

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
Fontana, California¹
Peru, Illinois
Plant City, Florida
Pulaski, Virginia
Reno, Nevada
Tacoma, Washington
Waxahachie, Texas

United States – Plants Suspended

Blandon, Pennsylvania²
Summerville, South Carolina²

[Table of Contents](#)

Asia Pacific

Australia

Sydney, New South Wales (Rosehill)

Brisbane, Queensland (Carole Park)³

New Zealand

Auckland

The Philippines

Cabuyao City

Fibre Reinforced Concrete Pipes

Australia

Brisbane, Queensland (Meeandah)³

- 1 We suspended production at our Fontana, California location in December 2008. In fiscal year 2013, we announced plans to refurbish and reconfigure the Fontana location and in the fourth quarter of fiscal 2014, we recommenced production. The refurbished plant has a nominal capacity of 250mm².
- 2 We suspended production at our Blandon, Pennsylvania and Summerville, South Carolina locations in November 2007 and November 2008, respectively. In the fourth quarter of fiscal year 2013 we announced that we will not re-open the plant in Blandon, Pennsylvania. No decision has been made on the future of the Summerville, South Carolina location.
- 3 There are two manufacturing locations in Brisbane. Carole Park produces only flat sheets and Meeandah produces only pipes and columns. We completed the purchase of the previously leased land and buildings at the Carol Park location, and in conjunction with the purchase, we are proceeding with an approximately A\$89.0 million capital expenditure and commercial investment program to increase the location's production capacity.

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 location, we own all of our fibre cement manufacturing facilities located in the United States. The lease for the Waxahachie, Texas location 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 purchased 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 our operating entity, James Hardie Philippines Inc., 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.

[Table of Contents](#)

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 2018 (with options to renew). The lease for our silica quartz mine site in Reno, Nevada expires in January 2019. 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 2014, 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.

Capital Expenditures

The following table sets forth our capital expenditures for each year in the three-year period ended 31 March 2014.

	Fiscal Years Ended 31 March		
	2014	2013	2012
			(Millions of US dollars)
USA and Europe Fibre Cement	\$ 72.4	\$43.2	\$26.7
Asia Pacific Fibre Cement	40.7	10.7	6.7
Research and Development and Corporate	<u>2.3</u>	<u>7.2</u>	<u>2.4</u>
Total Capital Expenditures	<u>\$115.4</u>	<u>\$61.1</u>	<u>\$35.8</u>

The Company did not have any material divestitures in the fiscal years ended 31 March 2014, 2013 and 2012.

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

- refurbishment and re-commissioning of our Fontana, California location in the fourth quarter of fiscal 2014. The total cost of this project was US\$35 million;
- upgrade of our supply chain management IT systems for US\$4.3 million in fiscal year 2013;
- re-commissioning and upgrade of our Waxahachie, Texas plant for US\$5.1 million in fiscal year 2013;
- expansion of a warehouse facility at our Pulaski, Virginia plant. As of March 2014, we have incurred US\$4.4 million related to this project;
- installation of new packaging technology at our Pulaski, Virginia plant. As of 31 March 2014, we have incurred US\$3.4 million related to this project; and
- construction of a new warehouse facility at our Cleburne, Texas plant for US\$2.8 million in fiscal year 2013.

Table of Contents

In our Asia Pacific Fibre Cement segment, significant capital expenditures in the last three fiscal years include:

- installation of a new ball mill at our Carole Park, Queensland location for US\$4.1 million in fiscal year 2014; and
- purchase of the land and buildings at our existing Carole Park, Queensland location in the first quarter of fiscal year 2014 for US\$12.0 million.

In conjunction with the purchase of our Carole Park, Queensland location, the company is proceeding with a capital expenditure and commercial investment program to increase the plant's production capacity at a total cost of approximately A\$89.0 million over the next two fiscal years. Production facilities are projected to be fully operational in the first half of fiscal year 2016. 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.

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 incur capital expenditures of approximately US\$200.0 million per year over the next three fiscal years, including facility upgrades and expansions, equipment to enhance environmental compliance, and the implementation of new fibre cement technologies.

JAMES HARDIE MANAGEMENT TEAM

Our management is overseen by the James Hardie Management Team (“JHMT”), 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 JHMT as at 31 May 2014 (in alphabetical order) are:

Joe Blasko BSFS, JD

General Counsel

Age 47



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, USA and a Bachelor of Science in Foreign Service from Georgetown University, USA, with a specialty in International Relations, Law and Organisations.

Mark Fisher BSc, MBA

Executive General Manager – International

Age 43



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 the Company’s non-US businesses in Australia, NZ, Philippines and Europe.

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

[Table of Contents](#)

Sean Gadd BEng, MBA

Executive General Manager – Northern Division

Age 41



Sean Gadd joined James Hardie in 2004 as a Regional Engineering Manager for the Asia Pacific business, and progressed to Plant Manager for both the Carole Park and Rosehill facilities in Australia. Mr Gadd then moved to the US in 2006 to take the role of Manufacturing Manager for Trim and various manufacturing facilities across the US.

In 2009 he ran the US trim business for James Hardie with responsibility for both Manufacturing and Sales, followed by a brief assignment leading Supply Chain. In 2011, Mr Gadd was promoted to the role of Vice President of Sales for the Western USA and Canada. Over the next year, his role was expanded to include the Midwest and Northeast of the USA.

Mr Gadd was appointed Executive General Manager in September 2013 with full P&L responsibility for the Northern Division.

Mr Gadd has a Bachelor of Engineering in Manufacturing Management and an executive MBA from the Australian Graduate School of Management, Australia.

Louis Gries BSc, MBA

Chief Executive Officer

Age 60



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 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, USA and an MBA from California State University, Long Beach, USA.

[Table of Contents](#)

Matthew Marsh BA, MBA

Chief Financial Officer

Age 39



Matthew Marsh joined James Hardie as Chief Financial Officer (“CFO”) in June 2013. As CFO he oversees the company’s overall financial activities, including accounting, tax, treasury, performance and competitor analysis, internal audit and financial operations. Mr Marsh is also responsible for the company’s technology and information systems.

After a 16-year career at General Electric Company (“GE”), Mr Marsh brings a strong background in financial management. Before joining James Hardie, Mr Marsh most recently served as CFO of GE Healthcare’s IT business. Prior to being named CFO of GE Healthcare IT, Mr Marsh oversaw the finance operations for GE Healthcare’s U.S. Healthcare Systems and U.S. Diagnostic Imaging businesses.

Prior to those appointments Mr Marsh travelled globally with the GE Internal Audit Staff gaining extensive experience in several industries including appliances, information services, distribution and supply, aviation, plastics, financial services, capital markets and health care, across more than twenty countries. Mr Marsh has graduated from GE’s Financial Management Program (FMP).

Mr Marsh has a MBA from University of Chicago’s Booth School of Business, USA and a Bachelor of Arts in Economics and Public Affairs from Syracuse University, USA where he graduated Magna Cum Laude.

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, Australia and an MBA from Macquarie Graduate School of Management, Australia.

[Table of Contents](#)

Ryan Sullivan BSc, MS, MBA

Executive General Manager – Southern Division

Age 40



Ryan Sullivan joined James Hardie in 2004 as the ColorPlus Manufacturing Manager. Since then, he has worked for the Company as Director of Global R&D and Engineering Services and Director of North America Supply Chain. In 2012, he became Director of the ColorPlus Business Unit, with product line responsibility for the North American ColorPlus business. In 2013, he was appointed to the James Hardie Management Team as Executive General Manager of the Southern Division with full P&L responsibility.

Before joining James Hardie, Mr Sullivan was a senior manager at Marconi Communications where he held numerous positions and had global responsibility. He has also worked in the fields of nuclear power and advanced robotics.

Mr Sullivan has a Bachelor of Science in Mechanical Engineering with a minor in Engineering Design from Carnegie Mellon University, USA, a Masters of Science in Electrical Engineering from the University of Pittsburgh, USA and an MBA from the University of Pittsburgh Katz School, USA.

[Table of Contents](#)

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 72



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 64



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

[Table of Contents](#)

Last elected: August 2013

Term expires: August 2016

Brian Anderson BS, MBA, CPA

Age 63



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 D. Harrison BA, MBA, CMA

Age 67



David D. 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 10 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 of National Oilwell Varco (since 2003); Former – Director of Navistar International Corporation (2007-2012).

Other: Resident of the United States.

Last elected: August 2013

Term expires: August 2016

[Table of Contents](#)

Alison Littley BA, FCIPS

Age 52



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). She serves on the Board of Weightmans LLP, a UK law firm.

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

Other: Resident of the United Kingdom.

Last elected: August 2012

Term expires: August 2015

James Osborne BA Hons, LLB

Age 65



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 of Ryanair Holdings plc (since 1996); Former – Chairman of Independent News & Media (2011-2012), Chairman of Newcourt Group plc (2004-2009).

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

Last elected: August 2012

Term expires: August 2015

[Table of Contents](#)

Rudolf van der Meer M.Ch.Eng

Age 69



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 of Coatings (2000-2005), CEO of Chemicals (1993-2000), and member of the five person Executive Board (1993-2005).

Directorships of listed companies in the past five years: Current – Director of LyondellBasell Industries N.V. (since August 2010); Former – Member of the Supervisory Board of Hagemeyer N.V. (2006-2008); Chairman of the Supervisory Board of Imtech N.V. (2005-2013).

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

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 2014 and also voluntarily includes an outline of the key changes for fiscal year 2015. Further details of these changes are set out in the 2014 Notice of Annual General Meeting ("AGM").

Consistent with fiscal year 2013, during fiscal year 2014 the Remuneration Committee retained Aon Hewitt (in the US) and Guerdon Associates (in Australia) as its independent advisers for matters regarding remuneration.

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 pay-for-performance system continues to serve as the framework for executive remuneration, aligning the remuneration received with the 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. The names of the 25 companies comprising this peer group are provided in section 8 of this Remuneration Report.

Remuneration packages for senior executives are evaluated each year to make sure that they continue to align with the Company's philosophy, are competitive with their US peer group, and are competitive with developments in the market. In making decisions regarding individual senior executives, 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 package for the CEO and CFO are determined by the Remuneration Committee and ratified by the Board. All aspects of the remuneration package for the remaining senior executives are determined by the Remuneration Committee on the recommendation of the CEO.

1.4 Senior Executives in fiscal year 2014

The Company's senior executives in fiscal year 2014 were:

- Louis Gries, Chief Executive Officer
- Matthew Marsh, Chief Financial Officer
- Mark Fisher, Executive General Manager – International
- Ryan Sullivan, Executive General Manager – South
- Sean Gadd, Executive General Manager – North

Russell Chenu, Chief Financial Officer, was a senior executive until he retired from the Company on 29 November 2013.

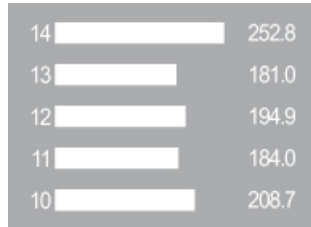
The executive remuneration framework described in this report also applies to the remaining members of the James Hardie Management Team (JHMT), who work with the senior executives to manage the US business.

2. FISCAL YEAR 2014 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:

EBIT¹
(Millions of US dollars)



¹ Excludes asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses

Net Income²
(Millions of US dollars)



² Excludes asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments

JHX Total Return Index vs US Housing Starts



Sourced internally using publicly available data

Readers are referred to Section 4, "Glossary of Abbreviations and Definitions" which includes the reconciliation of EBIT excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability and Net Income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability to the respective US GAAP equivalent measurements.

2.2 Market Conditions and Company Performance

Operating conditions in the US residential housing market improved during fiscal year 2014. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company's performance, were 615,400 for fiscal year 2014, 9% above the prior year. In addition, industry data indicates gains in both single-family and multi-family production.

Overall group operating earnings for fiscal year 2014 increased significantly compared to the prior year, reflecting stronger performance by our USA and Europe Fibre Cement segment and our Asia Pacific Fibre Cement segment. The US and Europe improvement was largely due to improved conditions in the US housing market and higher average net sales price, partially offset by higher production costs and SG&A. The Asia Pacific segment improvement was largely due to increased average net sales price and a reduction in costs achieved in economies of scale, partially offset by depreciation in the exchange rates.

[Table of Contents](#)

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.

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 75th percentile of the Company's peer group. This approach supports the Company's growth aspirations and provides appropriate alignment with shareholders.

During its annual review, the Remuneration Committee assessed the Company's performance in fiscal year 2014 against the background of the gradual recovery in the US and Asia Pacific markets. This review included reviewing fiscal year 2014 performance against:

- the Company's historical performance;
- the Company's peer group;
- the goals in the Company's STI and LTI Variable Remuneration 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 2014 was:

- above target and fiscal year 2013 on earnings and growth measures, resulting in STI Variable Remuneration outcomes being substantially above both target for fiscal year 2014 and amounts paid for fiscal year 2013; and
- superior to the 75th percentile of its peer group of companies on long-term measures (when taken together with performance in fiscal years 2012 and 2013), such as those set out in the Scorecard, resulting in LTI Variable Remuneration being above target for fiscal years 2012-2014.

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 applicable during fiscal year 2014.

3.1 Overview of Fixed Remuneration

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

3.1.1 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

[Table of Contents](#)

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.

3.1.2 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 and an annual financial planning allowance.

3.1.3 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 2014 and have the amount of such reduction contributed to the 401(k) Plan, with a maximum eligible compensation limit of US\$260,000. 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.

3.2 Overview of Variable Remuneration

The Company's Variable Remuneration incentive plans for senior executives in fiscal year 2014 were:

Duration	Plan Name	Amount	Form Incentive Paid
Short-term (1 year)	Individual Performance Plan ("IP Plan")	20% of STI Target	Cash
	Company Performance Plan ("CP Plan") ¹	80% of STI Target	Cash
Long-term (3-4.5 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	Cash (Scorecard LTI)

¹ Previously referred to as Executive Incentive Plan ("EIP Plan").

3.3 Short-Term Incentive Variable Remuneration

3.3.1 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 company goals (under the CP Plan) and individual goals (under the IP Plan). The STI targets for senior executives in fiscal year 2014 were as follows:

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 (Marsh)	60%	80%	20%
Chief Financial Officer (Chenu) ²	33%	0%	100%
Other senior executives	60%	80%	20%

² Retired 29 November 2013.

From fiscal year 2014, the Remuneration Committee approved the introduction of a 'circuit breaker' which, for JHMT members, will prevent payment of any STI under the CP and IP Plans unless JHI plc's performance exceeds a level approved by the Committee each year. The 'circuit breaker' is set at 60% of FY2014 JHI plc plan EBIT (indexed to housing starts) and is calculated after and therefore excludes all of the items JHI plc customarily excludes from its STI calculations, including costs relating to legacy issues such as ASIC proceedings, NZ weathertightness proceedings and changes to the asbestos liability valuation as well as impairment costs the Committee determines should be disregarded.

3.3.2 Short Term Incentives – Company Performance Plan (CP)

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 R. Chenu) can receive between 0% and 300% of their STI target allocated to the CP Plan based on the results of the payout matrix the senior executive is tied to. All senior executives are tied to either the US Payout Matrix or a composite multiple derived from the Payout Matrices for the US and Asia Pacific segments.

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.

Table of Contents

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.

Wood-Aesthetic Market Index (WMI)

From fiscal year 2013, the Remuneration Committee determined that the US payout would be adjusted 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"). In fiscal year 2013 the WMI adjustment was applied to the Growth Measure. The performance requirements for the WMI adjustment remained consistent between fiscal years 2013 and 2014, however for fiscal year 2014, the Remuneration Committee determined the WMI adjustment should instead be applied to the US multiple as determined by the US payout matrix. The WMI adjustment is to be made as follows:

- if the Company meets or exceeds the performance of all three WMI participants, 0.2x will be added to the US multiple as determined by the US payout matrix;
- If the Company meets or exceeds the performance of two of the three WMI participants, there will be no change to the US multiple as determined by the US payout matrix; 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 US multiple as determined by the US payout matrix.

The purpose of this WMI adjustment is 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.

Interior Products Business

Beginning in fiscal year 2014, the Remuneration Committee also reserved for itself discretion to increase or decrease the US multiple as determined by the US payout matrix by an additional 0.2x based on the Remuneration Committee's assessment of management's development and implementation of specific plans for the Company's interior products business.

Payout Matrices

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

[Table of Contents](#)

targets for the Return Measure exclude costs related to legacy issues (including the impact of asbestos, ASIC proceedings, certain asset impairment charges and expenses associated with New Zealand weathertightness proceedings) 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. Examples of instances when the Remuneration Committee would consider exercising this discretion include external factors outside of management's control, and for the US CP Plan only, if the general shift toward smaller homes at each segment of the US market is considered sufficiently material. The Remuneration Committee will disclose the reasons for any such exercise of discretion in that year's Remuneration Report.

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 2014 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.

3.3.3 Individual Short Term Incentives – Individual Performance Plan (IP)

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 CP component of the STI.

Board and Remuneration Committee assessment of management performance under STI Plans and for Fiscal Year 2014

The Company's results and the subsequent STI payouts for fiscal year 2014 were above STI target and fiscal year 2013 as a result of:

- the US business performing significantly above target on the Growth Measure (which requires performance well above market), due to strong category and market share growth;
- the US business performing substantially above the Return Measure due to higher volumes, higher average net sales price, and lower organisational costs as a percentage of revenue;
- the US business 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 US multiple as determined by the US payout matrix;
- Asia Pacific performing slightly below target on the Growth Measure, due to the Australia business achieving growth above its target offset by the New Zealand and Philippines businesses achieving growth below their respective targets; and
- Asia Pacific performing above target on the Return Measure, due to higher returns in Australia and New Zealand, slightly offset by the lower returns in the Philippines business.

Table of Contents

The percentage of the maximum STI Variable Remuneration awarded to or forfeited by senior executives for (individual and corporate) performance in fiscal year 2014 compared to fiscal year 2013 was:

	Cash STI ¹	
	Awarded %	Forfeited %
<i>L Gries</i>		
Fiscal Year 2014	88	12
Fiscal Year 2013	20	80
<i>M Marsh</i>		
Fiscal Year 2014	88	12
Fiscal Year 2013	N/A	N/A
<i>R Chenu²</i>		
Fiscal Year 2014	67	33
Fiscal Year 2013	75	25
<i>M Fisher</i>		
Fiscal Year 2014	87	13
Fiscal Year 2013	22	78
<i>R Sullivan</i>		
Fiscal Year 2014	99	1
Fiscal Year 2013	29	71
<i>S Gadd</i>		
Fiscal Year 2014	95	5
Fiscal Year 2013	29	71

¹ **Awarded** = % of fiscal year 2013 or 2014 Cash STI maximum actually paid. **Forfeited** = % of fiscal year 2013 or 2014 Cash STI maximum foregone. STI amounts were paid in cash under the CP and IP Plans.

² % of fiscal year 2014 cash STI forfeited for R Chenu is due to his departure from the Company rather than a reduction related to performance.

3.4 Description of LTI Variable Remuneration

3.4.1 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 RSUs – an indicator of growth in the value of the Company's capital efficiency over time;
- 30% to Relative 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.

[Table of Contents](#)

The LTI target amounts for the senior executives in fiscal year 2014 were:

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

3.4.2 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
- 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.

Consistent with fiscal year 2013, the maximum payout for the ROCE RSUs is 200% of target LTI. Given the increase in 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 (i.e. 50% vesting) in most years.

ROCE is determined by dividing EBIT by Capital Employed.

EBIT will be 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 weathertightness 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.

The earnings component of ROCE performance targets are predicated on assumptions in market growth. Market growth in our primary markets has two main components – independent third party sourced data for new housing starts, and an independent third party data sourced index for the Repair

Table of Contents

and Remodel (R&R) market. The two main components are blended for an index of market growth. The corresponding earnings component of ROCE performance targets may then be adjusted for the market growth index if they vary from the original assumptions of market growth. Additionally, Board discretion may also be applied to adjust index outcomes for factors such as external assessments of James Hardie product category market share changes.

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.

ROCE goals for the ROCE RSUs are based on historical results and take into account the expected and forecasted impact of the recovery in the US housing market on EBIT and Capital Employed. Achievement in order to receive awards at LTI target (i.e. 50% vesting) will require improvement on the average of the performance of the Company for fiscal years 2011 to 2013 (after indexing for market improvements). The ROCE result in fiscal years 2013 and 2014 was 17.8% and 25.5%, respectively.

The goals for ROCE RSUs granted in fiscal year 2014 (for performance in fiscal years 2014 to 2016) were increased from the goals for ROCE RSUs granted in fiscal year 2013 as follows:

Fiscal Years 2014-2016 ROCE	Fiscal Years 2013-2015 ROCE	% of ROCE RSUs to vest
< 19.5%	< 18.5%	0%
³ 19.5%, but < 21.0%	³ 18.5%, but < 19.5%	25%
³ 21.0%, but < 22.5%	³ 19.5%, but < 20.5%	50%
³ 22.5%, but < 24.0%	³ 20.5%, but < 21.5%	75%
³ 24.0%	³ 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.

[Table of Contents](#)

3.4.3 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 since fiscal year 2009. The Remuneration Committee made the following changes to the Relative TSR RSUs in fiscal year 2014 to bring this component of the LTI plan more in-line with typical plans seen in Australia and the United States:

- decreased the number of re-tests from four to three; and
- modified the payout threshold to commence at 25% rather than 0% for performance at the 40th percentile.

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 is unchanged from fiscal year 2013 and 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 those faced by the Company. The names of the 25 companies comprising the peer group for each grant of Relative TSR RSUs are set out in section 8 of this Remuneration Report.

The Company's relative TSR performance will be measured against the peer group over a 36 to 54 month period from grant date, with testing after the 36th month, and then every six months until the end of the 54 month period. 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:

Performance against Peer Group	% of Relative TSR RSUs vested
<40 th Percentile	0%
40 th – <80 th Percentile	Sliding Scale starting at 25%
≥80 th Percentile	100%

The Remuneration Committee will continue to monitor the design of the Relative TSR RSU component of the LTI plan for senior executives with the aim of balancing investor preferences with the ability to motivate senior executives.

[Table of Contents](#)

3.4.4 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 targets for 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.

The Company has used Scorecard LTI in its LTI Plan since fiscal year 2010. Each year, the Remuneration Committee approves a number of key management objectives, including objectives 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.

No specific weighting is 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 (i.e., 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 2014, including the method of measurement, historical performance against the proposed measures and the Board's expectations, were previously set out in the 2013 AGM Notice of Meeting. An assessment of the Company's Scorecard performance for fiscal years 2012-2014 is set out below. The Company will provide an explanation of the final assessment of performance under the Scorecard for fiscal years 2014-2016 at the conclusion of fiscal year 2016.

[Table of Contents](#)

Board and Remuneration Committee assessment of management performance under Scorecard LTI for Fiscal Years 2012-2014

The Remuneration Committee's review of the Company's performance over fiscal years 2012-2014 against the Scorecard objectives, and the contribution of individual senior executives, resulted in senior executives receiving an average Scorecard rating of 63% (from a range of 55% to 75%).

The Remuneration Committee's assessment of the Company's performance over the fiscal years 2012-2014 based on the Scorecard objectives as determined in mid-2011 is:

Measure	Performance over period	Board Requirement	Reasons	Assessment of Management's Performance
US Primary Demand Growth ("PDG")	FY14: 9.6% FY13: 6.8% FY12: 10.6% ¹	Minimum: Maintain relative to exterior market Stretch: Primary demand growth relative to market	A key strategy for the company is to maximise its market share growth/retention of the exterior cladding market for new housing starts and for Repair & Remodel, 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.
US Product Mix Shift	ColorPlus and Artisan penetration flattened out.	Board Minimum: 5% annual improvement in penetration of ColorPlus and Artisan products Stretch: 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.	While improvement flattened over the three-year period, ColorPlus profitability has improved.

¹ Figure restated to reflect updated methodology calculation.

[Table of Contents](#)

Measure	Performance over period	Board Requirement	Reasons	Assessment of Management's Performance
Manufacturing Reset	Product and process efficiency improvement over the three year period, material yield remained flat.	Improvement in product and process efficiency and material yield metrics will be reviewed to confirm manufacturing performance and progress is effectively supporting the product leadership strategy.	As our differentiated product position continues to increase, this initiative will be critical to delivering future growth and optimising returns.	The organisation has successfully shifted the business back to an effective "high utilisation" model.
Safety	FY14: 1.33 23.43 FY13: 1.57 28.9 FY12: 1.46 18.1	No fatalities Stretch: 2.0 Incident Rate (IR) and 20 Severity Rate (SR) ²	Safety of Company employees is an essential ESG measure.	Organisation progressing towards "zero harm". Results below 2 IR and 20 SR are now expected.
Strategic Positioning	Significant progress with acquisition of fibreglass window assembly assets and organic growth in Europe with expanded product portfolio.	It is not possible to set a specific goal for this measure. However, the Board expects that management will continue to diversify products and geographies to provide more balance with a view towards greater future profit growth opportunities.	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.	Fibreglass windows continues to evolve with manufacturing operations running and market work beginning.
Legacy Issues	All major legacy issues known to exist in FY12 concluded.	Minimum: Resolve or address the Dutch domicile and make substantial progress on others Stretch: 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.

² James Hardie considers only the hours of manufacturing facility employees to determine the IR as these employees have the highest safety risk within the organisation. This methodology yields a higher IR than if James Hardie included all of its employees in the calculation in a manner similar to that of other manufacturing companies. In addition, James Hardie does not consider the employee to have returned to work until s/he has returned to their original position and not on a restricted work basis. This methodology yields a higher SR than if James Hardie considered the employee to have returned to work when they were brought back on restricted work basis.

[Table of Contents](#)

Measure	Performance over period	Board Requirement	Reasons	Assessment of Management's Performance
Managing During the Economic Crisis	Good result from both a market share and profitability perspective.	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.
Talent Management/ Development	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.	Significant improvements in fiscal years 2013 and 2014 offset inadequate outcomes in fiscal year 2012.

3.4.5 Historical performance- Hybrid RSUs

As part of the fiscal year 2012 LTI plan, the Company granted Hybrid RSUs to senior executives. These Hybrid RSUs were granted in June 2012 on the basis of management's performance against EBIT goals in fiscal year 2012. During June 2014, these Hybrid RSUs, which were treated as STI transferred to LTI, vested.

Board and Remuneration Committee assessment of management performance under Hybrid RSU for Fiscal Years 2012-2014

The Remuneration Committee reserved to itself the discretion to review fiscal year 2012 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 214,356 Hybrid RSUs. For those tied to corporate level EBIT performance, this grant was equivalent to 98% of target (and 32.7% of maximum) Variable Remuneration allocated to the Hybrid RSUs. For those tied to US level EBIT performance, this grant was equivalent to 112% of target (and 37.3% of maximum) Variable Remuneration allocated to the Hybrid RSUs. The Remuneration Committee reviewed the Company's performance in fiscal years 2013 and 2014 as part of the fiscal years 2012-2014 Scorecard LTI assessment, and determined that it would not apply any negative discretion in respect of these grants.

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.

3.5 Relative Weightings of Fixed and Variable Remuneration in 2014

The Company's improved performance in fiscal year 2014 was reflected in an increase in the Variable Remuneration paid to senior executives in fiscal year 2014 compared to fiscal year 2013:

	Fixed Remuneration ¹	Variable Remuneration ³				Total Variable%
		Cash Incentive ²	ROCE RSUs %	Scorecard LTI %	Relative TSR RSUs %	
<i>L Gries</i>						
Fiscal Year 2014	10	26	22	25	17	90
Fiscal Year 2013	13	7	28	31	21	87
<i>M Marsh⁴</i>						
Fiscal Year 2014	32	31	13	14	10	68
Fiscal Year 2013	-	-	-	-	-	-
<i>R Chenu⁵</i>						
Fiscal Year 2014	83	17	-	-	-	17
Fiscal Year 2013	54	10	13	14	9	46
<i>M Fisher</i>						
Fiscal Year 2014	26	33	14	16	10	74
Fiscal Year 2013	35	11	19	21	14	65
<i>R Sullivan</i>						
Fiscal Year 2014	27	35	13	15	10	73
Fiscal Year 2013	54	15	11	12	8	46
<i>S Gadd</i>						
Fiscal Year 2014	24	34	15	16	11	76
Fiscal Year 2013	52	15	11	13	9	48

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 CP and IP Plans. 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 ROCE RSUs, Scorecard LTI and Relative TSR RSUs granted in fiscal year 2014.

⁴ Commenced employment 24 June 2013. Received a one-time cash signing bonus of \$288,666 and a one-time grant of time vested RSUs under the 2001 Equity Incentive Plan in addition to fiscal year 2014 LTI plan grants.

⁵ Retired 29 November 2013 and did not receive any equity award grants in fiscal year 2014.

3.6 Variable Remuneration Payable in Future Years

Details of the accounting cost of the Variable Remuneration for fiscal year 2014 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 ¹ (US dollars)				ROCE RSUs ² (US dollars)				Relative TSR RSUs ³ (US dollars)			
	FY2014	FY2015	FY2016	FY2017	FY2014	FY2015	FY2016	FY2017	FY2014	FY2015	FY2016	FY2017
<i>L Gries</i>	493,786	919,550	922,069	423,245	329,192	613,036	614,715	282,164	329,192	613,036	614,715	282,164
<i>M Marsh</i>	55,749	103,819	104,103	47,785	37,167	69,215	69,404	31,858	127,158	235,978	236,184	108,615
<i>M Fisher</i>	55,749	103,819	104,103	47,785	37,165	69,210	69,400	31,856	40,310	75,067	75,272	34,551
<i>R Sullivan</i>	39,821	74,156	74,359	34,132	26,549	49,440	49,576	22,756	28,792	53,619	53,766	24,679
<i>S Gadd</i>	39,821	74,156	74,359	34,132	26,549	49,440	49,576	22,756	28,792	53,619	53,766	24,679
	684,926	1,275,500	1,278,993	587,079	456,622	850,341	852,671	391,390	554,244	1,031,319	1,033,703	474,688

- 1 Represents annual SG&A expense for Scorecard LTI granted in September 2013. 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 2016, 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 2013. 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 2016.
- 3 Represents annual SG&A expense for the Relative TSR RSUs granted in September 2013 with fair market value estimated using the Monte Carlo option-pricing method.
- 4 R Chenu retired 29 November 2013 and did not receive any equity award grants in fiscal year 2014.

4. CHANGES TO REMUNERATION FOR FISCAL YEAR 2015

4.1 Overview of Remuneration for Fiscal Year 2015

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

CEO Compensation

There will be no increases in the CEO's base salary or target STI. The CEO's target LTI will increase by US\$400,000 to US\$3.5 million in fiscal year 2015. The Board believes this adjustment is required to bring the CEO's total compensation package more in line with the total compensation packages of CEO's in the Company's peer group.

[Table of Contents](#)

Other Senior Executive's Compensation

Base pay and target LTI increases in fiscal year 2015 for other senior executives are as follows:

Name	Base Salary		Target LTI	
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2015
M Marsh	\$ 480,000	\$ 500,000	\$ 350,000	\$ 500,000
M Fisher	480,000	490,000	350,000	500,000
R Sullivan	330,000	420,000	250,000	500,000
S Gadd	300,000	390,000	250,000	500,000

Base salary increases for M Marsh and M Fisher were made in line with the Company's annual compensation review guidelines and were adjusted as required to maintain positioning relative to market merit increase levels. Base pay increases for R Sullivan and S Gadd were made to properly align base salary pay with the increase in scope and accountability for their respective positions with the shift in management structure during fiscal year 2014 to a three GM structure.

Target LTI for fiscal year 2015 increased for all senior executives to better align the total direct compensation level for each senior executive with the Company's remuneration philosophy and the total direct compensation levels of the Company's peer group.

There were no changes in target STI for senior executives.

STI Variable Compensation Plans

There will be no changes to the Company's STI Variable Compensation plans.

LTI Variable Compensation Plans

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

- updating the performance hurdles required to achieve vesting of the ROCE RSUs;
- eliminating the first of three re-tests for the Relative TSR RSUs. The Company's relative TSR performance will be measured against the peer group over a 36 to 54 month period from grant date, with testing after the 36th month, 48th month and at the end of the 54 month period. The Remuneration Committee will continue to monitor the appropriate number of re-tests each year; and
- updating the Scorecard objectives for fiscal year 2015.

The 2014 AGM Notice of Meeting contains further details on the ROCE RSU and Relative TSR RSU grants for fiscal year 2015. Changes to ROCE performance hurdles and Scorecard objectives for fiscal year 2015 are set forth in the following section.

4.2 Changes to LTI Variable Compensation for Fiscal Year 2015

4.2.1 ROCE RSUs

The goals for ROCE RSUs to be granted in fiscal year 2015 (for performance in fiscal years 2015 to 2017) were increased from the goals for ROCE RSUs granted in fiscal year 2014 as follows:

Fiscal Years 2015-2017 ROCE	Fiscal Years 2014-2016 ROCE	% of ROCE RSUs to vest
< 22.0%	< 19.5%	0%
³ 22.0%, but < 24.5%	³ 19.5%, but < 21.0%	25%
³ 24.5%, but < 27.0%	³ 21.0%, but < 22.5%	50%
³ 27.0%, but < 28.5%	³ 22.5%, but < 24.0%	75%
³ 28.5%	³ 24.0%	100%

For fiscal year 2015, the Board has both increased the ROCE performance level at which vesting commences and broadened the ROCE performance hurdles for vesting between 0%-25% and 25%-50%, thereby making it more difficult to achieve at-target vesting. The Board believes this increase in performance hurdles is appropriate given the recovering housing market in the US.

4.2.2 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. For fiscal year 2015, the Remuneration Committee has made a number of changes to the Scorecard. These changes include:

- adding three new goals relating to customer experience, defending market share and trim market strategy implementation;
- renaming one goal relating to manufacturing capacity and efficiency to better reflect organisational targets over the next three years;
- broadening the focus of the capacity expansion goal from Australia only to global; and
- removing the 'legacy issues' goal as all major legacy issues have been concluded.

[Table of Contents](#)

The goals included in the scorecard for fiscal year 2015 are set forth below:

Goal	Importance	Measurement	Board Expectation
Grow exterior cladding market share and maintain category share in the US business	A key strategy for the Company is to maximise its market share growth/retention of the exterior cladding market for new housing starts and for Repair and Remodel markets.	PDG performance of the Company's exterior cladding compared to underlying market (in square feet).	PDG growth above market. Outperformance against key competition.
Build US organisational and leadership capability in support of the 35/90 growth target	The amount of growth that 35/90 entails requires lower turnover levels and an increase in management depth and organisational capability.	A range of factors including the rate of salaried voluntary turnover, survey results of overall satisfaction, execution of programs to build organisational capability and bench strength for key roles and measure of readiness.	Satisfactory progress on turnover, engagement initiatives and programs to build organisational capability build demonstrated by greater bench strength of high performing managers.
Manufacturing effectiveness and sourcing efficiency	The Company operates a national US network of manufacturing facilities.	First pass quality and service, as well as sheet machine product and process efficiency metrics for sheet machines. Manufacturing performance data is commercial in confidence.	Commercial in confidence targets will be reviewed to confirm progress is supporting the Company's product leadership strategy.
Safety	The safety of all employees is an essential objective of the Company.	Incident Rate (IR): Recordable incidents per 200,000 hours worked Severity Rate (SR): Days lost per 200,000 hours worked	Zero fatalities. IR: 2.0 or below and SR: 20.0 or below.

[Table of Contents](#)

Goal	Importance	Measurement	Board Expectation
Maintain market position on core products in Australian and New Zealand Markets and grow Scyon to greater proportion of Australian business	Value creating opportunity.	Category share and primary demand growth. Scyon growth will be based on % net sales revenue against total for Australia. Current market position is commercial in confidence.	Grow category share on core Australian and New Zealand products. Grow PDG in Australia and New Zealand. Achieve growth in Scyon percentage of Australian Business.
Global capacity expansion	Expansion to support expected growth over the next 20 years.	Approval, construction and start-up of capacity adds.	Completion of building construction, equipment installation and start up at identified sites.
Strategic positioning	Developing sustainable growth beyond the company's traditional markets may create shareholder value through increased profits and diversification for lower risk.	This measure is subjective and achievement can take many different forms, including developing new technologies, expanding into new product categories, or expanding geographically.	Progress against this goal will be reviewed to ensure any progress is supporting the Company's position in the marketplace.
Customer experience	Necessary to support the Company's 35/90 strategy.	Map the current customer experience and identify needs and barriers throughout the experience (for different customer types). Develop strategies to address gaps identified.	Demonstrated improvement in the customer experience based on measures set up in FY15.
Defend market share position against key wood-look competitor	Necessary to support the Company's 35/90 strategy.	The Company's exterior performance relative to key wood-look competitor in specific markets Current market position is commercial in confidence.	Outgrow key wood-look competitors in specific markets in the aggregate measured on a calendar year basis.
Trim market strategy implementation	Developing sustainable growth beyond the company's traditional products.	This measure is subjective and achievement can take many different forms, including developing new technologies, expanding into new product categories, or expanding geographically.	Commercial in confidence targets will be reviewed to confirm progress is supporting the Company's trim market strategy.

[Table of Contents](#)

5. REMUNERATION PAID TO SENIOR EXECUTIVES

5.1 Total Remuneration for Senior Executives

Details of the remuneration of the senior executives in fiscal years 2014 and 2013 are set out below:

(US dollars)	Name	Primary		Post-employment	Equity Awards		Other	Total	
		Base Pay	Bonuses ²	Noncash Benefits ³	Superannuation and 401(k) Benefits	Ongoing Vesting ⁴	Mark-to-Market ⁵		Relocation Allowances, Expatriate Benefits, and Other Non-recurring
<i>L Gries¹</i>									
	Fiscal Year 2014	\$ 951,743	\$ 2,835,750	\$ 112,564	\$ 15,228	\$ 6,272,763	\$ 1,461,408	\$ -	\$ 11,649,456
	Fiscal Year 2013	950,966	638,875	92,873	14,826	5,066,796	1,024,436	63,087	7,851,859
<i>M Marsh⁶</i>									
	Fiscal Year 2014	350,769	687,744	30,564	19,938	196,070	24,004	288,666	1,597,755
	Fiscal Year 2013	-	-	-	-	-	-	-	-
<i>R Chenu⁷</i>									
	Fiscal Year 2014	611,453	181,136	92,738	35,202	606,825	130,790	244,621	1,902,765
	Fiscal Year 2013	930,969	225,378	86,947	87,677	658,609	92,031	103,314	2,184,925
<i>M Fisher</i>									
	Fiscal Year 2014	473,061	673,344	43,505	15,612	712,419	158,794	-	2,076,735
	Fiscal Year 2013	452,145	174,661	42,940	15,273	683,969	104,492	-	1,473,480
<i>R Sullivan</i>									
	Fiscal Year 2014	311,539	529,848	81,054	15,508	209,217	66,392	-	1,213,558
	Fiscal Year 2013	268,358	92,948	36,272	15,708	91,521	22,156	10,385	537,348
<i>S Gadd</i>									
	Fiscal Year 2014	281,538	463,680	36,753	16,131	220,293	47,816	-	1,066,211
	Fiscal Year 2013	238,777	82,620	41,833	14,327	120,411	39,052	-	537,020
Total Compensation for Senior Executives									
	Fiscal Year 2014	\$ 2,980,103	\$ 5,371,502	\$ 397,178	\$ 117,619	\$ 8,217,587	\$ 1,889,204	\$ 533,287	\$ 19,506,480
	Fiscal Year 2013	\$ 2,841,215	\$ 1,214,482	\$ 300,865	\$ 147,811	\$ 6,621,306	\$ 1,282,167	\$ 176,786	\$ 12,584,632

¹ L Gries base pay includes US\$155,818 and US\$149,058 in fiscal years 2014 and 2013, respectively, for his services on the JHI plc Board. For fiscal year 2013, "Other" compensation includes a charge to recognise gross-up and tax paid on equity vested during fiscal years 2013 for which a portion of the vesting period was while L Gries was seconded to The Netherlands.

² Includes STI amounts (paid in cash) under the CP and IP Plans. Fiscal year 2013 includes over/under accruals from fiscal year 2012. Fiscal year 2014 is actual bonus to be paid in June 2014. Per the CP and IP Plans, the cash payments for each fiscal year are paid in June following the end of the fiscal year.

³ 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, financial planning and tax services.

⁴ 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 2014 and 2013 resulting from changes in the Company's share price, which is disclosed separately in the Equity Awards "Mark-to-Market" column.

[Table of Contents](#)

- 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 2014 and 2013. During fiscal year 2014, there was a 29.5% appreciation in the Company's share price from US\$10.20 to US\$13.21.
- 6 Commenced employment 24 June 2013. Upon hire, received cash in the amount of US\$288,666 which is included in the "Other" compensation column as well as a one-time grant of time-vested RSUs as compensation for foregone compensation and benefits at his prior employer. These RSUs were granted 16 September 2013 and are scheduled to cliff vest on the third anniversary of the grant date. The equity award expense for these time-vested RSUs is included in the "Ongoing Vesting" column.
- 7 Retired from the Company on 29 November 2013. Ongoing equity award expense reflects awards not lapsed or forfeited following retirement. R Chenu did not receive any equity award grants in fiscal year 2014.

5.2 Equity Holdings of Senior Executives

(a) Options

Name	Grant Date ¹⁰	Exercise Price per right (A\$)	Holding at 1 April 2013	Granted	Total Value at Grant ¹ (US\$)		Vested	Exercised	Value at Exercise per right ² (A\$)		Value at Lapse per right ³ (A\$)	Holding at 31 March 2014	Weighted Average Fair Value per right ⁴
										Lapsed			
L Gries	21-Nov-06 ⁶	\$ 8.4000	415,000	415,000	\$ 888,100		415,000	(415,000)	6.2665	-	-	-	2.1400
	21-Nov-06 ⁶	\$ 8.4000	228,600	381,000	\$1,131,570		228,600	(228,600)	6.2665	-	-	-	2.9700
	29-Aug-07 ⁶	\$ 7.8300	445,000	445,000	\$ 965,650		445,000	(445,000)	6.8365	-	-	-	2.1700
	29-Aug-07 ⁶	\$ 7.8300	364,458	437,000	\$1,302,260		364,458	(364,458)	6.8365	-	-	-	2.9800
M Marsh	-	-	-	-	-	-	-	-	-	-	-	-	-
R Chenu	22-Feb-05 ⁵	\$ 6.3000	93,000	93,000	\$ 107,973		93,000	(93,000)	-	-	-	-	1.1610
	21-Nov-06 ⁶	\$ 8.4000	65,000	65,000	\$ 139,100		65,000	-	-	-	65,000	-	2.1400
	21-Nov-06 ⁶	\$ 8.4000	36,000	60,000	\$ 178,200		36,000	-	-	-	36,000	-	2.9700
	29-Aug-07 ⁶	\$ 7.8300	68,000	68,000	\$ 147,560		68,000	(68,000)	-	-	-	-	2.1700
	29-Aug-07 ⁶	\$ 7.8300	55,044	66,000	\$ 196,680		55,044	(55,044)	-	-	-	-	2.9800
M Fisher	1-Dec-05 ⁵	\$ 8.9000	190,000	190,000	\$ 386,137		190,000	(190,000)	3.2453	-	-	-	2.0323
	21-Nov-06 ⁵	\$ 8.4000	68,500	158,500	\$ 291,069		158,500	(68,500)	3.7453	-	-	-	1.8364
	10-Dec-07 ⁵	\$ 6.3800	117,778	277,778	\$ 275,084		277,778	(117,778)	3.6556	-	-	-	0.9903
R Sullivan	21-Nov-06 ⁵	\$ 8.4000	59,600	59,600	\$ 109,449		59,600	(59,600)	1.6038	-	-	-	1.8364
S Gadd	-	-	-	-	-	-	-	-	-	-	-	-	-

[Table of Contents](#)

(b) Restricted Stock Units

Name	Grant Date	Release Date	Holding and Unvested at 1 April 2013	Granted	Total Value at Grant ¹ (US\$)	Vested	Lapsed	Holding and Unvested at 31 March 2014	Weighted Average Fair Value per right ⁴
<i>L Gries</i>	15-Sep-09 ⁷	15-Sep-12	234,900	234,900	\$ 1,176,849	(122,844)	-	112,056	\$ 5.0100
	11-Dec-09 ⁷	15-Sep-12	81,746	81,746	\$ 564,865	(42,749)	-	38,997	\$ 6.9100
	15-Sep-10 ⁷	15-Sep-13	577,255	577,255	\$ 2,595,627	(448,850)	-	128,405	\$ 4.4965
	7-Jun-11 ⁸	7-Jun-13	45,687	45,687	\$ 279,901	(45,687)	-	-	\$ 6.1265
	15-Sep-11 ⁷	15-Sep-14	606,852	606,852	\$ 2,500,291	-	-	606,852	\$ 4.1201
	7-Jun-12 ⁸	7-Jun-14	166,459	166,459	\$ 1,199,137	-	-	166,459	\$ 7.2038
	14-Sep-12 ⁷	14-Sep-15	273,732	273,732	\$ 2,041,356	-	-	273,732	\$ 7.4575
	14-Sep-12 ⁹	14-Sep-15	284,916	284,916	\$ 2,645,360	-	-	284,916	\$ 9.2847
	16-Sep-13 ⁷	16-Sep-16	-	295,824	\$ 2,047,102	-	-	295,824	\$ 6.9200
16-Sep-13 ⁹	16-Sep-16	-	278,393	\$ 2,727,973	-	-	278,393	\$ 9.7990	
<i>M Marsh</i>	16-Sep-13 ⁷	16-Sep-16	-	33,400	\$ 231,128	-	-	33,400	\$ 6.9200
	16-Sep-13 ⁹	16-Sep-16	-	31,431	\$ 307,992	-	-	31,431	\$ 6.7990
	16-Sep-13 ¹¹	16-Sep-16	-	56,128	\$ 549,998	-	-	56,128	\$ 9.7990
<i>R Chenu</i>	15-Sep-09 ⁷	15-Sep-12	45,675	45,675	\$ 228,832	(23,886)	-	21,789	\$ 5.0100
	11-Dec-09 ⁷	15-Sep-12	15,895	15,895	\$ 109,834	(8,312)	-	7,583	\$ 6.9100
	15-Sep-10 ⁷	15-Sep-13	72,157	72,157	\$ 324,454	(56,106)	-	16,051	\$ 4.4965
	7-Jun-11 ⁸	7-Jun-13	5,711	5,711	\$ 34,988	(5,711)	-	-	\$ 6.1265
	15-Sep-11 ⁷	15-Sep-14	68,516	68,516	\$ 282,293	-	(7,690)	60,826	\$ 4.1201
	7-Jun-12 ⁸	7-Jun-14	18,794	18,794	\$ 135,388	-	(3,259)	15,535	\$ 7.2038
	14-Sep-12 ⁷	14-Sep-15	30,905	30,905	\$ 230,474	-	(13,774)	17,131	\$ 7.4575
14-Sep-12 ⁹	14-Sep-15	32,168	32,168	\$ 298,670	-	(14,337)	17,831	\$ 9.2847	
<i>M Fisher</i>	15-Sep-09 ⁷	15-Sep-12	39,150	39,150	\$ 196,142	(20,474)	-	18,676	\$ 5.0100
	11-Dec-09 ⁷	15-Sep-12	13,624	13,624	\$ 94,142	(7,124)	-	6,500	\$ 6.9100
	15-Sep-10 ⁷	15-Sep-13	67,003	67,003	\$ 301,279	(52,098)	-	14,905	\$ 4.4965
	7-Jun-11 ⁸	7-Jun-13	5,303	5,303	\$ 32,489	(5,303)	-	-	\$ 6.1265
	15-Sep-11 ⁷	15-Sep-14	68,516	68,516	\$ 282,293	-	-	68,516	\$ 4.1201
	7-Jun-12 ⁸	7-Jun-14	18,794	18,794	\$ 135,388	-	-	18,794	\$ 7.2038
	14-Sep-12 ⁷	14-Sep-15	30,905	30,905	\$ 230,474	-	-	30,905	\$ 7.4575
	14-Sep-12 ⁹	14-Sep-15	32,168	32,168	\$ 298,670	-	-	32,168	\$ 9.2847
16-Sep-13 ⁷	16-Sep-16	-	33,400	\$ 231,128	-	-	33,400	\$ 6.9200	
16-Sep-13 ⁹	16-Sep-16	-	31,431	\$ 307,992	-	-	31,431	\$ 9.7990	
<i>R Sullivan</i>	15-Sep-11 ⁷	15-Sep-14	17,227	17,227	\$ 70,977	-	-	17,227	\$ 4.1201
	7-Jun-12 ⁸	7-Jun-14	5,400	5,400	\$ 38,901	-	-	5,400	\$ 7.2038
	14-Sep-12 ⁷	14-Sep-15	7,064	7,064	\$ 52,680	-	-	7,064	\$ 7.4575
	14-Sep-12 ⁹	14-Sep-15	7,353	7,353	\$ 68,270	-	-	7,353	\$ 9.2847
	16-Sep-13 ⁷	16-Sep-16	-	23,857	\$ 165,090	-	-	23,857	\$ 6.9200
	16-Sep-13 ⁹	16-Sep-16	-	22,451	\$ 219,997	-	-	22,451	\$ 9.7990
<i>S Gadd</i>	15-Sep-10 ⁷	15-Sep-13	16,493	16,493	\$ 74,161	(12,824)	-	3,669	\$ 4.4965
	15-Sep-11 ⁷	15-Sep-14	15,661	15,661	\$ 64,525	-	-	15,661	\$ 4.1201
	7-Jun-12 ⁸	7-Jun-14	4,909	4,909	\$ 35,363	-	-	4,909	\$ 7.2038
	14-Sep-12 ⁷	14-Sep-15	7,064	7,064	\$ 52,680	-	-	7,064	\$ 7.4575
	14-Sep-12 ⁹	14-Sep-15	7,353	7,353	\$ 68,270	-	-	7,353	\$ 9.2847
	16-Sep-13 ⁷	16-Sep-16	-	23,857	\$ 165,090	-	-	23,857	\$ 6.9200
	16-Sep-13 ⁹	16-Sep-16	-	22,451	\$ 219,997	-	-	22,451	\$ 9.7990

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

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

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

Table of Contents

- 4 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.
- 5 Options granted under the 2001 JHI plc Equity Incentive Plan ("2001 Equity Incentive Plan"). All options have vested and become exercisable.
- 6 Options granted under the James Hardie Industries LTIP (LTIP). These options are subject to performance hurdles. The holding as of 31 March 2014 represents all options which have vested and become exercisable.
- 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 the LTIP. These RSUs are subject to application of negative discretion.
- 9 ROCE RSUs are granted under the LTIP and are subject to performance hurdles and/or application of negative discretion.
- 10 All options granted expire 10 years after the grant date.
- 11 Time vested RSUs granted under the 2001 JHI plc Equity Incentive Plan ("2001 Equity Incentive Plan").

(c) Scorecard LTI

Name	Grant Date	Release Date	Holding at 1 April 2013	Granted	Vested ¹	Lapsed	Holding at 31 March 2014
<i>L Gries</i>	29-Jun-10	29-Jun-13	442,424	442,424	(221,212)	(221,212)	-
	7-Jun-11 ²	7-Jun-14	455,239	455,239	-	-	455,239
	14-Sep-12	14-Sep-15	320,531	320,531	-	-	320,531
	16-Sep-13	16-Sep-16	-	313,192	-	-	313,192
<i>M Marsh</i>	16-Sep-13	16-Sep-16	-	35,360	-	-	35,360
<i>R Chenu</i>	29-Jun-10	29-Jun-13	55,303	55,303	(27,651)	(27,652)	-
	7-Jun-11 ²	7-Jun-14	51,398	51,398	-	(5,769)	45,629
	14-Sep-12	14-Sep-15	36,189	36,189	-	(16,129)	20,060
<i>M Fisher</i>	29-Jun-10	29-Jun-13	51,353	51,353	(28,244)	(23,109)	-
	7-Jun-11 ²	7-Jun-14	51,398	51,398	-	-	51,398
	14-Sep-12	14-Sep-15	36,189	36,189	-	-	36,189
	16-Sep-13	16-Sep-16	-	35,360	-	-	35,360
<i>R Sullivan</i>	7-Jun-11 ²	7-Jun-14	12,923	12,923	-	-	12,923
	14-Sep-12	14-Sep-15	8,272	8,272	-	-	8,272
	16-Sep-13	16-Sep-16	-	25,257	-	-	25,257
<i>S Gadd</i>	29-Jun-10	29-Jun-13	12,641	12,641	(8,342)	(4,299)	-
	7-Jun-11 ²	7-Jun-14	11,748	11,748	-	-	11,748
	14-Sep-12	14-Sep-15	8,272	8,272	-	-	8,272
	16-Sep-13	16-Sep-16	-	25,257	-	-	25,257

¹ Represents the number of Scorecard LTI awards vesting after the Remuneration Committee's application of the scorecard in respect of fiscal years 2011-2013. A detailed assessment of the reasons for the scorecard ratings was sent out in the fiscal year 2013 Remuneration Report.

² Scorecard LTI awards in respect of fiscal years 2012-2014 will vest on 7 June 2014. A detailed assessment of the Remuneration Committee's assessment of management's performance is set out in section 3.4 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 2013 and 31 March 2014 are set out below:

	CUFS at 1 April 2013	CUFS at 31 March 2014	Options at 1 April 2013	Options at 31 March 2014	RSUs at 1 April 2013	RSUs at 31 March 2014
<i>L Gries</i>	469,150	471,501	1,453,058	-	2,271,547	2,185,634
<i>M Marsh</i>	-	-	-	-	-	120,959
<i>R Chenu¹</i>	199,884	255,839	317,044	101,000	289,821	156,746
<i>M Fisher</i>	165,221	204,464	376,278	-	275,463	255,295
<i>R Sullivan</i>	-	-	59,600	-	37,044	83,352
<i>S Gadd</i>	17,532	26,049	-	-	51,480	84,964

¹ Retired from the Company on 29 November 2013.

Based on 445,293,092 shares of common stock outstanding at 31 May 2014 (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 2014. None of the shares held by senior executives have any special voting rights. The only change in the number of CUFS, options or RSUs held by senior executives between 31 March 2014 and 31 May 2014 is for R Chenu who exercised all of his remaining 101,000 options on 29 and 30 May 2014. This brings his holdings of options as at 31 May 2014 to nil.

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 the effective date of the guidelines (1 April 2009) or the date the senior executive first becomes subject to the applicable guideline.

During fiscal year 2014, the Company amended the stock ownership guidelines such that the CFO's holding requirement is 1 times base salary.

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). Once a senior executive has met or exceeded the 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 the stock ownership guideline).

The CEO's holdings have exceeded the stock ownership guidelines for some years.

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 2014. 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:

Components	Details
Length of contract	Indefinite. The CEO is an 'at-will' employee.
Base salary	US\$950,000 for fiscal year 2014 and 2015. Salary reviewed annually by the Board and there will be no base salary increase for fiscal year 2015.
Short-term incentive	Annual STI target is 125% of annual base salary for fiscal year 2014 and 2015. 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 year 2014, the LTI target was US\$3.1 million. For fiscal year 2015, the LTI target will increase to US\$3.5 million.
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 after the age of sixty-five, or with the approval of the Board before age sixty-five, then his unvested RSUs and awards will not be forfeited and will be held until the next test date.
Termination by James Hardie	<p>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:</p> <ul style="list-style-type: none">(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

[Table of Contents](#)

Components	Details
	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:

Components	Details
Length of contract	Indefinite. The CFO is an 'at-will' employee.
Base salary	US\$480,000 for fiscal year 2014. Salary reviewed annually by the Board and will increase to US\$500,000 for fiscal year 2015.
Short-term incentive	Annual STI target is 60% of annual base salary for fiscal year 2014 and 2015. The quantum of STI target is reviewed annually by the Remuneration Committee in May.
Long-term incentive	The CFO will receive a LTI incentive with performance hurdles each year. The value of LTI to be granted will be approved by the Remuneration Committee. For fiscal year 2014, the LTI target was US\$350,000. For fiscal year 2015, the LTI target will increase to US\$500,000. As a one-time grant upon hire, the CFO received a grant of time-vested RSUs equivalent to US\$500,000 on 16 September 2013, these RSUs will vest on the third anniversary of the grant date.
Defined Contribution Plan	The CFO 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 CFO's contributions into the plan up to the annual IRS limit.
Resignation	As an at-will employee, the CFO is not required to provide any notice of resignation.
Termination by James Hardie	The Company may terminate the CFO's employment for cause or not for cause. If the Company terminates the CFO's employment, not for cause, or the CFO terminates his employment "for good reason" within the CFO's first two years of employment, the Company will pay the CFO his then Annual Base Salary and Targeted Annual Bonus, less applicable withholding, provided that he signs and complies with (i) a resignation letter resigning from all office and director positions held at the time, and (ii) a general release of all claims in a form acceptable to the Company. No other termination payments are payable, except as required under the terms of the applicable STI or LTI plans.

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:

Components	Details
Length of contract	Indefinite. Senior executives are 'at-will' employees.
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 60% 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	As at-will employees, senior executives are not required to provide any notice of resignation except as required by individual contract.
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.
Other	<p>Health, Welfare and Vacation Benefits: 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.</p> <p>Business Expenses: 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.</p> <p>Automobile: 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.</p> <p>Financial Planning: 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.</p>

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. The Company is proposing to seek shareholder approval at the 2014 AGM to increase the maximum aggregate fee pool by US\$300,000 to US\$2.3 million per annum. 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 during fiscal year 2014, to one of the directors who served on a number of the Company's subsidiary boards. Non-executive directors will not serve on the Company's subsidiary boards during fiscal year 2015 and consequently no fee will be paid for this service.

During fiscal year 2014, the Remuneration Committee reviewed non-executive 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, workload requirements and reduction in net of tax remuneration for US domiciled directors as a result of the company's re-domicile from The Netherlands to Ireland. As a result of the review, fiscal year 2014 fees were adjusted to partly compensate US domiciled directors for the reduction in net of tax compensation received as a result of the Company's re-domicile from The Netherlands to Ireland. The Remuneration Committee also recommended an increase in non-executive director fees as set out below for fiscal year 2015. The FY2015 annual fee adjustments include a 4% increase in base fees, a market-based fee adjustment for the N&GC Chair committee chair of \$7,500, and a tax equalisation adjustment fee for the US domiciled chairman, audit committee chair and remuneration committee chair of 27%, collectively.

Position	Fiscal Year 2014 (US\$)	Fiscal Year 2015 (US\$)
Chairman	\$ 394,779	\$ 462,471
Deputy Chairman	\$ 209,775	\$ 218,145
Board member	\$ 155,818	\$ 162,050
Audit Committee Chair	\$ 40,000	\$ 73,750
Remuneration Committee Chair	\$ 32,500	\$ 73,750
N&GC Committee Chair	\$ 12,500	\$ 20,000
Ad-hoc Board sub-committee attendance	\$ 3,000 ¹	-
Non-executive member of subsidiary boards	Euro 24,000	-

¹ Fee is payable in respect of each ad-hoc Board sub-committee meeting attended. The fee is not payable in respect of standing Board committees.

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

Table of Contents

(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 2014 and 2013

The table below sets out the remuneration for those directors who served on the Board during the fiscal years ended 31 March 2014 and 31 March 2013:

(US dollars)	Primary Directors' Fees ¹	Other Payments ²	Other Benefits ³	Total
Name				
<i>M Hammes</i>				
Fiscal Year 2014	\$ 394,779	\$ 122,958	\$ 24,762	\$ 542,498
Fiscal Year 2013	\$ 343,980	\$ 0	\$ 35,523	\$ 379,503
<i>D McGauchie</i>				
Fiscal Year 2014	\$ 222,255	\$ 0	\$ 18,711	\$ 240,966
Fiscal Year 2013	\$ 210,655	\$ 0	\$ 43,978	\$ 254,633
<i>B Anderson</i>				
Fiscal Year 2014	\$ 195,818	\$ 79,770	\$ 0	\$ 275,587
Fiscal Year 2013	\$ 169,058	\$ 0	\$ 13,059	\$ 182,117
<i>D Dilger⁴</i>				
Fiscal Year 2014	\$ 68,207	\$ 0	\$ 0	\$ 68,207
Fiscal Year 2013	\$ 178,546	\$ 0	\$ 0	\$ 178,546
<i>D Harrison</i>				
Fiscal Year 2014	\$ 188,318	\$ 81,821	\$ 0	\$ 270,138
Fiscal Year 2013	\$ 159,058	\$ 0	\$ 6,070	\$ 165,128
<i>A Littley</i>				
Fiscal Year 2014	\$ 155,818	\$ 0	\$ 547	\$ 156,365
Fiscal Year 2013	\$ 149,058	\$ 0	\$ 120	\$ 149,178
<i>J Osborne</i>				
Fiscal Year 2014	\$ 155,818	\$ 0	\$ 0	\$ 155,818
Fiscal Year 2013	\$ 149,058	\$ 0	\$ 0	\$ 149,058
<i>R van der Meer</i>				
Fiscal Year 2014	\$ 155,818	\$ 0	\$ 0	\$ 155,818
Fiscal Year 2013	\$ 149,058	\$ 0	\$ 19,127	\$ 168,185
Total Compensation for Non-Executive Directors				
Fiscal Year 2014	\$1,536,830	\$ 284,548	\$ 44,020	\$1,865,397
Fiscal Year 2013	\$1,508,471	\$ 0	\$117,877	\$1,626,348

Table of Contents

- 1 Amount includes base, Chairman, Deputy Chairman, Committee Chairman and service as a non-executive member of certain subsidiary boards.
- 2 Amount relates to a one-off payment to partially compensate non-executive directors who have received a reduction in net compensation following the Company's re-domicile from the Netherlands to Ireland. The impact of the re-domicile meant that US based non-executive directors incurred an increased income tax burden since the Irish tax rate is significantly higher than the US tax rate. The Board deferred consideration of a 'tax equalisation measure' for the affected non-executive directors until (i) it fully understood the tax implications for the affected directors, and (ii) there was a clear improvement in the U.S. housing market and business results began to improve.
- 3 Other Benefits includes the cost of non-executive directors' fiscal compliance in Ireland and other costs connected with Board-related events.
- 4 Resigned from the Board on 12 August 2013.

7.5 Director Remuneration for the years ended 31 March 2014 and 2013

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	
	2014	2013
Managerial Services ¹	\$ 11,493,638	\$ 7,702,801
Director Services ²	2,021,215	1,775,406
	<u>\$ 13,514,853</u>	<u>\$ 9,478,207</u>

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

2 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 2014 and 2013.

7.6 Non-Executive Directors' Interests in JHI plc

Non-executive directors' relevant interests in JHI plc securities at 1 April 2013 and 31 March 2014 were:

	Number of Shares/CUFS at 1 April 2013	Number of Shares/CUFS at 31 March 2014
M Hammes ¹	37,847	38,444
D McGauchie ²	20,372	20,372
B Anderson ³	14,805	14,805
D Dilger ⁴	25,000	-
D Harrison ⁵	12,384	14,934
A Littlely ⁶	-	-
James Osborne	2,551	2,551
Rudy van der Meer	17,290	17,290

1 29,444 ordinary shares/CUFS held in the name of Mr and Mrs Hammes. 9,000 ordinary shares/CUFS held as American Depositary Receipts ("ADRs") in the name of Mr and Mrs Hammes.

Table of Contents

2	6,000 shares held for the McGauchie Superannuation Fund for which Mr McGauchie is a trustee and beneficiary.
3	7,170 ordinary shares/CUFS held as ADRs in the name of Mr and Mrs Anderson.
4	David Dilger resigned from the Board 12 August 2013.
5	2,384 ordinary shares/CUFS held in the name of Mr Harrison. 11,000 ordinary shares/CUFS held as ADRs in the name of Mr Harrison. 1,550 ordinary shares/CUFS in the name of Mr and Mrs Harrison.
6	Joined the Board on 27 February 2012.

Based on 445,293,092 shares of common stock outstanding at 31 May 2014 (all of which are subject to CUFS), no director beneficially owned 1% or more of the outstanding shares of the Company at 31 May 2014. 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 2014 and 31 May 2014, other than for Mr Anderson, who acquired 390 ordinary shares/CUFS held as ADRs on 2 April 2014.

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 2014, 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 is 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 2014, there were no options outstanding under the LTIP.

[Table of Contents](#)

RSUs

From fiscal year 2009, the Company commenced using RSUs granted under the LTIP. As of 31 May 2014, there were 3,275,703 RSUs outstanding under this plan, divided as follows:

Grant Type	Grant Date	Restricted Stock Units		
		Granted	Vested as of 31 May 2014	Outstanding as of 31 May 2014
TSR	September 2009	522,000	201,298	183,621
TSR	December 2009	181,656	64,808	59,123
TSR	September 2010	951,194	640,931	183,360
TSR	September 2011	954,705	-	835,408
Hybrid	June 2012	266,627	-	237,239
TSR	September 2012	432,654	-	404,752
ROCE	September 2012	450,336	-	421,293
TSR	September 2013	489,888	-	489,888
ROCE	September 2013	461,019	-	461,019
Total outstanding				3,275,703

The key terms of these RSUs were:

Relative TSR RSUs	Relative TSR RSUs granted September and December 2009 and September 2010, 2011, 2012 and 2013.
Offered to	Senior executives.
Performance period	Three years to five years from the grant date for the 2009 through 2012 grants. Three years to four and a half years from the grant date for the 2013 grant.
Retesting	On the last Business Day of each six month period following three years from grant date and before the end of the performance period.
Exercise period	Until five years from the grant date for the 2009 through 2012 grants. Three years to four and a half years from the grant date for the 2013 grant.
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, Quanex 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	<p>For 2009 to 2011:</p> <ul style="list-style-type: none"> - 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. <p>For 2012:</p> <ul style="list-style-type: none"> - 0% vesting if TSR below 40th percentile of peer group. - Between 40th and 80th percentile, vesting is on a straight line basis (0-100%) - 100% vesting if TSR is at 80th percentile of peer group.

[Table of Contents](#)

	For 2013: – 0% vesting if TSR below 40th percentile of peer group. – Between 40th and 80th percentile, vesting is on a straight line basis (starting at 25% to 100%) – 100% vesting if TSR is at 80th percentile of peer group.																								
RSU exercise price	Not applicable.																								
Expiration date	Five years from grant date for 2009 to 2012 grants, four and a half years from grant date for 2013 grant.																								
Vesting Performance	The 2009 Relative TSR RSUs vested 52.3% and the 2010 grant vested 77.7%.																								
Hybrid RSUs																									
(Previously referred to as Executive Incentive RSUs)	Hybrid RSUs granted June 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 nd 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	Two years from grant date.																								
Vesting Performance	Generally, Hybrid RSUs have vested 100%, except in circumstances where individuals have separated from the Company.																								
ROCE RSUs																									
	ROCE RSUs granted September 2012 and 2013.																								
Offered to	Senior executives.																								
Option Exercise Price	Nil.																								
Vesting schedule	For 2012: <table border="1"> <thead> <tr> <th><u>ROCE</u></th> <th><u>% of ROCE vesting</u></th> </tr> </thead> <tbody> <tr> <td>< 18.5%</td> <td>0%</td> </tr> <tr> <td>³ 18.5%, but < 19.5%</td> <td>25%</td> </tr> <tr> <td>³ 19.5%, but < 20.5%</td> <td>50%</td> </tr> <tr> <td>³ 20.5%, but < 21.5%</td> <td>75%</td> </tr> <tr> <td>³ 21.5%</td> <td>100%</td> </tr> </tbody> </table> For 2013: <table border="1"> <thead> <tr> <th><u>ROCE</u></th> <th><u>% of ROCE vesting</u></th> </tr> </thead> <tbody> <tr> <td>< 19.5%</td> <td>0%</td> </tr> <tr> <td>³ 19.5%, but < 21.0%</td> <td>25%</td> </tr> <tr> <td>³ 21.0%, but < 22.5%</td> <td>50%</td> </tr> <tr> <td>³ 22.5%, but < 24.0%</td> <td>75%</td> </tr> <tr> <td>³ 24.0%</td> <td>100%</td> </tr> </tbody> </table> A proportion of the resulting number of RSUs (based on the above vesting scales) will actually vest based on the Remuneration Committee's exercise of negative discretion.	<u>ROCE</u>	<u>% of ROCE vesting</u>	< 18.5%	0%	³ 18.5%, but < 19.5%	25%	³ 19.5%, but < 20.5%	50%	³ 20.5%, but < 21.5%	75%	³ 21.5%	100%	<u>ROCE</u>	<u>% of ROCE vesting</u>	< 19.5%	0%	³ 19.5%, but < 21.0%	25%	³ 21.0%, but < 22.5%	50%	³ 22.5%, but < 24.0%	75%	³ 24.0%	100%
<u>ROCE</u>	<u>% of ROCE vesting</u>																								
< 18.5%	0%																								
³ 18.5%, but < 19.5%	25%																								
³ 19.5%, but < 20.5%	50%																								
³ 20.5%, but < 21.5%	75%																								
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< 19.5%	0%																								
³ 19.5%, but < 21.0%	25%																								
³ 21.0%, but < 22.5%	50%																								
³ 22.5%, but < 24.0%	75%																								
³ 24.0%	100%																								
Expiration date	Three years from grant date.																								

Table of Contents

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 2014, there were 1,639,146 Scorecard LTI units outstanding under the LTIP, divided as follows:

Grant Type	Grant Date	Scorecard LTI		
		Granted	Vested as of 31 May 2014	Outstanding as of 31 May 2014
Scorecard	June 2009	1,083,021	501,556	-
TSR	September 2009	6,373	3,332	3,041
Scorecard	June 2010	821,459	324,027	-
Scorecard	June 2011	716,536	-	643,504
Scorecard	September 2012	506,627	-	473,954
Scorecard	September 2013	518,647	-	518,647
Total outstanding				1,639,146

On 1 July 2013, 324,027 of the 821,459 Scorecard LTI units that were previously granted on 29 June 2010 as part of the fiscal year 2011 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 the average closing price of JHI plc's common stock for the 10 days preceding the vesting date.

Under the terms of the LTIP, 518,647 and 506,627 Scorecard LTI units were granted during the years ended 31 March 2014 and 2013, respectively that provide recipients a cash incentive based on JHI plc's average common stock price for the 20-days prior to 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 liability is adjusted for subsequent changes in JHI plc's common stock price at each balance sheet date.

The key terms of the Scorecard LTI were:

Scorecard LTI (Cash)	Cash-settled Awards granted June 2009, 2010 and 2011 and September 2012 and 2013.
Offered to	Senior executives.
Exercise Price	Not applicable.
Performance period	Three years from the grant date.
Payment schedule	For 2009 to 2011: A cash payment based on the Company's average share price for the 10-days prior to 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. For 2012 and 2013: A cash payment based on the Company's average share price for the 20-days prior to 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 rd anniversary of the grant depending on each senior executive's Scorecard rating between 0 and 100.

Table of Contents

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 outstanding options and RSUs granted under the 2001 Equity Incentive Plan 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, with the exception of the September 16, 2013 grant to the CFO which cliff vests on the third anniversary of the grant date.

Options

Until fiscal year 2008, the Company issued options to purchase shares of our common stock issued under the 2001 Equity Incentive Plan. The total number granted and outstanding as of 31 May 2014 is below:

Grant Date	Options	
	Granted	Outstanding as of 31 May 2014
December 2004	5,391,100	12,500
December 2005	5,224,100	338,000
November 2006	3,499,490	287,900
December 2007	5,031,310	129,020
Total outstanding		767,420

[Table of Contents](#)

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 315,749, 265,988 and 285,358 restricted stock units under the 2001 Equity Incentive Plan in the years ended 31 March 2014, 2013 and 2012, respectively. As of 31 May 2014, there were 604,040 restricted stock units outstanding under this plan, divided as follows:

Grant Date	Restricted Stock Units		
	Granted	Vested as of 31 May 2014	Outstanding as of 31 May 2014
December 2011	281,556	135,544	116,512
March 2012	3,802	1,901	1,901
December 2012	265,988	62,331	174,855
September 2013	56,128	-	56,128
December 2013	259,621	-	254,644
Total outstanding			604,040

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.

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 2014 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 2015.

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 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 2014.

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.ir.jameshardie.com.au) 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 in the context of the regulatory jurisdictions and the industry we operate in.

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 seven 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.

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

Table of Contents

- succession planning for the Board and senior management and defining the Company's management structure and responsibilities;
- 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 appropriate 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.ir.jameshardie.com.au). The Board Reserved Powers charter was reviewed by the Board during the year.

In discharging its duties, the Board aims to take into account within the context of the industry in which the Company operates, 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 four 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.

Table of Contents

The number of Board and Board Committee meetings held, and each director's attendance during fiscal year 2014, is set out below:

NAME	BOARD		AUDIT		REMUNERATION		NOMINATING & GOVERNANCE	
	H	A	H	A	H	A	H	A
M Hammes	5	5	6	6	6	6	5	5
B Anderson	5	5	6	6	6	6	-	-
D Dilger	3	1	4	2	4	2	-	-
D Harrison	5	5	6	6	6	6	-	-
A Littley	5	5	6	6	-	-	-	-
D McGauchie	5	5	-	-	6	6	5	5
J Osborne	5	5	-	-	-	-	5	5
R van der Meer	5	5	-	-	-	-	5	5
L Gries	5	4	-	-	-	-	-	-

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.ir.jameshardie.com.au).

The Board seeks to achieve a mix of skills, experience and expertise to maximize the effectiveness of the Board. The core characteristics desired include, a breadth and depth of executive experience, independent thinking, an ability to exercise independent judgment and strong interpersonal and communication skills. The skills, experience and expertise areas which the Board currently considers to be particularly relevant include those in international business, manufacturing, finance and legal. Information regarding Board diversity can be found in the "Workplace Diversity" section below.

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 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 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. During fiscal year 2014, one Director, David Dilger, retired from the Board and as a director of a number of James Hardies subsidiaries.

[Table of Contents](#)

Board Evaluation

The Nominating and Governance Committee supervises the director evaluation process and makes recommendations to the Board. During fiscal year 2014, 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.

The Chairman and Deputy Chairman discussed with each Director, and the Deputy Chairman discussed with the Chairman, the Chairman's 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 Director and his or her responses to a lengthy questionnaire, including 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. Following this assessment, the Board has determined that each non-executive 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 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 arm's length basis, are similar to the transactions James Hardie has entered into with other similarly situated home builders and are 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 was a director of a number of James Hardie's subsidiaries and received directors' fees for such service approved by the Board of James Hardie Industries plc. During fiscal year 2014, he retired as a director of the James Hardie subsidiaries of which he was a director. Pursuant to Exchange Act Rule 10A-3(b), Mr Dilger's service qualified for 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 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 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 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.

Table of Contents

The Chairman:

- provides leadership to the Board;
- chairs Board and shareholder meetings;
- facilitates Board discussion;
- 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 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, in the absence of wilful act or default and subject to the provisions of the Irish Companies Acts.

The Company and some of its subsidiaries have provided Deeds of Access, Insurance and Indemnity to 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 JHMT 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 JHMT. This process was followed during the fiscal year.

Information for the Board

Directors receive timely and necessary information to allow them to fulfil 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, 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 in properly discharging all of their responsibilities.

[Table of Contents](#)

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. 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.ir.jameshardie.com.au). 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 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 and Mr Harrison are also "audit committee financial experts" and that both 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 strategy, policies and procedures;

Table of Contents

- exercising 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;
- 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 whistle-blowers.

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 Directors;
- overseeing the evaluation of the Board and senior management;
- assessing the independence of each 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 Directors;
- reviews the remuneration framework for the Company; and

Table of Contents

- makes recommendations to the Board on the Company's recruitment, retention and termination policies and procedures for senior management.

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 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.ir.jameshardie.com.au).

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 fiscal year 2014.

We have not granted any waivers from the provisions of our Code of Business Conduct and Ethics during fiscal year 2014.

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 potential violations of the policy. James Hardie has an Ethics Hotline operated telephonically (except in France) 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, U.S. Employment Counsel and Director of Internal Audit (except in cases where the

Table of Contents

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.

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, 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 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 its 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 2014. The Nominating and Governance Committee reviewed the Company's Continuous Disclosure and Market Communication policy in May 2014.

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

[Table of Contents](#)

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.

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 strategy and processes during the fiscal year.

The Audit Committee has oversight of the Company's risk management strategy, policies, procedures and controls. The Audit Committee reviews, monitors and discusses these matters with the CEO, CFO, General Counsel, Director of Internal Audit and other senior business leaders. 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 JHMT (comprised of the CEO, CFO, General Counsel, Executive General Managers for U.S. North, U.S. South and International, Senior Director of Human Resources and Organisational Development, Senior Director of R&D and Centralised Manufacturing, Senior Director of Products and Segments and the Vice President of Investor and Media Relations in fiscal year 2014) 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 compliance and creation of shareholder value. The objective of the Company's risk management policies, procedures and controls is to ensure that:

- 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, 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 JHMT, 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 the Company's general risk tolerance and all items identified by the Risk Management Committees as high level risks;
- quarterly 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 direct reporting line to the Chairman of the Audit Committee;
- regular monitoring of the liquidity and status of the Company's finance facilities;
- maintaining an appropriate global 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 and the review and approval of authority of commitments that bind the Company;
- 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 and regulatory compliance issues such as trade practices/antitrust, insider trading, foreign corrupt practices and anti-bribery, employment law matters, trade secrecy and intellectual property protection;
- issuing procedures requiring significant capital and recurring expenditure to be approved at the appropriate levels; and

Table of Contents

- 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.ir.jameshardie.com.au).

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 Asia Pacific business. This structure allows each committee to focus on individual risks in greater detail. Each Committee comprises a cross-functional group of employees who review and monitor the risks facing the Company from the perspective of their area of responsibility. The Risk Management Committees are coordinated by the General Counsel and Senior Manager Corporate Finance and report on a quarterly basis to the JHMT. The General Counsel also provides quarterly reports to the Audit Committee on each Committee's key risks and 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

[Table of Contents](#)

results materials, business unit financial performance and the current status of legal, tax, treasury, accounting, compliance, internal audit, complaints and disclosure control matters.

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 relevant general manager on the JHMT.

Internal Controls and SOX 404

Each fiscal year, 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 Irish Companies Act, 1990. The Company also has a Group 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 2014, 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.

[Table of Contents](#)

[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 U.S. Securities Exchange Act of 1934. 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 2014. 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 (1992)*. Based on our assessment using those criteria, we concluded that our internal control over financial reporting was effective as of 31 March 2014.

The effectiveness of our internal control over financial reporting as of 31 March 2014 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. However, subsequent to year end, the Company has begun the process of conforming its internal control over financial reporting to align with the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in *Internal Control – Integrated Framework (2013)*.

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 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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 2014 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 2014 and 2013, 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 2014, and our report dated 22 May 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young

Irvine, California
22 May 2014

[Table of Contents](#)

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 2013 AGM was held in Ireland and shareholders were able to view the AGM through a webcast of proceedings on James Hardie's investor relations web site. The 2014 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 teleconference of the meeting. Further details are set out in the 2014 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.

Table of Contents

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.ir.jameshardie.com.au). 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.ir.jameshardie.com.au) contains more detail about the ways in which we comply with the Principles and Recommendations.

Workplace Diversity

James Hardie recognises the value of having a workforce that reflects the diverse communities and marketplaces in which we operate and serve. James Hardie believes that a skilled and diverse workforce, which encompasses a wealth of different viewpoints, skills, attributes life experiences and the unique strengths of each employee, contributes collectively to the business performance at James Hardie.

James Hardie has implemented a Workplace Diversity Policy that reflects a broader view of diversity than those covered by the ASX Corporate Governance Council's recommendations and supports

[Table of Contents](#)

certain of our core organisational values, including Operating with Respect and Building Organizational Advantage. The policy, which is located on the Investor Relations area of our website (www.ir.jameshardie.com.au) applies to all individuals recruited or employed by James Hardie and reflects the organisation's inclusive view of diversity, which includes individual differences related to race, gender, age, national origin, religion, sexual orientation or disability.

The Board, with assistance from management, is responsible for approving and monitoring James Hardie's diversity policy and measurable objectives in the context of the organisation's unique circumstances and industry. The Board assesses the policy and objectives annually and the organisation's progress in achieving them.

The Board has delegated responsibility to the Nominating & Governance Committee for monitoring the effectiveness of this policy to the extent it relates to diversity of the Board's composition, senior leadership, management, and the organisation as a whole and for reviewing and recommending any updates to this policy as deemed necessary.

Details of diversity composition across various levels of the organisation as at the end of FY2014 are set out below:

Level	Percentage of female employees	Percentage of employees with diversity characteristics
JAMES HARDIE BOARD ¹	14% (1 of 7)	29% (2 of 7)
US BUSINESS ²		
Senior leadership positions ³	10% (12 of 115)	23% (26 of 115)
All management positions	12% (47 of 390)	25% (97 of 390)
Total workforce	10% (214 of 2170)	35% (769 of 2170)
NON-US BUSINESSES ^{4, 5}		
Senior leadership positions	3% (1 of 32)	
All management positions	12% (15 of 130)	
Total workforce	13% (130 of 977)	

¹ Includes gender and race diversity characteristics for the Board.

² Includes gender, race and national origin diversity characteristics for US Business

³ Individuals at senior manager and director level and above who participate in James Hardie's Company and Individual Performance (CIP) Plan

⁴ Includes Canada.

⁵ Race/national origin diversity characteristics vary between countries and are therefore not captured in aggregate for Non-US Business.

The Board seeks to achieve a goal of 38% (3 of 8) non-executive directors with diversity characteristics and 25% (2 of 8) women by the FY16 AGM.

With regard to James Hardie's senior leadership, management, and the organisation as a whole, the following table outlines the organisation's five primary objectives in promoting diversity for FY2015, the actions in place to achieve these objectives as well as the progress made against these objectives to date.

[Table of Contents](#)

Objectives	Actions in place and progress
To promote a culture of diversity (which includes gender, skills, experience, and cultural background)	<ul style="list-style-type: none"> □ All employees receive training on the company's anti-discrimination and harassment and Code of Business Conduct and Ethics policies as part of the employee on-boarding program and on an annual basis. □ In CY2014, the Board and the Nomination & Governance Committee evaluated and approved the company's diversity measures.
To ensure that recruitment and selection processes are based on merit	<ul style="list-style-type: none"> □ Structured interview evaluation process is in place for sales applicants and designed to mitigate bias in hiring decisions. □ MBA Leadership Program recruiting, targeted to bring future general management talent into the organisation, has resulted in 9 hires since its inception in 2011, with 33% female and 33% non-Caucasian hires.
To provide talent management and development opportunities which provide equal opportunities for all current employees	<ul style="list-style-type: none"> □ Every employee has an individual development plan as part of the annual review process. □ Openings under the Director-level are posted on-line and communicated internally. All current employees who meet the qualifications are invited to participate in the internal interviewing process. □ Since January 2014, 18% of internal US applicants were females and 17% (1/6) were offered the role. 9% of all applicants for US internal positions were non-Caucasian (4/45); 17% were offered the role (1/6). □ In FY2014, a high potential talent identification process was piloted. This process identifies top talent based on quantitative testing which has been validated to have no adverse impact on employees with diversity characteristics.
To reward and remunerate fairly	<ul style="list-style-type: none"> □ In FY2013 and again in FY2014, the organisation communicated pay grades and criteria for promotion across sales to help ensure there is no discrepancy in pay by role. □ Hourly manufacturing wages are tied to completed certifications. All employees are provided access to training to complete certifications.
To provide flexible work practices	<ul style="list-style-type: none"> □ Flexible working arrangements are discussed with each employee and individual arrangements are offered as job requirements permit.

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.

Table of Contents

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 mandatory takeover threshold is set at 30%, meaning that a person (or persons acting in concert) who acquires 30% or more of the Company's 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, conditions of employment and the locations of the offeree's places of business.

Table of Contents

- 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 the company's future performance;
- projections of the company's results of operations or financial condition;
- statements regarding the company's plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or its products;
- expectations concerning the costs associated with the suspension or closure of operations at any of the company's plants and future plans with respect to any such plants;
- expectations regarding the extension or renewal of the company's credit facilities including changes to terms, covenants or ratios;
- expectations concerning dividend payments and share buy-backs;
- statements concerning the company's 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 regarding the possible consequences and/or potential outcome of the legal proceedings brought against two of the company's 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 Asbestos Injuries Compensation Fund (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 the company's warranty provisions and estimates for future warranty-related costs;

Table of Contents

- statements regarding the company's 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 changes in the US economic or housing recovery or changes in the market conditions in the Asia Pacific region, 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 the company's current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond the company's control. Such known and unknown risks, uncertainties and other factors may cause 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 of the Form 20-F filed with the Securities and Exchange Commission on 26 June 2014, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in the company's financial statements as an asbestos liability; governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which the company operates; 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 the company's 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 the company's corporate domicile from The Netherlands to Ireland, including changes in corporate governance and any potential tax benefits related thereto; currency exchange risks; dependence on customer preference and the concentration of the company's 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 the company, or at all; acquisition or sale of businesses and business segments; changes in the company's key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in the company's reports filed with Australian, Irish and US securities agencies and exchanges (as appropriate). The company cautions 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 referenced in the company's forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of the company's current expectations concerning future results, events and conditions. The company assumes no obligation 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 2014 exchange rate of A\$0.9220 to US\$1.0000 (assets and liabilities) and A\$0.9331 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 2014 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 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:

- EBIT and EBIT margin excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability
- Net operating profit excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability and tax adjustments
- Diluted earnings per share excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability and tax adjustments
- Effective tax rate on earnings excluding asbestos, asset impairments, New Zealand product liability and tax adjustments
- Adjusted EBITDA
- 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

[Table of Contents](#)

We have reconciled these non-GAAP financial measures to the most directly comparable US GAAP financial measure for fiscal years 2014 and 2013 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.

Our pre-tax results for fiscal year 2014 were affected by unfavourable asbestos adjustments of US\$195.8 million, AICF Selling, General and Administrative ("SG&A") expenses of US\$2.1 million and New Zealand product liability expenses of US\$1.8 million. For fiscal year 2013, our pre-tax results were affected by 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. 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 to our consolidated financial statements.

Fiscal Year 2014 Key Results

Total net sales increased 13% to US\$1,493.8 million in fiscal year 2014. Operating income increased to US\$53.1 million in fiscal year 2014 from US\$29.5 million in fiscal year 2013, primarily due to higher net sales, lower New Zealand product liability expenses and unfavourable asset impairment charges in fiscal year 2013 which did not re-occur in fiscal year 2014. Operating income in fiscal year 2014 was affected by unfavourable asbestos adjustments of US\$195.8 million, AICF SG&A expenses of US\$2.1 million and New Zealand product liability expenses of US\$1.8 million. For fiscal year 2013, operating income was affected by unfavourable asbestos adjustments of US\$117.1 million, New Zealand product liability expenses of US\$13.2 million, asset impairment charges of US\$16.9 million, and AICF SG&A expenses of US\$1.7 million.

Operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability expenses increased 40% to US\$252.8 million in fiscal year 2014 from US\$181.0 million in fiscal year 2013.

Net income increased from US\$45.5 million in fiscal year 2013 to US\$99.5 million in fiscal year 2014. Net income in fiscal year 2013 included, 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 excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments increased 40% to US\$197.2 million in fiscal year 2014 from US\$140.8 million in fiscal year 2013.

Our largest market is North America. During fiscal year 2014, USA and Europe Fibre Cement net sales contributed approximately 75% 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 19% due to higher sales volume and higher average net sales price.

USA and Europe Fibre Cement operating income increased 63% from US\$145.6 million in fiscal year 2013 to US\$237.0 million in fiscal year 2014 primarily due to higher sales volume and a higher average net sales price. Excluding asset impairment charges of US\$16.9 million in fiscal 2013, operating income increased from US\$162.5 million in fiscal year 2013 to US\$237.0 million in fiscal year 2014.

During fiscal year 2014, Asia Pacific Fibre Cement net sales decreased 1%. In Australian dollars, net sales increased 9% due to increased sales volume and a higher average net sales price, relative to the prior year. The increase in Australian dollar net sales during the period was unfavourably impacted by a 10% depreciation in the Australian dollar/US dollar average exchange rate, leading to a reduction in US dollar net sales relative to the prior year.

[Table of Contents](#)

Asia Pacific Fibre Cement operating income increased 31% from US\$61.7 million in fiscal year 2013 to US\$81.1 million in fiscal year 2014. In Australian dollars, Asia Pacific Fibre Cement operating income increased 45% compared to the prior fiscal year, due to an increase in the Australian dollar average net sales price, and a decrease in production costs driven lower by economies of scale achieved through a 6% increase in volume compared to the prior year. The increase in Australian dollar EBIT excluding New Zealand product liability during the full year was partially offset by the 10% depreciation in the Australian dollar/US dollar average exchange rate, leading to a reduction in US dollar EBIT in the year ended 31 March 2014 compared to the year ended 31 March 2013. Excluding New Zealand product liability expenses, operating income increased 11% from US\$74.9 million in fiscal year 2013 to US\$82.9 million in fiscal year 2014.

We do not believe that general inflation has had a significant impact on our results of operations for the fiscal years ended 31 March 2014, 2013 and 2012.

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 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, the Company recorded an asbestos provision because it believed it was probable it would be obligated to make payments to fund asbestos-related claims on a long-term basis in accordance with the Original Final Funding Agreement.

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 recognised by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows calculated by KPMG Actuarial ("KPMGA"). Based on their assumptions, KPMGA arrived at a range of possible total future cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows. The company views the central estimate as the basis for recognising the asbestos liability in the company's financial statements.

Table of Contents

The company considered discounting when determining the best estimate under US GAAP. The company has recognised the asbestos liability by reference to (but not exclusively based upon) the central estimate as undiscounted on the basis that it is the company's view that the timing and amounts of such cash flows are not fixed or readily determinable. The company considered inflation when determining the best estimate under US GAAP. It is the company's view that there are material uncertainties in estimating an appropriate rate of inflation over the extended period of the AFFA. The company views the undiscounted and uninflated central estimate as the best estimate under US GAAP.

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 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.

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).

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. A copy of KPMGA's actuarial assessment as at 31 March 2014 is available on the Investor Relations area of our website (www.ir.jameshardie.com.au).

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

[Table of Contents](#)

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 in which 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 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\$3.6 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2014.

[Table of Contents](#)

Recently, the New Zealand High Court delivered a judgment holding that the 10 year longstop under the Building Act did not apply to product liability lawsuits against building materials manufacturers. The Court's judgment has the potential to extend the time period in which claimants can pursue a limited type of claim against such parties for up to an additional five years. The company has historically been successful in resolving such claims for de minimis amounts and as such does not expect the judgment to materially alter the provision for asserted and unasserted New Zealand product liability claims recorded on the company's 31 March 2014 Consolidated Financial Statements.

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 2014. 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.

Table of Contents

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 2014, we did not record any asset impairment charges. 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 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 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.

Impact of Recent Accounting Pronouncements

In June 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-12, which provides explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The amendments in ASU No. 2014-12 are effective for fiscal years and interim periods within those years, beginning after 15 December 2015. We are still evaluating the new standard and has not yet determined the potential effects on the consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, which provides guidance requiring companies to recognise revenue depicting the transfer of goods or services to customers in amounts that reflect the payment to which a company expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognised from costs incurred to obtain or fulfil a contract. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those years, and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt this ASU and management is currently evaluating which transition approach to use. We are still evaluating the new standard and has not yet determined the potential effects on the consolidated financial statements.

Table of Contents

In July 2013, the FASB issued ASU No. 2013-11, which provides explicit guidance on the financial statement presentation of an unrecognised tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments in ASU No. 2013-11 are effective for fiscal years and interim periods within those years, beginning after 15 December 2013. We have evaluated the impact of this ASU and does not expect its adoption to have a material impact on our consolidated financial position, results of operations or cash flows.

Results of Operations

Year Ended 31 March 2014 Compared to Year Ended 31 March 2013

The following table shows our selected financial and operating data for operations for fiscal years 2014 and 2013, expressed in millions of US dollars, unless otherwise stated.

	Fiscal Years Ended 31 March		Favourable (Unfavourable) Change
	2014	2013	
Net sales:			
USA and Europe Fibre Cement	\$ 1,127.6	\$ 951.4	19 %
Asia Pacific Fibre Cement	366.2	369.9	(1)
Total net sales	1,493.8	1,321.3	13
Cost of goods sold	(987.4)	(902.0)	(9)
Gross profit	506.4	419.3	21
Selling, general and administrative expenses	(224.4)	(218.6)	(3)
Research and development expenses	(33.1)	(37.2)	11
Asset impairments	-	(16.9)	-
Asbestos adjustments	(195.8)	(117.1)	(67)
Operating income	53.1	29.5	80
Net interest income (expense)	(1.1)	2.4	-
Other income	2.6	1.8	44
Income before income taxes	54.6	33.7	62
Income tax benefit	44.9	11.8	-
Net income	\$ 99.5	\$ 45.5	-
Volume (mmsf):			
USA and Europe Fibre Cement	1,696.9	1,488.5	14 %
Asia Pacific Fibre Cement	417.2	393.7	6 %
Average net sale price per unit (per msf):			
USA and Europe Fibre Cement	US\$652	US\$626	4 %
Asia Pacific Fibre Cement	A\$930	A\$901	3 %

Net sales. Total net sales increased 13% from US\$1,321.3 million in fiscal year 2013 to US\$1,493.8 million in fiscal year 2014. The increase in total net sales reflected was favourably impacted by higher sales volumes and higher average net sales prices in both the USA and Europe and the Asia Pacific Fibre Cement segments.

USA and Europe Fibre Cement net sales. Net sales increased 19% from US\$951.4 million in fiscal year 2013 to US\$1,127.6 million in fiscal year 2014 due to higher sales volume and a higher average net sales price.

[Table of Contents](#)

Sales volume increased 14% from 1,488.5 million square feet in fiscal year 2013 to 1,696.9 million square feet in fiscal year 2014, reflecting increased activity in the new construction market segment, further market penetration, and modest growth in the repair and remodel market segment, relative to the prior year.

The average net sales price increased 4% from US\$626 per thousand square feet in fiscal year 2013 to US\$652 per thousand square feet in fiscal year 2014.

For fiscal year 2014, the NBSK pulp price was 11% higher at US\$971 per ton, when compared to 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 615,400 for the fiscal year ended 31 March 2014, 8.7% above the prior year. Industry data for the full year indicates gains in both single-family and multi-family production relative to the prior year.

Asia Pacific Fibre Cement net sales. Net sales decreased 1% from US\$369.9 million in fiscal year 2013 to US\$366.2 million in fiscal year 2014. In Australian dollars, net sales increased 9% due to increased sales volume and a higher average net sales price, relative to the prior year. The increase in Australian dollar net sales during the period was unfavourably impacted by an 10% depreciation in the Australian dollar/US dollar average exchange rate, leading to a reduction in US dollar net sales relative to the prior year.

According to Australian Bureau of Statistics data, for the year ended 31 March 2014, approvals for detached houses, which are the primary driver of the Asia Pacific business' sales volume were 104,394 for the year ended 31 March 2014; an increase of 16%, compared to fiscal year 2013.

Sales volume in the Australian business decreased in fiscal year 2014 compared to fiscal year 2013, reflecting an increasingly competitive operating environment.

During fiscal year 2014, excluding New Zealand product liability expenses, the New Zealand business' earnings increased when compared to fiscal year 2013, reflecting an improved operating environment.

The Philippines business' sales volume increased in fiscal year 2014, compared to fiscal year 2013. The average net sales price for fiscal year 2014 increased compared to fiscal year 2013.

Gross profit. Gross profit increased 21% from US\$419.3 million in the prior year to US\$506.4 million. The gross profit margin increased 2.2 percentage points from 31.7% to 33.9%.

USA and Europe Fibre Cement. Gross profit increased 26% and gross margin increased 2.1 percentage points, compared to the prior year. Gross margin was favourably impacted by 2.5 percentage points due to an increase in the average net sales price; partially offset by an unfavourable 0.4 percentage points due to higher production costs. Production costs were unfavourable due to increases in input and idle facility costs; partially offset by economies of scale achieved through a 14% increase in volume. The increase in idle facility costs was primarily a result of the company's continued efforts to recommence production at the Fontana, California location.

Asia Pacific Fibre Cement. In US dollars, gross profit for the full year increased 6% and gross margin increased 2.4 percentage points compared to the prior year. In Australian dollars, gross profit increased 18% and gross margin increased 2.4 percentage points. Gross margin was favourably impacted by 1.9 percentage points due to lower production costs and 1.1 percentage points due to a higher average net sales price. The production costs were favourable primarily due to economies of scale achieved through an 6% increase in volume; partially offset by higher input costs.

Table of Contents

Selling, general and administrative ("SG&A") expenses. SG&A expenses increased US\$5.8 million from US\$218.6 million in the prior year to US\$224.4 million. The increase reflects an increase of US\$9.7 million in general corporate costs and US\$8.5 million in compensation expenses of the business units, partially offset by a decrease of US\$11.4 million in the New Zealand product liability expenses. Compensation expenses were driven higher by company performance-based incentive bonuses and higher headcount to enhance organisational capabilities. New Zealand product liability expenses were driven lower by the combined effects of an increased rate of claim-resolution leading to fewer open cases, substantial reductions in the values of new claims received, and fewer new claims being received.

SG&A expenses for the full year included non-claims handling related operating expenses for AICF of US\$2.1 million, compared to US\$1.7 million in the prior year.

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.

General corporate costs. General corporate costs increased 29% from US\$33.0 million in fiscal year 2013 to US\$42.7 million in fiscal year 2014.

The increase reflects a US\$7.7 million increase in compensation expenses and the net unfavourable impact of US\$5.6 million of prior year non-recurring transactions; partially offset by a US\$2.1 million decrease in professional fees and a US\$1.0 million decrease in other administrative expenses when compared with the prior year. Compensation expenses were driven higher by company performance-based incentive bonuses. The net US\$5.6 million prior year impact was a combination of foreign exchange gains of US\$5.5 million following the conclusion of RCI's disputed fiscal year 1999 amended tax assessment with the ATO and the recovery of legal costs of US\$2.7 million; partially offset by ASIC expenses of US\$2.6 million.

Excluding these items, general corporate costs for full year increased \$4.1 million from US\$38.6 million in the prior year to US\$42.7 million. The increase was primarily due to a US\$7.7 million increase in compensation expenses primarily driven by higher company performance-based incentive bonuses, partially offset by a US\$2.1 million decrease in professional fees and US\$1.0 million in other administrative expense, compared with the prior year.

Research and development ("R&D") expenses. Research and development 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. For full year, these costs decreased 6% from US\$23.6 million in the prior year to US\$22.2 million.

Other R&D costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs were 20% lower for the full year at US\$10.9 million, compared to US\$13.6 million in the prior year.

The research and development segment also included selling, general and administrative expenses of US\$2.2 million and US\$2.4 million for full year 2014 and 2013, respectively.

The decrease in R&D expenses during the full year primarily resulted from the completion of certain projects that were ongoing in the prior year, partially offset by higher R&D headcount and related expenses due to the opening of an R&D facility in Chicago, Illinois in the prior year.

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 2014, the company did not record asset impairment charges.

Table of Contents

During fiscal year 2013, the company recorded an asset impairment charge of US\$16.9 million related to machinery and equipment in the USA and Europe Fibre Cement segment.

Readers are referred to Note 7 to 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, depending on movements in the closing exchange rate between the two currencies at each balance sheet date.

Based on KPMG Actuarial's assumptions for the fiscal year ended 31 March 2014, 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 has recognised the asbestos liability by reference to (but not exclusively based upon) the central estimate as undiscounted on the basis that it is the company's view that the timing and amounts of such cash flows are not fixed or readily determinable. The company considered inflation when determining the best estimate under US GAAP. It is the company's view that there are material uncertainties in estimating an appropriate rate of inflation over the extended period of the AFFA. The company views the undiscounted and uninflated central estimate as the best estimate under US GAAP.

The undiscounted and uninflated central estimate net of insurance recoveries, of the asbestos liability increased from A\$1.345 billion at 31 March 2013 to A\$1.547 billion at 31 March 2014. The increase in the undiscounted and uninflated central estimate of A\$202 million is primarily due to an increase in the projected future number of claims for mesothelioma reflecting both higher levels of claims volumes and a change in the incidence pattern for mesothelioma, an increased allowance for large claims for mesothelioma resulting from higher numbers of large claims, lower nil settlement rates being assumed for mesothelioma and lung cancer, partially offset by lower average claims sizes and average defence legal cost assumptions for most disease types.

During the 2014 fiscal year, mesothelioma claims reporting activity has been above actuarial expectations for the second consecutive year. One of the critical assumptions is the estimated peak year of mesothelioma disease claims, which was previously assumed to have occurred in 2010/2011. Potential variation in this estimate has an impact much greater than the other assumptions used to derive the discounted central estimate. In performing the sensitivity assessment of the estimated period of peak claims reporting for mesothelioma, KPMGA has determined that if claims reporting does not begin to reduce until after 2018/2019, the discounted central estimate could increase by approximately 22% (in addition to the 17% increase that has already been factored into the 31 March 2014 valuation). At 31 March 2014, KPMG Actuarial has formed the view that the higher claims reporting assumed in the short and medium term is not necessarily indicative of longer term impacts, as at this stage it is too early to form such a conclusion on the basis of one year's experience.

For the full year, the Australian dollar spot exchange rate against the US dollar depreciated 12% to US\$0.92 at 31 March 2014 compared to 31 March 2013.

Table of Contents

The company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2014. The asbestos adjustments for the full years ended 31 March 2014 and 2013 are as follows:

	Fiscal Years Ended 31 March	
	2014	2013
(Millions of US dollars)		
Change in estimates	\$(308.2)	\$(129.2)
Write back of insurance receivables	15.2	11.9
Effect of foreign exchange movements	97.2	0.2
Asbestos adjustments	<u>\$(195.8)</u>	<u>\$(117.1)</u>

Claims Data. The number of new claims filed in fiscal year 2014 of 608 is higher than new claims of 542 reported in fiscal year 2013, and above actuarial expectations of 540 for fiscal year 2014.

The number of settled claims in fiscal year 2014 of 604 is higher than claims settled of 519 in fiscal year 2013 and above actuarial expectations of 544 for fiscal year 2014.

The average claim settlement in fiscal year 2014 of A\$253,000 is A\$22,000 higher than fiscal year 2013 and is largely attributable to mesothelioma claims, which are more costly to settle and represented a larger proportion of total claims than in prior year. However, average claim sizes for mesothelioma were slightly below actuarial expectations for fiscal year 2014, with the average cost of settling non-mesothelioma claims being in line with, or below, actuarial expectations for the full year ended 31 March 2014.

Asbestos claims paid of A\$140.4 million for fiscal year 2014 are higher than the actuarial expectation of A\$131.4 million.

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

AICF Loan Facility. On 25 March 2014, AICF drew down A\$25.3 million under the secured standby loan facility and related agreements (the "Facility") with the State of New South Wales, Australia. This is an additional draw down to the A\$25.3 million drawn on 13 December, 2013. AICF had an outstanding balance on the Facility of A\$50.6 million (being US\$47.0 million, based on the prevailing spot exchange rate) reflected on the consolidated balance sheet within Current portion of long-term debt – Asbestos at 31 March 2014.

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

Operating income. Operating income increased 80% to US\$53.1 million in fiscal year 2014, compared to US\$29.5 million in fiscal year 2013. Operating income in fiscal year 2014 included unfavourable asbestos adjustments of US\$195.8 million, AICF SG&A expenses of US\$2.1 million and New Zealand product liability expense of US\$1.8 million. In fiscal year 2013, operating income included unfavourable asbestos adjustments of US\$117.1 million, asset impairments of US\$16.9 million, unfavourable New Zealand product liability expense of US\$13.2 million, ASIC expenses of US\$2.6 million, and AICF SG&A expenses of US\$1.7 million.

USA and Europe Fibre Cement operating income increased 63% from US\$145.6 million in fiscal year 2013 to US\$237.0 million in fiscal year 2014. The increase in operating income was favourably impacted primarily by higher volume, and a higher average net sales price, partially offset by higher

Table of Contents

production costs. Operating income margin was 5.7 percentage points lower at 21.0%. Excluding asset impairment charges, operating income increased from US\$162.5 million in fiscal year 2013 to US\$237.0 million in fiscal year 2014. The USA and Europe Fibre Cement operating income margin excluding asset impairment charges was 3.9 percentage points lower at 21.0%.

Asia Pacific Fibre Cement operating income increased 31% from US\$61.7 million in fiscal year 2013 to US\$81.1 million in fiscal year 2014. In Australian dollars, Asia Pacific Fibre Cement operating income increased 45% compared to the prior year, due to an increase in the Australian dollar average net sales price, and a decrease in production costs driven lower by economies of scale achieved through a 6% increase in volume compared to the prior year. The increase in Australian dollar EBIT excluding New Zealand product liability during the full year was partially offset by the 10% depreciation in the Australian dollar/US dollar average exchange rate, leading to a reduction in US dollar EBIT in the year ended 31 March 2014 compared to the year ended 31 March 2013. Operating income margin was 5.4 percentage points higher at 22.1%. Excluding New Zealand product liability expenses, operating income increased 11% from US\$74.9 million in fiscal year 2013 to US\$82.9 million in fiscal year 2014. The Asia Pacific Fibre Cement operating income margin excluding New Zealand product liability expenses was 2.3 percentage points lower at 22.6%.

Net interest income (expense). Net interest income (expense) moved from income of US\$2.4 million in the prior year to net interest expense of US\$1.1 million. Net interest expense for the year included AICF interest income of US\$2.9 million and other interest income of US\$0.5 million, offset by credit facility fees of US\$3.9 million and a realised loss of US\$0.6 million on interest rate swaps. Net interest income for the full year ended 31 March 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

Other income. Other income increased from US\$1.8 million in the prior year to US\$2.6 million in the current year.

Income tax (benefit) expense. The company's income tax rate was a benefit of 82.2% for the full year compared to an income tax benefit rate of 35.0% in the prior year. During the full year the effective tax rate was impacted by an unfavourable asbestos adjustment of US\$195.8 million when compared to an unfavourable asbestos adjustment of US\$117.1 million in the corresponding period. In addition, the effective tax rate for the full year was favourably impacted by a A\$17.3 million (US\$15.4 million) refund received from the Australia Taxation Office ("ATO") in January 2014, related to the successful appeal by our wholly owned subsidiary RCI Pty Ltd ("RCI") of its disputed amended tax assessment.

Income tax expense excluding asbestos-related and other tax adjustments for the full year increased from US\$37.4 million in the prior year to US\$54.2 million. The effective tax rate excluding asbestos, asset impairments, New Zealand liability, and other tax adjustments increased from 21.3% in the prior year to 21.6% primarily due to a higher proportion of taxable earnings in jurisdictions with higher tax rates relative to the prior year.

Tax Adjustments. The company recorded net favourable asbestos-related and other tax adjustments of US\$99.1 million for the full year, compared to net favourable adjustments of US\$49.2 million for the prior year.

Net income. Net income increased from US\$45.5 million in fiscal year 2013 to US\$99.5 million in fiscal year 2014. Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments increased 40% from US\$140.8 million in fiscal year 2013 to US\$197.2 million in fiscal year 2014.

[Table of Contents](#)

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\$ 626	US\$ 642	(3)
Asia Pacific Fibre Cement	A\$ 901	A\$ 906	(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 3% from US\$642 per thousand square feet in fiscal year 2012 to US\$626 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.

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

[Table of Contents](#)

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 remodelling 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 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

Table of Contents

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.

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 RCI'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.

Table of Contents

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.

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, Illinois 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 to 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 undiscounted and uninflated central estimate net of insurance recoveries, of the asbestos liability increased from A\$1.313 billion at 31 March 2012 to A\$1.345 billion at 31 March 2013. The increase in the undiscounted and uninflated central estimate of A\$32 million is primarily due to an increase in the projected future number of claims for mesothelioma reflecting both higher levels of claims volumes and a change in the incidence pattern for mesothelioma, an increased allowance for large claims for mesothelioma resulting from higher numbers of large claims, lower nil settlement rates being assumed for mesothelioma and lung cancer, partially offset by lower average claims sizes and average defence legal cost assumptions for most disease types.

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

[Table of Contents](#)

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%.

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 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)
Effect of foreign exchange movements	(11.9)	(6.2)
Asbestos adjustments	<u>\$(141.1)</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 to our consolidated financial statements for further information.

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

Table of Contents

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 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%.

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.

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

Table of Contents

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.

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\$167.5 million at 31 March 2014 compared to US\$153.7 million at 31 March 2013.

Table of Contents

As of 31 March 2014, we had credit facilities totalling US\$355.0 million, of which no amounts were drawn. The credit facilities are all uncollateralised and consist of the following:

Description	At 31 March 2014		
	Effective Interest Rate	Total Facility	Principal Drawn
		(Millions of US dollars)	
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	-
Total		\$ 355.0	

The weighted average interest rate on the company's total outstanding debt was nil at 31 March 2014 and 2013, respectively.

At 31 March 2014, 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 2014 and 2013, and the weighted average term of all debt facilities was 2.4 years at 31 March 2014.

Subsequent to 31 March 2014, the company added term facilities totalling US\$150.0 million; US\$25.0 million of these facilities mature in April 2017, US\$50.0 million mature in April 2019 and US\$75.0 million mature in May 2019. The addition of the new credit facilities increased the total borrowing capacity to US\$505.0 million.

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 invest in significant capital expenditures in the near to medium term for upgrades of plant production capabilities to support capacity expansion plans, equipment upgrades to ensure continued environmental compliance, the implementation of new fibre cement technologies, the refurbishment and re-commissioning of idled production assets and the addition of new production assets.

The company anticipates it will have sufficient funds to meet its planned working capital and other expected cash requirements for the next twelve months based on its existing cash balances, anticipated operating cash flows arising during the year and unutilised committed credit facilities

At 31 March 2014, 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

[Table of Contents](#)

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 2014 compared to Year Ended 31 March 2013

Net operating cash flow increased from US\$109.3 million in fiscal year 2013 to US\$322.8 million in fiscal year 2014. The movement in net operating cash flow was primarily driven by: higher earnings excluding asbestos adjustments; prior year non-recurring tax receipt of US\$81.3 million which arose from the favourable conclusion of RCI's disputed fiscal year 1999 amended tax assessment with the ATO and a decrease in the company's contribution to AICF from US\$45.4 million in the prior year ended 31 March 2013 to nil in the current fiscal year.

Net cash used in investing activities increased from US\$59.7 million in fiscal year 2013 to US\$118.8 million in fiscal year 2014. The increase was primarily due to higher capital expenditures for the purchase of property, plant and equipment of US\$115.4 million in fiscal year 2014 compared to US\$61.1 million in fiscal year 2013.

Net cash used in financing activities increased from US\$158.7 million in fiscal year 2013 to US\$186.3 million in fiscal year 2014 primarily due to common stock repurchased through the company's share buyback program of US\$22.1 million in fiscal year 2014 compared to nil in fiscal year 2013. Additionally, dividends paid increased from US\$188.5 million in fiscal year 2013 to US\$199.1 million in fiscal year 2014.

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 2014, we met our capital expenditure requirements through our internal cash. We currently expect to spend an average of approximately US\$200 million in fiscal years 2015, 2016 and 2017 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\$167.5 million at 31 March 2014 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.

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

Table of Contents

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 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 2014, the average NBSK pulp price relative to our US business was US\$971 per ton, an increase of 11% compared to fiscal year 2013. 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 2014 and are expected to decrease slightly in fiscal year 2015 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. 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.

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. From the time AICF was established in February 2007 through to May 2014, we have contributed A\$601.5 million (including interest payments) to the fund. The company anticipates that it will make a contribution of approximately US\$113.0 million to AICF on 1 July 2014. This amount represents 35% of the company's free cash flow for the fiscal year 2014, as defined by the AFFA. 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.

[Table of Contents](#)

Capital Expenditures

Our total capital expenditures for fiscal years 2014, 2013 and 2012 were US\$115.4 million, US\$61.1 million and US\$35.8 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 2014 and 2013.

Capital Management and Dividends

The following table summarises the dividends declared from fiscal 2014 and fiscal 2013 earnings and dividends paid in fiscal 2013 declared from fiscal 2012 earnings:

(Millions of US dollars)	US	US\$ Total	Announcement		
	Cents/Security	Amount	Date	Record Date	Payment Date
FY 2014 special dividend	0.20	89.0	22 May 2014	12 June 2014	08 August 2014
FY 2014 second half dividend	0.32	142.4	22 May 2014	12 June 2014	08 August 2014
125 year anniversary special dividend	0.28	124.6	28 February 2014	21 March 2014	30 May 2014
FY 2014 first half dividend	0.08	35.5	14 November 2013	19 December 2013	28 March 2014
FY 2013 special dividend	0.24	106.1	23 May 2013	28 June 2013	26 July 2013
FY 2013 second half dividend	0.13	57.5	23 May 2013	28 June 2013	26 July 2013
FY 2013 first half dividend	0.05	22.1	15 November 2012	18 December 2012	25 January 2013
FY 2012 second half dividend	0.38	166.4	21 May 2012	23 July 2012	23 July 2012

In May 2013, the company announced that it would seek to acquire up to 5% of its issued capital via an on-market share buyback during the twelve month period which ended on 21 May 2014. During fiscal year 2014 the company repurchased and cancelled a total of 1,895,214 shares of its common stock, with an aggregate cost of A\$24.5 million (US\$22.1 million), at an average market price of A\$12.92 (US\$11.64). Subsequent to 31 March 2014 through the end of the announced program on 21 May 2014, the company acquired an additional 715,000 shares of its common stock, with an aggregate cost of A\$9.8 million (US\$9.1 million), at an average market price of A\$13.69 (US\$12.73).

On 22 May 2014, the company 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, the weighted average cost of capital and the Company's capital requirements.

If and to the extent that the company does not undertake share buybacks during fiscal year 2015 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;

Table of Contents

- global economic conditions and outlook; and
- total net operating profit (excluding asbestos adjustments) for fiscal year 2015.

Contractual Obligations

The following table summarises our contractual obligations at 31 March 2014:

(Millions of US dollars)	Payments Due During Fiscal Year Ending 31 March				
	Total	2015	2016 to 2017	2018 to 2019	Beyond 5 Years
Asbestos Liability ¹	\$1,706.2	\$ N/A	\$ N/A	\$ N/A	\$ N/A
Long-Term Debt	-	-	-	-	-
Estimated interest payments on Long-Term Debt ²	22.5	4.5	9.1	8.9	-
Long-Term Debt – AICF loan facility ³	47.0	47.0	-	-	-
Estimated interest payments on Long-Term Debt – AICF loan facility ⁴	-	-	-	-	-
Operating Leases	68.9	21.1	25.6	11.9	10.3
Purchase Obligations ⁵	-	-	-	-	-
Total	<u>\$1,844.6</u>	<u>\$ 72.6</u>	<u>\$ 34.7</u>	<u>\$ 20.8</u>	<u>\$ 10.3</u>

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.

- ¹ 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.
- ² Interest amounts are estimates based on debt remaining unchanged from the 31 March 2014 balance and interest rates remaining consistent with the rates at 31 March 2014. 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 2019 as such amounts are not reasonably estimable.
- ³ 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. The company anticipates the balance outstanding under the AICF loan facility at 31 March 2014 will be repaid on 1 July 2014. Beyond the amount outstanding at 31 March 2014, the company is unable to reasonably estimate the timing and amount of future drawings, if any, on the AICF loan facility. Accordingly, future payments are deemed to be nil.
- ⁴ 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.

[Table of Contents](#)

⁵ 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.

Off-Balance Sheet Arrangements

As of 31 March 2014 and 2013, we did not have any material off-balance sheet arrangements.

Research and Development

For fiscal years 2014, 2013 and 2012, our expenses for research and development were US\$33.1 million, US\$37.2 million and US\$30.4 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 endeavour. 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

In the US, although somewhat mixed, industry forecasts remain encouraging, and look beyond the seasonal impact of the severe U.S. winter to discern the true underlying growth momentum in the market. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the company's performance, were 615,400 for the fiscal year ended 31 March 2014, an increase of 13% from the prior year. Multi-family permits were 346,000, an increase of 14% relative to the prior year.

The company continues to expect improvement in the US operating environment during Fiscal Year 2015, though cautions that this remains predicated upon the strength of employment and consumer confidence, as well as continued improvement in the broader US economy. If the underlying market demand improves as expected, the company anticipates that EBIT margin for fiscal 2015 will increase as contribution margin exceeds spending on organisational costs and research and development. These gains are once again expected to result in an operating income to revenue margin above 20% in the USA and Europe Fibre Cement segment.

In Australia, net sales are expected to track in line with any growth in the detached housing market, and be impacted by positive/negative movements in the repair and remodel market. In New Zealand, business continues to improve, particularly in the Auckland and Christchurch areas.

[Table of Contents](#)

James Hardie Industries plc
Consolidated Financial Statements

Index

Report of Independent Registered Public Accounting Firm	119
Consolidated Balance Sheets as of 31 March 2014 and 2013	120
Consolidated Statements of Operations and Comprehensive Income (Loss) for the Years Ended 31 March 2014, 2013 and 2012	121
Consolidated Statements of Cash Flows for the Years Ended 31 March 2014, 2013 and 2012	122
Consolidated Statements of Changes in Shareholders' Equity (Deficit) for the Years Ended 31 March 2014, 2013 and 2012	123
Notes to Consolidated Financial Statements	124
James Hardie FY 2014 20-F	118

Report of Independent Registered Public Accounting Firm

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 2014 and 2013, 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 2014. 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 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 March 2014, 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 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated 22 May 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young

Irvine, California
22 May 2014

James Hardie Industries plc Consolidated Balance Sheets

	(Millions of US dollars)	
	31 March 2014	31 March 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 167.5	\$ 153.7
Restricted cash and cash equivalents	3.2	2.5
Restricted cash and cash equivalents - Asbestos	60.2	126.4
Restricted short-term investments - Asbestos	0.1	7.1
Accounts and other receivables, net of allowance for doubtful accounts of US\$1.0 million and US\$2.1 million as of 31 March 2014 and 31 March 2013, respectively	139.2	149.0
Inventories	190.7	172.1
Prepaid expenses and other current assets	21.9	19.2
Insurance receivable - Asbestos	28.0	22.2
Workers' compensation - Asbestos	4.3	0.9
Deferred income taxes	21.6	24.9
Deferred income taxes - Asbestos	16.5	18.6
Total current assets	<u>653.2</u>	<u>696.6</u>
Restricted cash and cash equivalents	1.8	2.5
Property, plant and equipment, net	711.2	658.9
Insurance receivable - Asbestos	198.1	209.4
Workers' compensation - Asbestos	47.6	60.7
Deferred income taxes	11.7	20.6
Deferred income taxes - Asbestos	455.2	434.1
Other assets	27.7	30.4
Total assets	<u>\$ 2,106.5</u>	<u>\$ 2,113.2</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 142.0	\$ 103.7
Current portion of long-term debt - Asbestos	47.0	-
Dividends payable	124.6	-
Accrued payroll and employee benefits	56.7	44.0
Accrued product warranties	7.7	6.6
Income taxes payable	5.4	6.0
Asbestos liability	134.5	135.0
Workers' compensation - Asbestos	4.3	0.9
Other liabilities	15.0	26.7
Total current liabilities	<u>537.2</u>	<u>322.9</u>
Deferred income taxes	93.0	95.4
Accrued product warranties	23.7	20.5
Asbestos liability	1,571.7	1,558.7
Workers' compensation - Asbestos	47.6	60.7
Other liabilities	32.3	36.8
Total liabilities	<u>2,305.5</u>	<u>2,095.0</u>
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 445,033,502 shares issued at 31 March 2014 and 441,644,484 shares issued at 31 March 2013	230.6	227.3
Additional paid-in capital	139.7	101.1
Accumulated deficit	(602.4)	(357.6)
Accumulated other comprehensive income	33.1	47.4
Total shareholders' (deficit) equity	<u>(199.0)</u>	<u>18.2</u>
Total liabilities and shareholders' (deficit) equity	<u>\$ 2,106.5</u>	<u>\$ 2,113.2</u>

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

James Hardie Industries plc

Consolidated Statement of Operations and Comprehensive Income

(Millions of US dollars, except per share data)	Years Ended 31 March		
	2014	2013	2012
Net sales	\$ 1,493.8	\$ 1,321.3	\$ 1,237.5
Cost of goods sold	(987.4)	(902.0)	(830.5)
Gross profit	506.4	419.3	407.0
Selling, general and administrative expenses	(224.4)	(218.6)	(191.0)
Research and development expenses	(33.1)	(37.2)	(30.4)
Asset impairments	-	(16.9)	(14.3)
Asbestos adjustments	(195.8)	(117.1)	(15.8)
Operating income	53.1	29.5	155.5
Interest expense	(4.5)	(5.5)	(11.2)
Interest income	3.4	7.9	3.8
Other income	2.6	1.8	3.0
Income before income taxes	54.6	33.7	151.1
Income tax benefit	44.9	11.8	453.2
Net income	\$ 99.5	\$ 45.5	\$ 604.3
Income per share - basic:			
Basic	\$ 0.22	\$ 0.10	\$ 1.39
Diluted	\$ 0.22	\$ 0.10	\$ 1.38
Weighted average common shares outstanding (Millions):			
Basic	442.6	439.2	436.2
Diluted	444.6	440.6	437.9
Comprehensive income, net of tax:			
Net income	\$ 99.5	\$ 45.5	\$ 604.3
Unrealised gain on investments	-	0.9	0.1
Cash flow hedges	0.9	-	-
Currency translation adjustments	(15.2)	(2.9)	(5.9)
Comprehensive income:	\$ 85.2	\$ 43.5	\$ 598.5

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		
	2014	2013	2012
Cash Flows From Operating Activities			
Net income	\$ 99.5	\$ 45.5	\$ 604.3
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortisation	61.4	61.2	65.2
Deferred income taxes	(70.7)	(52.8)	11.3
Stock-based compensation	8.5	7.0	7.8
Asbestos adjustments	195.8	117.1	15.8
Asset impairments	-	16.9	14.3
Tax benefit from stock options exercised	(5.6)	(3.5)	-
Changes in operating assets and liabilities:			
Restricted cash and cash equivalents	99.9	224.7	(59.1)
Restricted short-term investments	6.3	(0.1)	(0.1)
Payment to AICF	-	(184.1)	(51.5)
Accounts and other receivables	4.9	(10.6)	2.2
Inventories	(22.1)	8.0	(26.7)
Prepaid expenses and other assets	3.5	8.8	19.2
Insurance receivable - Asbestos	25.7	36.8	25.0
Accounts payable and accrued liabilities	48.5	(40.4)	87.4
Asbestos liability	(133.6)	(127.6)	(106.3)
Australian Taxation Office - amended assessment	-	-	(197.4)
Other accrued liabilities	0.8	2.4	(24.2)
Net cash provided by operating activities	\$ 322.8	\$ 109.3	\$ 387.2
Cash Flows From Investing Activities			
Purchases of property, plant and equipment	\$ (115.4)	\$ (61.1)	\$ (35.8)
Proceeds from sale of property, plant and equipment	0.7	1.4	0.3
Acquisition of business	(4.1)	-	(14.4)
Net cash used in investing activities	\$ (118.8)	\$ (59.7)	\$ (49.9)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	\$ -	\$ 330.0	160.0
Repayments of long-term borrowings	-	(330.0)	(219.0)
Proceeds from issuance of shares	29.3	26.3	11.0
Tax benefit from stock options exercised	5.6	3.5	-
Common stock repurchased and retired	(22.1)	-	(19.0)
Dividends paid	(199.1)	(188.5)	(17.4)
Net cash used in financing activities	\$ (186.3)	\$ (158.7)	\$ (84.4)
Effects of exchange rate changes on cash	\$ (3.9)	\$ (2.6)	\$ (6.1)
Net increase (decrease) in cash and cash equivalents	13.8	(111.7)	246.8
Cash and cash equivalents at beginning of period	153.7	265.4	18.6
Cash and cash equivalents at end of period	\$ 167.5	\$ 153.7	\$ 265.4
Components of Cash and Cash Equivalents			
Cash at bank and on hand	\$ 70.9	\$ 55.5	\$ 256.1
Short-term deposits	96.6	98.2	9.3
Cash and cash equivalents at end of period	\$ 167.5	\$ 153.7	\$ 265.4
Supplemental Disclosure of Cash Flow Activities			
Cash paid during the year for interest, net of amounts capitalised	\$ -	\$ 0.1	\$ 11.2
Cash paid during the year for income taxes, net	\$ 11.6	\$ 83.3	\$ 29.5

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

James Hardie Industries plc
Consolidated Statements of Changes in Shareholders' (Deficit) Equity

(Millions of US dollars)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balances as of 31 March 2011	\$ 222.5	\$ 52.5	\$ (784.7)	\$ -	\$ 55.2	\$ (454.5)
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 declared	-	-	(17.4)	-	-	(17.4)
Treasury stock purchased	-	-	-	(19.0)	-	(19.0)
Treasury stock retired	(1.8)	(0.4)	(16.8)	19.0	-	-
Balances as of 31 March 2012	\$ 224.0	\$ 67.6	\$ (214.6)	\$ -	\$ 49.4	\$ 126.4
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 declared	-	-	(188.5)	-	-	(188.5)
Balances as of 31 March 2013	\$ 227.3	\$ 101.1	\$ (357.6)	\$ -	\$ 47.4	\$ 18.2
Net income	-	-	99.5	-	-	99.5
Other comprehensive loss	-	-	-	-	(14.3)	(14.3)
Stock-based compensation	1.0	7.5	-	-	-	8.5
Tax benefit from stock options exercised	-	5.6	-	-	-	5.6
Equity awards exercised	3.3	26.0	-	-	-	29.3
Dividends declared	-	-	(323.7)	-	-	(323.7)
Treasury stock purchased	-	-	-	(22.1)	-	(22.1)
Treasury stock retired	(1.0)	(0.5)	(20.6)	22.1	-	-
Balances as of 31 March 2014	\$ 230.6	\$ 139.7	\$ (602.4)	\$ -	\$ 33.1	\$ (199.0)

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

James Hardie Industries plc

Notes to Consolidated Financial Statements

1. Background and Basis of Presentation

On 15 October 2012, the Company was transformed from an Irish Societas Europaea ("SE") to an Irish public limited company ("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\$)	2014	31 March 2013	2012
Assets and liabilities	1.0845	0.9597	0.9614
Statements of operations	1.0716	0.9694	0.9573
Cash flows – beginning cash	0.9597	0.9614	0.9676
Cash flows – ending cash	1.0845	0.9597	0.9614
Cash flows – current period movements	1.0716	0.9694	0.9573

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.

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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 nil, US\$16.9 million and US\$14.3 million during the years ended 31 March 2014, 2013 and 2012, 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. Management reviews these rebates and discounts on an ongoing basis and the related accruals are adjusted, if necessary, as additional information becomes available.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

A portion of our revenue is made through distributors under a Vendor Managed Inventory ("VMI") agreement whereby revenue is recognised upon the transfer of title and risk of loss, following the customer's acknowledgement of the receipt of goods.

Advertising

The Company expenses the production costs of advertising the first time the advertising takes place. Advertising expense was US\$9.5 million, US\$8.9 million and US\$8.6 million during the years ended 31 March 2014, 2013 and 2012, 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.

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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 the Black-Scholes option-pricing model.

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 Simulation.

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 restricted stock units ("RSUs"), had been issued.

Accordingly, basic and dilutive common shares outstanding used in determining net income per share are as follows:

	Years Ended 31 March		
(Millions of shares)	2014	2013	2012
Basic common shares outstanding	442.6	439.2	436.2
Dilutive effect of stock awards	2.0	1.4	1.7
Diluted common shares outstanding	444.6	440.6	437.9

(US dollars)	2014	2013	2012
Net income per share - basic	\$ 0.22	\$ 0.10	\$ 1.39
Net income per share - diluted	\$ 0.22	\$ 0.10	\$ 1.38

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Potential common shares of 1.9 million, 4.4 million and 11.1 million for the years ended 31 March 2014, 2013 and 2012, 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, RSUs which vest solely based on continued employment are considered to be outstanding as of their issuance date for purposes of computing diluted EPS and are included in the calculation of diluted EPS using the Treasury Method. Once these RSUs vest, they are included in the basic EPS calculation on a weighted-average basis.

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

Asbestos

At 31 March 2006, the Company recorded an asbestos provision based on the estimated economic impact of the Original Final Funding Agreement ("Original FFA") entered into on 1 December 2005. The amount of the net asbestos provision of US\$715.6 million was based on the terms of the Original FFA, which included an actuarial estimate prepared by KPMG Actuarial Pty Limited ("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 Asbestos Injuries Compensation Fund ("AICF"), a special purpose fund that provides compensation for Australian-related personal injuries for which certain former subsidiary companies of James Hardie in Australia (being Amaca Pty Ltd ("Amaca"), Amaba Pty Ltd ("Amaba") and ABN 60 Pty Limited ("ABN 60") (collectively, the "Former James Hardie Companies")) are found liable.

Amaca and Amaba separated from the James Hardie Group in February 2001. ABN 60 separated from the James Hardie Group in March 2003. Upon shareholder approval of the 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 New South Wales Government ("NSW") 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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 when realised.

For the year ended 31 March 2014, 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. 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.

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 during the period in which the adjustments occur.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 recognised by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows calculated by KPMG Actuarial. Based on their assumptions, KPMGA arrived at a range of possible total future cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows. The Company views the central estimate as the basis for recognising the asbestos liability in the Company's financial statements.

The Company considered discounting when determining the best estimate under US GAAP. The Company has recognised the asbestos liability by reference to (but is not exclusively based upon) the central estimate as undiscounted on the basis that it is the Company's view that the timing and amounts of such cash flows are not fixed or readily determinable. The Company considered inflation when determining the best estimate under US GAAP. It is the Company's view that there are material uncertainties in estimating an appropriate rate of inflation over the extended period of the AFFA. The Company views the undiscounted and uninflated central estimate as the best estimate under US GAAP.

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 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. 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 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)

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 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.

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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Long-Term Debt

The AICF may draw funds under a long term credit facility to fund the payment of asbestos claims and certain operating and legal costs of AICF, Amaca, Amaba and ABN 60. The Facility is available to be drawn up to 9 December 2020 (being the tenth anniversary of signing) and must be repaid on or by 1 November 2030. Interest accrues daily on amounts outstanding and is calculated based on a 365-day year and is payable monthly. The borrowings under the credit facility are classified as current as AICF intends to repay the debt within one year.

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.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, which requires the presentation of significant amounts reclassified out of accumulated other comprehensive income (loss) 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 were effective for fiscal years and interim periods within those years, beginning after 15 December 2012. 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 July 2013, the FASB issued ASU No. 2013-11, which provides explicit guidance on the financial statement presentation of an unrecognised tax benefit when a net operating loss carryforward, a

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

similar tax loss, or a tax credit carryforward exists. The amendments in ASU No. 2013-11 are effective for fiscal years and interim periods within those years, beginning after 15 December 2013. The Company has evaluated the impact of this ASU and does not expect its adoption to have 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	
	2014	2013
Cash at bank and on hand	\$ 70.9	\$ 55.5
Short-term deposits	96.6	98.2
Total cash and cash equivalents	\$ 167.5	\$ 153.7

4. Restricted Cash and Cash Equivalents

Included in restricted cash and cash equivalents is US\$5.0 million related to an insurance policy at 31 March 2014 and 2013, which restricts the cash from use for general corporate purposes.

5. Accounts and Other Receivables

Accounts and other receivables consist of the following components:

(Millions of US dollars)	31 March	
	2014	2013
Trade receivables	\$ 135.5	\$ 134.1
Other receivables and advances	4.7	17.0
Allowance for doubtful accounts	(1.0)	(2.1)
Total accounts and other receivables	\$ 139.2	\$ 149.0

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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

The following are changes in the allowance for doubtful accounts:

(Millions of US dollars)	31 March	
	2014	2013
Balance at beginning of period	\$ 2.1	\$ 2.3
Charged to expense	0.2	1.0
Write-offs, net of recoveries	(1.3)	(1.2)
Balance at end of period	<u>\$ 1.0</u>	<u>\$ 2.1</u>

6. Inventories

Inventories consist of the following components:

(Millions of US dollars)	31 March	
	2014	2013
Finished goods	\$ 135.5	\$ 115.8
Work-in-process	6.6	7.6
Raw materials and supplies	56.5	55.1
Provision for obsolete finished goods and raw materials	(7.9)	(6.4)
Total inventories	<u>\$ 190.7</u>	<u>\$ 172.1</u>

As of 31 March 2014 and 2013, US\$18.3 million and US\$19.2 million, respectively, of our finished goods inventory balance was held at third-party 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 ^{1,2}	Total
Cost or valuation:					
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
Additions	11.7	18.9	39.8	54.8	125.2
Disposals	-	-	(2.2)	-	(2.2)
Exchange differences	-	(1.0)	(27.5)	-	(28.5)
At 31 March 2014	\$ 30.2	\$ 228.1	\$ 1,004.8	\$ 115.9	\$ 1,379.0
Accumulated depreciation:					
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)
Charge for the year	-	(9.1)	(52.2)	-	(61.3)
Disposals	-	-	1.5	-	1.5
Exchange differences	-	1.0	17.1	-	18.1
Other	-	-	(0.5)	-	(0.5)
At 31 March 2014	\$ -	\$ (93.3)	\$ (574.5)	\$ -	\$ (667.8)
Net book amount:					
At 31 March 2013	\$ 18.5	\$ 125.0	\$ 454.3	\$ 61.1	\$ 658.9
At 31 March 2014	\$ 30.2	\$ 134.8	\$ 430.3	\$ 115.9	\$ 711.2

¹ Construction in progress consists of plant expansions and upgrades.

² Construction in progress balance is presented net of assets transferred into service.

Depreciation expense for the years ended 31 March 2014 and 2013 was US\$61.3 million and US\$60.0 million, respectively. Included in property, plant and equipment are restricted assets of AICF with a net book value of US\$1.7 million and US\$2.1 million as of 31 March 2014 and 2013, 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 2014, there were no asset impairment charges recorded.

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. In addition, 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. The remaining impairment charges of US\$12.5 million included US\$2.8 million related to

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

redundant equipment that is no longer 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. 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	
	2014	2013
Trade creditors	\$ 94.0	\$ 75.2
Other creditors and accruals	48.0	28.5
Total accounts payable and accrued liabilities	\$ 142.0	\$ 103.7

9. Long-Term Debt

At 31 March 2014, 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 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	-
Total		\$ 355.0	\$ -

At 31 March 2014, 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 2014 and 2013, and the weighted average term of all debt facilities is 2.4 years at 31 March 2014. The weighted average fixed interest rate on the Company's interest rate swap contracts is set forth in Note 12.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

For all facilities, the interest rate is calculated two business days prior to the commencement of each draw-down period based on the US\$ London Interbank Offered Rate ("LIBOR") plus the margins of individual lenders and is payable at the end of each draw-down period.

At 31 March 2014, 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.

Subsequent to 31 March 2014, the Company added term facilities totalling US\$150.0 million; US\$25.0 million of these facilities mature in April 2017, US\$50.0 million mature in April 2019 and US\$75.0 million mature in May 2019. The addition of the new credit facilities increased the total borrowing capacity to US\$505.0 million.

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.

The following are the changes in the product warranty provision:

(Millions of US dollars)	Years Ended 31 March		
	2014	2013	2012
Balance at beginning of period	\$ 27.1	\$ 27.0	\$ 26.2
Accruals for product warranties	14.0	12.1	13.1
Settlements made in cash or in kind	(9.7)	(12.0)	(12.3)
Balance at end of period	<u>\$ 31.4</u>	<u>\$ 27.1</u>	<u>\$ 27.0</u>

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 comprise the following:

(Millions of US dollars)	Years Ended 31 March		
	2014	2013	2012
Change in estimates:			
Change in actuarial estimate – asbestos liability	\$ (340.3)	\$ (163.0)	\$ (67.8)
Change in actuarial estimate – insurance receivable	31.2	27.9	49.8
Change in estimate – AICF claims-handling costs	0.9	5.9	8.4
Subtotal – Change in estimates	(308.2)	(129.2)	(9.6)
Recovery of Insurance Receivables	15.2	11.9	-
Gain (loss) on foreign currency exchange	97.2	0.2	(6.2)
Total Asbestos Adjustments	\$ (195.8)	\$ (117.1)	\$ (15.8)

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	
	2014	2013
Asbestos liability – current	\$ (134.5)	\$ (135.0)
Asbestos liability – non-current	(1,571.7)	(1,558.7)
Asbestos liability – Total	(1,706.2)	(1,693.7)
Insurance receivable – current	28.0	22.2
Insurance receivable – non-current	198.1	209.4
Insurance receivable – Total	226.1	231.6
Workers' compensation asset – current	4.3	0.9
Workers' compensation asset – non-current	47.6	60.7
Workers' compensation liability – current	(4.3)	(0.9)
Workers' compensation liability – non-current	(47.6)	(60.7)
Workers' compensation – Total	-	-
Loan facility	(47.0)	-
Other net liabilities	(0.8)	(1.6)
Restricted cash and cash equivalents and restricted short-term investment assets of the AICF	60.3	133.5
Net AFFA liability	\$ (1,467.6)	\$ (1,330.2)
Deferred income taxes – current	16.5	18.6
Deferred income taxes – non-current	455.2	434.1
Deferred income taxes – Total	471.7	452.7
Income tax payable	16.7	25.9
Net Unfunded AFFA liability, net of tax	\$ (979.2)	\$ (851.6)

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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

AICF for an early contribution based on the Company's free cash flow for the year ended 31 March 2012, the Company did not make 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; the asbestos liability has been recognised by reference to (but is not exclusively based upon) the most recent central estimate calculated by KPMG Actuarial, which is intended to reflect a probability-weighted expected outcome of projected future asbestos-related cash flows, which the Company reflects on an undiscounted and uninflated basis. 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 2014.

The changes in the asbestos liability for the year ended 31 March 2014 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Asbestos liability – 31 March 2013	A\$(1,625.4)	0.9597	\$ (1,693.7)
Asbestos claims paid ¹	140.4	1.0716	131.0
AICF claims - handling costs incurred ¹	2.7	1.0716	2.5
Change in actuarial estimate ²	(369.1)	1.0845	(340.3)
Change in claims handling cost estimate ²	1.0	1.0845	0.9
Effect of foreign exchange			\$ 193.4
Asbestos liability – 31 March 2014	<u>A\$(1,850.4)</u>	1.0845	<u>\$ (1,706.2)</u>

Insurance Receivable – Asbestos

The changes in the insurance receivable for the year ended 31 March 2014 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Insurance receivables – 31 March 2013	A\$222.3	0.9597	\$ 231.6
Insurance recoveries ¹	(27.5)	1.0716	(25.7)
Recovery of Insurance Receivables ²	16.5	1.0845	15.2
Change in actuarial estimate ²	34.0	1.0845	31.2
Effect of foreign exchange			(26.2)
Insurance receivables – 31 March 2014	<u>A\$245.3</u>	1.0845	<u>\$ 226.1</u>

Included in insurance receivable is US\$2.6 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 2014 are detailed in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Deferred Tax Assets – 31 March 2013	A\$ 434.4	0.9597	\$ 452.7
Offset to Income Tax Payable ¹	(18.0)	1.0716	(16.8)
AICF Earnings ¹	(0.3)	1.0716	(0.3)
Impact of change in estimates ²	95.3	1.0845	87.9
Effect of foreign exchange			(51.8)
Deferred tax asset – 31 March 2014	A\$ 511.4	1.0845	\$ 471.7

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

² The spot exchange rate at 31 March 2014 is used to convert the Australian dollar amount to US dollars as the adjustment was made on that date.

³ 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 2014 and 2013, this amount was US\$16.8 million and US\$25.6 million, respectively. During the year ended 31 March 2014, there was a US\$3.9 million unfavourable effect of foreign currency exchange.

Other Net Liabilities

Other net liabilities include a provision for asbestos-related education and medical research contributions of US\$1.7 million and US\$1.9 million at 31 March 2014 and 2013, respectively.

Also included in other net 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\$0.9 million and US\$0.3 million at 31 March 2014 and 2013, respectively. During the year ended 31 March 2014, there was US\$0.2 million favourable 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.

James Hardie Industries plc
Notes to Consolidated Financial Statements (Continued)

The changes in restricted cash and short-term investments of AICF for the year ended 31 March 2014 are set forth in the table below:

	A\$ Millions	A\$ to US\$ rate	US\$ Millions
Restricted cash assets – 31 March 2013	A\$ 128.1	0.9597	\$ 133.5
Asbestos claims paid ¹	(140.4)	1.0716	(131.0)
AICF operating costs paid – claims -handling ¹	(2.7)	1.0716	(2.5)
AICF operating costs paid – non claims -handling ¹	(2.3)	1.0716	(2.1)
Insurance recoveries ¹	27.5	1.0716	25.7
Interest and investment income ¹	3.1	1.0716	2.9
NSW loan – drawdowns ³	25.3	1.1186	22.6
NSW loan – drawdowns ³	25.3	1.0983	23.0
Interest Received ³	0.9	1.0074	0.9
Other ¹	0.7	1.0716	0.7
Effect of foreign exchange			(13.4)
Restricted cash & investments – 31 March 2014	A\$ 65.5	1.0845	\$ 60.3

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

² The spot exchange rates on the date the transactions occurred are used to convert the Australian dollar amounts to US dollars.

³ 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.

Actuarial Study; Claims Estimate

AICF commissioned an updated actuarial study of potential asbestos-related liabilities as of 31 March 2014. Based on KPMG Actuarial's assumptions, KPMG Actuarial arrived at a range of possible total cash flows and calculated a central estimate, which is intended to reflect a probability-weighted expected outcome of those actuarially estimated future cash flows.

The following table sets forth the Central Estimates, net of insurance recoveries, calculated by KPMG Actuarial as of 31 March 2014:

(Millions of US and Australian dollars, respectively)	Year Ended 31 March 2014	
	US\$	A\$
Central Estimate – Discounted & Inflated	\$ 1,724.5	A\$ 1,870.2
Central Estimate – Undiscounted but Inflated	2,586.5	2,805.1
Central Estimate – Used by the Company	\$ 1,426.1	A\$ 1,546.6

The asbestos liability has been revised to reflect the most recent actuarial estimate prepared by KPMG Actuarial as of 31 March 2014. The Company has released the KPMGA actuarial report in its entirety on the Company's Investor Relations website at <http://www.ir.jameshardie.com.au>.

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 2076, the typical cost of

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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, 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. 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\$1.3 billion (US\$1.2 billion) to A\$3.0 billion (US\$2.7 billion). The undiscounted (but inflated) estimates could be in a range of A\$1.8 billion (US\$1.7 billion) to A\$5.0 billion (US\$4.6 billion) as of 31 March 2014. 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 2014 fiscal year, mesothelioma claims reporting activity has been above actuarial expectations for the second consecutive year. One of the critical assumptions is the estimated peak year of mesothelioma disease claims, which was previously assumed to have occurred in 2010/2011. Potential variation in this estimate has an impact much greater than the other assumptions used to derive the discounted central estimate. In performing the sensitivity assessment of the estimated period of peak claims reporting for mesothelioma, KPMG Actuarial has determined that if claims reporting does not begin to reduce until after 2018/19, the discounted central estimate could increase by approximately 22% (in addition to the 17% increase that has already been factored into the 31 March 2014 valuation). At 31 March 2014, KPMG Actuarial has formed the view that the higher claims reporting assumed in the short and medium term is not necessarily indicative of longer term impacts, as at this stage it is too early to form such a conclusion on the basis of one year's experience.

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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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				
	2014	2013	2012	2011	2010
Number of open claims at beginning of period	462	592	564	529	534
Number of new claims	608	542	456	494	535
Number of closed claims	604	672	428	459	540
Number of open claims at end of period	466	462	592	564	529
Average settlement amount per settled claim	A\$ 253,185	A\$ 231,313	A\$ 218,610	A\$ 204,366	A\$ 190,627
Average settlement amount per case closed	A\$ 212,944	A\$ 200,561	A\$ 198,179	A\$ 173,199	A\$ 171,917
Average settlement amount per settled claim	US\$ 236,268	US\$ 238,615	US\$ 228,361	US\$ 193,090	US\$ 162,250
Average settlement amount per case closed	US\$ 198,716	US\$ 206,892	US\$ 207,019	US\$ 163,642	US\$ 146,325

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\$295.1 million, based on the exchange rate at 31 March 2014). 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 2014, the discounted value of insurance policies was A\$214.3 million (US\$197.6 million, based on the exchange rate at 31 March 2014).

At 31 March 2014, AICF had A\$50.6 million (US\$47.0 million, based on the exchange rate at 31 March 2014) outstanding on the Facility. The term of the Facility expires on 1 November 2030, at which time all amounts outstanding under the Facility become due and payable.

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 of Australia ("Commonwealth").

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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, cancelling, 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.

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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 2014, the Company's financial instruments consist primarily of cash and cash equivalents, restricted cash and cash equivalents, restricted short-term investments, trade receivables, trade payables, debt and interest rate swaps.

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

Restricted short-term investments – Restricted short-term investments are 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 2014, no debt was outstanding under the Company's existing credit facilities.

Derivatives and Hedging – The Company uses derivatives from time to time for risk management purposes and does not engage in speculative activity. A key risk management objective for the

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Company is to mitigate interest rate risk associated with the Company's external credit facilities and foreign currency risk primarily with respect to forecasted transactions denominated in foreign currencies, as further described below. The determination of whether the Company enters into a derivative transaction to achieve these risk management objectives depends on a number of factors, including market related factors that impact the extent to which derivative instruments will achieve such risk management objectives of the Company.

The notional amount of interest rate swap contracts and foreign currency forward contracts represents the basis upon which payments are calculated and are reported on a net basis when a legal and enforceable right of set-off exists. The following table sets forth the total outstanding notional amount and the fair value of the Company's derivative instruments held at 31 March 2014 and 2013.

(Millions of US dollars)	Notional Amount		Fair Value as of			
	31 March 2014	31 March 2013	31 March 2014		31 March 2013	
			Assets	Liabilities	Assets	Liabilities
Derivatives accounted for as hedges						
Foreign currency forward contracts	\$ 9.7	\$ -	\$ 0.5	\$ -	\$ -	\$ -
Derivatives not accounted for as hedges						
Foreign currency forward contracts	124.0	-	1.8	-	-	-
Interest rate swap contracts	125.0	25.0	-	0.5	-	1.3
Total	\$ 258.7	\$ 25.0	\$ 2.3	\$ 0.5	\$ -	\$ 1.3

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 in *Other income*. At 31 March 2014 and 2013, the Company had interest rate swap contracts with a total notional principal of US\$125.0 million and US\$25.0 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.

During the year ended 31 March 2014, the Company entered into three additional interest rate swap contracts with an aggregate notional principal of US\$100.0 million. The first was entered into in October 2013 with a notional principal of US\$50.0 million, term of 5 years, fixed interest rate of 2.0% and a forward start date of October 2014. The remaining two contracts were entered into in December 2013 with notional principal amounts of US\$25.0 million and US\$25.0 million, terms of 6 years and 4 years, fixed interest rates of 2.3% and 1.5%, respectively, and a forward start date of July 2014.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

At 31 March 2014, the weighted average fixed interest rate of these contracts is 2.1% and the weighted average remaining life is 4.5 years. These contracts have a fair value of US\$0.5 million and US\$1.3 million at 31 March 2014 and 2013, respectively, which is included in *Accounts payable*. For the years ended 31 March 2014 and 2013, the Company included in *Other income* an unrealised gain of US\$0.8 million and US\$1.8 million, respectively, on interest rate swap contracts. Included in interest expense is a realised loss on interest rate swap contracts of US\$0.6 million and US\$2.1 million for the years ended 31 March 2014 and 2013, respectively.

Foreign Currency Forward Contracts

The Company uses foreign currency forward contracts and enters into hedging relationships from time to time in order to mitigate exposure to foreign currency fluctuations. When achievable, these instruments are designated as hedges and treated as a cash flow hedging arrangement for accounting purposes. In September 2013, the Company entered into foreign currency forward contracts designated as hedges in order to mitigate exposure associated with the anticipated purchases of production assets denominated in a foreign currency in a future period.

For foreign currency forward contracts that are designated as a cash flow hedging arrangement, the effective portion of the change in fair value of the contract is reported as a component of shareholders' equity within *Accumulated other comprehensive income* on the consolidated balance sheet and reclassified into earnings contemporaneously and in the same caption with the earnings effect of the hedged transaction. For cash flow hedges, the amount of ineffectiveness in the hedging relationship and amount of the changes in fair value of the foreign currency forward contracts that are not included in the measurement of ineffectiveness are both reflected in earnings each reporting period within *Other income*. For foreign currency forward contracts not designated as a hedge, changes in the fair value of foreign currency forward contracts are reflected in earnings within *Other income* at each measurement date.

The estimated fair value associated with these contracts was US\$0.5 million at 31 March 2014. In addition, the cumulative unrealised gains arising from changes in the fair value of foreign currency forward contracts designated as a cash flow hedging arrangement was US\$0.9 million as of 31 March 2014, which were classified within *Accumulated other comprehensive income*. There were no amounts reclassified from *Accumulated other comprehensive income* into earnings for the fiscal year ended 31 March 2014. The maximum term of foreign currency forward contracts that hedged forecasted transactions was 1.1 years at 31 March 2014. There were no significant gains or losses reclassified into earnings as a result of a discontinuance of a cash flow hedge resulting from an unfavourable change in probability of a forecasted transaction occurring. Further, the amount of deferred gains or losses to be reclassified into earnings within the next 12 months is not expected to be significant. The fair value of these contracts is included in *Other assets* at 31 March 2014.

In addition, the Company has entered into foreign currency forward contracts that are not designated as a cash flow hedging arrangements. For the years ended 31 March 2014 and 2013, the Company included in *Other income* the cumulative unrealised gains arising from changes in the fair value of these contracts of US\$1.8 million and nil, respectively. The maximum term of foreign currency forward contracts that are not designated as hedges was 1.1 years at 31 March 2014.

The Company's foreign currency forward contracts are valued using models that maximise the use of market observable inputs including interest rate curves and both forward and spot prices for currencies and are categorised as Level 2 within the fair value hierarchy.

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 2014 according to the valuation techniques the Company used to determine their fair values.

(Millions of US dollars)	Fair Value at 31 March 2014	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	\$ 167.5	\$ 167.5	\$ -	\$ -
Restricted cash and cash equivalents	65.2	65.2	-	-
Restricted short-term investments	0.1	-	0.1	-
Forward contracts included in Other Assets	2.3	-	2.3	-
Total Assets	\$ 235.1	\$ 232.7	\$ 2.4	\$ -
Interest rate swap contracts included in Accounts Payable	0.5	\$ -	\$ 0.5	\$ -
Total Liabilities	\$ 0.5	\$ -	\$ 0.5	\$ -

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 and New Zealand product liability claims as described in these financial statements.

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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 co-defendants and 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.

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 established a provision for asserted and unasserted New Zealand product liability claims within the current portion of *Other liabilities*, with a corresponding estimated receivable for third-party recoveries being recognised within *Accounts and other receivables*. At 31 March 2014 and 31 March 2013, the amount of the provision for New Zealand product liability claims, net of estimated third-party recoveries, was US\$12.7 million and US\$15.2 million, respectively.

The estimated loss for these matters, net of estimated third-party recoveries, incorporates assumptions that are subject to the foregoing uncertainties and are principally derived from, but not exclusively based on, historical claims experience together with facts and circumstances unique to each claim. 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 2014. Accordingly, due to the inherent uncertainties associated with estimating the amount of loss incurred for these matters, as discussed above, and based on information presently available, the Company believes it is possible that the ultimate resolution of these matters collectively could result in an additional loss of up to approximately US\$3.6 million in excess of the amount already accrued, net of estimated third-party recoveries, at 31 March 2014.

Recently, the New Zealand High Court delivered a judgment holding that the ten year longstop under the Building Act did not apply to product liability lawsuits against building materials manufacturers. The Court's judgment has the potential to extend the time period in which claimants can pursue a limited type of claim against such parties for up to an additional five years. The Company has historically been successful in resolving such claims for de minimis amounts and as such does not expect the judgment to materially alter the provision for asserted and unasserted New Zealand product liability claims recorded on the Company's 31 March 2014 Consolidated Financial Statements.

New Zealand Ministry of Education Representative Action

On 16 April 2013, the New Zealand Ministry of Education and other related plaintiffs (the "MOE") initiated a 'representative action' in the New Zealand High Court against four building material manufacturers, including two of the Company's New Zealand subsidiaries, in relation to several thousand New Zealand school buildings. The MOE alleged that the cladding systems used on school buildings were defective and asserted claims of negligence, negligent misstatement, negligent failure to warn and breach of both the New Zealand Consumer Guarantees Act 1993 and Fair Trading Act 1986. On 23 December 2013, the Company finalised a commercial settlement with the MOE in relation

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

to these claims, the specific details of which the parties agreed to keep confidential. As part of the settlement, the MOE agreed to discontinue the claims made against the Company's two New Zealand subsidiaries. The settlement did not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

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 2014:

Years ending 31 March (Millions of US dollars):	
2015	\$ 20.9
2016	17.7
2017	7.7
2018	6.3
2019	5.6
Thereafter	10.3
Total	\$ 68.5

Rental expense amounted to US\$18.0 million, US\$20.6 million and US\$19.6 million for the years ended 31 March 2014, 2013 and 2012, respectively.

Capital Commitments

Commitments for the acquisition of plant and equipment and other purchase obligations contracted for but not recognised as liabilities and generally payable within one year, were nil at 31 March 2014.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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		
	2014	2013	2012
Income from operations before income taxes:			
Domestic	\$ 141.6	\$ 110.6	\$ 97.1
Foreign	(87.0)	(76.9)	54.0
Total income before income taxes	\$ 54.6	\$ 33.7	\$ 151.1
Income tax benefit (expense):			
Current:			
Domestic	\$ (8.9)	\$ (5.3)	\$ (2.5)
Foreign	44.6	(14.7)	454.3
Current income tax benefit (expense)	35.7	(20.0)	451.8
Deferred:			
Domestic	(3.3)	0.7	(4.2)
Foreign	12.5	31.1	5.6
Deferred income tax benefit	9.2	31.8	1.4
Total income tax benefit	\$ 44.9	\$ 11.8	\$ 453.2

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.

Income tax benefit (expense) is reconciled to the tax at the statutory rates as follows:

(Millions of US dollars)	Years Ended 31 March		
	2014	2013	2012
Income tax benefit (expense) at statutory tax rates	\$ 6.2	\$ 8.8	\$ (28.4)
US state income taxes, net of the federal benefit	(1.8)	(0.1)	(0.8)
Asbestos - effect of foreign exchange	30.2	(0.3)	(1.9)
Expenses not deductible	(2.1)	(2.0)	(0.7)
Non-assessable items	0.6	1.8	0.4
Repatriation of foreign earnings	-	2.7	(0.1)
Amortisation of intangibles	1.7	2.0	1.7
Taxes on foreign income	(2.9)	(1.6)	2.6
Tax assessment in dispute	10.7	-	478.4
Other items	2.3	0.5	2.0
Total income tax benefit	\$ 44.9	\$ 11.8	\$ 453.2
Effective tax rate	(82.2%)	(35.0%)	(299.9%)

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Deferred tax balances consist of the following components:

(Millions of US dollars)	31 March	
	2014	2013
Deferred tax assets:		
Asbestos liability	\$ 471.8	\$ 452.7
Other provisions and accruals	52.5	56.5
Net operating loss carryforwards	12.8	18.9
Foreign tax credit carryforwards	135.4	123.9
Capital loss carryforwards	-	34.5
Total deferred tax assets	672.5	686.5
Valuation allowance	(142.4)	(165.1)
Total deferred tax assets, net of valuation allowance	530.1	521.4
Deferred tax liabilities:		
Depreciable and amortisable assets	(111.2)	(110.8)
Other	(6.9)	(7.8)
Total deferred tax liabilities	(118.1)	(118.6)
Net deferred tax assets	\$ 412.0	\$ 402.8

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 2014, the Company had European tax loss carry-forwards of approximately US\$7.0 million that are available to offset future taxable income, of which US\$5.6 million will never expire. Carry-forwards of US\$1.4 million will expire in fiscal years 2016 through 2022. At 31 March 2014, the Company had a 100% valuation allowance against the European tax loss carry-forwards.

The Company determined that US\$34.5 million of the Australian deferred tax assets which had a 100% valuation allowance at 31 March 2013 were unlikely to be realised and had effectively expired. The deferred tax asset and the related valuation allowance were written off and had no impact to the consolidated statement of operations during the year ended 31 March 2014.

At 31 March 2014, the Company had foreign tax credit carry-forwards of US\$135.4 million that are available to offset future taxes payable. At 31 March 2014, 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 2014. 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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

At 31 March 2014, the undistributed earnings of non-Irish subsidiaries approximated US\$675.3 million. The Company intends to indefinitely reinvest its undistributed earnings of the majority of its 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 2014, 2013 and 2012, the Company recorded an income tax benefit of US\$0.3 million, income tax expense of US\$0.2 million and US\$0.5 million, respectively, as a result of the finalisation of certain tax audits (whereby certain matters were settled), the expiration of the statute of limitations related to certain tax positions.

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.

James Hardie Industries plc

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
Balance at 31 March 2011	\$ 185.5	\$ 196.3
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
Balance at 31 March 2012	\$ 2.6	\$ 0.9
Additions for tax positions of the current year	0.1	-
Additions 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)	-
Balance at 31 March 2013	\$ 1.5	\$ 0.1
Additions for tax positions of the current year	0.1	-
Additions for tax positions of prior year	0.1	-
Settlements paid during the current period	(1.2)	-
Other reductions for the tax positions of prior periods	-	(0.1)
Balance at 31 March 2014	\$ 0.5	\$ -

As of 31 March 2014, 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 tax expense is US\$0.5 million and nil, respectively.

The Company recognises penalties and interest accrued related to unrecognised tax benefits in income tax expense. During the year ended 31 March 2014, income of US\$0.1 million relating to interest and penalties was recognised within income tax expense arising from movements in unrecognised tax benefits. During the year ended 31 March 2013, the total amount of interest and penalties recognised in income tax expense was US\$0.8 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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

litigation, the completion of ongoing examinations, the expiration of the statute of limitations, or other circumstances. At this time, an estimate of the range of the reasonably possible change cannot be made.

Interest Payments from ATO

During the fourth quarter ended 31 March 2012, the ATO provided a refund of US\$396.3 million to RCI Pty Ltd ("RCI"), a wholly owned subsidiary of the Company, resulting from RCI's successful appeal of a disputed amended tax assessment related to RCI's income tax return for its 1999 fiscal year. The facts and circumstances relating to RCI's successful appeal of the disputed amended tax assessment were fully disclosed in the notes to the Company's Consolidated Financial Statements as of and for the year ended 31 March 2012.

On 4 November 2013, the ATO notified RCI that RCI was entitled to a final additional amount of interest of A\$17.3 million (US\$15.4 million) in respect of amounts paid by RCI to the ATO while the appeal of the disputed amended tax assessment was in process. This final amount of interest was received from the ATO on 7 January 2014. As the receipt of this interest from the ATO relates to RCI's successful appeal of its disputed amended tax assessment, the additional interest, net of tax, is included in *Income tax benefit* in the Company's Consolidated Statements of Operations and Comprehensive Income for the year ended 31 March 2014.

15. Stock-Based Compensation

The Company recognised stock-based compensation expense (included in selling, general and administrative expense) of US\$13.0 million, US\$10.8 million and US\$11.1 million for the years ended 31 March 2014, 2013 and 2012, respectively. Compensation expense arising from equity-based award grants, as estimated using pricing models, was US\$8.5 million, US\$7.0 million and US\$7.8 million for the years ended 31 March 2014, 2013 and 2012, respectively. Included in stock-based compensation expense for the years ended 31 March 2014, 2013 and 2012 is US\$4.5 million, US\$3.8 million and US\$3.3 million, respectively, related to liability-classified awards. As of 31 March 2014, the unrecorded future stock-based compensation expense related to outstanding equity awards was US\$12.3 million after estimated forfeitures and will be recognised over an estimated weighted average amortisation period of 1.6 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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 315,749 and 265,988 restricted stock units to its employees in the years ended 31 March 2014 and 2013, 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 2014, there were 608,215 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 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 2014, the Company had granted 8,216,899 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 2014, there were 101,000 options and 3,275,703 restricted stock units outstanding under the LTIP.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

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 2014, 2013 and 2012:

	Shares Available for Grant
Balance at 31 March 2012	25,695,988
Granted	(1,415,605)
Forfeitures available for re-grant	223,400
Balance at 31 March 2013	24,503,783
Granted	(1,266,656)
Balance at 31 March 2014	23,237,127

Stock Options

There were no stock options granted during the years ended 31 March 2014 and 2013. The following table summarises the Company's stock options activity during the noted period:

	Outstanding Options	
	Number	Weighted Average Exercise Price (A\$)
Balance at 31 March 2012	9,085,140	7.59
Exercised	(3,622,106)	7.01
Forfeited	(306,898)	8.56
Balance at 31 March 2013	5,156,136	7.94
Exercised	(4,056,860)	7.89
Balance at 31 March 2014	1,099,276	8.11

The total intrinsic value of stock options exercised was A\$13.8 million, A\$7.2 million and A\$2.0 million for the years ended 31 March 2014, 2013 and 2012, 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\$5.6 million, US\$3.5 million and nil for the years ended 31 March 2014, 2013 and 2012, respectively.

James Hardie Industries plc
Notes to Consolidated Financial Statements (Continued)

The following table summarises outstanding and exercisable options under both the 2001 Equity Incentive Plan and the LTIP as of 31 March 2014:

Exercise Price (A\$)	Options Outstanding				Options Exercisable			
	Number	Weighted Average Remaining Life (in Years)	Weighted Average Exercise Price (A\$)	Aggregate Intrinsic Value (A\$)	Number	Weighted Average Exercise Price (A\$)	Aggregate Intrinsic Value (A\$)	
5.99	47,500	0.7	5.99	\$ 396,150	47,500	5.99	\$ 396,150	
6.38	200,896	3.7	6.38	1,597,123	200,896	6.38	1,597,123	
8.40	337,880	2.6	8.40	2,003,628	337,880	8.40	2,003,628	
8.40	101,000	2.6	8.40	598,930	101,000	8.40	598,930	
8.90	394,900	1.7	8.90	2,144,307	394,900	8.90	2,144,307	
8.90	17,100	1.7	8.90	92,853	17,100	8.90	92,853	
Total	1,099,276			\$ 6,832,991	1,099,276		\$ 6,832,991	

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\$14.33 as of 31 March 2014, which would have been received by the option holders had those option holders exercised their options as of that date.

Restricted Stock

The Company estimates the fair value of restricted stock units on the date of grant and recognises this estimated fair value as compensation expense over the periods in which the restricted stock vests.

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

	Shares	Weighted Average Fair Value at Grant Date (A\$)
Non-vested at 31 March 2012	3,677,511	5.59
Granted	1,415,605	7.74
Vested	(846,415)	7.21
Forfeited	(242,333)	5.81
Non-vested at 31 March 2013	4,004,368	5.99
Granted	1,266,656	9.11
Vested	(1,227,372)	5.42
Forfeited	(159,734)	6.38
Non-vested at 31 March 2014	3,883,918	7.17

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Restricted Stock – service vesting

On 16 September 2013 and 9 December 2013, 56,128 and 259,621, respectively, restricted stock units (service vesting) were granted to employees under the 2001 Equity Incentive Plan. On 7 December 2012, the Company granted 265,988 restricted stock units (service vesting) 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 9 December 2013 and 24 January 2014, 253,741 and 5,231, respectively, restricted stock units (service vesting) that were previously granted as part of the 2001 Equity Incentive Plan became fully vested and the underlying common stock was issued. On 7 December 2012, 240,645 restricted stock units (service vesting) that were previously granted as part of the 2001 Equity Incentive Plan became fully vested and the underlying common stock was issued.

Restricted Stock – performance vesting

The Company granted 461,019 and 450,336 restricted stock units with a performance vesting condition under the 2006 Long Term Incentive Plan ("LTIP") to senior executives and managers of the Company on 16 September 2013 and 14 September 2012, respectively. The vesting of the restricted stock units is deferred for three years and is subject to a Return on Capital Employed ("ROCE") performance hurdle being met. The vesting of the restricted stock units is also subject to limited 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. 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 2013, 61,363 restricted stock units (performance vesting) that were granted on 7 June 2011 as part of the FY2011 long-term incentive award became fully vested and the underlying common stock was issued.

On 7 June 2012, 592,442 restricted stock units (performance vesting) that were granted on 7 June 2010 as part of the FY2001 long-term incentive award became fully vested and the underlying common stock was issued.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Restricted Stock – market condition

Under the terms of the LTIP, the Company granted 489,888 and 432,654 restricted stock units (market condition) to senior executives and managers of the Company on 16 September 2013 and 14 September 2012, 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 a Monte Carlo simulation (the "Monte Carlo" method). The following table includes the assumptions used for restricted stock grants (market condition) valued during the year ended 31 March 2014 and 2013, respectively:

	FY14	FY13
Date of grant	16 Sep 2013	14 Sep 2012
Dividend yield (per annum)	3.0%	1.5%
Expected volatility	43.3%	52.2%
Risk free interest rate	1.4%	0.7%
Expected life in years	3.0	3.0
JHX stock price at grant date (A\$)	10.17	8.95
Number of restricted stock units	489,888	432,654

On 17 March 2014, 907,037 restricted stock units (market condition) that were previously granted became fully vested and the underlying common stock was issued.

Scorecard LTI – cash settled units

Under the terms of the LTIP, the Company granted awards equivalent to 518,647 and 506,627 Scorecard LTI units on 16 September 2013 and 14 September 2012, respectively. These awards provide recipients a cash incentive based on 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.

On 29 June 2013, 324,027 of the 821,459 Scorecard LTI units that were previously granted on 29 June 2010 as part of the FY2011 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 price on the vesting date.

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 price on the vesting date.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

16. Capital Management and Dividends

The following table summarises the dividends declared during the year ended 31 March 2014 and 2013:

(Millions of US dollars)	US Cents/Security	US\$ Total Amount	Announcement Date	Record Date	Payment Date
125 year anniversary special dividend	0.28	124.6	28 February 2014	21 March 2014	30 May 2014
FY 2014 first half dividend	0.08	35.5	14 November 2013	19 December 2013	28 March 2014
FY 2013 special dividend	0.24	106.1	23 May 2013	28 June 2013	26 July 2013
FY 2013 second half dividend	0.13	57.5	23 May 2013	28 June 2013	26 July 2013
FY 2013 first half dividend	0.05	22.1	15 November 2012	18 December 2012	25 January 2013
FY 2012 second half dividend	0.38	166.4	21 May 2012	29 June 2012	23 July 2012

Subsequent to 31 March 2014, the Company announced an ordinary dividend of US32.0 cents per security and a special dividend of US20.0 cents per security, both with a record date of 12 June 2014 and payment date of 8 August 2014.

During the year ended 31 March 2014, the Company acquired approximately 1.9 million shares of its common stock under a share repurchase program announced on 23 May 2013 to acquire up to 5% of its issued capital during the subsequent twelve month period. The acquired shares had an aggregate cost of US\$22.1 million (A\$24.5 million) and the average price paid per share of common stock was US\$11.64 (A\$12.92). 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 2014. In addition, no securities were bought back during the year ended 31 March 2013 under the May 2012 announced share buyback program.

Subsequent to 31 March 2014, the Company acquired an additional 715,000 shares of its common stock, with an aggregate cost of A\$9.8 million (US\$9.1 million), at an average market price of A\$13.69 (US\$12.73).

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 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.

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

Operating Segments

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

(Millions of US dollars)	Net Sales to Customers ¹ Years Ended 31 March		
	2014	2013	2012
USA & Europe Fibre Cement	\$ 1,127.6	\$ 951.4	\$ 862.0
Asia Pacific Fibre Cement	366.2	369.9	375.5
Worldwide total	\$ 1,493.8	\$ 1,321.3	\$ 1,237.5

(Millions of US dollars)	Income Before Income Taxes Years Ended 31 March		
	2014	2013	2012
USA & Europe Fibre Cement ^{2, 3}	\$ 237.0	\$ 145.6	\$ 148.4
Asia Pacific Fibre Cement ^{2, 8}	81.1	61.7	80.3
Research and Development ²	(24.4)	(26.0)	(20.7)
Segments total	293.7	181.3	208.0
General Corporate ⁴	(240.6)	(151.8)	(52.5)
Total operating income	53.1	29.5	155.5
Net interest expense ⁵	(1.1)	2.4	(7.4)
Other income	2.6	1.8	3.0
Worldwide total	\$ 54.6	\$ 33.7	\$ 151.1

(Millions of US dollars)	Total Identifiable Assets 31 March	
	2014	2013
USA & Europe Fibre Cement	\$ 782.6	\$ 730.6
Asia Pacific Fibre Cement	237.6	230.7
Research and Development	19.7	20.9
Segments total	1,039.9	982.2
General Corporate ^{6, 7}	1,066.6	1,131.0
Worldwide total	\$ 2,106.5	\$ 2,113.2

(Millions of US dollars)	Net Sales to Customers ¹ Years Ended 31 March		
	2014	2013	2012
USA	\$ 1,094.6	\$ 923.8	\$ 833.9
Australia	259.2	272.0	282.4
New Zealand	63.0	56.1	54.4
Other Countries	77.0	69.4	66.8
Worldwide total	\$ 1,493.8	\$ 1,321.3	\$ 1,237.5

James Hardie Industries plc
Notes to Consolidated Financial Statements (Continued)

(Millions of US dollars)	Total Identifiable Assets 31 March	
	2014	2013
USA	\$ 785.8	\$ 739.8
Australia	176.3	156.3
New Zealand	29.4	39.8
Other Countries	48.4	46.3
Segments total	1,039.9	982.2
General Corporate ^{6, 7}	1,066.6	1,131.0
Worldwide total	\$ 2,106.5	\$ 2,113.2

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

² Research and development costs of US\$9.6 million, US\$11.9 million and US\$10.1 million in fiscal years 2014, 2013 and 2012, respectively, were expensed in the USA and Europe Fibre Cement segment. Research and development costs of US\$1.3 million, US\$1.7 million and US\$1.6 million in fiscal years 2014, 2013 and 2012, respectively, were expensed in the Asia Pacific Fibre Cement segment. Research and development costs of US\$22.2 million, US\$23.6 million and US\$18.7 million in fiscal years 2014, 2013 and 2012, respectively, were expensed in the Research and Development segment. The Research and Development segment also included selling, general and administrative expenses of US\$2.2 million, US\$2.4 million and US\$2.0 million in fiscal years 2014, 2013 and 2012, respectively.

Research and development expenditures are expensed as incurred and in total amounted to US\$33.1 million, US\$37.2 million and US\$30.4 million for the years ended 31 March 2014, 2013 and 2012, respectively.

³ Included in the USA and Europe Fibre Cement segment for the years ended 31 March 2014, 2013 and 2012 are asset impairment charges of nil, US\$16.9 million and US\$14.3 million, respectively. See Note 7 for further information.

⁴ 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 on the Company's corporate offices. Included in the General Corporate segment for the year ended 31 March 2014 are unfavourable asbestos adjustments of US\$195.8 million and AICF SG&A expenses of US\$2.1 million. 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.

⁵ The Company does not report net interest expense for each operating segment as operating segments are not held directly accountable for interest expense. Included in net interest (expense) income is AICF interest income of US\$2.9 million, US\$7.0 million and US\$3.3 million in fiscal years 2014, 2013 and 2012, respectively. See Note 11 for more information.

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

James Hardie Industries plc

Notes to Consolidated Financial Statements (Continued)

⁷ Asbestos-related assets at 31 March 2014 and 2013 are US\$812.4 million and US\$882.8 million, respectively, and are included in the General Corporate segment.

⁸ Included in the Asia Pacific Fibre Cement segment for the years ended 31 March 2014, 2013 and 2012 are expenses related to the legacy New Zealand product liability claims of US\$1.7 million, US\$13.2 million and US\$5.4 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 14% and 22% of the Company's trade accounts receivable at 31 March 2014 and 2013, 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								
	2014		2013		2012				
Customer A	\$	174.2	11.7%	\$	223.0	16.9%	\$	207.4	16.8%
Customer B		139.6	9.3%		137.7	10.4%		135.7	11.0%
	\$	313.8		\$	360.7		\$	343.1	

Approximately 27% and 30% of the Company's net sales in fiscal year 2014 and 2013, 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 2014, there were no reclassifications out of *Accumulated other comprehensive income*:

(Millions of US dollars)	Pension and Post-Retirement Benefit Adjustment	Unrealised Gain (Loss) on Investments	Cash Flow Hedges	Foreign Currency Translation Adjustments	Total
Balance at 31 March 2013	\$ (0.3)	\$ -	\$ -	\$ 47.7	\$ 47.4
Other comprehensive loss before reclassifications	-	-	-	(15.2)	(15.2)
Cash flow hedges	-	-	0.9	-	0.9
Net current-period other comprehensive loss	-	-	0.9	(15.2)	(14.3)
Balance at 31 March 2014	\$ (0.3)	\$ -	\$ 0.9	\$ 32.5	\$ 33.1

19. Acquisitions

On 13 December 2013, the Company acquired the assets of a US business engaged in the research, development and manufacturing of fibreglass windows. The Company paid cash consideration of US\$4.1 million and assumed debt of US\$2.2 million, which has been classified in the current and non-current portion of *Other liabilities* and is consolidated within the USA and Europe Fibre Cement segment.

[Table of Contents](#)

REMUNERATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
(UNAUDITED, NOT FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS)

Fees billed for each of the last three fiscal years for professional services provided by our independent registered public accounting were as follows:

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2014	2013	2012
Audit Fees ¹	\$ 3.1	\$ 3.6	\$ 2.6
Audit-Related Fees ²	-	-	0.1
Tax Fees	-	-	-
All Other Fees	-	-	-

¹ 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.

² 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 2014, 2013 and 2012.

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.

[Table of Contents](#)

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 2014 and 2013 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 2014				Fiscal Years Ended 31 March 2013			
	By Quarter				By Quarter			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Net sales	\$ 372.2	\$ 392.0	\$ 353.2	\$ 376.4	\$ 339.7	\$ 334.4	\$ 320.4	\$ 326.8
Cost of goods sold	(245.9)	(258.9)	(231.7)	(250.9)	(229.7)	(223.1)	(224.2)	(225.0)
Gross profit	126.3	133.1	121.5	125.5	110.0	111.3	96.2	101.8
Operating income (loss)	156.9	67.8	94.8	(266.4)	82.5	22.8	32.5	(108.3)
Interest expense	(1.1)	(1.2)	(1.1)	(1.1)	(1.3)	(1.3)	(1.4)	(1.5)
Interest income	1.2	0.8	0.7	0.7	1.5	1.3	3.5	1.6
Other income (expense)	0.1	0.1	1.2	1.2	0.4	0.3	0.5	0.6
Income (loss) before income taxes	157.1	67.5	95.6	(265.6)	83.1	23.1	35.1	(107.6)
Income tax (expense) benefit	(14.9)	(15.6)	(3.4)	78.8	(14.6)	(8.1)	(3.6)	38.1
Net income (loss)	\$ 142.2	\$ 51.9	\$ 92.2	\$ (186.8)	\$ 68.5	\$ 15.0	\$ 31.5	\$ (69.5)
Net income (loss) per share - basic	\$ 0.32	\$ 0.12	\$ 0.21	\$ (0.43)	\$ 0.16	\$ 0.03	\$ 0.07	\$ (0.16)
Net income (loss) per share - diluted	\$ 0.32	\$ 0.12	\$ 0.21	\$ (0.43)	\$ 0.16	\$ 0.03	\$ 0.07	\$ (0.16)

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 2014, based on the AFFA governing our anticipated future payments to AICF. The net unfunded AFFA liability, net of tax was US\$979.2 million at 31 March 2014. 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. From the time AICF was established in February 2007 through to May 2014, we have contributed A\$601.5 million (including interest payments) 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 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 up to our obligation of 35% of our operating cash flows, as defined in 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

[Table of Contents](#)

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 to the AICF higher than currently anticipated annual funding payments up to our obligation of 35% of our operating cash flows, as defined in the AFFA 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 1987, 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.

[Table of Contents](#)

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 2014, 2013 and 2012, we recorded a favourable impact of US\$97.2 million, a favourable impact of US\$0.2 million and an unfavourable impact of US\$6.2 million, respectively, due to fluctuations in the US dollar compared to the Australian dollar.

Any unfavourable fluctuation in the 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 the 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, as well as 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,

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 or another jurisdictions law will not become more restrictive or otherwise disadvantageous to us.

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.

We believe that interest, royalties and dividends paid by our US subsidiaries to our Irish resident subsidiaries qualify for treaty benefits in the form of reduced withholding tax under the US-Ireland Treaty.

We believe that, under the limitation on benefits (“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.

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 2011 and subsequent periods, which could adversely affect our financial position, liquidity, results of operations and cash flows.

[Table of Contents](#)

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, 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, in order to pay dividends and/or conduct a buy-back of shares, an Irish Company requires sufficient 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.

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.

[Table of Contents](#)

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 in one or all of the past three fiscal years. These two customers' accounts receivable represented 14% and 22% of our trade accounts receivable at 31 March 2014 and 2013, 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.

[Table of Contents](#)

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.

For example, we currently expect to spend approximately US\$200 million in fiscal year 2015 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 a 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 defence 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 27%, 30% and 33% of our net sales in fiscal years 2014, 2013 and 2012, 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. We enter into such financial instruments from time to time to manage our foreign exchange risks, and had material foreign exchange contracts outstanding at 31 March 2014 to purchase 119.4 million Australian dollars, and 17.1 million euro. 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 or representative 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

Table of Contents

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 construction defect 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 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 claims in New Zealand 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 these asserted and unasserted claims in New Zealand, net of estimated third-party recoveries, is US\$12.7 million at 31 March 2014. During the year ended 31 March 2014 the Company recognised US\$1.7 million in expenses related to the legacy claims in New Zealand. 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\$3.6 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2014. 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.

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 offering a prorated 50-year limited warranty 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 2014, we have accrued US\$31.4 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

[Table of Contents](#)

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 certain governmental entities, at high and prolonged exposure levels is known to be associated with silicosis and has been the subject of extensive tort litigation. Current standards may be heightened if a proposed rulemaking by the United States Occupational Health and Safety Administration is made final. If such an event occurs, 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 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

[Table of Contents](#)

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 2014, the average NBSK pulp price relative to our US business was US\$971 per ton, an increase of 11% compared to fiscal year 2013. In April 2014, the average NBSK pulp price relative to our US business increased to US\$1030 per ton.

Freight costs in the US were also lower in fiscal year 2014 compared to the prior year. Freight costs are expected to increase in fiscal year 2015 as compared to fiscal year 2014.

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 in 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 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 in 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 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,

Table of Contents

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 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, affect our relationships with our customers and ultimately harm our business.

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, tax contingencies, New Zealand product liability claims and the matters described in the Other Legal Matters sections below. For further details, see "Risk Factors" in this Section.

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 2014, 2013 and 2012, we recorded an income tax benefit of US\$0.3 million, US\$0.2 million and income tax expense of US\$0.5 million, 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 2010.

New Zealand Product Liability

Since fiscal year 2002, our New Zealand subsidiaries have been and continue to be joined in a number of construction defect 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 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.

Table of Contents

We recognise a liability for both asserted and unasserted 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 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 the asserted and unasserted 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 2014. The amount of provision for these claims in New Zealand, net of estimated third-party recoveries, is US\$12.7 million at 31 March 2014. During the year ended 31 March 2014 the Company recognised US\$1.7 million in expenses related to the legacy claims in New Zealand.

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 2014. 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\$3.6 million in excess of the amount accrued, net of estimated third-party recoveries, at 31 March 2014. Accordingly, losses incurred in connection with defending and resolving asserted and unasserted 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.

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.

[Table of Contents](#)

Other Product Liability

As of 31 March 2014, one of our US subsidiaries has been named as a defendant in 12 related lawsuits in eight separate U.S. federal district courts. One lawsuit was filed between March 2013 and March 2014, adding to the 11 lawsuits already pending as of the end of March 2013. 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 defences to each lawsuit and in opposition to class certification, and intend to vigorously defend the actions.

EMPLOYEES

During each of the last three fiscal years, we employed the following average number of people:

	Fiscal Years Ended 31 March		
	2014	2013	2012
Fibre Cement United States and Canada	2,061	1,681	1,581
Fibre Cement Australia	497	446	453
Fibre Cement New Zealand	138	142	143
Fibre Cement Philippines	178	166	154
Pipes Australia	64	62	62
Fibre Cement Europe	61	53	47
Research & Development, including Technology	105	155	128
General Corporate	36	33	36
Total Employees	3,140	2,738	2,604

As of the end of 31 March 2014, of the 3,138 average number of people employed, approximately 180 employees were members of labour unions (approximately 130 and 50 employees in Australia and New Zealand, respectively). Under Australian law, we cannot keep records of union members. The 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 American Depositary Share ("ADS"), which is issued by The Bank of New York Mellon. These ADSs trade on the NYSE in the form of American Depositary

[Table of Contents](#)

Receipts ("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:

Period	High (A\$)	Low (A\$)
Fiscal year ended:		
31 March 2014	15.21	8.47
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
Fiscal quarter ended:		
31 March 2014	15.21	12.18
31 December 2013	12.68	9.89
30 September 2013	10.74	8.62
30 June 2013	10.51	8.47
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
Month ended:		
31 May 2014	14.74	13.10
30 April 2014	14.51	13.02
31 March 2014	15.21	13.90
28 February 2014	14.43	12.42
31 January 2014	13.21	12.18
31 December 2013	12.68	11.24

The high and low trading prices of JHI plc ADSs on the NYSE are as follows:

Period	High (US\$)	Low (US\$)
Fiscal year ended:		
31 March 2014	72.26	39.97
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
Fiscal quarter ended:		
31 March 2014	72.26	55.72
31 December 2013	58.00	47.90
30 September 2013	50.96	39.97
30 June 2013	54.03	41.29
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

Table of Contents

Period	High (US\$)	Low (US\$)
Month ended:		
31 May 2014	68.22	61.50
30 April 2014	67.38	60.54
31 March 2014	72.26	62.50
28 February 2014	64.00	56.50
31 January 2014	59.90	55.72
31 December 2013	58.00	51.69

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. Australian Eastern Standard Time on each weekday (excluding Australian public holidays). Settlement of trades in uncertificated securities listed on the ASX is generally effected electronically. This is undertaken through CHESSE, 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 should be directed to BNY Mellon, depository for our ADSs, at P.O. Box 30170, College Station, TX 77842-3170. 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 shrrelations@cpushareownerservices.com or visit the website at www.mybnymdr.com.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

(Number of shares in millions)

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit) US\$	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs¹	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs¹
From 1 July 2013 through 31 July 2013	0.2	\$ 8.33	0.2	21.9
From 1 August 2013 through 31 August 2013	-	-	-	21.9
From 1 September 2013 through 30 September 2013	-	-	-	21.9
From 1 October 2013 through 31 October 2013	-	-	-	21.9
From 1 November 2013 through 30 November 2013	-	-	-	21.9
From 1 December 2013 through 31 December 2013	0.3	\$10.52	0.3	21.6
From 1 January 2014 through 31 January 2014	0.1	\$11.26	0.1	21.5
From 1 February 2014 through 29 February 2014	0.5	\$11.83	0.5	21.0
From 1 March 2014 through 31 March 2014	0.8	\$13.09	0.8	20.2

¹ Pursuant to a share repurchase program originally announced on 23 May 2013 of up to 5% of our issued capital (approximately 22.1 million shares), we repurchased approximately 1.9 million shares at a cost of US\$22.1 million in fiscal year 2014 as part of this plan. The program expired in May 2014.

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. Our objects and purposes are set out in Clause 3 of our Memorandum of Association.

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.

Table of Contents

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 CUFs 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; Pre-emptive 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 the relevant general meeting) in the case of disapplication of statutory pre-emptive rights, and an

Table of Contents

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.

Table of Contents

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.

Table of Contents

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 first be 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.

Table of Contents

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 12 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 CUFS 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 CUFS dividend payment date and will distribute any dividend to holders of ADSs in US dollars pursuant to the terms of the deposit agreement. Other CUFS holders registered at a dividend record date are paid their dividend on each CUFS dividend payment date in the equivalent amount of Australian dollars, as determined by the prevailing exchange rate shortly after the CUFS 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 which is 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 our 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

Table of Contents

- 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 12 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 fulfil 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 us under our Articles of Association. These include powers to

Table of Contents

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.

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, 2014, there were no facilities drawn under the combined facilities and US\$355.0 million was available.

At 31 March 2014, 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.

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 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.

Table of Contents

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) an individual who is a citizen or resident of the United States (as defined for US federal income tax purposes); (2) a corporation or other entity 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 control all of the substantial decisions of the trust, or (ii) the trust has in effect a valid election to be treated as a United States person for U.S. federal income tax purposes. 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

Table of Contents

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 income years beginning after 31 December 2012 "qualified dividend income" is generally subject to a maximum rate of 20%. 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 20% 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 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, the net investment income (including dividend income) of certain taxpayers are subject to an additional 3.8% tax rate.

[Table of Contents](#)

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. Effective 1 January 2013, long-term capital gains of certain US individual Shareholders are subject to a maximum rate of 20%. In addition, the "net investment income" (including long and short-term capital gain income) of certain taxpayers is subject to an 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.

[Table of Contents](#)

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 non-resident 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 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

Table of Contents

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

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 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;

Table of Contents

- 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.

Prior to 31 July 2013 non-resident shareholders who were entitled to an exemption, as outlined above, were generally 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.

From 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 will 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

Table of Contents

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 at the rate of 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.

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.

[Table of Contents](#)

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, 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,

Table of Contents

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 2014, the following currencies comprised the following percentages of our net sales, expenses and liabilities:

	US\$	A\$	NZ\$	Other ¹
Net sales	73.3%	17.4%	4.2%	5.1%
Expenses ²	62.5%	29.7%	3.2%	4.6%
Liabilities (excluding borrowings) ²	17.1%	81.1%	1.2%	0.5%

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 ¹
Net sales	69.9%	20.6%	4.2%	5.3%
Expenses ²	62.8%	28.3%	4.1%	4.8%
Liabilities (excluding borrowings) ²	10.9%	86.6%	1.9%	0.6%

¹ Comprised of Philippine Pesos and Euros.

² 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. Further, 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 2014 foreign exchange contracts outstanding included contracts to purchase 119.4 million Australian dollars and 17.1 million Euro. The significant forward contract to purchase Australian dollars at 31 March 2014 represents our efforts to hedge against the variation in the Australian dollar between the 21 March 2014 record date of our 125 year anniversary special dividend, and the payment of the dividend on 30 May 2014. Due to the special nature of this dividend, we consider it an off-cycle dividend non-recurring in nature, and thus, not part of our regular dividend cycle.

For further information, see Note 12 Fair Value Measurements, to our consolidated financial statements in Section 2.

Funding Under the AFFA

The A\$ to US\$ assets and liabilities rate moved from 0.9597 as of 31 March 2013 to 1.0845 as of 31 March 2014, a 13.0% movement, resulting in a US\$97.2 million favourable impact on our fiscal year 2014 net income. Assuming that our unfunded net AFFA liability in Australian dollars remains unchanged at A\$1,061.9 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 2014 exchange rate of 1.0845) would have approximately a US\$89.0 million and US\$108.8 million favourable or unfavourable impact, respectively, on our net income.

[Table of Contents](#)

For fiscal year 2013, assuming that our unfunded net AFFA liability in Australian dollars remained unchanged at A\$817.3 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 2013 exchange rate of 0.9597) would have had approximately an US\$77.4 million and US\$94.6 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 2014 and 2013, 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 2014, we had interest rate swap contracts with a total notional principal of US\$125.0 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 2014, 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.

At 31 March 2013, we had no amounts outstanding under our credit facilities.

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\$97 per metric ton movement in market pulp prices, which represents approximately 10% of the average NBSK average pulp price relative to our US business for the year ended 31 March 2014, would have had approximately a 1.3% change in our cost of sales in fiscal year 2014. 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 2014, would have had approximately a 0.6% change in cost of sales in fiscal year 2014.

For fiscal year 2013, we had assessed the market risk for pulp and believe that, a US\$88 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 2013, would have had approximately a 0.9% change in our cost of sales in fiscal year 2013. 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 2013, would have had approximately a 0.5% change in cost of sales in fiscal year 2013.

AMERICAN DEPOSITARY SHARES

We have listed our securities for trading on the NYSE. We sponsor a program whereby beneficial ownership of five CUPS 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

For:

As necessary

Registration or transfer fees

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Any charges incurred by the depositary or its agents for servicing the deposited securities

As necessary

Expenses of the depositary

Converting foreign currency to US dollars, cable, telex and facsimile transmission expenses (when expressly provided for in the deposit agreement)

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

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

\$0.02 (or less) per ADS (or portion thereof)

Cash distributions and depositary 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 Depositary. The Depositary may refuse to effect any transfer or withdrawal of a deposited security until such payment is made. The Depositary 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 Depositary 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 Depositary 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 Depositary may collect its annual fee for depositary 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 Depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Table of Contents

BNY Mellon, as Depositary, has agreed to reimburse us for expenses we incur that are related administrative and maintenance expenses of the ADR program. The Depositary 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 Depositary will reimburse us, but the amount of reimbursement available is not necessarily tied to the amount of fees the Depositary collects from investors. For fiscal years ended 31 March 2014 and 2013, the Depositary waived US\$100,132 and US\$121,805, 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, Depositary for our ADSs, at P.O. Box 30170, College Station, TX, 7784-3170. 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@cpushareownerservices.com or visit the website at www.mybnymdr.com.

SECTION 4**SHARE/CHESS UNITS OF FOREIGN SECURITIES INFORMATION****James Hardie Industries plc voting rights:**

As of 31 May 2014, James Hardie Industries plc had on issue 445,293,092 CUFS issued over 445,293,092 ordinary shares held by CHES Depository Nominees Pty Ltd ("CDN") on behalf of 10,772 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 2014:

Size of Holding Range	CUFS		Options	
	Holders	Holdings	Holders	Holdings
1-1,000	5,262	2,422,252	-	-
1,001-5,000	4,241	9,845,762	11	24,800
5,001-10,000	730	5,199,887	15	114,711
10,001-100,000	477	11,055,377	22	515,309
100,001 and over	62	416,769,814	1	112,600
Totals	10,772	445,293,092	49	767,420

Based on the closing price of A\$14.33 on 31 May 2014, 252 CUFS holders held less than a marketable parcel.

James Hardie Industries plc substantial CUFS holders as at 31 May 2014:

As of 31 May 2014, all issued and outstanding ordinary shares were listed on the ASX in the form of CUFS. CUFS represent beneficial ownership of our shares. CHES 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 2014 which was 445,293,092 shares.

Shareholder	Shares Beneficially Owned	Percentage of Shares Outstanding
FMR LLC and FIL Limited ¹	38,815,173	8.72%
Baillie Gillford & Co ²	31,301,628	7.03%
Lazard Asset Management Pacific Co ³	29,071,990	6.53%
National Australia Bank Limited Group ⁴	28,198,184	6.33%
The Capital Group Companies, Inc. ⁵	27,010,612	6.07%
BlackRock Group ⁶	22,404,258	5.03%

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, increased its holding to 38,815,173 shares of our issued share capital on 27 March 2014, the last notice received.

Table of Contents

- 2 Baillie Gifford & Co and its affiliated companies most recently became a major shareholder on 12 November 2009 and through subsequent purchases, increased its holding to 31,301,628 shares of our issued share capital on 9 January 2012, the last notice received.
- 3 Lazard Asset Management Pacific Co most recently became a major shareholder on 29 April 2011, and through subsequent purchases and sales, decreased its holding to 29,071,990 shares of our issued share capital on 4 March 2014, the last notice received.
- 4 National Australia Bank Limited Group became a major shareholder on 25 May 2004, and through subsequent purchases and sales, increased its holding to 28,198,184 shares of our issued share capital on 16 June 2004, the last notice received.
- 5 The Capital Group Companies, Inc. became a substantial shareholder on 8 May 2012, and through subsequent purchases and sales, increased its holding to 27,010,612 shares of our issued share capital on 15 January 2013, the last notice received.
- 6 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, ceased to be a major shareholder on 10 September 2012. On 2 October 2012, BlackRock Group increased their holdings 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 holder again on 8 November 2012, but ceased their substantial holding status on 4 February 2013. BlackRock Group became a substantial shareholder again on 19 February 2013 but again ceased their substantial holding status on 22 November 2013. Through subsequent purchases, they became a substantial shareholder again on 11 February 2014, but ceased their substantial holding status on 28 February 2014. BlackRock Group became a substantial shareholder again on 13 March 2014, but their substantial holding status again ceased on 17 March 2014. On 24 March 2014, they became a substantial shareholder again through subsequent purchases. However they ceased to be a substantial shareholder on 25 March 2014. Again on 26 March 2014, they became a substantial holder but ceased their substantial holding status on 28 March 2014. Through subsequent purchases, BlackRock Group became a substantial holder on 1 April 2014 but their substantial holding status ceased again on 3 April 2014. BlackRock Group became a substantial shareholder again by increasing its holding to 22,404,258 shares of our issued share capital on 4 April 2014, the last notice received.

Commonwealth Bank of Australia became a major shareholder on 12 November 2009, with a holding of 21,820,423 shares of our issued share capital and, through subsequent purchases and sales, increased its holdings of our issued capital to 22,887,930 shares on 14 March 2014. Their substantial holding status ceased when their holdings of our issued capital fell below 5% on 14 April 2014, the last notice received.

Schroder Investment Management Australia Limited most recently became a major shareholder on 10 February 2014, holding 22,231,974 of our issued share capital, however, their substantial holding status ceased on 21 February 2014, the last notice received.

The information above is based on filings made by the shareholder with the ASX, generally based on Irish law substantial shareholder notification requirements. The Company has also received notice of the following US securities law filings.

Ownership Reports files with the SEC

On 14 February 2014, FMR LLC and affiliated entities filed a Schedule 13G/A with the SEC reporting beneficial ownership of 50,024,123 shares or approximately 11.278%¹ of our outstanding. On 13 February 2014, Commonwealth Bank of Australia and affiliated entities filed a Schedule 13G with the SEC reporting beneficial ownership of 24,288,843 shares or approximately 5.48%¹ of our outstanding shares. Blackrock, Inc. and affiliated entities filed a Schedule 13G/A with the SEC on 10 December 2013 reporting beneficial ownership of 22,678,684 shares or approximately 4.65%² of our outstanding shares.

¹ Represents beneficial ownership as of 31 December 2013.

² Represents beneficial ownership as of 29 November 2013.

[Table of Contents](#)

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.

James Hardie Industries plc 20 largest CUFS holders and their holdings as at 31 May 2014:

Name	Note	CUFS Holdings	%	Position
HSBC Custody Nominees (Australia) Limited	1	158,643,722	35.63	1
JP Morgan Nominees Australia Limited	1	112,569,319	25.28	2
National Nominees Limited	1	74,321,717	16.69	3
Citicorp Nominees Pty Limited	1	22,882,482	5.14	4
Citicorp Nominees Pty Limited	1	14,215,205	3.19	5
BNP Paribas Noms Pty Ltd	1	11,587,978	2.60	6
AMP Life Limited		1,637,646	0.37	7
UBS Nominees Pty Ltd	1	1,445,064	0.32	8
BNP Paribas Nominees Pty Ltd	1	1,394,642	0.31	9
Australian Foundation Investment Company Limited		1,150,000	0.26	10
HSBC Custody Nominees (Australia) Limited	1	1,137,726	0.26	11
Mirrabooka Investments Limited		1,100,000	0.25	12
Bond Street Custodians Limited		1,097,205	0.25	13
HSBC Custody Nominees (Australia) Limited-Gsco Eca	1	819,295	0.18	14
Millennium Pty Ltd		675,000	0.15	15
HSBC Custody Nominees (Australia) Limited	1	626,610	0.14	16
Carlton Hotel Limited		625,362	0.14	17
HSBC Custody Nominees (Australia) Limited	1	585,803	0.13	18
Gwynvill Investments Pty Limited		518,600	0.12	19
Mr Louis Gries		471,501	0.11	20
Total²		407,504,877	91.52	

¹ Entities which hold interests in CUFS solely as a nominee or trustee for another person may have those interests disregarded for the purposes of (i) the substantial share/CUFS holder provisions, and (ii) the takeover provisions in the Articles of Association. Those nominees may hold CUFS for holders which include the substantial shareholders named in the preceding table.

² At 31 May 2014, through its previously announced share buyback program, the Company held interest in 715,000 CUFS, 0.16% of the CUFS outstanding at that date. These have not been included in the table above as they are being held as treasury stock until the end of June 2014 when they will be cancelled, as is customary for the Company.

[Table of Contents](#)

Distribution of Issued Capital by Geography:

The following analysis is based on record ownership and is taken from a Top 100 extract of the share register:

	31 May 2014	31 May 2013
North America	37.14%	31.37%
Australia	34.91%	39.61%
United Kingdom	13.77%	14.31%
Asia	5.13%	4.92%
Europe (excluding the United Kingdom)	2.27%	2.34%
Other	0.60%	0.16%

As of 31 May 2014, 0.33% of the outstanding shares of our common stock was held by 65 CUFs holders with registered addresses in the United States. In addition, as of 31 May 2014, 1.09% of our outstanding shares was represented by ADSs held by three holders, all of whom have registered addresses in the United States. A total of 1.42% of our outstanding capital stock was registered to 68 US holders as of 31 May 2014.

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.

[Table of Contents](#)

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:

Consolidated Statements of Operations and Other Comprehensive Income (Loss) (US GAAP)	Remuneration Report (non US GAAP)
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.

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

(Millions of US dollars)	Fiscal Years Ended 31 March		
	2014	2013	2012
EBIT	\$ 53.1	\$ 29.5	\$ 155.5
Asbestos:			
Asbestos adjustments	195.8	117.1	15.8
AICF SG&A expenses	2.1	1.7	2.8
Asset impairments	-	16.9	14.3
ASIC related expenses (recoveries)	-	2.6	1.1
New Zealand product liability expenses	1.8	13.2	5.4
EBIT excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability	252.8	181.0	194.9
Net Sales	\$1,493.8	\$1,321.3	\$1,237.5
EBIT margin excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability	16.9%	13.7%	15.7%

Table of Contents

Operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability – operating income excluding asbestos, asset impairments, ASIC expenses and New Zealand product liability 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		
	2014	2013	2012
USA and Europe Fibre Cement	\$ 237.0	\$ 162.5	\$162.7
Asia Pacific Fibre Cement	82.9	74.9	85.7
Research and Development	(24.4)	(26.0)	(20.7)
Asset impairments	-	(16.9)	(14.3)
New Zealand product liability expenses	(1.8)	(13.2)	(5.4)
General corporate:			
General corporate costs	(42.7)	(33.0)	(33.9)
Asbestos adjustments	(195.8)	(117.1)	(15.8)
AICF SG&A expenses	(2.1)	(1.7)	(2.8)
Total operating income	\$ 53.1	\$ 29.5	\$155.5
Excluding:			
Asbestos:			
Asbestos adjustments	195.8	117.1	15.8
AICF SG&A expenses	2.1	1.7	2.8
Asset impairments	-	16.9	14.3
ASIC related expenses (recoveries)	-	2.6	1.1
New Zealand product liability expenses	1.8	13.2	5.4
Operating income excluding asbestos, asset impairments, ASIC Expenses and New Zealand product liability	\$ 252.8	\$ 181.0	\$194.9

[Table of Contents](#)

Effective tax rate on earnings excluding asbestos, asset impairments, New Zealand product liability and tax adjustments – Effective tax rate on earnings excluding asbestos, asset impairments, New Zealand product liability 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		
	2014	2013	2012
Income before income taxes	\$ 54.6	\$ 33.7	\$ 151.1
Excluding:			
Asbestos:			
Asbestos adjustments	195.8	117.1	15.8
AICF SG&A expenses	2.1	1.7	2.8
AICF interest income	(2.9)	(7.0)	(3.3)
Asset impairments	-	16.9	14.3
New Zealand product liability expenses	1.8	13.2	5.4
Income before income taxes excluding asbestos, asset impairments and New Zealand product liability	\$251.4	\$175.6	\$ 186.1
Income tax benefit	\$ 44.9	\$ 11.8	\$ 453.2
Asbestos-related and other tax adjustments	(99.1)	(49.2)	(496.1)
Income tax expense excluding asbestos and tax adjustments	\$(54.2)	\$(37.4)	\$(42.9)
Effective tax rate	82.20%	35.0%	299.9%
Effective tax rate excluding asbestos, asset impairments, New Zealand product liability and tax adjustments	21.6%	21.3%	23.1%

Table of Contents

Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability and tax adjustments – Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability 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		
	2014	2013	2012
Net income (loss)	\$ 99.5	\$ 45.5	\$ 604.3
Excluding:			
Asbestos:			
Asbestos adjustments	195.8	117.1	15.8
AICF SG&A expenses	2.1	1.7	2.8
AICF interest income	(2.9)	(7.0)	(3.3)
Asset impairments	-	16.9	14.3
ASIC related expenses	-	2.6	1.1
New Zealand product liability expenses	1.8	13.2	5.4
Asbestos-related and other tax adjustments	(99.1)	(49.2)	(496.1)
Net income excluding asbestos, asset impairments, ASIC expenses, New Zealand product liability expenses and tax adjustments	\$197.2	\$140.8	\$ 144.3

¹ 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.

[Table of Contents](#)

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		
	2014	2013	2012
General corporate costs	\$ 42.7	\$ 33.0	\$ 33.9
Excluding:			
ASIC related expenses	-	(2.6)	(1.1)
Intercompany foreign exchange gain	-	5.5	-
Recovery of RCI legal costs	-	2.7	-
General corporate costs excluding ASIC expenses, intercompany foreign exchange gain and recovery of RCI legal costs	<u>42.7</u>	<u>\$ 38.6</u>	<u>\$ 32.8</u>

Selling, general and administrative expenses excluding New Zealand product liability – Selling, general and administrative expenses excluding New Zealand product liability 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		
	2014	2013	2012
Selling, general and administrative expenses	\$ 224.4	\$ 218.6	\$ 191.0
Excluding:			
New Zealand product liability expenses	(1.8)	(13.2)	(5.4)
Selling, general and administrative expenses excluding New Zealand product liability expenses	<u>\$ 222.6</u>	<u>\$ 205.4</u>	<u>\$ 185.6</u>
Net Sales	\$1,493.8	\$1,321.3	\$1,237.5
Selling, general and administrative expenses as a percentage of net sales	15.0%	16.5%	15.4%
Selling, general and administrative expenses excluding New Zealand product liability as a percentage of sales	<u>14.9%</u>	<u>15.5%</u>	<u>15.0%</u>

EXHIBITS

Documents filed as exhibits to this annual report:

Exhibit Number	Description of Exhibits
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 (17)
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, James Hardie Building Products, Inc. and Financier (17)
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 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 Directors thereto (2)
4.6	Form of Deed of Access, Insurance and Indemnity between James Hardie Industries N.V. and Supervisory Directors and Managing Directors (6)
4.7	Form of Indemnity Agreement between James Hardie Building Products, Inc. and Supervisory Directors, Managing Directors and certain executive officers (6)

Table of Contents

Exhibit Number	Description of Exhibits
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	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)
4.11	Amended and Restated Stock Purchase Agreement dated 12 March 2002, between BPB US Holdings, Inc. and James Hardie Inc. (2)
4.12	Amended and Restated Final Funding Agreement (AFFA) dated 21 November 2006 (4)
4.13	AFFA Amendment dated 6 August 2007 (6)
4.14	AFFA Amendment dated 8 November 2007 (6)
4.15	AFFA Amendment dated 11 June 2008 (6)
4.16	Address for Service of Notice on Trustee dated 13 June 2008 (6)
4.17	AFFA Amendment dated 17 July 2008 (7)
4.18	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)
4.19	AFFA Amendment dated 29 February 2012 (16)
4.20	AFFA Amendment dated 28 March 2012 (16)
4.21	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)
4.22	Deed Poll dated 11 June 2008 – amendment of the Asbestos Injuries Compensation Fund Amended and Restated Trust Deed (6)
4.23	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)
4.24	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)
4.25	Deed of Release by and between James Hardie Industries N.V. and The State of New South Wales dated 22 June 2006 (3)
4.26	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)
4.27	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)
4.28	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)

Table of Contents

Exhibit Number	Description of Exhibits
4.29	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)
4.30	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)
4.31	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)
4.32	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)
4.33	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)
4.34	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)
4.35	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)
4.36	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)
4.37	AFFA Amendment dated 20 December 2013
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.

Table of Contents

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.
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.
17	Previously filed as an exhibit to our Annual Report on Form 20-F dated 27 June 2013 and incorporated herein by reference.



James Hardie –

Bullet Facility Agreement

Dated [] 2014

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

Contents

Details	1
General terms	3
<hr/>	
1 Definitions	3
1.1 Definitions	3
1.2 Interaction with the Common Terms Deed Poll	5
<hr/>	
2 The Facility and Facility Limit	6
2.1 Financier to fund	6
2.2 Maximum accommodation	6
<hr/>	
3 Using the Facility	6
3.1 Drawing down	6
3.2 Requesting a drawdown	6
3.3 Effect of a Drawdown Notice	6
3.4 Conditions to first drawdown	6
3.5 Conditions to all drawdowns	7
3.6 Benefit of conditions	7
3.7 Currency and timing of drawdowns	7
3.8 Cancellation of certain facilities	7
<hr/>	
4 Interest	7
4.1 Interest charges	7
4.2 Selection of Interest Period	8
4.3 When Interest Periods begin and end	8
4.4 Limit on Interest Periods	8
4.5 Notification of interest	8
4.6 Market disruption	8
4.7 Alternative basis of interest or funding	9
<hr/>	
5 Repaying and prepaying	9
5.1 Repayment	9
5.2 Prepayment	9
5.3 Prepayment and the Facility Limit	9
<hr/>	
6 Payments	10
6.1 Payment by direction	10
6.2 Amount Owing	10
6.3 Application of payments - pre-default	10
6.4 Application of payments - post-default	10
<hr/>	
7 Cancellation	10
<hr/>	
8 Fees	10
8.1 Upfront Commitment Fee	10
8.2 Unused Commitment Fee	10

9	Interest on overdue amounts	11
9.1	Obligation to pay	11
9.2	Compounding	11
9.3	Interest following judgment	11
<hr/>		
10	Money Laundering	11
<hr/>		
11	Taxation – additional matters	12
11.1	Withholding Tax	12
11.2	FATCA	12
<hr/>		
12	Governing law and jurisdiction	12
Schedule 1 – Common Terms Deed Poll: supplemental provisions and variations (clause 1.2(e))		13
Schedule 2 - Drawdown Notice (clause 3)		19
Schedule 3 - Selection Notice (clause 4.2)		21
Schedule 4 - Repayment Notice (clause 5.1)		23
Schedule 5 - Prepayment Notice (clause 5.2)		24
Signing page		25

Bullet Facility Agreement

Details

Interpretation – Definitions are in clause 1.

Parties **JHIFL, JHBP and Financier**, each as described below.

JHIFL and a Borrower	Name	James Hardie International Finance Limited
	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

JHBP and a Borrower	Name	James Hardie Building Products, Inc.
	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

Financier	Name	[]
	Registered number	[]
	Address	[]
	Fax	[]
	Attention	[]

Facility	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"> • to fund the Group's working capital requirements; • to refinance existing Financial Indebtedness and pay related transaction costs; • to fund acquisitions; • to fund or reimburse against capital expenditure costs and payments to the Fund by any Group member; and/or • to fund distributions or other capital payments (if any).

Fees (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").
--------------------	--

Date of agreement	See Signing page
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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 \square % 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”).

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.
-

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.

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").

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.

10 Money Laundering and Sanctions

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 (including any law relating to sanctions) 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 (including any law relating to sanctions). 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 (including any law relating to sanctions).

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 (including all applicable laws or regulations relating to anti-money laundering, counter-terrorism financing or sanctions).

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.

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.

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) - (f) 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.
- (e) **(New financial undertakings)** If, after the date of this agreement and prior to 30 June 2014, 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(d) 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(d) 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
- (f) 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.

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 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 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 Permitted Disposal

Paragraph (k) of the definition of **Permitted Disposal** set out in clause 1.1 (“Definitions”) of the Common Terms Deed Poll is amended to read as follows:

- (k) all other disposals where the aggregate net proceeds of such other disposals in any 12 month period does not exceed 10% of the total assets of the Group (excluding the Excluded Entities) as shown in the balance sheet on the most recent Reporting Date; and

2.3 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.

2.4 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.

2.5 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!

[Borrower name] wants to borrow under the Facility.

- The requested Drawdown Date is [],²
- 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 []¹.

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

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



New South Wales Government

James Hardie Industries SE
James Hardie 117 Pty Ltd (formerly known as LGTDD Pty Limited)
The State of New South Wales
Asbestos Injuries Compensation Fund Limited in its capacity as
trustee of the Asbestos Injuries Compensation Fund

**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**

CONFORMED COPY dated 20 December 2013

ATANASKOVIC HARTNELL
LAWYERS - CORPORATE, FINANCE & TAXATION



LAWYERS

**SUMMARY OF AMENDMENTS TO THE
AMENDED & RESTATED FINAL FUNDING
AGREEMENT AS AT 20 DECEMBER 2013**

- (a) Clause 4.7 should be read in conjunction with the letter agreements titled “Interest Rate - Amended and Restated Final Funding Agreement Clause 4.7” dated 3 August 2007 between James Hardie Industries N.V (“**JHINV**”) (now JHISE), the Performing Subsidiary, the NSW Government and the Trustee and “Interest Rate - Amended and Restated Final Funding Agreement Clause 4.7” dated 13 May 2008 between JHINV (now JHISE), the Performing Subsidiary, the NSW Government and the Trustee.
- (b) Clause 20 is as amended by the deed dated 8 November 2007 between JHINV (now JHISE), the Performing Subsidiary, the NSW Government and the Trustee.
- (c) Clause 9.10 is as amended by the deed dated 11 June 2008 between JHINV (now JHISE), the Performing Subsidiary, the NSW Government and the Trustee.
- (d) Clause 30(d) is as amended by the “Notice - Address for Service of Notices on the Trustee” dated 13 June 2008 from the Trustee.
- (e) Clauses 1 (definitions of ‘Insolvent’, ‘Joint Board’, ‘Reconstruction Event and ‘Wind-Up Event’), 10.3(g), and 30(b) are amended by deed dated 23 June 2009 between JHINV (now JHISE), the Performing Subsidiary, the NSW Government and the Trustee.
- (f) Clauses 1.1, 9.4(a), 9.10(b)(i), 9.10(b)(ii), 9.15, 18.1, 18.2, 18.3 and 18.4 are amended and the new Schedule 11 is inserted by deed dated 9 December 2010 between JHINV (now JHISE), the Performing Subsidiary, the NSW Government and the Trustee.
- (g)
 - (i) All references in the document to “James Hardie Industries N.V. and “JHINV” are replaced with “James Hardie Industries SE” and “JHISE”;
 - (ii) the words “Netherlands and having its registered office at Atrium, 8th floor, Strawinskylaan 3077, 1077ZX Amsterdam, The Netherlands” which appear in the Parties details are replaced with “Republic of Ireland, having registered number 485719 and its registered office at 2nd Floor Europa House, Harcourt Centre Harcourt Street Dublin 2, Ireland”
 - (iii) for the purposes of clause 30(b), the new contact address is “2nd Floor Europa House, Harcourt Centre Harcourt Street Dublin 2, Ireland Facsimile: +353 1 479 1128”; and
 - (iv) clause 20.3 is as amended,
by deed dated 29 February 2012 between JHISE, the Performing Subsidiary, the NSW Government and the Trustee.
- (h) Clause 13.7 is as amended by deed dated 28 March 2012 between JHISE, the Performing Subsidiary, the NSW Government and the Trustee.
- (i) Definitions of “VA” and “VL” in clause 7.2(m), and last paragraph of clause 9.10(b), are as amended by deed dated 20 December 2013 between JHISE, the Performing Subsidiary, the NSW Government and the Trustee.

Table of Contents

1.	DEFINITIONS AND INTERPRETATION	10
2	CONDITIONS PRECEDENT	33
3	STRUCTURE	45
4	THE COMPENSATION FUNDS	46
5	GOVERNANCE AND AUDIT OF THE COMPENSATION FUNDS	50
6	FUNDING OBLIGATIONS OF JHISE AND THE PERFORMING SUBSIDIARY	57
7	RESTRICTIONS ON SPECIFIED DEALINGS	67
8	SCOPE OF OBLIGATIONS	92
9	FUNDING ARRANGEMENTS	93
10	JHISE GUARANTEE AND WIND UP AND RECONSTRUCTION EVENTS	103
11	EFFICIENCIES	109
12	RELEASES	110
13	NO ADVERSE OR DISCRIMINATORY LEGISLATIVE OR REGULATORY ACTION AND DISCUSSIONS WITH OTHER GOVERNMENTS	113
14	ACTUARIAL ISSUES	123
15	FINANCIAL COVENANTS	129
16	DEFAULT	131
17	INTERIM FUNDING	138
18	BORROWING BY THE TRUSTEE	139
19	EDUCATION PROGRAMME	140
20	MEDICAL RESEARCH	141
21	BANS AND BOYCOTTS	145

22	OPINIONS	146
23	CONFIDENTIALITY	146
24	AGREED SUMMARY	148
25	COSTS AND STAMP DUTY	148
26	GOVERNING LAW AND JURISDICTION	149
27	COUNTERPARTS	149
28	ACCESS TO INFORMATION	149
29	AMENDMENT OF THIS DEED	150
30	NOTICES	150
31	GENERAL	152
32	CUMULATIVE RIGHTS	153
33	ATTORNEYS	153
34	ASSIGNMENT, NOVATION AND OTHER DEALINGS	153
	SCHEDULE 1 – RELATED AGREEMENTS	154
	SCHEDULE 2 – REPRESENTATIONS AND WARRANTIES	155
	SCHEDULE 2 – REPRESENTATIONS AND WARRANTIES (CONTINUED)	157
	SCHEDULE 3 – PERCENTAGE OF FREE CASH FLOW	158
	SCHEDULE 4 – OPINION – ATANASKOVIC HARTNELL	161
	SCHEDULE 5 – OPINION – DE BRAUW BLACKSTONE WESTBROEK	162
	SCHEDULE 6 – OPINION – ATANASKOVIC HARTNELL	163
	SCHEDULE 7 – OPINION – DE BRAUW BLACKSTONE WESTBROEK	164
	SCHEDULE 8 – OPINION – GIBSON DUNN AND CRUTCHER LLP	165

SCHEDULE 9 – DEED OF NOVATION	166
SCHEDULE 10 – TRUSTEE CONSTITUTION (AS AMENDED)	170
SCHEDULE 11	171
SIGNING PAGE	173
ANNEXURE 1 – DEED OF ACCESSION	175
ANNEXURE 2 – SUMMARY OF FINAL FUNDING AGREEMENT AND RELATED AGREEMENTS	176
ANNEXURE 3 – TRUST DEED	177
ANNEXURE 4 – FORM OF UNIONS’ DEED OF RELEASE	178
ANNEXURE 5 – JHISE GUARANTEE	179
ANNEXURE 6 – NSW GOVERNMENT DEED OF RELEASE	180
ANNEXURE 7A – INTERCREDITOR DEED (JHISE)	181
ANNEXURE 7B – INTERCREDITOR DEED (PERFORMING SUBSIDIARY)	182
ANNEXURE 8 – KPMG WAIVER OF CONFLICT LETTER	183
ANNEXURE 9 – IRREVOCABLE POWER OF ATTORNEY	184
ANNEXURE 10 – SECOND IRREVOCABLE POWER OF ATTORNEY	185

PARTIES

1. **James Hardie Industries SE** ARBN 097 829 895, a limited liability company incorporated in the Republic of Ireland, having registered number 485719 and its registered office at 2nd Floor Europa House, Harcourt Centre Harcourt Street Dublin 2, Ireland, (with its Australian registered office at Level 3, 22 Pitt Street, Sydney in the State of New South Wales) (*JHISE*)
2. **James Hardie 117 Pty Limited** (formerly known as LGTDD Pty Limited) ABN 30 116 110 948, of Level 3, 22 Pitt Street, Sydney in the State of New South Wales (the *Performing Subsidiary*)
3. **The State of New South Wales** (*NSW Government*)
4. **Asbestos Injuries Compensation Fund Limited in its capacity as trustee of the trust** established under a trust deed dated 7 April 2006 between it as trustee and JHISE as settlor of Level 3, 22 Pitt Street, Sydney in the State of New South Wales (the *Trustee*)

RECITALS

- A. This deed (which amends and restates the Final Funding Agreement dated 1 December 2005 entered into by JHISE, the NSW Government and the Performing Subsidiary on that date and subsequently by the AICF (the "**Original FFA**")) is entered into by the Parties hereto in the following context (some of the expressions used in these recitals being defined in **clause 1** of this deed):
- (a) in February 2004, the NSW Government established the Jackson Inquiry;
 - (b) in September 2004, the Jackson Inquiry found that the MRCF was, and is, underfunded in the sense that Amaca and Amaba, being two former subsidiaries of JHIL which are now owned by MRCF, will not over time have sufficient funds and other assets to meet their anticipated future liabilities:
 - (i) to sufferers of Asbestos disease as a result of exposure to Asbestos dust and fibre in Australia whilst in their employ or from products manufactured by Amaca or Amaba or otherwise from their Asbestos activities; and
 - (ii) to the relatives or estates of such sufferers, and associated costs and expense;

-
- (c) in July 2004, JHISE had proposed to the Jackson Inquiry that, on certain conditions, its directors would recommend that shareholders approve the provision of additional funding to provide for the present and future liabilities of Amaca and Amaba to such sufferers of Asbestos related disease;
- (d) the ABN 60 Foundation is the holding company of ABN 60, the former parent company of the James Hardie group, which may be alleged to have Asbestos-related personal injury liabilities arising from its own activities and from the activities of Amaca and Amaba, and has (or had) payment obligations to Amaca and Amaba under a deed of covenant and indemnity between them dated 16 February 2001;
- (e) the Jackson Inquiry found, inter alia, that:
- (i) ABN 60 (then, as JHIL, the parent company of the James Hardie group) did not have a legal obligation to provide funds to Amaca and Amaba to add to the assets of those companies on or prior to implementing the arrangements which resulted in those former subsidiaries becoming owned by the MRCF;
 - (ii) some of the suggested causes of action of Amaca, Amaba or the MRCF arising out of the conduct of members of the James Hardie Group, their officers, their actuaries and various firms of solicitors were “speculative”, and that other causes of action were “perhaps not [speculative]”, but that all such causes of action were “unlikely to result in any significant increase in the funds of Amaca, Amaba or the Foundation”;
 - (iii) there was “no doubt management and the Board [of what was then JHIL] were entitled to seek to achieve, if they could, separation of [JHIL] from Amaca and Amaba and thus from the shadow thought to be cast from those companies’ emerging asbestos liabilities”;
- (f) the Jackson Inquiry also found, however, that:
- (i) ABN 60 was “very aware that if it were perceived as not having made adequate provision for the future asbestos liabilities of Amaca and Amaba, there would be a wave of adverse public opinion which might well result in action being taken by the Australian or State governments to legislate to make other companies in the James Hardie group liable, in addition to Amaca or Amaba” for such future asbestos liabilities;
 - (ii) ABN 60’s representations at the time of establishment of the MRCF that the MRCF was “fully-funded” were misleading;

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- (iii) “it was not possible, in money terms, to say that separation of Amaca and Amaba from ABN 60 or other members of the James Hardie Group directly resulted in or contributed to a possible insufficiency of assets to meet the future asbestos related liabilities of Amaca and Amaba”, but that, in practical terms, the separation was “likely to have an effect of that kind”; and
 - (iv) “proposals to remove Amaca and Amaba from the Group leaving them with nothing more than their net assets had no practical prospect of success unless it was apparent that the funds left to Amaca and Amaba were sufficient to satisfy the asbestos liabilities”, and that while “JHIL was perfectly entitled to seek a means whereby it could pursue its aims without it being perceived, rightly or wrongly, as associated with ongoing asbestos liabilities”, “to do so as a practical matter required that it make provision for the separated Amaca and Amaba to have access to the funds necessary to meet the ongoing asbestos liabilities, ie to provide the right amount, not the legal minimum of such funding”.
 - (g) the Parties have recorded the findings of the Jackson Inquiry Report described in recitals (e) and (f) above, without conceding that such findings are correct in fact or law, or would necessarily be upheld if the relevant underlying facts were the subject of a final binding judgement;
 - (h) following the release of the Jackson Inquiry Report, the NSW Government requested the ACTU, Unions NSW and Banton to conduct negotiations with JHISE in order to resolve the underfunding of the MRCF, and subsequently the NSW Government also took part in those negotiations;
 - (i) in those negotiations, the principal objective of the Initial Negotiating Parties, for different reasons, was to achieve a binding agreement intended to ensure that, after taking into account the existing assets of the Liable Entities, sufficient funding is made available by the JHISE Group to fully compensate, on an agreed basis, all proven current and future Australian Asbestos personal injury and death Claimants against the Liable Entities;
 - (j) on 21 December 2004, the Initial Negotiating Parties entered into a non-binding Heads of Agreement which set out the agreed position of the Initial Negotiating Parties in relation to the principles on which the binding agreement would be based and the key standing considerations relevant to implementing those principles to be reflected in that binding agreement;
 - (k) in the Heads of Agreement, the Initial Negotiating Parties acknowledged that the funding arrangement must be affordable and bankable for the

JHISE Group; that it is in the mutual interests of the Parties and Claimants that the JHISE Group remains profitable and financially viable and is able to continue to grow its business in a competitive environment, retain the support of the equity and debt markets and is able to meet all of its current and future financial commitments; and that the JHISE Group's capital structure is sufficiently robust to support growth and withstand a recessionary environment. In this regard, it was recognised by the Initial Negotiating Parties, and is recognised by the Parties, that the JHISE Group's commercial viability and success will provide the basis for the long term funding of the claims which are to be subject to those funding arrangements;

- (l) the JHISE Group has asserted that it has suffered damage to business operations and sales from boycotts and other actions in relation to the distribution and sale of its products in Australia and in other places throughout the world and is or was subject to a number of threats relating to future action (including those described in Recital (m)) and sought to establish that its business operations and sales would no longer be affected by those boycotts and other actions or the threat of them;
- (m) JHISE asserts that a principal purpose of the JHISE Group in entering into this deed is to avert threats from the NSW Government, the federal government and other state and territorial governments (and perhaps governments of other countries in which the JHISE Group is, or the ABN 60 group was, active), that it or they would act, or support the NSW Government acting, to legislatively impose liability upon one or more members of the JHISE Group in relation to Asbestos-related personal injury liabilities of the Liable Entities in excess of the available assets of the Liable Entities unless James Hardie reached a voluntary settlement in relation to such liabilities, which threats were evidenced *inter alia* by:
 - (i) the announcement on 28 October, 2004 by the then Premier of New South Wales, the Hon. Robert John Carr, that the NSW Government would seek the agreement of the Ministerial Council, comprised of Ministers of the Commonwealth and the Australian States and Territories, to allow the NSW Government to pass legislation to “*wind back James Hardie’s corporate restructure and rescind the cancellation of the A\$1.9 billion in partly paid shares*”, which partly paid shares JHISE had previously held in ABN 60;
 - (ii) the announcement on 5 November, 2004 by the Federal Attorney General and the Parliamentary Secretary to the Federal Treasurer that the Ministerial Council for Corporations (“MINCO”) had unanimously agreed to “*support a negotiated settlement that will ensure that victims of asbestos-related diseases receive full and timely compensation from James Hardie*” and that if “*the*

current negotiations between James Hardie, the ACTU and asbestos victims do not reach an acceptable conclusion, MINCO also agreed in principle to consider options for legislative reform"; and

- (iii) the announcement on 21 November 2005 by the Premier of New South Wales, the Hon. Morris Iemma, that the NSW Government would, in the week following the week of that announcement, introduce legislation to the Parliament of New South Wales to "*secure compensation for the victims of James Hardie's asbestos products*" if JHISE did not settle the terms of a binding funding agreement with the NSW Government forthwith,

and JHISE understands that, while the precise terms, enforceability and full consequences of such proposed legislation if enacted have not been made public nor disclosed to JHISE or any other member of the JHISE Group, such legislation if enacted may be likely to have a material adverse effect on the profitability, financial position or reputation of JHISE and/or other members of the JHISE Group;

- (n) the JHISE Group seeks, on a continuing basis, meaningful cost savings in the legal and administrative arrangements existing throughout Australia for making, handling and finalising claims by Asbestos disease sufferers against Amaca and Amaba, including the processes associated with third party recovery and the apportionment of damages;
- (o) on 18 November 2004, the NSW Government established the Review of Legal and Administrative Costs in Dust Diseases Compensation Claims to consider the issue of improving the efficiency with which Dust Diseases Compensation Claims are resolved. The Costs Review Inquiry Report was released on 8 March 2005 and recommended a number of key steps in the reform of the compensation system applicable for asbestos compensation claims in New South Wales. Following the release of that Report, the Cost Review Inquiry Legislation commenced on 1 July 2005. The JHISE Group considers these steps to be a material advance in achieving for the State of New South Wales what the JHISE Group seeks to achieve as referred to in recital (n), although the legislation introduced to date does not constitute complete satisfaction of those objectives, either outside or on a continuing basis within New South Wales. The NSW Government also adopted the recommendation of the Costs Review Inquiry Report to undertake a review of the reforms after data in relation to the reforms' first 12 months of operation are available. It is important to the JHISE Group that this form of review occur (and periodically reoccur) so as to ensure that meaningful cost savings as described in the previous recital continue to be derived with respect to the making, handling and finalising of claims by Claimants against Amaca and Amaba;

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- (p) on 15 April 2005, JHISE announced that, subject to the qualifications and conditions set out in the relevant announcement, it would extend the coverage of the funding arrangements contemplated in the Heads of Agreement to permit members of the Baryulgil community (former asbestos mine workers and residents) to receive compensation funding from the fund to be established, for Proven Claims against the former ABN 60 subsidiary, Marlew Mining Pty Ltd (formerly Asbestos Mines Pty Ltd). JHISE has agreed to implement that announcement on and subject to the terms of this deed; and
- (q) the special purpose fund contemplated under the Heads of Agreement is to be established under the laws of New South Wales as required under **clause 4.1** of the Heads of Agreement and it is a Condition that the Trustee becomes a Party to this deed prior to the Commencement Date.
- B.** On 1 December 2005, JHISE, the NSW Government and the Performing Subsidiary entered into the Original FFA with the common intention of making funding available by JHISE and/or its subsidiaries to pay, on the basis set out in the Original FFA, Proven Claims against the Liable Entities.
- C.** In accordance with the Original FFA, on 7 April 2006 JHISE settled a trust which was intended to be established as a charitable trust and to constitute the special purpose fund contemplated in the Heads of Agreement (the *Original Trust Deed*), and on 8 June 2006 the AICF in its capacity of trustee of the trust acceded to the terms of the Original FFA.
- D.** Following a ruling from the Australian Taxation Office (**ATO**) in which the ATO expressed its view that the trust established by the Original Trust Deed was not a charitable trust, the parties to the Original FFA considered (without conceding or considering the ATO's conclusion was or is correct at law) that the relevant condition precedent set out in the Original FFA was not satisfied. In order to achieve the purposes set out in the Original FFA, JHISE proposed an alternative arrangement be pursued, entailing the establishment of separate trusts in respect of the corpus and income arising from the JHISE Contributions or income derived thereon, with the Trustee acting as common trustee of both trusts.
- E.** The Parties enter into this amended and restated deed:
- (a) to reflect their formal and legally binding agreement to implement the principles set out in the Heads of Agreement and the Modified Objectives;
- (b) in particular, to record the financial obligations of JHISE and the Performing Subsidiary set out in **clauses 6 and 9** below; and

- (c) to reflect certain amendments agreed between the parties to ensure that the Trustee may at its discretion apply income of the Compensation Funds for the benefit of one or more of the Liable Entities by paying Proven Claims or such other Payable Liabilities of those entities, in accordance with the Trust Deed and the Transaction Legislation, but without creating any entitlement of the Liable Entities to receive such amounts or to give any directions to the Trustee with respect to such payments.
- F. The parties hereto acknowledge that since the Trustee had acceded to the Original FFA in its capacity as trustee of the trust established by the Original Trust Deed, it is a party thereto.
- G. The parties have agreed to use their best endeavours to procure that the Trustee enter into an amended and restated trust deed (the **Trust Deed**) in the form of Annexure 3 and that the Trustee in its capacity as trustee of the Discretionary Fund then execute a Deed of Accession.

TERMS OF AGREEMENT

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

The following definitions apply in this deed including its Recitals unless the context requires otherwise.

ABN 60 means ABN 60 Pty Limited (ABN 60 000 009 263).

ABN 60 Foundation means ABN 60 Foundation Pty Ltd (ACN 106 266 611).

Accepted Tax Condition means any condition to which a Ruling is expressed to be subject and any additional condition imposed (and accepted by JHISE) in accordance with **clause 6.4(a)(ii)**.

Additional Payment has the meaning given to it in **clause 9.2(a)(v)**.

AICF means Asbestos Injuries Compensation Fund Limited (ACN 117 363 461).

Amaba means Amaba Pty Limited (ABN 98 000 387 342).

Amaca means Amaca Pty Limited (ABN 49 000 035 512).

Amending Bill means the James Hardie Former Subsidiaries (Winding Up and Administration) (Trust Funds) Amendment Bill 2006 (NSW), as initialled by JHISE and the NSW Government for the purposes of identification, and the James Hardie Former Subsidiaries (Winding up and Administration) Amendment Bill 2009 (NSW).

Annual Actuarial Report means a report prepared by the Approved Actuary pursuant to **clause 14**.

Annual Contribution Amount has the meaning given in **clause 9.4**.

Annual Payment means for each year, the payment to be made pursuant to **clause 9.3**.

Appointor means each person described in **clauses 5.1 to 5.3** inclusive and **clause 16.3** who is entitled to appoint one or more Directors.

Approved Actuary means an actuarial firm which:

- (a) has been appointed in accordance with **clause 5.15** and which nominates a principal who is an approved actuary under the *Insurance Act 1973* or who has qualifications under equivalent legislation of another relevant jurisdiction;
- (b) has relevant and substantive experience and expertise in Asbestos-related liability provisioning appropriate to undertake the determination referred to in **clause 14.4**;
- (c) has no interest or duty which conflicts or may conflict with its functions as contemplated under this deed as the Approved Actuary; and
- (d) is not affiliated with the accounting firm performing the role of Approved Auditor during the term of the Approved Actuary's appointment,

or, where the circumstances set out in **clause 5.15(f)** apply, an actuarial firm determined in accordance with that clause.

Approved Auditor means the auditor of the Trustee to be appointed by the Trustee under **clause 5.12**.

Asbestos means the fibrous form of those mineral silicates that belong to the serpentine or amphibole groups of rock-forming minerals, including actinolite, amosite (brown asbestos), anthophyllite, chrysotile (white asbestos), crocidolite (blue asbestos) and tremolite.

Asbestos Liabilities means any and all liabilities of the Liable Entities in connection with Asbestos, including without limitation Personal Asbestos Claims, Marlew Claims, Claims Legal Costs, and Excluded Claims and any Liability owed by the Liable Entities to the Trustee pursuant to any indemnity in favour of, or right of reimbursement of, the Trustee arising from the Trustee paying any liability of the Liable Entities, but for the avoidance of doubt, excluding Operating Expenses and Claims Legal Costs in each case incurred but unpaid by the Trustee or the Liable Entities.

Asbestos Mining Activities has the meaning given in the Marlew Legislation.

Asbestos Support Groups means each of The Asbestos Diseases Foundation of Australia, Asbestos Diseases Society of Australia Inc, The Asbestos Victims Association of South Australia, Queensland Asbestos Related Disease Support Society, Gippsland Asbestos Related Disease Support Inc, and Asbestos Diseases Society of Victoria.

ATO means the Australian Taxation Office.

ASIC means the Australian Securities and Investments Commission

Audited Financial Statements means, in respect of a Person and a Financial Year the audited consolidated financial statements of that Person for that Financial Year prepared in accordance with the following generally accepted accounting principles (**GAAP**), consistently applied throughout that Financial Year:

- (a) where that Person is Listed at the time the relevant audit report is signed, the generally accepted accounting principles used in that Person's published financial reports; or
- (b) where that Person is not Listed at that time and paragraph (c) does not apply, US GAAP or such other GAAP as is commonly applied by multinational companies at that time in respect of their financial statements; or
- (c) where that Person is not Listed at that time and it and its subsidiaries operate wholly or predominantly in one jurisdiction, the generally accepted accounting principles of that jurisdiction.

Australia has the meaning given in Section 17 of the *Acts Interpretation Act 1901* (Cth), as in force with the date of this deed.

Authorised Loan Facility means a loan facility provided under a Facility Agreement and secured under Security Documentation.

Banton means Bernie Banton of 133-7 Parramatta Road Granville, in the State of New South Wales, as the designated representative of the Asbestos Support Groups.

Black Hole Deductibility means that payments of the JHISE Contributions (including, for the avoidance of doubt, the Initial Funding) will, for the purpose of determining the taxable income of the JHISE Group Taxpayer under the Tax laws of Australia, be fully deductible as capital expenses to the JHISE Group Taxpayer in equal proportions over a period of 5 income years starting in the year of income in which they are incurred by the JHISE Group Taxpayer.

Board Papers means:

- (a) in relation to a Director, all Documents circulated by the Trustee to him or her acting in that capacity.
- (b) all Documents tabled at a meeting of the Directors or otherwise made or physically available to Directors at such meetings, including, without limitation, periodic board papers, submissions, minutes, letters, board committee and sub-committee papers.

Business Day means a day (not being a Saturday or a Sunday) on which banks are open for general banking business in Sydney.

Cessation in relation to a Ruling means the Ruling is withdrawn, expires or ceases to have the effect provided for in respect of such a Ruling under Tax law as at the date of this deed without renewal or substitution by another private binding ruling having the same effect.

Change of Tax Law means:

- (a) a change to the Taxation law of Australia or of a state or territory;
- (b) any Cessation of a Ruling; or
- (c) any announcement by a responsible Minister of the Commonwealth or of a state or territory, or the introduction of a bill into the parliament of the Commonwealth, to effect a change of Taxation law.

Charitable Fund means, until the Trust Deed is executed by the parties thereto, the charitable trust established under clause 3 of the Original Trust Deed and, thereafter, the Charitable Fund as defined in that Trust Deed.

Charitable Fund Property means the assets and property of the Charitable Fund from time to time.

CHES Depository Interest has the meaning given to it in the operating rules of the settlement facility operated by ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

Claimant means an individual (or legal personal representative of an individual) who makes a Personal Asbestos Claim or a Marlew Claim.

Claims Legal Costs means all costs, charges, expenses and outgoings incurred or expected to be borne by the Trustee or the Liable Entities, in respect of legal advisors, other advisors, experts, Court proceedings and other dispute resolution methods in connection with Personal Asbestos Claims and Marlew Claims but in all cases excluding any costs included as a component of calculating a Proven Claim.

Commencement Date means the date described in **clause 2.7**.

Compensation Funds means the trusts constituted by the Original Trust Deed, as amended or to be amended by the Trust Deed, which for the avoidance of doubt consists of both:

- (a) the Charitable Fund; and
- (b) the Discretionary Fund.

Compensation Funds Account means the bank account opened by the Trustee and into which an amount equal to the Initial Funding is to be paid by the Performing Subsidiary pursuant to **clause 9.2** of this deed.

Concurrent Wrongdoer in relation to a personal injury or death claim for damages under common law or other law (disregarding any law which comes into force in breach of **clause 13** and which breach has been Notified to the NSW Government under **clause 16.5**), means a Person whose acts or omissions, together with the acts or omissions of one or more Liable Entities or Marlew or any member of the JHISE Group (whether or not together with any other Persons) caused, independently of each other or jointly, the damage or loss to another Person that is the subject of that claim.

Condition means a condition precedent set out in **clause 2.1**.

Contribution Claim means a cross-claim or other claim under common law or other law (disregarding any law which comes into force in breach of **clause 13** and which breach has been Notified to the NSW Government under **clause 16.5**)

- (a) for contribution by a Concurrent Wrongdoer against a Liable Entity or a member of the JHISE Group in relation to facts or circumstances which give rise to a right of a Person to make a Personal Asbestos Claim or a Marlew Claim; or
- (b) by another Person who is entitled under common law (including by way of contract) to be subrogated to such a first mentioned cross-claim or other claim,

provided that any such claim of the kind described in **clause 13.7** shall be subject to the limits contained in that clause.

Controlled Entity means, in respect of a Person, another Person in respect of which the first-mentioned Person is required to consolidate in its Audited Financial Statements but, in the case of JHISE, does not include any Liable Entity or the Trustee. For the avoidance of doubt, JHISE is not a Controlled Entity of JHISE.

Corporations Act means the *Corporations Act 2001* (Cth).

Costs Review Inquiry means the Review of Legal and Administrative Costs in Dust Diseases Compensation Claims announced by the NSW Government on 18 November, 2004.

Costs Review Inquiry Legislation means the *Dust Diseases Tribunal Amendment (Claims Resolution) Act 2005*, which commenced on 1 July 2005.

Costs Review Inquiry Report means the report of the Review of Legal and Administrative Costs in Dust Diseases Compensation Claims, as released by The Hon. Robert John Carr, the then Premier of New South Wales on 8 March 2005.

Court means a court or tribunal in Australia having jurisdiction to hear and determine common law personal injury and death claims arising from exposure to Asbestos.

Cross Guarantee means any guarantee or indemnity (or other covenant to secure satisfaction of any payment or obligation) given by a Controlled Entity of JHISE to secure satisfaction of any payment or obligation of any Controlled Entity of JHISE to a Lender which is entitled or becomes entitled to the benefit of the Intercreditor Deeds in accordance with **clause 2.2** of that deed.

Deed of Accession means a deed of accession in the form set out in **Annexure 1**.

Deeds of Covenant and Indemnity means:

- (a) the deed of that name dated 16 February 2001 between JHIL, Amaba and Amaca and any amendments thereto (including without limitation pursuant to the amending deed dated 10 September 2001); and
- (b) the Deed of Covenant Indemnity and Access between JHISE and ABN 60 dated 31 March 2003 and any amendments thereto.

Director means a director of the Trustee appointed in accordance with **clause 5** or **16.3**.

Discounted Central Estimate means the central estimate of the present value (determined using the discount rate used within the relevant actuarial report) of the liabilities of the Liable Entities and Marlew in respect of expected Proven Claims and Claims Legal Costs, calculated in accordance with **clause 14.4**.

Discretionary Fund means the trust with respect to income to be established pursuant to the Trust Deed.

Discretionary Fund Property means the assets and property of the Discretionary Fund from time to time.

Document means:

- (a) anything on which there is writing;
- (b) anything on which there are marks, figures, symbols or perforations having a meaning for persons qualified to interpret them;
- (c) anything from which sounds, images or writing can be reproduced with or without the aid of anything else; and
- (d) a map, plan, drawing or photograph.

Dust Diseases Tribunal means the Dust Diseases Tribunal of New South Wales.

Duty means any stamp, transaction or registration duty or any similar charge imposed by a Government Authority and includes, but is not limited to, any interest, fine, penalty, charge or other amount imposed in respect of the above.

Equity Distribution has the meaning given in **clause 7.1**.

Equity Securityholder has the meaning given to it in **clause 7.1**.

Excluded Claims means the claims referred to in **clause 8.2(b)**.

Excluded Marlew Claim means a Marlew Claim:

- (a) covered by the indemnities granted by the Minister of Mineral Resources under the deed between the Minister, Fuller Earthmoving Pty Limited and James Hardie Industries Limited dated 11 March 1996; or
- (b) by a current or former employee of Marlew in relation to an exposure to Asbestos in the course of such employment to the extent:
 - (i) the loss is recoverable under a Worker's Compensation Scheme or Policy; or
 - (ii) the Claimant is not unable to recover damages from a Marlew Joint Tortfeasor in accordance with the Marlew Legislation;
- (c) by an individual who was or is an employee of a person other than Marlew arising from exposure to Asbestos in the course of such employment by that other person where such loss is recoverable from that person or under a Worker's Compensation Scheme or Policy; or
- (d) in which another defendant (or its insurer) is a Marlew Joint Tortfeasor from whom the plaintiff is entitled to recover compensation in proceedings in the Dust Diseases Tribunal, and the Claimant is not unable to recover damages from that Marlew Joint Tortfeasor in accordance with the Marlew Legislation.

Facility Agreement means a loan facility agreement between the NSW Government, the Trustee and the Liable Entities authorised under the Transaction Legislation.

Final Payment means the payment referred to in **clause 9.9**.

Financial Covenants means those covenants initialled for the purposes of identification by the Parties on the Original Execution Date, as varied or replaced from time to time in accordance with **clause 15**.

Financial Year means a year ending on 31 March, or if there is any change from time to time to the Financial Year of the JHISE Group, the twelve-month period as ends on the new end date adopted by JHISE except that the first such Financial Year after that change shall be a period of not less than six months and not greater than 18 months ending on the new end date.

Financial Year End means, in respect of any Financial Year, the last date of that Financial Year.

First Release Bill means the *James Hardie (Civil Liability) Bill* 2005 (NSW) as initialled by the parties for the purposes of identification on the Original Execution Date.

Free Cash Flow means, in respect of a Financial Year but subject to **clauses 9.5** and **9.14(c)**, the net cash provided by operating activities (as calculated in accordance with US GAAP as in force on 21 December 2004) of the JHISE Group for that Financial Year:

- (a) for the avoidance of doubt, after deducting:
 - (i) interest paid, increases in net operating assets and liabilities, and Taxes paid;
 - (ii) any Asbestos-related payments paid by any member of the JHISE Group in that Financial Year, whether by way of any Funding Payments paid to the Trustee, or any other payments in connection with Asbestos paid by any member of the JHISE Group to any other Person in that Financial Year; and
- (b) after deducting the income statement charge in relation to minority interests' share of profits,
- (c) for the avoidance of doubt, after adding:
 - (i) interest received, decreases in net operating assets and liabilities, and receipts of Taxes;
 - (ii) any Asbestos-related payments received by any member of the JHISE Group in that Financial Year, whether by way of any Funding Payments refunded to the Performing Subsidiary by the Trustee, or any other amounts in connection with Asbestos received by any member of the JHISE Group from any other Person in that Financial Year; and
- (d) after adding the income statement credit in relation to minority interests' share of losses,

as certified in accordance with **clause 5.16**.

Free Cash Flow Amount has the meaning given in **clause 9.5**.

Funding Obligation means each obligation of the Performing Subsidiary to make a Funding Payment.

Funding Payments mean:

- (a) the Initial Funding payable under **clause 9.2** (which, for the avoidance of doubt, includes the Additional Payment);
- (b) the Annual Payments payable under **clause 9.3**; and
- (c) any Final Payment payable under **clause 9.9**.

and **Funding Payment** means any of those payments.

Further Actuarial Report means a report prepared by the Approved Actuary under **clause 14.2(b)**.

Government Authority means any government or any governmental, semi-governmental or judicial entity, authority or agency and for the avoidance of doubt, includes without limitation, the Commonwealth of Australia or any state or territory of Australia and the Australian Taxation Office.

GST Group has the meaning given in *A New Tax System (Goods and Services Tax) Act 1999*(Cth).

Heads of Agreement means the non-binding agreement entered into on 21 December 2004 between the Initial Negotiating Parties.

Independent Expert means a person who customarily performs the role of an independent expert appointed to provide the report referred to in **clause 2.1(b)**.

Indirect Tax means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

Initial Facility Agreement means the Facility Agreement entitled "AICF Facility Agreement" between the Trustee (in its capacity as trustee of the Charitable Fund), the Liable Entities and the NSW Government and dated 9 December 2010.

Initial Funding has the meaning given in **clause 9.2**.

Initial Lenders means the Lenders to the JHISE Group under facilities or notes notified by JHISE (by listing the facilities but removing lender identification details) as at the date of this deed but excluding any of those Persons who have ceased to be Lenders or have been replaced, and adding any new Lenders, as at the date of satisfaction of the Conditions (other than the Conditions set out in **clauses 2.1(d) and (n)**), as at that later date, in each case as initialled by the Parties for the purposes of identification.

Initial Negotiating Parties means each of JHISE, the NSW Government, the ACTU, Unions NSW and Banton.

Initial Report means the report of KPMG Actuaries dated 13 November 2006 in respect of liabilities of the Liable Entities as at 30 September 2006.

Insolvency Event means, in respect of a Person, the occurrence in respect of that Person of any one or more events referred to in paragraphs (a) to (h) of the definition of "Insolvent".

A Person is **Insolvent** if the Person:

- (a) admits in writing its inability to pay its debts generally as they become due (otherwise than as contemplated in **clause 16.6**);
- (b) was established under Irish law and files a petition with any court in the Republic of 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:
 - (i) is at the time of filing unable to pay its debts generally as and when they become due; or
 - (ii) in the case of JHISE, after it makes such a filing, fails to pay a JHISE Contribution or other amount under the JHISE Guarantee when such payment would (but for the moratorium granted as a result of that filing) have been due for 30 days after that due date,and also provided that, in any 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; or
- (h) is subject to a Wind-Up Event.

and **Insolvency** has a corresponding meaning.

Insurance and Other Recoveries means any proceeds which may reasonably be expected to be recovered or recoverable for the account of a Liable Entity or to result in the satisfaction (in whole or part) of a liability of a Liable Entity (of any nature) to a third party, under any product liability insurance policy or public liability insurance policy or commutation of such policy or under any other contract, including any contract of indemnity, but excluding any such amount recovered or recoverable under a Worker's Compensation Scheme or Policy.

Insurer includes any insurer as well the Insurer Guarantee Fund established under the *Workers Compensation Act 1987* or any similar fund or body (whether within or outside Australia) which assumes the liabilities of defaulting or insolvent insurers.

Intercreditor Deeds means the deeds substantially in the form set out in **Annexures 7A** and **7B**, as may be amended with the agreement of JHISE and the NSW Government (in each case acting reasonably) as the result of review by, and negotiations with, JHISE's existing bank Lenders.

Interest Rate for a period means the following rate, as determined by the Approved Actuary and notified to the Parties:

(a) the rate determined as the arithmetic mean (rounded up, if necessary, to the nearest 0.01%) of the bid rates displayed at or about 10.30am (Sydney time) on the first day of that period on the Reuters screen BBSW page for a term equivalent to the period after eliminating one of the highest and one of the lowest of those rates; or

(b) if:

(i) for any reason there are no rates displayed for a term equivalent to that period; or

(ii) the basis on which those rates are displayed is changed,

then the Interest Rate will be the average of the buying rates quoted by the three largest Australian banks by market capitalisation at or about that time on that day. The buying rates must be for bills of exchange which are accepted by an Australian bank and which have a term equivalent to the period and the Interest Rate is to be expressed as a yield per cent per annum to maturity.

Irrevocable Power of Attorney means the deed of that name dated 8 June 2006, a copy of which is annexed in **Annexure 9**.

Jackson Inquiry means the inquiry referred to in paragraph (a) of recital A.

JHIL means the company formerly known as James Hardie Industries Limited (now ABN 60).

JHISE Articles means the articles of association of JHISE.

JHISE Auditor means the external auditor of JHISE from time to time.

JHISE Boards means each of the Supervisory Board, the Managing Board and the Joint Board of JHISE.

JHISE Contributions means the payments to be made by JHISE or the Performing Subsidiary under **clause 9**.

JHISE Group means JHISE and its Controlled Entities from time to time, excluding the Trustee and any of the Liable Entities, if they are or become such Controlled Entities.

JHISE Group Taxpayer means the Performing Subsidiary or, if another member or members of the JHISE Group is or are liable to pay Australian federal income tax on the taxable income of a tax consolidated group which includes the Performing Subsidiary, that member or those members of the JHISE Group.

JHISE Guarantee means the deed in the form set out in **Annexure 5**.

KPMG Actuaries means KPMG Actuaries Pty Ltd (ABN 77 002 882 000).

Lenders means:

- (a) the Initial Lenders; and
- (b) all other Persons to whom liabilities are owed where such liabilities are or are required to be included in the JHISE Group's financial statements or notes thereto as debt or borrowings, but excluding any person who is an "Excluded Lender" defined in the Intercreditor Deeds.

Liable Entities means Amaca, Amaba and ABN 60.

Liquidation means, in respect of any Person, the liquidation of all or substantially all of its assets (other than, in the case of JHISE, where the acquirer of all or substantially all of such assets has by deed of accession become bound to observe all the obligations of JHISE under this deed and the JHISE Guarantee and the other Related Agreements to which JHISE is a party) with the intention of distributing the proceeds to creditors or security holders, or a final order directing or requiring such a liquidation is made or entered or deemed to have been made or entered by any court of competent jurisdiction.

Listed means listed on a stock market of a Stock Exchange.

Managing Board means the Managing Board of JHISE established under Article 14 of JHISE's Articles of Association.

Marlew means the company registered under the Corporations Act as Marlew Mining Pty Limited (ACN 000 049 650) that was formerly called Asbestos Mines Pty Limited and includes any successor to or continuation of that company.

Marlew Claim means, subject to **clause 13.7** a claim which satisfies one of the following paragraphs and which is not an Excluded Marlew Claim:

- (a) any present or future personal injury or death claim by an individual or the legal personal representative of an individual, for damages under common law or other law (disregarding any law which comes into force in breach of **clause 13** and which breach has been Notified to the NSW Government under **clause 16.5**) which:
 - (i) arose or arises from exposure to Asbestos in the Baryulgil region from Asbestos Mining Activities at Baryulgil conducted by Marlew, provided that:
 - (A) the individual's exposure to Asbestos occurred wholly within Australia; or
 - (B) where the individual has been exposed to Asbestos both within and outside Australia, the amount of damages included in the Marlew Claim shall be limited to the amount attributable to the proportion of the exposure which caused or contributed to the loss or damage giving rise to the Marlew Claim which occurred in Australia;
 - (ii) is commenced in New South Wales in the Dust Diseases Tribunal; and
 - (iii) is or could have been made against Marlew had Marlew not been in external administration or wound up, or could be made against Marlew on the assumption (other than as contemplated under the Marlew legislation) that Marlew will not be in the future in external administration;
- (b) any claim made under compensation to relatives legislation by a relative of a deceased individual (or personal representative of such a relative) or (where permitted by law) the legal personal representative of a deceased individual in each case where the individual, but for such individual's death, would have been entitled to bring a claim of the kind described in paragraph (a); or
- (c) a Contribution Claim relating to a claim described in paragraphs (a) or (b).

Marlew Joint Tortfeasor means any Person who is or would be jointly and severally liable with Marlew in respect of a Marlew Claim, had Marlew not been in external administration or wound up, or on the assumption (other than as contemplated under the Marlew legislation) that Marlew will not in the future be in external administration or wound up).

Marlew legislation means the legislation set out in Part 4 of the First Release Bill.

Modified Objectives means the Objectives appropriately updated in respect of paragraphs 20 and 23 inclusive thereof to take due account of the establishment of the Costs Review Inquiry.

MRCF means the Medical Research & Compensation Foundation (ABN 21 095 924 137).

Notice has the meaning given to it in **clause 30(a)**.

NSW Government Auditor means an auditor engaged in accordance with and for the purposes described in **clause 5.13**.

NSW Government Deed of Release means the deed of that name dated 22 June 2006, a copy of which is annexed in **Annexure 6**.

NSW Government Reviewing Actuary means an actuarial firm appointed in accordance with **clause 14.5** which:

- (a) nominates a principal who is an approved actuary under the *Insurance Act 1973* (Cth) or has equivalent qualifications under equivalent legislation of another relevant jurisdiction;
- (b) is not and has not for a period of at least five (5) years been a service provider to the Trustee or any member of the JHISE Group;
- (c) is not affiliated with the accounting firm performing the Approved Auditor role; and
- (d) is not affiliated with the firm performing the role of the Approved Actuary,

or, where the circumstances set out in **clause 14.5(b)** apply, an actuary determined in accordance with that **clause 14.5(b)**.

NYSE means the New York Stock Exchange Inc.

Objectives means the Statement of Objectives set out in Annexure 1 of the Heads of Agreement.

Operating Expenses means the reasonable operating costs, expenses and Taxes of the Trustee or Liable Entities of conducting the activities referred to in clause 4.2 but excludes any Claims Legal Costs and also excludes, for the avoidance of doubt, any principal repayable and any interest (whether or not capitalised) or other amounts payable under or in connection with an Authorised Loan Facility.

Original Execution Date means 1 December 2005.

Original FFA has the meaning given in Recital A.

Original Trust Deed has the meaning given in Recital C.

Original Trustee Constitution means the constitution of the Trustee in the form contained in Schedule 10 of the Original FFA.

Other Governments means each of the Australian government and the governments of the states and territories of Australia other than the NSW Government.

P has the meaning given in **clause 7.2(m)**.

Parties mean the parties to this deed, being JHISE, the Performing Subsidiary, the NSW Government and, subject to **clause 1.5**, the Trustee.

Payable Liability means:

- (a) any Proven Claim (whether arising before or after the date of this deed);
- (b) Operating Expenses;
- (c) Claims Legal Costs;
- (d) any liability of a Liable Entity to the Trustee, however arising, in respect of any amounts paid by the Trustee in respect of any liability or otherwise on behalf of the Liable Entity;
- (e) any pre-commencement claim (as defined in the Transaction Legislation) against a Liable Entity;
- (f) if regulations are made pursuant to section 30 of the Transaction Legislation and if and to the extent the Trustee and JHISE have Notified the NSW Government that any such liability is to be included in the scope of Payable Liability, any liability of a Liable Entity to pay amounts received by it from an insurer in respect of a liability to a third party incurred by it for which it is or was insured under a contract of insurance entered into before the date on which the Transaction Legislation receives the Royal Assent;
- (g) Recoveries within the meaning and subject to the limits set out in **clause 13.7**; and
- (h) any amount payable in connection with an Authorised Loan Facility, including without limitation any principal repayable, any interest payable (whether or not capitalised) and any other amounts payable by the Trustee or any Liable Entity under or in connection with an Authorised Loan Facility,

but in the cases of paragraphs (a), (c) and (e), excludes any such liabilities or claims to the extent that they have been recovered or are recoverable under a Worker's Compensation Scheme or Policy.

Payment Date means 1 July 2007 and each subsequent 1 July in each year of the Term, or in the event that the Financial Year End is not 31 March, the date falling 3 months and 1 day after that Financial Year End.

Performing Subsidiary means James Hardie 117 Pty Limited (formerly known as LGTDD Pty Limited) or, if a subsidiary of JHISE other than that entity is nominated under **clause 6.2** to perform the obligations described in **clauses 6** and **9** and each of JHISE and that subsidiary has complied with **clause 6.2**, that subsidiary.

Period Actuarial Estimate means, in respect of a period, the central estimate of the present value (determined using the discount rate used in the relevant actuarial report) of the liabilities of the Liable Entities and Marlew in respect of expected Proven Claims and Claims Legal Costs (in each case which are reasonably expected to become payable in that period), before allowing for Insurance and Other Recoveries, calculated in accordance with **clause 9.2** or **14.4(b)(ii)** as the case may be.

Person includes any general partnership, limited partnership, corporation, limited liability company, joint venture, trust, business trust, governmental agency, co-operative, association, individual or other entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such a person as the context may require.

Personal Asbestos Claim means, subject to **clause 13.7**:

- (a) any present or future personal injury or death claim by an individual or the legal personal representative of an individual, for damages under common law or under other law (disregarding any law which comes into force in breach of **clause 13** and which breach has been Notified to the NSW Government under **clause 16.5**) which:
 - (i) arises from exposure to Asbestos occurring in Australia, provided that:
 - (A) the individual's exposure to Asbestos occurred wholly within Australia; or
 - (B) where the individual has been exposed to Asbestos both within and outside Australia, damages included in the Personal Asbestos Claim shall be limited to the amount attributable to the proportion of the exposure which caused or contributed to the loss or damage giving rise to the Personal Asbestos Claim which occurred in Australia;
 - (ii) is made in proceedings in an Australian court or tribunal; and

is made against all or any of the Liable Entities or any member of the JHISE Group from time to time;

- (b) any claim made under compensation to relatives legislation by a relative of a deceased individual (or personal representative of such a relative) or (where permitted by law) the legal personal representative of a deceased individual in each case where the individual, but for such individual's death, would have been entitled to bring a claim of the kind described in paragraph (a); or
- (c) a Contribution Claim made in relation to a claim described in paragraph (a) or (b),

but in each case excludes any Marlew Claim and any other claim to the extent they have been recovered or are recoverable under a Worker's Compensation Scheme or Policy.

Proven Claim means any Personal Asbestos Claim or Marlew Claim in respect of which final judgment has been given against, or a binding settlement has been entered into by a Liable Entity or any member of the JHISE Group from time to time, and in each case, to the extent to which that entity incurs liability under that judgment or settlement (including any interest, costs or damages to be borne by a Liable Entity or the relevant member of the JHISE Group pursuant to such judgment or settlement).

Qualifying Capital Ratio has the meaning given to it in **clause 7.8**.

Quoted means, in relation to securities of a Listed entity, quoted for trading on a Stock Exchange.

Reconstruction Event means:

- (a) the summoning of a meeting of creditors or the obtaining of an order of a court to do so for the purpose of considering any scheme or plan of arrangement for reconstruction or compromise with creditors;
- (b) a voluntary case is commenced, or a final order for relief is entered, under Chapter 11 of the US Bankruptcy Code;
- (c) a filing of a petition for the appointment of an examiner or the brining forward of a scheme of arrangement under Irish law;
- (d) any comparable action under the laws of any other jurisdiction occurs having substantially the same effect as the orders described in paragraphs (b) and (c),

but in each case none of the aforementioned events will comprise a Reconstruction Event where the proceeding or other action is commenced or initiated by or on behalf of the Trustee or the NSW Government under this deed or the JHISE Guarantee, whether acting alone or together with others, and for this purpose an order will be deemed to be final when any timely-commenced proceeding for review of such an order has 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.

Related Agreements means documents ancillary to this deed listed in **Schedule 1**.

Release Bills mean the First Release Bill and the Second Release Bill.

Release Legislation has the meaning given in **clause 2.1(g)**.

Released Person has the meaning given in **clause 12.1(a)(i)**.

Releases means the releases and extinguishments of liability described in **clause 12** and set out in the Release Legislation or the NSW Government Deed of Release.

Relevant Matters means all matters relating to or arising out of any of the following or their facts, matters and circumstances:

- (a) the establishment and underfunding or funding of the MRCF, and the February 2001 ABN 60 group corporate reorganisation (including, without limitation, the transfer of the Liable Entities out of the JHIL Group, representations made to incoming directors of the Liable Entities and other third parties regarding the Liable Entities and their assets and liabilities, the media releases of ABN 60 of 16 February 2001 and of JHISE of 29 and 30 October 2003 and any statements made in relation to any of the foregoing matters);
- (b) the Deeds of Covenant and Indemnity;
- (c) the transfers of assets, and the dividends and management fees paid, by the Liable Entities, as described in the report of the Jackson Commission;
- (d) the August to October 2001 ABN 60 group corporate reorganisation, including without limitation the scheme of arrangement in relation to ABN 60 of August to October 2001, the contemporaneous reduction of capital of (and cancellation of fully paid ordinary shares in) ABN 60 and subscription by JHISE for partly paid shares in ABN 60, the subsequent cancellation of those partly paid shares in ABN 60 in March 2003 and representations to third parties and the court and any statements made in relation to any of the foregoing matters; and
- (e) the transfer of assets from ABN 60 to JHISE, the establishment of the ABN 60 Foundation Limited and ABN 60 Foundation Trust, and the allotment of fully paid shares in ABN 60 to ABN 60 Foundation Limited.

Resolution means the resolution to be voted on by Shareholders, as described in **clause 2.1(d)**.

Ruling means a binding private ruling as referred to in **clause 2.2(b)(i) or Schedule 11**, or any renewal of the same or substitution on a basis which is satisfactory to the JHISE Boards and the Board of Directors of the Performing Subsidiary, each acting reasonably.

Second Irrevocable Power of Attorney means a deed in the form set out in Annexure 10.

Second Release Bill means the *James Hardie (Civil Penalty Compensation Release) Bill 2005 (NSW)*, as initialled by the parties for the purposes of identification on the Original Execution Date.

Security Documentation means security documentation authorised under the Transaction Legislation under which the Trustee (in its capacity as trustee of the Charitable Fund) and the Liable Entities grant interests in, or other entitlements to, assets (or proceeds of asset realisations) as security for or in connection with a loan facility provided under a Facility Agreement.

Security Interest means a right, power or arrangement in relation to an asset which provides security for the payment or satisfaction of a debt, obligation or liability including without limitation under a bill of sale, mortgage, charge, lien, pledge, trust, power, deposit or hypothecation and includes an agreement to grant or create any of those things.

Shareholder means a holder of Shares.

Shareholder Documentation means the notice of meeting (including without limitation, the Resolution), explanatory memorandum and all accompanying documents to be sent to the Shareholders in relation to seeking the approval of entry into, and implementation of, this deed and the Related Agreements.

Shares means:

- (a) ordinary shares in JHISE; and
- (b) for so long as they are Quoted, the Quoted CHESS Depository Interests over the ordinary shares in JHISE, to the exclusion of the relevant underlying ordinary shares in JHISE.

Special Default has the meaning given in **clause 16.2**.

SPF Funded Liability means:

- (a) only those liabilities described in paragraphs (a), (b), (c), (e), (g) and (h) of the definition of Payable Liability and excludes the liabilities described in paragraph (d) or (f) of the definition of “Payable Liability”; and
- (b) a claim or category of claim which JHISE and the NSW Government agree in writing is a “SPF Funded Liability” or a category of “SPF Funded Liability”.

Stock Exchange means ASX or any approved foreign exchange (as defined under the Corporations Act).

Supervisory Board means the Supervisory Board of JHISE established under Article 21 of JHISE's Articles of Association.

Tax and Taxation mean all forms of taxation, duties, imposts, fees, levies, deductions or withholdings, whether of Australia, a state or territory or elsewhere, including without limitation income tax, fringe benefits tax, withholding tax, capital gains tax, pay-as-you-go tax, goods and services tax, customs and other import or export duties, excise duties, sales tax, stamp duty or other similar contributions and any interest or penalty, in respect of any of them.

Tax Requirements means the requirements set out in clause 2.1(a) and Schedule 11.

Term means the period from the Commencement Date to 31 March 2045, which may be extended as referred to in **clause 9.9**.

Term Central Estimate means the central estimate of the present value (determined using the discount rate used in the relevant Annual Actuarial Report) of the liabilities of the Liable Entities and Marlew in respect of expected Proven Claims and Claims Legal Costs (in each case reasonably expected to become payable in the period specified in **clause 14.4(b)(iii)**) determined under **clause 14.4(b)(iii)**, after allowing for Insurance and Other Recoveries during that period, and otherwise calculated in accordance with **clause 14.4**.

Transaction Bill means the *James Hardie Former Subsidiaries (Winding up and Administration) Bill* 2005 (NSW), as initialled by the parties for the purposes of identification on the Original Execution Date.

Transaction Documentation means this deed, the Related Agreements, the Transaction Legislation and the Release Legislation.

Transaction Legislation means the Transaction Bill as enacted and amended by the Amending Bill.

Trust Deed means the amended and restated trust deed for the Compensation Funds to be entered into in the form set out in **Annexure 3**.

Trustee means the trustee of the Compensation Funds from time to time, in its capacity as trustee, initially being the AICF.

Trustee Board means the board of directors of the Trustee established in accordance with **clause 5.1**.

Trustee Constitution means the constitution of the Trustee in the form set out in **Schedule 10**.

Unions' Deed of Release means the deed of that name entered into on or about 23 December 2005, a copy of which is annexed in **Annexure 4**.

Unions NSW means Unions New South Wales of 10th Floor, 377-383 Sussex Street, Sydney in the State of New South Wales.

US Bankruptcy Code means title 11 of the United States Code, the codification of United States bankruptcy law.

US GAAP means generally accepted accounting principles as in force in the United States of America and, unless expressly otherwise provided in this deed, means those principles as in force from time to time.

VA has the meaning given in **clause 7.2(m)**.

VL has the meaning given in **clause 7.2(m)**.

Valuation Ratio has the meaning given in **clause 7.2(m)**.

Wind-Up or Reconstruction Amount has the meaning given in **clause 10.4**.

Wind-Up Event means, in respect of a Person, the occurrence of any one or more of the following:

- (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, dismissed, vacated or reversed;
- (d) the dissolution of such Person under Irish law or the law of any other jurisdiction;
- (e) [intentionally blank];
- (f) the Liquidation of that Person;
- (g) 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
- (h) any comparable action occurs under the law of any competent jurisdiction which has a substantially the same effect to paragraphs (a) to (g) of this definition,

and an order shall be deemed to be final when any timely-commenced proceeding for review of such an order has 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.

Worker's Compensation Scheme or Policy means any of the following:

- (a) any worker's compensation scheme established by any law of the Commonwealth of Australia or of any State or Territory of Australia;
- (b) any fund established to cover liabilities under insurance policies upon the actual or prospective insolvency of the insurer (including without limitation the Insurer Guarantee Fund established under the *Worker's Compensation Act 1987* (NSW)); and
- (c) any policy of insurance issued under or pursuant to such a scheme.

1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms if capitalised have a corresponding meaning.
- (d) A reference to a clause, Schedule or Annexure is a reference to a clause of, or schedule or annexure to, this deed.
- (e) A reference to an agreement or document (including a reference to this deed) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this deed or that other agreement or document, and includes the recitals and schedules and annexures to that agreement or document.
- (f) A reference to writing includes any method of representing or reproducing words, figures, drawings or symbols in a visible and tangible form.
- (g) A reference to a party to this deed or another agreement or document includes the party's successors, permitted substitutes and permitted assigns (and, where applicable, the party's legal personal representatives).
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to conduct includes an omission, statement or undertaking, whether or not in writing.
- (j) A reference to an agreement includes any undertaking, deed, agreement and legally enforceable arrangement, whether or not in writing, and a reference to a document includes an agreement (as so defined) in writing and any certificate, notice, instrument and document of any kind.

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- (k) A reference to dollars and \$ is to Australian currency.
 - (l) A reference to a particular Government Authority or Stock Exchange includes a reference to any other Government Authority or Stock Exchange which succeeds the former or which performs substantially the same functions and duties as the former.
 - (m) A reference to a person's consent is to that person's consent given in writing.
 - (n) For the avoidance of doubt, **clause 6.1** does not and is not intended to give rise to any greater obligation on the part of the JHISE Group than is contemplated by **clause 9** or its implementation in this deed.
 - (o) A reference to the Trustee is a reference to the Trustee having the assets, benefits and liabilities under this deed, the Trust Deed, the other Related Agreements and any Cross Guarantee or other agreement or instrument binding upon it.

1.3 Agreement Legally Binding

- (a) This deed is and is intended to be legally binding on all Parties hereto and to be enforceable at law and equity.
- (b) Notwithstanding clause 29 of the Original FFA, each party to the Original FFA agrees to be bound by the terms of this deed from the time that the parties to the Original FFA have executed this deed.
- (c) This deed binds the Crown in right of New South Wales and to the maximum extent permitted by law the State Crown hereby waives all Crown immunity with respect to this deed and the Related Agreements.

1.4 Execution of Trust Deed and Accession by any new Trustee

- (a) The Parties other than the Trustee irrevocably consent to the amendment and restatement of the Original Trust Deed in the terms set out in **Annexure 3**.
- (b) Immediately after the Amending Bill receives royal assent, JHISE agrees to execute and deliver to the Trustee the Trust Deed in the form set out in **Annexure 3** and to deliver a copy of the same to the NSW Government.
- (c) Immediately following its receipt of the Trust Deed executed by JHISE, the Trustee agrees to execute and deliver the Trust Deed to JHISE and to deliver a copy of the same to the NSW Government.

1.5 Accession by Trustee

- (a) On execution of the Trust Deed in accordance with **clause 1.4**, the Parties must:
- (i) use their respective best endeavours to procure the Trustee in its capacity as trustee of the Discretionary Fund, to agree to become party to this deed; and
 - (ii) promptly following the Trustee agreeing to do so, execute and deliver to the other Parties, and use their respective best endeavours to procure the Trustee in its capacity as trustee of the Discretionary Fund to execute and deliver to the parties, a Deed of Accession.
- (b) Where the Trustee and the Parties deliver a Deed of Accession in accordance with **clause 1.5(a)** or a novation deed in accordance with **clause 1.5(c)**, the Trustee shall be, and shall be taken to be, a Party to this deed both in its capacity as trustee of the Charitable Fund and trustee of the Discretionary Fund effective from the time of delivery of such deed and shall have the benefit of each right expressed to be that of the Trustee and be entitled to enforce each such right against the other Parties.
- (c) Upon the appointment of a new Trustee in accordance with the Trust Deed, the Parties shall execute a novation deed which has been executed by the new Trustee, under which, among other things, all liabilities incurred by or on behalf of the outgoing Trustee under this deed are assumed by the new Trustee.

1.6 Business Days

If the day on or by which a person must do something under this deed is not a Business Day, it must be done on or by the next Business Day.

2 CONDITIONS PRECEDENT

2.1 Conditions precedent

The provisions of and obligations of the Parties under this deed (excluding this **clause 2** and **clauses 1, 3, 17, 21 to 27, 29 to 34** inclusive) are subject to, and do not commence until each of the following Conditions has been satisfied or waived in writing by the Parties:

- (a) the JHISE Boards and the board of directors of the Performing Subsidiary are satisfied, acting reasonably that with effect on or before payment of the Initial Funding (and by force of retrospective legislation where necessary), that for the purposes of the Tax laws of Australia:
- (i) payments of the JHISE Contributions (including, for the avoidance of doubt, the Initial Funding) to the Trustee will be deductible to the JHISE Group Taxpayer on the basis of Black Hole Deductibility for the purpose of determining the taxable income of the JHISE Group Taxpayer;

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- (ii) the JHISE Contributions received by the Trustee of the Charitable Fund from the Performing Subsidiary will comprise corpus of a trust and so will not form part of the assessable income of the Trustee of the Charitable Fund as either ordinary or statutory income;
 - (iii) if the Trustee of the Discretionary Fund exercises its discretion during a tax year to pay or apply Annual Income for the benefit of a Liable Entity, that:
 - A. the Liable Entity will be deemed to be presently entitled to such Annual Income;
 - B. such Annual Income will not form part of the assessable income of the Trustee of the Discretionary Fund for that year;
 - C. the Trustee of the Discretionary Fund will not be subject to tax under sections 99 or 99A of the Income Tax Assessment Act 1936 in respect of such Annual Income;
 - (iv) section 100A of the Income Tax Assessment Act 1936 will not apply to deem the Trustee of the Discretionary Fund to be taxed on any income paid or applied by the Trustee of the Discretionary Fund for the benefit of the Liable Entities in the manner described in **clause 2.1(a)(iii)**;
 - (v) Part IVA of the Income Tax Assessment Act 1936 will not apply with respect to any or all payments or transactions contemplated in this deed or the Trust Deed;
 - (vi) Proven Claims:
 - A. will be allowable deductions to Amaca and Amaba during the Term when incurred;
 - B. are incurred for the purpose of the Income Tax Assessment Acts 1936 and 1997 on the date of making, in respect of a specific claim, an order for final judgement or on the date of a deed of settlement, as the case may be in relation to such specific claim;
 - (vii) the assessable income of Amaca and Amaba in respect of a year of income:
 - A. will include amounts of the Discretionary Fund paid or applied by the Trustee for the benefit of Amaca or Amaba, as the case may be;
 - B. will be offset to reduce the taxable income of Amaca or Amaba, as the case may be, by allowable deductions of Amaca or Amaba, as the case may be, arising from the amounts referred to in **clause 2.1(a)(vi)(A)**;

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- (viii) the amount of payments made by the Trustee of the Charitable Fund to Claimants to meet Proven Claims against any Liable Entity will not form part of the assessable income of the Liable Entity;
- (ix) and in particular for the purposes of *A New Tax System (Goods and Services Tax) Act 1999*:
- A. the Funding Payments to be made by the Performing Subsidiary to the Trustee do not represent or comprise consideration for a taxable supply made by the Trustee;
 - B. the payment of Proven Claims by the Trustee will not represent or comprise consideration for a taxable supply;
 - C. the application of any part of the Discretionary Fund by the Trustee for the benefit of a Liable Entity will not represent or comprise consideration for a taxable supply;
 - D. compensation payments made to a Proven Claimant by a Liable Entity do not represent or comprise consideration for a taxable supply;
 - E. if the Liable Entities and the Trustee are members of the same GST Group, the following activities of the Trustee will not comprise taxable supplies:
 - I. management of the Trustee or Liable Entities and the winding up of the Liable Entities;
 - II. management of legal and administrative costs in respect of Claims and the negotiation of settlements of those Claims;
 - III. investment of the assets contributed to or received by the Trustee;
 - IV. management of the insurance claims the Liable Entities may make in relation to losses resulting from Claims or recovery of Insurance and Other Recoveries;
 - F. the Trustee, as a representative member of the GST Group of which it is a member from time to time, will be entitled to input tax credits for GST incurred on:
 - I. acquisitions associated with the receipt of Funding Payments by the Trustee from the Performing Subsidiary

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- II. acquisitions made in connection with payments of Proven Claims;
 - III. investment management services (but only to the extent of a reduced input tax credit); and
 - IV. acquisitions made in connection with the carrying out of other activities closely connected to the making of compensation payments to claimants of Proven Claims;
- (b) the JHISE Boards and the board of directors of the Performing Subsidiary receive an independent expert's report from the Independent Expert that subject to satisfaction of the Conditions under **clause 2.1(a)** if those Conditions have not been satisfied by the date of finalisation of the report, the implementation of this deed and the JHISE Guarantee by JHISE and the Performing Subsidiary is in the best interests of JHISE and its enterprise as a whole;
 - (c) the JHISE Boards resolve, being satisfied in their discretion they should do so having regard to their duties as directors, to recommend that the Shareholders vote in favour of approval of this deed and its implementation by the JHISE Group (which resolution may, at JHISE's discretion, be sought so as to be conditional upon satisfaction of the Conditions under **clause 2.1(a)** if those Conditions have not been satisfied by the date of such resolution, such resolution not to be otherwise conditional upon anything not required to be done under this deed on or before the Commencement Date);
 - (d) the Shareholders in a general meeting duly convened under the JHISE Articles approve this deed and the JHISE Guarantee and their implementation by the JHISE Group (which approval may, at the discretion of JHISE, be sought so as to be conditional upon satisfaction of the Conditions under **clause 2.1(a)** if those Conditions have not been satisfied by the date at which the Shareholders vote on that resolution, such resolution not to be otherwise conditional upon anything not required to be done under this deed on or before the Commencement Date);
 - (e) the Initial Lenders approve the JHISE Group implementing this deed on terms acceptable to JHISE acting reasonably (such approvals to be evidenced in the usual form of such approvals provided by such Initial Lenders);

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- (f) the Transaction Bill is enacted by the NSW Parliament and has come into force:
- (i) in the form initialled by authorised representatives of JHISE and the NSW Government on or prior to the Original Execution Date for the purposes of identification; or
 - (ii) otherwise on terms stated in writing by JHISE to be acceptable to it;
- (g) the Release Bills are enacted by the NSW Parliament and come into force:
- (i) in the form initialled by authorised representatives of JHISE and the NSW Government on or prior to the Original Execution Date for the purpose of identification; or
 - (ii) otherwise on terms stated in writing by JHISE to be acceptable to it, (such legislation, the “**Release Legislation**”);
- (h) execution of each of the Related Agreements by each of the parties thereto;
- (hh) execution of the Trust Deed;
- (i) the following are satisfied (or waived by agreement in writing by the Parties) on the date at which all Conditions set out in this **clause 2.1** (other than this **clause 2.1(i)** and **clause 2.1(n)**) have been satisfied:
- (A) JHISE confirms in writing to the NSW Government (without qualification) that the terms of **clause 7** of this deed would not have been breached; and
 - (B) the NSW Government confirms in writing to JHISE (without qualification) that no adverse or discriminatory legislative action within the meaning of **clause 13.2** or **13.3** has been taken nor has **clause 13.4** had any application;
- in each case, had those provisions been binding upon the Parties for the period between the date of signing this deed and the date at which all other Conditions set out in this **clause 2.1** (other than **clause 2.1(n)**) have been satisfied or waived by the Parties; and
- (C) to the extent shares in the Liable Entities have not been transferred to the Trustee on or prior to the Commencement Date, the Minister empowered to do so under section 16(1) of the Transaction Legislation (when in force) serves an order under that section upon each of the shareholders of each of the Liable Entities and the directors of each of the Liable Entities to transfer all of the shares held by such shareholders in the Liable Entities to the Trustee, on a day on or prior to the Commencement Date, and such transfers occur so as to vest legal and beneficial title in the Liable Entities in the Trustee; and
 - (D) the NSW Government has not breached **clauses 2.3(b)** and **(c)** between the date of signing this deed and the date at which all other Conditions set out in this **clause 2.1** (other than **clause 2.1(n)**) have been satisfied or waived by the Parties;

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- (j) the receipt by JHISE and the NSW Government of each of the opinions required under **clause 22** of the Original FFA;
 - (jj) the receipt by the relevant parties (as identified in each of the opinions) of each of the opinions required under **clause 22** of this deed;
 - (k) the Trustee appoints the Approved Actuary on terms consistent with this deed and JHISE irrevocably waives in writing (in the form of Annexure 8), any right to object to KPMG Actuaries being appointed as and performing the role of the initial Approved Actuary of the Trustee, notwithstanding that KPMG Actuaries has provided or may provide before the Commencement Date any services to any member of the JHISE Group;
 - (l) the execution and delivery of a deed of accession by the Trustee as trustee of the trust established under the Original Trust Deed by the Parties thereto, including the Trustee;
 - (ll) the execution and delivery of a Deed of Accession by the Trustee by the parties thereto including the Trustee in its capacity as trustee of the Discretionary Fund;
 - (lll) the adoption by the Trustee of the amended constitution of the Trustee in the form set out in Schedule 10;
 - (m) the Amending Bill is enacted by the NSW Parliament and comes into force:
 - (i) in the form initialled by authorised representatives of JHISE and the NSW Government on or prior to the date of this deed for the purposes of identification; or
 - (ii) otherwise on terms stated by JHISE to be acceptable to it,
(such legislation the “**Amending Legislation**”);
 - (n) the Performing Subsidiary deposits the Initial Funding into the Compensation Funds Account,

provided that upon satisfaction or waiver of such conditions, **clauses 7 and 13.2, 13.3 and 13.4** shall be taken for all purposes of this deed to have been binding and effective from the date of this deed.

2.2 Satisfaction of Conditions Precedent

- (a)
 - (i) The Conditions contained in **clauses 2.1(b), (c), (k) and (m)** (other than those elements of the Transaction Legislation described in **clause 2.2(a)(ii)**) must be satisfied or waived by 31 December 2006 or such later date as JHISE and the NSW Government may agree in writing.
 - (ii) Subject to **clause 2.2(a)(iii)** the Conditions described in **clauses 2.1(d), (e), (hh), (i), (jj), (ll), (lll) and (n)** and those parts of the Conditions under **clauses 2.1(f) and (h)** which remain unsatisfied and that part of the Condition under **clause 2.1(m)** which relates to the amendment of the uncommenced provisions of the Transaction Legislation must be satisfied or waived within 12 weeks of the satisfaction of the other Conditions.
 - (iii) In relation to **clause 2.2(a)(ii)**:
 - A. that part of the Condition under **clause 2.1(m)** which relates to the amendment of the uncommenced provisions of the Transaction Legislation and the balance of the Condition described at **clause 2.1(f)** that remains unsatisfied, must only be satisfied once all other Conditions, other than the Conditions set out at **clauses 2.1(i) and 2.1(n)** have been satisfied or waived; and
 - B. the Condition described in **clause 2.1(n)** must only be satisfied once all other Conditions have been satisfied or waived.
- (b) Each of the Parties acknowledges and agrees that as at the date of this deed:
 - (i) the Conditions set out in **clause 2.1(a)** have been satisfied for the purposes of **clause 2.1** by the issue of the private binding rulings issued to the Trustee and others on 8 November 2006;
 - (ii) the Tax Requirements have been satisfied for the purposes of **clause 6.4(a)(i)** by the issue of the private binding rulings issued to the Trustee and others on 8 November 2006;
 - (iii) regarding the Condition set out in **clause 2.1(f)**, the Transaction Bill has been enacted and Part 1, Part 2, Divisions 1, 4 and 6 of Part 3, Part 1 of Schedule 1 and clause 3 of Schedule 1 and Sections 61-69 and 71 of Part 5 have come into force;
 - (iv) the Condition set out at **clause 2.1(g)** has been satisfied;

- (v) the Condition set out in **clause 2.1(h)** has been satisfied except in relation to the Intercreditor Deeds, the JHISE Guarantee, the Second Irrevocable Power of Attorney and the Trust Deed;
- (vi) the Condition set out at **clause 2.1(j)** has been satisfied or to the extent of the opinions described in **clause 22.2** of the Original FFA, is waived; and
- (vii) the Condition set out at **clause 2.1(l)** has been satisfied.

2.3 Best Endeavours to Satisfy Conditions

- (a) Each Party shall use its best endeavours promptly to satisfy each Condition for which it is responsible including, without limitation, taking the steps set out in the timetable initialled for identification by the Parties for which they are responsible, to the extent possible, by the relevant date set out in that timetable. Each Party must give the Party responsible for the satisfaction of a Condition any reasonable assistance that such responsible party may request to satisfy that Condition. Each Party must promptly give a Notice to the other Parties that a Condition for which it is responsible has been satisfied upon becoming aware of that satisfaction.
- (b) Prior to the Commencement Date, without prejudice to any right or remedy of the NSW Government, the releases and extinguishments of liabilities set out in the Release Legislation in respect of Persons who are not natural persons may only be suspended by the NSW Government if:
 - (i) JHISE or the Performing Subsidiary is and remains in breach of its obligations under **clauses 2.3(a) or 2.4**; or
 - (ii) this deed is terminated under **clause 2.6**, on or after the conclusion of the negotiations (if any) under **clause 2.6(d)**,provided that any suspension of such releases shall not take effect less than 14 days after JHISE has been Notified of any proposed suspension. This **clause 2.3(b)** shall have no operation after the Commencement Date.
- (c) The NSW Government must revoke the suspension of any release of liability suspended as a result of a breach of a kind described in **clause 2.3(b)** immediately upon JHISE remedying that breach and Notifying the NSW Government demonstrating that such a breach has been remedied.

2.4 Specific actions to be taken by each party

The following table sets out the Conditions for which each party is responsible and, without limiting **clause 2.3**, specific actions it must take to satisfy those Conditions:

<u>In relation to this Condition...</u>	<u>this party is responsible...</u>	<u>...and must take this action:</u>
Clause 2.1(a)	JHISE and the Trustee	Seek relevant taxation opinions or rulings (where applicable). Participate in discussions with Federal Government regarding the income tax position of the Trustee and tax deductibility of payments to the Trustee.
Clause 2.1(b)	JHISE	Retain and instruct Independent Expert.
Clause 2.1(c)	JHISE	Request JHISE Boards to consider this resolution. Provide JHISE Boards with the material information relevant to their decision whether to pass this resolution.
Clause 2.1(d)	JHISE	Comply with clause 2.5 .
Clause 2.1(e)	JHISE	Provide the Initial Lenders with the material information relevant to their decision whether to give their approval. Seek the approval of the Initial Lenders for the entry into and implementation of this deed.
Clause 2.1(f)	NSW Government	On a timely basis, introduce the Transaction Bill into Parliament, cause it to be debated and considered by Parliament and, if passed, seek royal assent in relation thereto and the timely commencement of the operation of such legislation.
Clause 2.1(g)	NSW Government	On a timely basis, introduce the Release Bills into Parliament, cause them to be debated and considered by Parliament and, if passed, seek royal assent.
Clause 2.1(h)	Each Party	Execute those Related Agreements to which it is a party.
Clause 2.1(hh)	The Settlor and the Trustee	Execute the Trust Deed.

<u>In relation to this Condition...</u>	<u>this party is responsible...</u>	<u>...and must take this action:</u>
Clause 2.1(i)	JHISE NSW Government	Provide the confirmation set out in clause 2.1(i)(A) . Provide the confirmation set out in clause 2.1(i)(B) . If the shares described therein are not transferred within the date described therein, issue the order described in clause 2.1(i)(C) .
Clause 2.1(j)	JHISE	Procure the delivery of the legal opinions referred to in that clause.
Clause 2.1 (jj)	JHISE	Procure the delivery of the legal opinions referred to in that clause.
Clause 2.1(k)	Trustee JHISE	Retain and instruct the Approved Actuary. Provide waiver of conflict letter.
Clause 2.1(l)	All Parties	Execute deed of accession.
Clause 2.1(ll)	All Parties	Execution of Deed of Accession
Clause 2.1(lll)	JHISE	Amendment of Trustee Constitution
Clause 2.1(m)	NSW Government	On a timely basis introduce the Amending Bill into Parliament, cause it to be debated and considered by Parliament and, if passed, seek royal assent thereto and the timely commencement of operation of such legislation.
Clause 2.1(n)	Performing Subsidiary	Once all other Conditions have been satisfied in full or waived by agreement in writing by the Parties, deposit the Initial Funding into the Compensation Funds Account

2.5 Shareholder Documentation

Without in any way limiting the generality of **clause 2.3**, JHISE must use its best endeavours to take each of the following steps:

- (a) provide permitted recipients under the terms of a confidentiality deed duly executed by inter alia the NSW Government and JHISE on or by the date of this deed with access (and subject at all times to the NSW Government and the other permitted recipients adhering to the confidentiality requirements set out in that deed) to enable them to review (but not take a copy of) a verification draft of the Shareholder Documentation at least 10 days before the proposed date of despatch to the Shareholders;
- (b) consider in good faith any comments of the NSW Government on the draft Shareholder Documentation;
- (c) ensure that the Shareholder Documentation complies in all material respects with all disclosure requirements under applicable Dutch laws and regulations and, to the extent applicable, under the Australian and US laws, regulations and ASX Listing Rules and equivalent US requirements;
- (d) promptly convene a meeting of Shareholders and despatch the Shareholder Documentation following the date on which such actions are resolved to be taken by the JHISE Boards; and
- (e) ensure that if it or any other member of the JHISE Group becomes aware that **clause 2.5(c)** has not been complied with, it makes timely and adequate disclosure of such further matters required to be disclosed under the relevant law, regulation or listing rule, in each case, using best endeavours to achieve those steps.

2.6 Failure to satisfy Conditions

If all of the Conditions are not satisfied or waived by written agreement between the Parties under **clause 2.1**, on or by the date referred to in **clause 2.2(a)** or any later date as may be agreed in writing by the Parties (or if **clause 6.4(i)(ii)** applies):

- (a) any Party may, by Notice to the others, terminate this deed and each of the Related Agreements;
- (b) where that termination occurs:
 - (i) each Party is relieved of any further obligation under this deed other than under this **clause 2.6**, **clauses 23, 25 to 27 and 29 to 34** inclusive, which will survive termination;
 - (ii) any amount received by the Trustee from JHISE or the Performing Subsidiary pursuant to this deed or a Related Agreement before that time must be refunded in full to JHISE, excluding:
 - (A) any monies paid under **clause 17.1** on terms that such funding is not required to be repaid (either generally or in specified circumstances, where those circumstances have arisen); and

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- (B) any amounts which, as at the date of termination, the Trustee or Liable Entities:
 - I. have paid out in settlement of SPF Funded Liabilities;
 - II. have incurred a liability to pay SPF Funded Liabilities; or
 - III. reasonably expect will be required to be paid to meet Proven Claims arising from Personal Asbestos Claims and Marlew Claims which were notified by Claimants to the Trustee or the Liable Entities prior to the date of termination; and
 - (iii) each of the Parties undertakes that it will not take any steps to prevent or impede the repayment of any monies required to be repaid to the Performing Subsidiary or JHISE in accordance with this clause; and
 - (iv) such monies shall only be taken to be repaid for the purposes of this **clause 2.6** when received by JHISE in cleared funds in an account nominated by JHISE (and for this purpose the Performing Subsidiary authorises and directs that any amounts due to be refunded to it pursuant to this **clause 2.6** must be paid directly to JHISE);
 - (c) the termination does not affect accrued rights arising from any breach of this deed occurring before such termination; and
 - (d) following termination, where practicable the Parties must negotiate in good faith for a period of up to one month, to seek, on a bona fide basis, to agree to alternative arrangements in relation to any Condition or Conditions which have not been satisfied as will enable such Condition(s) to be:
 - (i) satisfied in an alternative manner; or
 - (ii) where agreed in writing between the Parties, disregarded or no longer required.

2.7 Commencement Date

The Commencement Date shall fall 5 Business Days after the date on which all Conditions (excluding the Condition in **clause 2.1(n)**) have been satisfied or waived by agreement in writing by the Parties. The Parties may by agreement in writing vary the Commencement Date.

2.8 Representations and Warranties

- (a) JHISE represents and warrants that the statements set out in **Part 1 of Schedule 2** are true and accurate as at the date of this deed.
- (b) On the date of this deed, JHISE has provided to the NSW Government, and the NSW Government acknowledges receipt, of an officer's certificate signed by the chief financial officer of JHISE in the form set out in **Part 2 of Schedule 2**.

3 STRUCTURE

3.1 Agreed Structure

The Parties agree to the structure set out in the Transaction Legislation and the Trust Deed for establishing the Compensation Funds for the purpose of funding the payment of liabilities to Claimants in respect of Proven Claims, and for meeting reasonable Operating Expenses and Claims Legal Costs, and other Payable Liabilities, and for dealing with such Liable Entities.

3.2 Selection of Agreed Structure

The Parties acknowledge and agree that in determining the method of restructuring of the Liable Entities and the Trustee under the Original FFA, the matters referred to in **clause 5.4** of the Heads of Agreement were taken into account.

3.3 No recourse

- (a) The Parties agree that, without prejudice to the NSW Government's ability to undertake adverse legislative or regulatory action against the JHISE Group in the manner permitted under **clause 13** during any period where the circumstances set out in **clauses 13.2(d)** or **13.3(d)** apply, neither JHISE nor any other member of the JHISE Group shall have any obligations, and there shall be no (and the Parties shall not seek) recourse to any of them, with respect to any liabilities of the Liable Entities, other than and then only to the extent set out in:
 - (i) this deed and the Related Agreements; and
 - (ii) the Transaction Legislation and the Release Legislation, each as in force in the form accepted by JHISE as satisfying the Conditions set out in **in clauses 2.1(f)** and **(g)** respectively, or as may be amended by NSW Government (in relation to amendments which would not adversely affect JHISE, the Performing Subsidiary or the Compensation Funds) or following agreement in writing with JHISE (in relation to any amendments which would adversely affect any of those parties).
- (b) The Parties agree that Claimants have no rights arising under this deed or any Related Agreement against any of the Parties to this deed or any Related Agreement.

4.1 Governing law and principal place of business of the Trustee

The Trustee must ensure:

- (a) that the Compensation Funds remain governed by the laws of New South Wales; and
- (b) that the Trustee maintains its principal place of business in New South Wales.

4.2 Role of the Trustee

The Trustee's role is to do the following (and in respect of **clauses 4.2(c), (d), (h)(ii), (i) and (k)** in relation to a Liable Entity, the Trustee shall only be obliged to take such steps to the extent that the Liable Entity is under the control or direction of the Trustee):

- (a) hold in the Charitable Fund the benefit of the Funding Obligations and the obligation of the Performing Subsidiary (if applicable) to pay the Wind-Up or Reconstruction Amount in accordance with **clause 10**, the JHISE Guarantee and of JHISE's covenants and obligations under this deed and the Related Agreements to ensure the payment by the JHISE Group of the JHISE Contributions under this deed and any Cross Guarantee given pursuant to **clause 15.7**, and enforce the same as may be required from time to time;
- (b) in its capacity as trustee of the Charitable Fund be the creditor of the Performing Subsidiary and JHISE for payments (whether actually or contingently) due and payable to the Trustee under this deed and receive and give a proper receipt for such amounts;
- (c) manage itself or through one or more of the Liable Entities or otherwise cause to be managed, the response to all Payable Liabilities for itself or for or on behalf of the Liable Entities (and in respect of Payable Liabilities which are not SPF Funded Liabilities, on the basis that the Liable Entities must bear the full cost and all liabilities associated with such claims);
- (d) subject to it having the necessary funds to do so and **clause 9.15**, pay (in accordance with and subject to **clause 4.7** and the provisions of the Transaction Legislation) SPF Funded Liabilities itself or through one or more of, or on behalf of, or for the benefit of, one or more of, the Liable Entities (including without limitation by applying the Discretionary Fund Property for the benefit of one or more Liable Entities or otherwise as permitted under the Trust Deed), and in each case for itself, or through, or for the benefit of or on behalf of, one or more of the Liable Entities as the Trustee may in its discretion determine. In any case where an amount is paid through, or on behalf of, or for the benefit of, a Liable Entity, then unless expressly notified by the Trustee to the Liable Entity, the Liable Entity shall have no rights to direct the Trustee as to the payment or manner or timing of any payment of such amounts, nor to have any rights to itself receive such amounts;

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- (e) use its best endeavours to achieve all available legal and administrative cost savings in relation to:
 - (i) the process for handling the response to Personal Asbestos Claims and Marlew Claims;
 - (ii) court proceedings dealing with apportionment of damages in relation to Personal Asbestos Claims and Marlew Claims; and
 - (iii) exercising rights of recovery;
 - (f) review and implement legal and administrative cost savings in the claims management process on a continuing basis both in relation to the process for settling Personal Asbestos Claims and Marlew Claims and the process generally applicable in relation to Personal Asbestos Claims and Marlew Claims, including reducing Claims Legal Costs;
 - (g) invest the assets contributed to or received by the Trustee;
 - (h) use its best endeavours to:
 - (i) recover;
 - (ii) procure that each Liable Entity recover; and
 - (iii) exercise or procure the exercise of rights subrogated from any Claimant to recover,amounts paid or liabilities incurred with respect to any Personal Asbestos Claims, Marlew Claims or any other Payable Liabilities from insurers, reinsurers and other parties who may have contributed to the loss relating to such claims;
 - (i) generally do all things necessary and convenient for the purposes of handling and finalising Payable Liabilities for itself, or through, for the benefit of, or for or on behalf of, one or more of the Liable Entities (provided that nothing in this deed shall require the Trustee to incur any liability or pay any amount with respect to a liability which is not a SPF Funded Liability. The condition set out in **clause 4.2(d)** shall apply equally with respect to any payment made under this **clause 4.2(i)**);
 - (j) as provided by the Transaction Legislation or to the extent otherwise entitled to do so, be subrogated to the rights of the Claimants against the Liable Entities and Marlew or any other persons in relation to any Payable Liability settled or met by the Trustee out of the Charitable Fund Property; and
 - (k) be authorised and permitted to negotiate with Claimants and at its discretion procure that the relevant Liable Entity enter into binding settlements in relation to (including without limitation compromises of) Payable Liabilities.

4.3 Association of the Trustee with JHISE

- (a) If at any time the Trustee is proposed to become part of, or an associate of, the JHISE Group other than as contemplated under **clauses 4 or 5** (excluding this **clause 4.3**), the Trustee and JHISE must give the NSW Government at least 90 days' prior Notice with such Notice containing all relevant details of the proposal (**Relevant Proposal**). Such association may only occur if the NSW Government gives Notice that it is satisfied, acting reasonably and diligently:
- (i) with the adequacy of the protections afforded with respect to the Trustee;
 - (ii) that any Insolvency within the JHISE Group will not result in the Trustee also becoming insolvent, save to the extent that the group Insolvency may impact on the payment of the JHISE Contributions; and
 - (iii) that creditors of the JHISE Group will not have access to any funds or assets of the Trustee or the Liable Entities for payment of liabilities owing to them in their capacity as creditors of the JHISE Group.
- (b) The NSW Government shall be taken to be satisfied with a Relevant Proposal and to have given Notice to that effect if, by the end of the 90 day Notice period or such longer period as extended under **clause 4.3(c)**, it has not given any Notice to JHISE of its decision in relation to such Relevant Proposal.
- (c) Before the end of the 90 day Notice period, the NSW Government may extend by Notice the period within which it must make a decision on the Relevant Proposal by an additional 60 days commencing immediately after the last day of the first 90 day period.
- (d) If the NSW Government is not satisfied as to the matters in **clause 4.3(a)**, it must give Notice of its decision (including reasons) within the 90 day Notice period or such longer period as extended under **clause 4.3(c)**.
- (e) Without limiting any other rights or remedies available to JHISE or the Trustee, either or both of those Parties may seek a declaratory relief from a Court in relation to an adverse decision of the NSW Government under **clause 4.3(d)**, but JHISE and the Trustee agree not to implement any step of the proposal unless and until such declaration of the Court has been made.
- (f) Where a Relevant Proposal will or may reasonably be expected to result in **clause 6.4(a)** having any operation, the NSW Government shall be entitled to reject that Relevant Proposal.
- (g) Nothing in this **clause 4.3** derogates from, or reduces or increases the rights or obligations of JHISE and the Performing Subsidiary under any other provision of this deed.

4.4 Trustee Covenants

- (a) The Trustee covenants in favour of each other Party to fully comply with the terms of the Trust Deed and with its obligations under this deed.
- (b) Subject to **clause 9.15**, the Trustee covenants that it will ensure that each Liabe Entity will continue to trade notwithstanding the occurrence of an Insolvency Event of that Liabe Entity so long as the Transaction Legislation permits the Liabe Entity to do so and no other law prohibits the Liabe Entity from doing so.
- (c) The Trustee covenants in favour of the other Parties that it will comply with all Accepted Tax Conditions in respect of Taxation of the Trustee in relation to the Compensation Funds (including the Taxation of the income of the Compensation Funds).

4.5 Inconsistency

In the event, and to the extent, of any inconsistency between the provisions of this deed and the terms of the instrument establishing or governing the Trustee or any Related Agreement, this deed shall prevail except in the event that the relevant instrument is the Transaction Legislation or the Release Legislation.

4.6 Alternative payment mechanism if Trustee insolvent etc.

- (a) In the event that the Trustee is unable by operation of law or incapacity to carry out its functions under **clause 4.2(a)** and **(c)**, for whatever reason including Insolvency, each Party agrees to use all reasonable endeavours to overcome that difficulty, including by replacing the Trustee where the new Trustee, while governed in the same way as the outgoing Trustee, would not suffer the same inability.
- (b) If after 6 months the Trustee or any replacement Trustee remains unable to carry out its functions for the reasons set out in **clause 4.6(a)**, then unless that inability has arisen by reason of any breach of this deed by the NSW Government (whether by an act or an omission by the NSW Government) or an act of the NSW Government, the NSW Government may, subject to the remainder of this **clause 4.6**, establish an alternative payment mechanism by giving Notice to JHISE of the Person to whom the Funding Payments (and, to the extent payable, any Wind-Up or Reconstruction Amount) shall be made for the benefit of Claimants having Proven Claims (the “**New Person**”) and the Performing Subsidiary shall thereafter make such payments to the New Person in substitution for the Trustee.

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- (c) Nothing in this **clause 4.6** will, and no alternative funding arrangements established under this clause may:
- (i) negate or reduce or increase the continuing obligations of JHISE or the Performing Subsidiary under this deed; or
 - (ii) entitle the NSW Government or any Government Authority (whether directly or indirectly) to the benefit of any amounts paid or which are or may become payable to the Trustee by JHISE or the Performing Subsidiary under this deed or any Related Agreement.
- (d) Any nomination by the NSW Government of a Person as the New Person shall not be effective unless and until that Person irrevocably agrees in favour of the Parties to perform the obligations of the Trustee under this deed and the Related Agreements to which the Trustee is a party, and the Parties agree promptly to comply with **clause 1.5** by executing a novation deed.
- (e) The NSW Government must ensure that the New Person nominated by it pursuant to **clause 4.6(b)** is reasonably capable of properly and diligently performing and discharging the obligations described in **clause 4.6(d)**.
- (f) The NSW Government must not nominate a New Person to be appointed under this **clause 4.6** which is not incorporated in Australia without the prior written consent of JHISE.

4.7 Indemnity by Liable Entities

The Parties acknowledge and agree that where the Trustee has made a payment in respect of which it is entitled to be indemnified by one or more Liable Entities under section 36(2) of the Transaction Legislation, the Trustee shall be entitled to charge the relevant Liable Entity or Liable Entities (as the case may be) interest on that amount for the period between the date on which the Trustee makes the relevant payment, until the date the Liable Entity or Liable Entities (as the case may be) discharges its or their indemnity obligations in relation to that payment. That interest shall be calculated at the Interest Rate or such other rate as agreed in writing by the Parties.¹

5 GOVERNANCE AND AUDIT OF THE COMPENSATION FUNDS

5.1 The Trustee Board

- (a) The management of the Compensation Funds shall vest in the Trustee.
- (b) The Trustee Board shall consist of a minimum of three Directors and a maximum of five Directors as determined by the Directors.
- (c) Initially there shall be five Directors. JHISE must appoint three of those initial Directors and the NSW Government must appoint two of those initial Directors.

¹ See letter agreements dated 3 August 2007 and 13 May 2008 specifying agreed interest rates for particular periods.

5.2 Power to appoint directors

(a) Subject to **clause 16.3(b)**:

- (i) JHISE shall be entitled to appoint a majority of the Directors from time to time to the Trustee Board and to designate one of those Directors to be Chairman;
- (ii) JHISE may, by Notice to the other Parties, nominate a subsidiary for so long as it remains a subsidiary of JHISE, to exercise its rights under this **clause 5.2(a)**; and
- (iii) JHISE shall, or shall procure that the nominated subsidiary shall, promptly give Notice to the Trustee and the NSW Government of any appointment made pursuant to this **clause 5.2(a)**.

(b) The NSW Government shall be entitled to appoint the remaining Directors.

(c) If the NSW Government appoints officers of the NSW Government as Directors, the Trustee shall and JHISE shall procure that the Directors nominated by it vote in favour of any resolutions of the Trustee Board necessary to ensure that to the extent permitted by applicable law the Trustee waives any potential conflicts of interest arising because the officer is both a Director and has duties to the NSW Government as a public servant.

(d) A Party shall promptly remove a Director appointed by that Party from office if that Director has committed, or is suspected on reasonable grounds by one or more Parties, of having committed a material breach or successive breaches of confidentiality in relation to the affairs of the Trustee or any of the Parties in connection with this deed or who otherwise engages in conduct which renders him or her unsuitable to be a Director.

5.3 Power to remove and replace Directors

Each Appointor may, by Notice in writing to the Trustee, remove and replace, from time to time, the persons appointed by it as a Director or Chairman. Except in cases of emergency, at least 5 Business Days' Notice shall be given to the other Parties of any proposed appointment of a Director.

5.4 Quorum

The quorum for a Trustee Board meeting is, if JHISE has appointed at least one Director, one Director appointed by JHISE and, if the NSW Government has appointed at least one Director, one Director appointed by the NSW Government, provided that:

- (a) subject to **clause 5.4(b)**, if a quorum is not present at a meeting, the meeting shall be reconvened by Notice to a date no less than 24 hours after the date of the original meeting (or such time as is reasonable in cases of emergency) and the quorum for such a reconvened meeting of which all Directors have been given notice in writing shall be at least two Directors; and
- (b) if **clause 16.3(b)** applies, the quorum shall be determined in accordance with **clause 16.3(b)(i)**.

5.5 Voting at Trustee Board meetings

- (a) Except as otherwise specified in this deed, at any meeting of the Directors, each Director has one vote.
- (b) If a Director representative of a Party and his or her alternate Director is absent, the remaining Director representatives of that Party shall be entitled to jointly exercise the absent Director's vote.

5.6 Chairman and Chairman's vote

The Chairman will have a casting vote in addition to a deliberative vote.

5.7 Interests of Appointor

- (a) Subject always to a Director's obligations under the Trust Deed, the Trustee Constitution, statute or otherwise at law, a Director may take into account the views of that Director's Appointor and may act on the wishes of that Appointor in performing any of his or her duties or exercising any power, right or discretion as a Director in relation to the Trustee.
- (b) A Director may provide that Director's Appointor with copies of all documents, Board Papers and other material which come into the possession of the Director in that capacity and may disclose to and discuss with the Appointor all information to which the Director becomes privy in that capacity.

5.8 Adjournment

If a quorum is not present within 1 hour after the time appointed for a meeting, the meeting will stand adjourned to:

- (a) if **clause 5.4(a)** applies, the time specified in that clause; and
- (b) in any other case the same time and place seven days after the meeting or to another day, time and place determined by those Directors present.

5.9 Alternate Directors

Each Director may appoint, by Notice in writing to the Trustee, an alternate to act in his or her place. Except in cases of emergency, at least 5 Business Days' Notice must be given of any proposed appointment of an alternate Director pursuant to this **clause 5.9**.

5.10 Chief Executive Officer

The Trustee will be responsible for the selection, appointment and termination of the chief executive officer of the Compensation Funds and the terms on which he or she is engaged from time to time.

5.11 Insurance and Indemnities

The Trustee must use best endeavours to take out and maintain Directors and Officers liability insurance with a reputable insurer in respect of each Director and must execute a deed of access and indemnity in favour of each Director.

5.12 Approved Auditor

- (a) The Trustee shall, with the consent of each of the NSW Government and JHISE, appoint and continue to retain an Approved Auditor to be the auditor of the Trustee.
- (b) The Trustee shall, before purporting to appoint an Approved Auditor, give Notice to the NSW Government and JHISE setting out:
 - (i) the name and address of the proposed appointee;
 - (ii) the qualifications and experience of the proposed appointee; and
 - (iii) all information that it has concerning the independence (or potential conflicts of duty affecting or that may affect) the proposed appointee (including any information concerning the matters set out in **clause 5.12(d)(iii)**).
- (c) The consent of each of the NSW Government and of JHISE to the appointment of any Approved Auditor shall not be unreasonably withheld. If the Trustee gives Notice in accordance with **clause 5.12(b)** and the NSW Government or JHISE (as the case may be) either gives consent or does not give Notice to the Trustee Board refusing consent (with reasons) within one month of the Trustee Board's Notice to it, the Trustee Board may appoint the Person specified in its Notice.
- (d) The Approved Auditor must at all times:
 - (i) be a registered company auditor;
 - (ii) have appropriate qualifications and experience to be able to perform the audit expected to be performed as at the time of the appointment; and
 - (iii) not be associated with the current Approved Actuary of the Trustee or the NSW Government Reviewing Actuary and not associated with any firm who has held either of those roles within the last 5 years.

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- (e) If after having made reasonable enquiries and assessment the Trustee has not been able to identify an auditor who meets all of the requirements set out in **clause 5.12(d)** above, or the NSW Government or JHISE has given Notice refusing consent in accordance with **clause 5.12(c)**, the Trustee shall notify the other Parties of that fact and, failing agreement between the Parties within 21 days as to an auditor acceptable to all of the Parties, the Trustee shall promptly refer the matter and relevant correspondence between the Parties (including reasons for refusal to a particular auditor being appointed) to the President of the Institute of Chartered Accountants of Australia, who shall have the sole power to determine an available auditor who best meets those requirements. Upon being given Notice of such auditor, the Trustee must promptly offer to engage the selected auditor to audit the Trustee on usual commercial terms. Any refusal by JHISE or NSW Government to consent to the appointment of a Person as an Approved Auditor does not prevent the said President from appointing that Person as the Approved Auditor.
 - (f) The reports of the Approved Auditor to the Trustee shall be provided to the Trustee with copies to JHISE and the NSW Government.
 - (g) The Trustee must:
 - (i) prepare a set of consolidated financial statements for the Trustee and the Liabe Entities in respect of each Financial Year during the Term, in accordance with requirements applicable under the *Corporations Act* and in accordance with Australian generally accepted accounting principles (or on such other basis as may be agreed between the Parties); and
 - (ii) engage the Approved Auditor to audit those financial statements on a timely basis in respect of each Financial Year and to provide a copy of the relevant audit reports to the other Parties to this deed.

5.13 Government Review

- (a) The NSW Government may by Notice to the Trustee and JHISE, at its own cost, appoint an auditor (**NSW Government Auditor**) to conduct a general or more limited audit of the activities, affairs and financial position of the Trustee. The NSW Government Auditor must also satisfy the requirements described in **clause 5.12(d)**.
- (b) The Notice appointing a NSW Government Auditor must specify the scope of the proposed audit.
- (c) The NSW Government Auditor may not commence the proposed audit until 10 Business Days after the Notice under **clause 5.13(a)** has been received by the Trustee and JHISE.
- (d) The Trustee must give the NSW Government Auditor:
 - (i) full and free access to the books and records of the Trustee at its premises;

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- (ii) all reasonable assistance and explanations of information that the NSW Government Auditor may request; and
 - (iii) to the extent the Trustee is entitled to do so without being in breach of any confidentiality obligation to which it is subject, access to the working papers of all Approved Auditors.
- (e) The NSW Government Auditor must give its report (which must include all of its material findings and recommendations) to the NSW Government with copies to the Trustee and JHISE. Otherwise it must keep its report and all the information made available to it during its audit by the Trustee confidential.

5.14 Reporting

The Trustee shall establish an annual budget for the operations of the Compensation Funds and shall within 3 months after each Financial Year End report to JHISE and the NSW Government, as to the performance of the Trustee by reference to its budget, financial objectives, and the role of the Trustee.

5.15 Approved Actuary

- (a) The Trustee must ensure that at all times during the Term an Approved Actuary is retained by the Trustee on terms consistent with the terms of this deed.
- (b) The Trustee shall appoint KPMG Actuaries as the initial Approved Actuary and may:
 - (i) terminate the appointment of any Approved Actuary; and
 - (ii) appoint another person as the Approved Actuary with the prior consent of the NSW Government and JHISE,and in engaging any Approved Actuary, the Trustee shall require the Approved Actuary to undertake that the nominated principal of the Approved Actuary from time to time must:
 - (A) meet the requirements set out in paragraph (a) of the definition of “Approved Actuary” and that if that principal changes the Approved Actuary must notify the Parties to this deed of the new principal’s qualifications and experience details; and
 - (B) ensure that at all times such a principal is so nominated.

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- (c) The Trustee shall, before purporting to appoint an Approved Actuary other than KPMG Actuaries Pty Limited (which is to be appointed as the initial Approved Actuary in accordance with **clause 5.15(b)**), give Notice to the NSW Government and JHISE setting out:
- (i) the name and address of the proposed appointee;
 - (ii) all information that it has concerning the proposed appointee relating to their satisfying the definition of “Approved Actuary” in **clause 1.1**.
- (d) Where the NSW Government’s or JHISE’s consent to the appointment of any Approved Actuary is required, such consent shall not be unreasonably withheld and shall be taken to be given if the NSW Government or JHISE (as the case may be) does not give Notice to the Trustee and to the other of them refusing consent (with reasons) to that Person being appointed within 1 month of the Trustee’s Notice to it.
- (e) In the event that the Approved Actuary ceases at any time to satisfy the requirements set out in the definition of “Approved Actuary”, or to continue to have the qualifications and attributes which resulted in the engagement of that Person as the Approved Actuary, then the Trustee shall appoint another Person, with the consent of the NSW Government and JHISE, to be sought in accordance with **clause 5.15(c)** and given in accordance with **clause 5.15(d)** or, if such consent is refused, under **clause 5.15(f)**.
- (f) If after having made reasonable enquiries and assessment the Trustee has not been able to identify an actuary who meets all of the requirements set out in the definition of “Approved Actuary” in **clause 1.1**, or the NSW Government or JHISE has given Notice in accordance with **clause 5.15(d)** refusing consent, the Trustee shall notify the other Parties of that fact and, failing agreement between the Parties within 21 days as to an actuary acceptable to all of the Parties, the Trustee shall promptly refer the matter (including relevant correspondence between the Parties (including reasons for refusing that a particular actuary be appointed)) to the President of the Institute of Actuaries of Australia, who shall have the sole power to determine an available actuary who best meets those requirements. Upon being given Notice of such actuary, the Trustee must promptly offer to engage the selected actuary as Approved Actuary on usual commercial terms. Neither the NSW Government’s nor JHISE’s refusal to consent to the appointment of a Person as an Approved Actuary shall prevent the said President from appointing that Person as an Approved Actuary.
- (g) If a replacement Approved Actuary is to be appointed, the Trustee must use its reasonable endeavours to procure that until such appointment, the current Approved Actuary continues in its role as such, and the Approved Actuary shall be permitted to do so despite any event described in **clause 5.15(a)** while a replacement is found.

5.16 Free Cash Flow Certification

JHISE agrees that, within 30 days after receipt of a signed audit opinion with respect to its Audited Financial Statements in respect of a Financial Year, JHISE will use its best endeavours to procure that the Free Cash Flow of JHISE for that Financial Year is verified by the end of that 30 day period:

- (a) by using its best endeavours to procure that the JHISE Auditor confirms the calculation of the amount of that Free Cash Flow in a certificate signed by it addressed to JHISE, the NSW Government and the Trustee;
- (b) if the JHISE Auditor is unavailable or unwilling to provide such a certificate, by disclosing to the other Parties the reasons known to JHISE for such unavailability or unwillingness and by using its best endeavours to procure that another suitably qualified auditor of similar standard and reputation provides such a certificate; and
- (c) by providing that certificate to each of the Trustee and the NSW Government.

6 FUNDING OBLIGATIONS OF JHISE AND THE PERFORMING SUBSIDIARY

6.1 Primary Funding Obligation

JHISE hereby nominates the Performing Subsidiary as the entity which is primarily liable, and the Performing Subsidiary agrees to be primarily liable, to pay the JHISE Contributions to the Trustee in accordance with the terms of this deed and in particular **clause 9** of this deed.

6.2 Substitution of Performing Subsidiary

(a) JHISE:

- (i) may, subject to there being no Funding Obligations or other amounts due and payable by the Performing Subsidiary under this deed which remain outstanding, by Notice to the Trustee (with a copy to the NSW Government) from time to time;
- (ii) must, on request from the NSW Government to do so after the occurrence of an Insolvency Event in respect of the Performing Subsidiary which has not been cured before the earlier of the next date on which the Performing Subsidiary is due to make a payment to the Trustee under this deed and the date falling 3 months after that Insolvency Event; and
- (iii) must, if required under **clause 6.3**, in accordance with **clause 6.2(b)**,

replace the Performing Subsidiary with another subsidiary of JHISE as the person primarily liable for the payment to the Trustee of the JHISE Contributions and the performance of all other obligations and liabilities of the Performing Subsidiary under this deed and the Related Agreements.

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- (b) A substitution under **clause 6.2(a)** will not occur unless and until:
- (i) the incoming party is not subject to an Insolvency Event;
 - (ii) the incoming party duly executes and delivers a novation deed to and in favour of the Parties in the form set out in **Schedule 9** under which, among other things, all obligations of the outgoing Performing Subsidiary under this deed are assumed by the incoming party;
 - (iii) where the incoming party is not a wholly owned subsidiary of JHISE, or if the NSW Government so requests, JHISE duly executes and delivers to the Trustee and the NSW Government a guarantee in respect of the obligations of the incoming party which is *mutatis mutandis* on the same terms as the current JHISE Guarantee; and
 - (iv) if the incoming party is not incorporated in or within Australia, JHISE procures the delivery of an opinion of generally recognised independent legal counsel qualified to practice in the relevant jurisdiction to the effect that all deeds of accession or novation, agreements or other instruments effecting such assumption are valid, binding and enforceable in accordance with their terms and comply with the requirements set out in this deed and the Related Agreements in relation to such deeds or instruments (assuming, for the purposes of such opinion, the validity of all terms of this deed and all Related Agreements); and
 - (v) where the outgoing Performing Subsidiary has been subject to an Insolvency Event, JHISE executes and delivers to the Trustee and the NSW Government a deed poll in favour of them acknowledging that despite any compromise or extinguishment of the Funding Obligations under that Insolvency Event, the nature and the value of obligations of the incoming Performing Subsidiary and JHISE under this deed and the JHISE Guarantee (including in relation to the Funding Obligations and (where payable) the Wind-Up or Reconstruction Amount) have not been reduced or compromised by that compromise or extinguishment and procures that the incoming party provides a corresponding acknowledgement in respect of its obligations under this deed and the Related Agreements save that this **clause 6.2(b)(v)** does not apply where at the time of substitution under **clause 6.2(a)**, both the Insolvency Event has been discharged or cured, and such discharge or cure did not involve any such compromise or extinguishment of the abovementioned rights which would affect the obligations of the incoming Performing Subsidiary.

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- (c) If JHISE nominates a new Performing Subsidiary pursuant to this **clause 6.2** which is not an Australian Tax resident for the purposes of the *Income Tax Assessment Act 1997* (Cth) or which is a resident of a country other than Australia for taxation purposes, then:
- (i) the new Performing Subsidiary shall be liable to make the Funding Payments free and clear of any Tax due or payable in any country other than Australia;
 - (ii) if that Performing Subsidiary is or becomes subject to a law of any jurisdiction outside Australia which requires deductions or withholdings of amounts from the Funding Payments, then that Performing Subsidiary shall make such deduction or withholding but shall pay an additional amount in respect of each affected Funding Payment as shall be required so that such aggregate amount in respect of the Funding Payment as is received by the Trustee will not be less than the amount of such Funding Payment assuming no deduction or withholding was required; and
 - (iii) **clause 6.4(a)** shall have no operation in respect of that new Performing Subsidiary.

6.3 Cessation of Subsidiary Status

If the Performing Subsidiary ceases for any reason to be a subsidiary of JHISE, JHISE shall promptly Notify the Trustee and the NSW Government and, unless otherwise agreed in writing within 25 Business Days of such Notice by the Trustee and the NSW Government, JHISE shall Notify such Parties of a new subsidiary in accordance with **clause 6.2(a)** to act as the Performing Subsidiary and promptly cause that nominated subsidiary to comply with **clause 6.2(b)(ii)**.

6.4 Tax conditionality of payments

- (a) Subject to the remainder of this **clause 6.4**, any obligations of JHISE or the Performing Subsidiary to make payments under this deed or any Related Agreement other than the Initial Funding shall be conditional upon, and neither JHISE nor the Performing Subsidiary shall have any obligation to make such payments unless:
- (i) binding legislation or Rulings which satisfy the Tax Requirements have come into and remain in full force; and
 - (ii) if the applicable legislation or any Ruling (as the case may be), when enacted, made or amended as the case may be, imposes any additional conditions or qualifications to the Tax Requirements being or remaining satisfied, those conditions are acceptable to JHISE acting reasonably; and

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- (iii) there is no Change of Tax Law which results in, or which will if implemented result in, one or more of the Tax Requirements ceasing to be satisfied, and there has been no Cessation of Ruling (unless, if there has been such a Cessation of Ruling, the relevant taxpayer has obtained a final judgement that (or to the effect that) the Tax consequences set out in that Ruling continue to apply in respect of that taxpayer).
- (b) **Clause 6.4(a)** will have no operation if all of the following conditions are satisfied:
- (i) the JHISE Group Taxpayer, the Trustee or any Liable Entity (each a **Relevant Entity**) incur Tax in a year of income that exceeds the amount of Tax that would have been incurred by those Relevant Entities in that year of income had the requirements of **clause 6.4(a)** remained satisfied (**Additional Tax**) (and all amounts of Additional Tax incurred in that year of income as a result of those requirements not being satisfied shall be aggregated for the purposes of applying this **clause 6.4(b)**) and are referred to in paragraph (ii) as the "**Total Additional Tax**");
- (ii) the Total Additional Tax is not more than a *de minimis* amount of the average JHISE Contributions for the three Financial Years prior to the Financial Year in which the Change of Tax Law or event occurred which triggered (or which would but for this **clause 6.4(b)** trigger) the operation of **clause 6.4(a)**. For this purpose, the JHISE Contributions for each of the three Financial Years ending 31 March 2005, 31 March 2006 and 31 March 2007 shall be deemed to be the amount of the Initial Funding divided by 2.5.
- (c) **[Deliberately left blank.]**
- (d) **Clause 6.4(a)** shall have no operation:
- (i) in relation to a year or years of Taxation, where JHISE makes an irrevocable election by Notice in writing to the other parties to this deed that **clause 6.4(a)** shall not operate in relation to that year or years of Taxation or in relation to particular forms or levels of Taxation;
- (ii) where any of the Tax Requirements ceases to be satisfied by reason of any Accepted Tax Condition ceasing to be satisfied by reason of any deliberate or reckless act or omission of any member of the JHISE Group; or

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- (iii) where any of the Tax Requirements ceases to be satisfied by reason of any Accepted Tax Condition ceasing to be satisfied by reason of any inadvertent or negligent act or omission of any member of the JHISE Group, unless:
- (A) JHISE has:
- I. given Notice to the Trustee and the NSW Government of the relevant circumstances; and
 - II. paid or agreed to pay any applicable penalty or interest reasonably imposed by assessment of the Australian Taxation Office and has taken such other reasonable steps as necessary to remedy the non-compliance with the Accepted Tax Condition; and
- (B) either:
- I. the Australian Taxation Office has then revoked or withdrawn the Black Hole Deductibility of the JHISE Contributions or has not otherwise confirmed to JHISE within 12 months of the date of Notice under paragraph (A) that the Tax Requirements will thereafter be satisfied; or
 - II. where the Tax Requirements were satisfied under the legislation in force, that legislation is amended or repealed so as to result in the Tax Requirements ceasing to be satisfied and alternate legislation resulting in the Tax Requirements being again satisfied does not come into force within 12 months of the date of amendment or repeal of the earlier legislation.
- (e) If the Performing Subsidiary is replaced with another JHISE subsidiary that is an Australian tax resident for the purposes of the *Income Tax Assessment Act 1997* (Cth), **clause 6.4(a)** shall not be triggered where any of the Tax Requirements ceases to be satisfied by reason of that replacement resulting (whether immediately or subsequently) in any Accepted Tax Condition not being satisfied, including as a result of a Change of Tax Law which, at the time of replacing the Performing Subsidiary, was in force or which could not, on reasonable grounds have been anticipated at that time to come into force and which would not have applied to the initial Performing Subsidiary as a Change of Tax resulting in a Tax Requirement ceasing to be satisfied.
- (f) **Clause 6.4(a)** shall have no operation in respect of an obligation to pay the Wind-Up or Reconstruction Amount where a Tax Requirement ceases to apply solely by reason of the Wind-Up Event or Reconstruction Event to which the Wind-Up or Reconstruction Amount relates.

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- (g) For the avoidance of doubt, this **clause 6.4** may operate as a result of the Tax Requirements ceasing to be satisfied as a result of or following the substitution of the Trustee (after appropriate consultation) with an alternative payee pursuant to **clause 4.6**.
- (h) If **clause 6.4(a)** has any operation and subsequently legislation, a Ruling or a final judgement resulting in the Tax Requirements being satisfied comes into force or is delivered within 12 months of the start of that operation of **clause 6.4(a)**, then:
- (i) the Performing Subsidiary must, within 20 Business Days, pay any JHISE Contributions or other payments which have not been paid but would have been due and payable under this deed or any Related Agreement but which were not due and payable by reason of the operation of this **clause 6.4**, together with Interest on each such payment at the Interest Rate for the period from the date that payment would have been due and payable but for **clause 6.4** until the date the payment was made; and
 - (ii) JHISE's obligations under this deed and the JHISE Guarantee with respect to the payment of the JHISE Contributions described in **clause 6.4(h)(i)** shall apply from the date of coming into force of such legislation or ruling, or the date of delivery of such final judgement as the case may be.
- (i) If **clause 6.4(a)** has any operation and legislation, a Ruling or a final judgement satisfying the Tax Requirements does not come into force or is not delivered within 12 months of the start of that operation of **clause 6.4(a)** or such later date as the Parties may agree in writing, then:
- (i) **clause 6.6** shall apply where the Tax Requirement which has ceased to be satisfied (or if more than one Tax Requirement has ceased to be satisfied, each such Tax Requirement) is a Tax Requirement described in **clause 2.1(a)(iii) to (ix)** other than **clause 2.1(a)(ix)(A)** (each a "**Relevant Tax Requirement**"); and
 - (ii) in all other circumstances, **clause 2.6** shall apply as if JHISE had validly served a Notice of termination pursuant to **clause 2.6(a)** on the last day of that period or such later specified date, as the case may be.
- (j) If JHISE considers that a Change of Tax Law results or is likely to result in the operation of **clause 6.4(a)** it shall give a Notice to the NSW Government containing material particulars of that Change of Tax Law.
- (k) If:
- (i) **clause 6.4(a)** has any operation;

- (ii) the event which triggered the operation of **clause 6.4(a)** has not resulted in one or more of the Conditions in **clause 2.1(a)(i), (a)(ii) or (a)(ix)(A)** ceasing to be satisfied; and
- (iii) the Trustee, acting in good faith and consistently with its duties as Trustee, determines and Notifies the other Parties that if that Annual Payment is not made, the Trustee would not have sufficient funds to pay all SPF Funded Liabilities which would become due and payable during the Financial Year in which the Annual Payment would (but for the suspension of payments) be made,

then **clause 6.4(a)** shall not apply and **clause 6.6** shall apply. For the purpose of making its determination under **clause 6.4(k)**, the Trustee shall estimate the SPF Funded Liabilities and funds available and likely to become available to it or the Liable Entities within the 12 months referred to in **clause 6.4(i)** by reference to the then most recent Actuarial Report, consolidated financial statements prepared in accordance with **clause 5.12(g)**, expected earnings of the Compensation Funds for that Financial Year, and such other information as the Trustee, acting reasonably, considers appropriate.

6.5 Further obligations on a Change of Tax Law

- (a) If **clause 6.4(a)** has any operation, then each Party agrees that for a period of 12 months from the time that clause commences operation, or any longer period as may be agreed by the Parties in writing (**Interim Period**), it will:
 - (i) subject to **clause 6.5(b)**, use its best endeavours to secure the satisfaction within the Interim Period of each Tax Requirement which has ceased to be satisfied, including without limitation by taking one or more of the following steps, in each case in a timely manner:
 - (A) any Party bearing Tax as a result of a Tax Requirement ceasing to be satisfied must object against any assessment to such Tax issued to it, within the statutory timeframe for validly objecting against such an assessment and must pursue vigorously all avenues of internal review or reconsideration available in relation to such an assessment;
 - (B) if a Liable Entity bears Tax as a result of a Tax Requirement ceasing to be satisfied, the Trustee must procure (to the extent that the Liable Entity remains under the control of the Trustee) that the Liable Entity objects against any assessment to such Tax issued to it, within the statutory time frame for validly objecting against such an assessment and that the Liable Entity pursues such avenues of internal review or reconsideration available in relation to such an assessment;
 - (C) any Party bearing Tax as a result of a Tax Requirement ceasing to be satisfied must apply (and where a Liable Entity bears Tax as a result

of a Tax Requirement ceasing to be satisfied, the Trustee must, to the extent that the Liable Entity remains under the control of the Trustee, procure that the Liable Entity apply) to the Australian Taxation Office for a further ruling or rulings, the issue of which will result in the Tax Requirement again being satisfied;

- (D) any Party bearing Tax as a result of a Tax Requirement ceasing to be satisfied (and any other appropriate Party) must commence and prosecute proceedings to seek review of, appeal against and/or dispute the ruling or other decision which has resulted in the Tax Requirement ceasing to be satisfied unless a Senior Counsel approved by JHISE and the NSW Government has advised that such proceedings do not have reasonable prospects of success; and
- (E) negotiate with the other Parties in good faith to make such modifications to the terms of this deed and the Related Agreements (and the NSW Government agrees to use its best endeavours to amend the Transaction Legislation and if applicable the Release Legislation) as are reasonably necessary to result in the Tax Requirements again becoming satisfied, save that no Party shall have any obligation to agree to any provision which increases its financial obligations arising under this deed, including without limitation any obligation which would arise from the operation of **clause 6.6(b) or (c)** or any Related Agreement;

- (ii) keep the other Parties informed as to the progress of steps taken pursuant to this **clause 6.5**, consult with such Parties in relation to material steps taken pursuant to this **clause 6.5** and provide all reasonable assistance and information to any Party in connection with the taking of any steps pursuant to this **clause 6.5**.

(b) For the avoidance of doubt:

- (i) in order to satisfy the obligations imposed on the Parties by **clause 6.5(a)(i)**, it may be necessary for a Party to take one or more of the steps referred to in **clauses 6.5(a)(i)(A) to (E)** at the same time, where it is reasonable to do so in the circumstances in order to secure satisfaction of the Tax Requirements within the Interim Period;
- (ii) the obligation to commence and prosecute proceedings referred to in **clause 6.5(a)(i)(D)** extends to and includes the making of any urgent application which is reasonable in the circumstances and the exercise of any rights of appeal and/or leave to appeal from the judgment of any relevant Court or tribunal; and
- (iii) to the extent that a Liable Entity remains under the control of the Trustee, and the Liable Entity is a necessary or appropriate party to proceedings of the kind referred to in **clause 6.5(a)(i)(D)**, the Trustee must procure that the Liable Entity commences and prosecutes such proceedings.

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- (c) The costs of a Party taking any action of the kind referred to in clause 6.5(a) or (b) (including any costs of a third party or parties ordered to be paid by a Party in proceedings of the kind referred to in clause 6.5(a)(i)(D)) shall be borne solely by that Party.

6.6 Sharing of impact of Tax becoming payable

Where this **clause 6.6** applies:

- (a) subject to any adjustments required to be made under **clauses 6.6(b)** or **(c)**, the Performing Subsidiary shall remain obliged to make JHISE Contributions which are due on or after the date of operation of this **clause 6.6**, being:
- (i) where this clause operates in the circumstances set out in **clause 6.4(i)**, the day following the 12 month period referred to in **clause 6.4(i)(i)**; and
 - (ii) where this clause operates in the circumstances set out in **clause 6.4(k)**, the date on which the Trustee provides the Notice under **clause 6.4(k)**, and for the avoidance of doubt **clause 6.4(a)** shall not thereafter apply in relation to the Change of Tax Law which triggered that operation of that clause;
- (b) If by reason of any event or circumstance any member of the JHISE Group incurs Tax (or incurs an increased liability to Tax) in a year of income that exceeds the amount of Tax it would have incurred in that year of income had the Relevant Tax Requirements remained satisfied at all times (regardless of whether that amount of Tax was incurred in the same year of income in which a Relevant Tax Requirement ceased to be satisfied) (such Tax, the “**Incremental JHISE Tax**”), an amount equal to 50% of the amount of the Incremental JHISE Tax (such proportionate amount, the **Fund’s Share of JHISE Tax**) shall, when the Incremental JHISE Tax is incurred, for the purposes of the calculation of net assets relevant to determining Annual Payments or relevant to determining the Valuation Ratio under **clause 7.2(m)**, be deemed to:
- (i) increase and on a continuing basis form part of the net assets of the Trustee;
 - (ii) earn tax exempt income for each Financial Year ended on or after the date the Incremental JHISE Tax is incurred at the discount rate published by the Approved Actuary in the Annual Actuarial Report in relation to the relevant Financial Year and such income shall be carried forward and capitalised on a compound basis.

If by reason of any event or circumstance the Trustee (in any capacity) or any Liable Entity incurs Tax (or incurs an increased liability to Tax) in a year of income that exceeds the amount of Tax it would have incurred in that year of income had the Relevant Tax Requirements remained satisfied at all times (regardless of whether that amount of Tax was incurred in the same year of income in which a Relevant Tax Requirement ceased to be satisfied) (such Tax, the “**Incremental Tax**”), an amount equal to 50% of the amount of the Incremental Tax (such proportionate amount, the **Fund’s Share of Tax**) shall, when the Incremental Tax is incurred, for the purposes of the calculation of net assets relevant to determining Annual Payments or relevant to determining the Valuation Ratio under **clause 7.2(m)**, be deemed to:

- (i) increase and on a continuing basis form part of the net assets of the relevant Liable Entity or the Trustee (as applicable); and
 - (ii) earn tax exempt income for the Liable Entity or the Trustee (as applicable) for each Financial Year ended on or after the date the Incremental Tax is incurred, at the discount rate published by the Approved Actuary in the Annual Actuarial Report in relation to the relevant Financial Year and such income shall be carried forward and capitalised on a compound basis.
- (d) the Performing Subsidiary must, within 20 Business Days of the date of operation of this **clause 6.6**, pay any JHISE Contributions or other payments which have not been paid but would have been due and payable under this deed or any Related Agreement during any period in which **clause 6.4(a)** had operation, save that any such payments shall be adjusted in accordance with **clauses 6.6(b) or (c)** where the circumstances described therein apply.

6.7 Consequences of Fund bearing Tax on Rationing arrangements

If **clause 6.6(b) or (c)** has any operation, the Trustee shall consider:

- (a) introducing an appropriate rationing scheme as contemplated by **clause 9.15** as a result of the actual and expected impact of the operation of **clause 6.6**, so as to ensure that there is no discrimination between Claimants (or the proportion of their Proven Claim which may be expected to be paid) on the basis of the time at which they lodge their Claim with the relevant Liable Entity; and
- (b) deferring payment of claims as contemplated in **clause 9.15**.

7 **RESTRICTIONS ON SPECIFIED DEALINGS**

7.1 **Clause 7 Definitions**

- (a) Unless otherwise indicated elsewhere in this deed by an express capitalised reference to a defined term herein, the following definitions apply in and solely for the purposes of this **clause 7**:

Capital Management Transaction means any capital reduction, return of capital, share buyback, dividend characterised by JHISE as a special dividend or other capital management transaction having a similar effect in relation to Equity Securities of JHISE, but excludes any Distribution.

Close Group means, at any time, JHISE and each member of the JHISE Group that is a wholly owned subsidiary (whether directly or indirectly through one or more interposed wholly owned entities) of JHISE.

Distribution means any distribution to the Equity Securityholders in JHISE or a class of such Equity Securityholders (other than a dividend characterised by JHISE as a special dividend), in their capacity as such, whether by JHISE or any member of the JHISE Group, including without limitation, any dividend or distribution in cash or in specie to, those Equity Securityholders.

Equity Distribution means:

- (a) any Distribution; and
- (b) any amount of money paid (or agreed or declared to be paid) and/or valuable consideration provided (or agreed or declared to be provided) to Equity Securityholders in respect of any Capital Management Transaction.

Equity Security means, in respect of a Person:

- (a) a security in that Person which permits or entitles a holder of that security to participate in:
 - (i) the profits available for distribution to holders of equity of that Person; or
 - (ii) the surplus available for distribution to holders of equity on a Wind Up Event of that Person, ignoring any securities in respect of which such rights are contingent on the exercise of conversion or exchange rights, unless or until such rights are exercised; or
- (b) a CHES Depository Interest, American Depository Receipt or other Stock Exchange traded interest (created by or at the instance of that Person) in a security which is within paragraph (a) of this definition,

other than a Hybrid.

Equity Securityholder means at any time a Person (excluding any member of the Close Group) who holds Equity Securities.

Excluded Related Entity means any Person which becomes:

- (a) a Parent Entity of JHISE pursuant to a transaction or related transactions where the following requirements are satisfied:
 - (i) the value of Equity Securities in the Parent Entity issued or transferred (or to be issued or transferred) to the JHISE Equity Securityholders in their capacity as such in connection with the transaction or transactions by which the Person becomes a Parent Entity of JHISE is less than 80% of the aggregate value of all Equity Securities of the Parent Entity which will be on issue immediately after fully implementing such transaction(s); and
 - (ii) the proportion of voting shares in the Parent Entity issued or transferred or to be issued or transferred to JHISE Equity Securityholders in their capacity as such, as a result of the transaction or transactions by which the Person becomes a Parent Entity of JHISE, is less than 80% of all voting shares in the Parent Entity which will be on issue immediately after fully implementing such transaction(s); and
 - (iii) the transaction or transactions by which the Person becomes the Parent Entity of JHISE are not wholly or predominantly financed (directly or indirectly) by or on the credit of any member of the JHISE Group; or
- (b) a Sibling Entity of JHISE pursuant to a transaction or related transactions where the following requirements are satisfied:
 - (i) the aggregate value of Equity Securities in the Sibling Entity held (or to be held) by members of the JHISE Group or issued or transferred (or to be issued or transferred) to the JHISE Equity Securityholders in their capacity as such in connection with the transaction or transactions by which the Person becomes a Sibling Entity of JHISE is less than 80% of the aggregate value of all Equity Securities of the Sibling Entity which will be on issue immediately after fully implementing such transaction(s);

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- (ii) the proportion of the aggregate voting shares in the Sibling Entity held (or to be held) by members of the JHISE Group or issued or transferred or to be issued or transferred to JHISE Equity Securityholders in their capacity as such, as a result of the transaction or transactions by which the Sibling Entity becomes a Sibling Entity of JHISE, is less than 80% of all voting shares in the Sibling Entity which will be on issue immediately after fully implementing such transaction(s); and
 - (iii) the transaction or transactions by which the Person becomes the Sibling Entity of JHISE are not wholly or predominantly financed (directly or indirectly) by or on the credit of any member of the JHISE Group,

where for this purpose, if a Person becomes a Parent Entity or a Sibling Entity by means of one or more related transactions, the effect of all such transactions shall be taken into account in applying the tests in paragraphs (a) or (b) above (as applicable).

Hybrid means a security (other than an Equity Security) issued by any member of the JHISE Group the terms of which entitle its holder or the issuer, either generally or in specific circumstances, to convert that security into, or exchange that security for:

- (a) one or more securities in a member of the JHISE Group that fall within paragraph (a) or (b) of the definition of Equity Securities;
- (b) if the JHISE Group issuer is not a body with share capital, other ownership interests conferring voting power at a general meeting of members of the JHISE Group issuer; or
- (c) a multiple or a fraction of any of the foregoing securities.

Independent Valuation Expert means a Person who is appointed by JHISE in accordance with **clause 7.1(b)**.

Liable Group means the following persons, taken as a whole:

- (a) JHISE, unless or until JHISE no longer has obligations under this deed or under the JHISE Guarantee;
- (b) if any Person becomes and remains liable (whether in addition to or in substitution for JHISE) to perform JHISE's obligations under this deed or the JHISE Guarantee, that Person; and
- (c) the Performing Subsidiary from time to time.

Market Capitalisation means, in relation to any Person on any date, the sum of:

- (a) the amount calculated in accordance with the following formula for each class of Equity Securities in that Person which is Quoted:
- $$V = N \times P$$
- where:
- V is the value of that class of Equity Securities in that Person;
- N is the number of Equity Securities in that Person on issue in that class on that date; and
- P is the VWAP of those securities during:
- (i) in the circumstances set out in **clause 7.2(g)**, the 12 months immediately preceding that date; and
- (ii) otherwise, the 5 trading days immediately preceding that date;
- (b) in respect of each class of Equity Securities in that Person which is not Quoted, the market value of those securities as at that date, as determined by:
- (i) JHISE acting reasonably; or
- (ii) if required by JHISE, the Independent Valuation Expert; or
- (iii) the Independent Valuation Expert, if a Party, by Notice in writing to the other Parties, requires such a determination to be made; and
- (c) in respect of each class of Hybrids of that Person, the total value attributable to the equity component of all Hybrids, as determined on the same basis as the determination described in paragraph (b) above,
- provided in each case that:
- (d) where a security is a Quoted depository interest in respect of another security of that Person which is not Quoted, only the Quoted depository interest will be counted in assessing the Market Capitalisation;
- (e) where a security is a Quoted depository interest in respect of another Quoted security, depository interest or Hybrid of that Person, only the second-mentioned Quoted security, depository interest or Hybrid will be counted in assessing the Market Capitalisation;
- (f) where a security is Quoted on more than one Stock Exchange, only the price of those securities as Quoted on the primary Stock Exchange will be counted in assessing the Market Capitalisation; and

and for the avoidance of doubt, while the classes of Equity Securities of JHISE remain those on issue as at the date of this deed, the Market Capitalisation of JHISE shall be calculated by reference to the market value of the CHESSE Depository Interests over the ordinary shares of JHISE.

Net Income means, in respect of a Financial Year, the consolidated net income for the JHISE Group for that Financial Year as set out in JHISE's Audited Financial Statements for that Financial Year, adjusted (if necessary) to:

- (a) for the avoidance of doubt, deduct any Tax expense incurred or add any Tax credit arising in that Financial Year;
- (b) deduct any increase or add back any reduction in non-cash provisions (including Asbestos provisions) required under the GAAP in respect of which the Audited Financial Statements are prepared with respect to the Funding Payments; and
- (c) after deducting the income statement charge in relation to minority interests' share of profits or adding the income statement credit in relation to minority interests' share of losses.

Non-Arm's-Length Dealing means, in relation to a member of the JHISE Group, any transaction or dealing:

- (a) between that member of the JHISE Group and any Person which is not part of the Close Group; and
- (b) which is not on arm's-length terms; and
- (c) where that member of the JHISE Group incurs or will incur a detriment (other than *ade minimus* detriment) because the terms are not arm's-length terms.

Parent Entity means any Person of which JHISE is a Controlled Entity or where there are two or more such Persons, only the ultimate holding company of JHISE shall be a Parent Entity.

Relevant Obligations means the obligations of the Performing Subsidiary to the Compensation Funds under **clauses 6 and 9**, and the obligations of JHISE under the JHISE Guarantee.

Reorganisation means:

- (a) any:
 - (i) increase or decrease in;
 - (ii) variation of any rights attaching to all or any part of; or
 - (iii) reorganisation or scheme of arrangement with respect to,

the share capital of any Controlled Entity of JHISE, howsoever effected that has the effect or consequence of creating rights in respect of such share capital in favour of any Person outside the Close Group or transferring such rights from a member of the JHISE Group to a Person outside the Close Group;

- (b) any:
 - (i) decrease in;
 - (ii) variation of any rights attaching to all or any part of; or
 - (iii) reorganisation or scheme of arrangement with respect to,the share capital of JHISE, howsoever effected that has the effect or consequence of adversely affecting the rights of the Trustee relative to JHISE Equity Securityholders;
- (c) any Capital Management Transaction in relation to Equity Securities of JHISE, excluding any Capital Management Transaction (or the part thereof) the only counterparties to which are members of the Close Group;
- (d) any transfer by JHISE or any other member of the JHISE Group of any Equity Securities (or if the member is not a body with a share capital, other ownership interests conferring voting power at a general meeting of members) in any Controlled Entity of JHISE to one or more Persons outside the Close Group;
- (e) any issue of Equity Securities (or if the member is not a body with a share capital, other ownership interests conferring voting power at a general meeting of members) in any Controlled Entity of JHISE to one or more Persons outside the Close Group;
- (f) any issue, or transfer by JHISE or any other member of the JHISE Group, of Hybrids in any member of the JHISE Group to one or more Persons outside the Close Group; or
- (g) any Person becoming a Parent Entity or a Sibling Entity, other than an Excluded Related Entity.

Sibling Entity means any Person (including without limitation any Person which is and then ceases to be a member of the JHISE Group) in respect of which shares or other securities in that Person are offered (whether by way of issue or transfer), issued or transferred to all or substantially all of the Equity Securityholders or a class of Equity Securityholders in their capacity as such (disregarding any Equity Securityholders to whom it is illegal in their jurisdiction)

of residence to be offered, issued or transferred the same), where a member of the JHISE Group causes, procures or otherwise materially facilitates the transaction under which such securities are offered, issued or transferred and:

- (a) the relevant Equity Securityholders continue to hold Equity Securities in JHISE (whether or not a lesser or greater number than they held before such issue or transfer); or
- (b) the relevant Equity Securityholders cease to hold Equity Securities in JHISE and that Person does not immediately become a Parent Entity.

Specified Dealing means a Distribution, a Reorganisation or a Non-Arm's-Length Dealing.

Valuation Ratio means the amount determined under **clause 7.2(m)**.

VWAP means the volume weighted average price for the specified securities over the specified period as determined in accordance with the rules of the primary Stock Exchange on which those securities are Listed.

- (b) If an Independent Valuation Expert is required to determine a matter under this **clause 7**, JHISE shall use its best endeavours to procure that:
 - (i) the Person appointed:
 - A. is a reputable independent valuer of shares or businesses who has the requisite financial expertise having regard to the nature of the transaction or asset being considered;
 - B. has declared it has no interest or duty which conflicts with its functions as an Independent Valuation Expert under this deed;
 - C. is not an associate (as defined in the Corporations Act) of any member of the JHISE Group; and
 - D. has not provided any material services to any member of the JHISE Group within the previous 12 months other than as an Independent Valuation Expert; and
 - (ii) it appoints that Person on usual commercial terms, including that:
 - A. the terms state the purpose of appointing that Person;
 - B. the Independent Valuation Expert must:
 - I. prepare a written report setting out the terms of reference and its assessment with a statement of its detailed reasoning for its assessment;

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- II. address that report to JHISE, the Trustee and the NSW Government such that each of those persons is severally entitled to rely on such report; and
 - III. contemporaneously provide a copy of that report to JHISE, the Trustee and the NSW Government, provided that no such obligation will apply to a Person unless such Person has agreed to keep such information confidential on the same basis as that applying under **clause 23**;
- C. subject to **clause 7.1(g)**, JHISE is responsible for the payment of the Independent Valuation Expert's costs and fees;
 - D. the Independent Valuation Expert acts as an expert and not an arbitrator;
 - E. JHISE must allow the Independent Valuation Expert full and free access to the relevant financial and other relevant information of the JHISE Group and give the Independent Valuation Expert any assistance that the Independent Valuation Expert may reasonably request; and
 - F. any limitations on the liability of the Independent Valuation Expert with respect to the engagement are consistent with usual practice for independent valuation experts.
- (c) JHISE must by Notice inform the NSW Government and the Trustee of any appointment of the Independent Valuation Expert at the same time such appointment is publicly announced.
 - (d) A written report of an Independent Valuation Expert prepared and provided pursuant to **clause 7.1(b)** shall, in the absence of manifest error, be binding on the Parties.
 - (e) Where a Distribution or Capital Management Transaction includes a distribution in specie or other non-cash distribution, then for the purposes of this **clause 7** the amount of that part of the distribution shall equal the market value of such property less any consideration payable by the Equity Securityholder to the relevant member of the JHISE Group in respect of that distribution. If there is any dispute concerning the valuation of any such distribution for the purposes of this **clause 7**, a Party may require that JHISE refer the matter to an Independent Valuation Expert or, if the Independent Valuation Expert does not so determine within 3 months of the distribution being made, or if no Independent Valuation Expert accepts such an appointment within that 3 month period shall be determined by an Independent Valuation Expert appointed by the NSW Government on the same basis that JHISE is required to appoint such an expert under **clauses 7.1(b), (c) and (d)** and provided that the NSW Government shall notify JHISE immediately of any appointment by it of an Independent Valuation Expert pursuant to this clause.

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- (f) In this **clause 7**, in the case of an offer of securities for issue or transfer (and performance of any contract arising from that offer), in determining whether the terms of that transaction are on arm's-length terms, but without limiting the circumstances in which terms may be regarded as being on an arm's-length basis:
- (i) in relation to pricing terms, any normal market discount associated with a transaction of that kind (taking account of the nature and the terms of the securities offered, the terms of the offer and the size of the offer) shall be disregarded;
 - (ii) in relation to pricing terms, if the pricing of the securities offered, the amount of any discount or both results from an open market bookbuild or auction conducted in relation to the offer by reputable investment bankers, stockbrokers or other relevant market intermediaries:
 - A. the pricing of the securities offered shall be taken to be arm's-length pricing terms; and
 - B. the amount of any discount shall be taken to be a normal market discount.
 - (iii) regard shall be had to all other relevant circumstances.
- (g) Where a Party exercises a right under this deed to require that a determination or estimation is referred to an Independent Valuation Expert and the matter to be determined or estimated is reasonably capable of being determined or reasonably estimated without such a referral, and JHISE has made that determination or estimation and provided reasons with supporting information in relation to that determination or estimation to the referring Party, then JHISE shall bear the reasonable costs and expenses of the Independent Valuation Expert's review of that determination or estimation, unless the Independent Valuation Expert finds that JHISE's determination or estimation was substantively correct, in which case such costs will be borne by the referring Party.

7.2 Exempt Transactions

Unless otherwise expressly specified in this **clause 7.2**, the provisions of **clauses 7.3 to 7.6** inclusive do not and are not intended to apply in relation to a transaction which satisfies one or more of the following paragraphs:

- (a) any transaction or dealing (including, without limitation, any purchase or sale of a business or assets, or any sale, purchase or issue of shares or securities, or a transaction or dealing under which a liability is assumed or a Security Interest is granted) by a JHISE Group member on arm's-length terms;

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- (b) any transaction (excluding any transaction with JHISE Equity Securityholders acting in their capacity as such) of a revenue or capital nature entered into in the ordinary course of the business of the JHISE Group taken as a whole, to be assessed having regard to the JHISE Group's historical operations and activities over the period of 3 years prior to the relevant transaction;
 - (c) any transaction or dealing the only parties to which (other than parties whose consent is required in order to effect such transaction or dealing and whose involvement is on arm's length terms) are Close Group members before and after the transaction or dealing, and where no value or consideration is provided or made available to any Person outside the Close Group other than (i) with respect to Taxes or other amounts payable to any Government Authorities in connection with the transaction or dealing; (ii) to advisers in respect of their fees and disbursements, and (iii) to other Persons whose consent is required in order to effect such transaction or dealing or who are otherwise involved in implementing the transaction or dealing, again provided their involvement is on arm's-length terms;
 - (d) a member of the JHISE Group making a takeover bid for shares, or other securities in, or all or substantially all of the assets of a company or enterprise to the extent that the consideration offered and given for the takeover bid is:
 - (i) Equity Securities in JHISE; or
 - (ii) on arm's-length terms (regardless of the nature and source of funding or consideration for the takeover bid);
 - (e) JHISE becoming a Controlled Entity of an Excluded Related Entity;
 - (f) payments by JHISE of ordinary dividends or provisions in relation thereto, provided that the total dividends paid or provided for by JHISE in any period of two consecutive Financial Years (the "**Dividend Period**") (and ignoring payments to the extent previously provided for) is not more than 75% of the aggregate Net Income in respect of the two Financial Years ending at the end of the first Financial Year of the Dividend Period (and after deducting from the dividends included in that calculation any dividends to the extent such dividends are reinvested in any member of the JHISE Group or are replaced pursuant to an underwritten dividend reinvestment plan or equivalent program);
 - (g) if, at the time of implementation of the transaction Shares are Listed, any Capital Management Transaction in relation to Equity Securities in JHISE where the sum of money paid and valuable consideration provided by members of the JHISE Group to Equity Securityholders in JHISE in respect of

- the Capital Management Transaction and all other transactions falling within this **clause 7.2(g)** which occurred or were announced within the period of 36 months prior to the date on which the transaction is first announced does not exceed 15% of the Market Capitalisation of JHISE determined as at the date such transaction is first announced (and where a Capital Management Transaction (such as a buyback scheme) is announced but is not fully given effect to at the time a further Capital Management Transaction is announced, only the Capital Management Transactions implemented under that scheme to that date shall be taken into account, but any further utilisation of that scheme shall be treated as a new Capital Management Transaction which will be deemed to be announced on the date of its implementation);
- (h) any issue of Equity Securities in JHISE (whether to JHISE Equity Securityholders or to other persons);
 - (i) any issue of bonds, notes or other unsecured debentures, excluding Hybrids, made by any member of the JHISE Group on arm's-length terms;
 - (j) while Shares are Quoted, any issue by a JHISE Group member of Hybrids on arm's-length terms;
 - (k) any Capital Management Transaction (which, for the avoidance of any doubt, does not include any ordinary dividend) in relation to Equity Securities in JHISE to the extent the sum of money to be paid and the value of other consideration to be provided to Equity Securityholders as part of that Capital Management Transaction and other previous transactions under this clause 7.2(k) does not exceed the amount of capital raised as a result of issuing Equity Securities in JHISE after the date of this deed to Persons outside the JHISE Group less:
 - (i) where such capital has been raised and in respect of which JHISE has given a Notice of Capital Election under clause 7.8(b) or which has been included in "SRC" or has been deducted from "ED" for the purposes of determining "QCR" under clause 7.8(f), the amount of that capital; and
 - (ii) where such capital has been raised and in respect of which JHISE has not given a Notice of Capital Election under clause 7.8(b) the total Equity Distributions made under clause 7.2(m) after the date of this deed;
 - (l) a transaction (or, if relevant, that part of a transaction) that consists of:
 - (i) a Person becoming a Parent Entity or a Sibling Entity where the Person is an Excluded Related Entity or where each of JHISE and the Parent Entity or the Sibling Entity, as the case may be, have complied with **clause 7.7** but nothing in this **clause 7.2(l)(i)** exempts any Distribution or Capital Management Transaction which would not otherwise be exempt under another provision of **clause 7.2**; or
 - (ii) a transaction or dealing between JHISE and any Sibling Entity (or their respective wholly-owned subsidiaries), where each of JHISE and the Sibling Entity have complied with **clause 7.7** and the Sibling Entity has acceded to this deed and the relevant Related Agreements;

- (m) any transaction or dealing where the number determined by the following formula (the “**Valuation Ratio**”) is equal to or greater than 2.75, on:
- (i) where the transaction or dealing is publicly announced, the trading day prior to the date it is first publicly announced; or
 - (ii) otherwise, the trading day prior to the day on which JHISE approves the entry into a legally binding commitment to undertake the transaction:

$$VR = \frac{(MC \times QCR) + TCE - (VA - VL + P)}{TCE - (VA - VL + P)}$$

where:

VR is the Valuation Ratio;

MC is the Market Capitalisation of JHISE (assessed by reference to the relevant trading day described above) less:

- A. in the case of a cash Equity Distribution, the amount declared or payable;
- B. in the case of a non-cash Equity Distribution, the market value of the Equity Distribution effected or to be effected under the transaction or dealing, less any consideration payable to the JHISE Group in return for the Equity Distribution; and
- C. in all other cases, the consideration payable by the JHISE Group with respect to the transaction less the consideration receivable by the JHISE Group with respect to the transaction,

and in each case, if there is any dispute as to the calculation of any amount or formula under this **clause 7.2**, a Party may require that the matter be referred to an Independent Valuation Expert in accordance with **clause 7.1(b)**;

QCR is the Qualifying Capital Ratio applicable on that date; and

TCE equals the Term Central Estimate set out in the most recent Annual Actuarial Report;

VA equals the value of the assets of the Trustee and the Liable Entities reported in the Audited Financial Statements of those entities as at the date to which the Annual Actuarial Report referred to in “TCE” was prepared, but does

not include any assets included in that calculation of “TCE” or any current or non-current asset reported in the Audited Financial Statements of those entities as an amount receivable from the Performing Subsidiary or any other member of the JHISE Group under this deed;

VL equals the value of the liabilities of the Trustee and the Liable Entities reported in the Audited Financial Statements referred to in the definition of “VA”, but does not include any Asbestos Liabilities, whether included in “TCE” or otherwise. For the avoidance of doubt, Asbestos Liabilities for the purpose of determining VL includes the amount of any liability included in the Audited Financial Statements as being referable to a margin which is added to the estimated costs of asbestos claims incurred but not settled to recognise the inherent uncertainty of the estimated costs of those claims;

P equals the sum of all payments (other than payments by way of loan) received by Trustee from the Performing Subsidiary or any other member of the JHISE Group since the date to which the Annual Actuarial Report referred to in “TCE” was prepared;

- (n) any transaction which occurs pursuant to a composition or compromise plan which has been duly approved by creditors of JHISE in accordance with applicable law in connection with a Reconstruction Event to which **clause 10** applies and any transaction following a Wind-Up Event which transaction has been duly approved by the liquidator of JHISE; or
- (o) the making of a Capital Election or the related Capital Raising.

None of the paragraphs in this **clause 7.2** is limited by any of the others. The inclusion of a transaction or dealing in this **clause 7.2** does not and should not be taken to imply that, but for that inclusion, it would be a Specified Dealing to which **clause 7.3** would, or is intended to, apply. Where a Specified Dealing is of a kind described in an exemption listed in this **clause 7.2** but that Specified Dealing exceeds (or would result in JHISE exceeding) a quantum limitation set out in that exemption, the exemption shall be available for that part of the Specified Dealing which does not exceed (or which would not result in JHISE exceeding) that limitation.

7.3 Covenant not to undertake prejudicial Specified Dealings

Subject to **clauses 7.2** and **7.6**, JHISE must not, without the prior written consent of the NSW Government, undertake, make, permit or cause to occur any Specified Dealing which would:

- (a) materially adversely affect the priority (whether under statute, security or otherwise) as between the Trustee and Equity Securityholders to a surplus of the Liable Group after payments to the Lenders and other creditors having a right of priority of payment over the Trustee (whether under statute, security or otherwise) as if such surplus were to be notionally allocated between those entitled thereto but without assuming that a Wind-Up or Reconstruction Amount is then payable; or
- (b) materially impair the legal or financial capacity of the Liable Group (assessed by reference to the whole Liable Group and not merely one or some Liable Group members),

in each case such that the Liable Group would, by reason of the Specified Dealing, cease to be likely, assessed on a reasonable basis (and having regard to all relevant circumstances), to be able to satisfy the Relevant Obligations that would have arisen had the Specified Dealing not occurred.

7.4 Application of clause 7.3

- (a) Specified Dealings to which **clause 7.5** applies are to be aggregated in accordance with **clause 7.5** before applying **clause 7.3** in respect of the most recent Specified Dealing (and without affecting the application of this **clause 7** in relation to any earlier Specified Dealing).
- (b) Where a Specified Dealing:
 - (i) is not exempt under **clause 7.2** from the operation of **clause 7.3**; and
 - (ii) impairs the legal or financial capacity of the Liable Group to perform the Relevant Obligations but that impairment is not itself material,then in applying **clause 7.3** to that Specified Dealing, regard shall be had to the cumulative effect of all other Specified Dealings which attracted the operation of this **clause 7.4(b)** within the period of 24 months prior to the date on which that Specified Dealing was publicly announced or (if earlier) on which it was first implemented, and where part of a Specified Dealing would be exempt under **clause 7.2** from the operation of **clause 7.3**, that part of the Specified Dealing is to be ignored in applying this **clause 7.4**.
- (c) Where an assessment under **clause 7.3** requires consideration of the likely level of Annual Contribution Amounts or likely future Free Cash Flow after the relevant Specified Dealing takes effect, that assessment is to be made by reference to:
 - (i) the Annual Actuarial Report most recently received prior to the date of the assessment, and not to further actuarial assessments of the liabilities of the Liable Entities; and
 - (ii) the likely effect of the Specified Dealing on the likely future Free Cash Flow of JHISE, comparing the position that would be or is expected to arise if the Specified Dealing had, or had not, occurred, and to the extent that assumptions are required to be made in assessing that likely effect, having regard only to assumptions that are reasonable.

7.5 Aggregation of Certain Specified Dealings

Two or more Specified Dealings agreed (including by way of conditional agreement or option), or completed in any 12 month period, will be deemed to comprise a single Specified Dealing for the purposes of **clause 7.4(a)** if and only if they:

- (a) are entered into by any one or more members of the JHISE Group with the same party or with parties associated with or acting in concert with one another; or
- (b) together lead to one or more material parts of the JHISE Group's activities or business (taken as a whole) ceasing to be owned or controlled by a member of the JHISE Group; or
- (c) are proposed to the JHISE Equity Securityholders as related Specified Dealings or for consideration at one or more general meetings to be held within a period of 90 days.

If aggregation under this **clause 7.5** results in a requirement for NSW Government consent under **clause 7.3**, then that consent is required only for the latest transaction and each transaction which is conditional on the latest transaction and which has otherwise not yet been implemented.

7.6 Excluded transactions

- (a) A Specified Dealing will not be regarded as being undertaken, made, permitted or caused to occur contrary to **clause 7.3** if:
 - (i) prior to it occurring, JHISE gives a Notice to the NSW Government setting out that JHISE is seeking to apply this **clause 7.6** and containing:
 - A. reasonable details of the relevant Specified Dealing in writing together with a written report of an Independent Valuation Expert stating that in the opinion of that expert **clause 7.3** would not be contravened by that Specified Dealing occurring and setting out a reasoned statement by the expert as to why the expert holds that opinion; and
 - B. the information, calculations and documents, which were provided by or on behalf of members of the JHISE Group to the Independent Valuation Expert; and
 - C. a statement that the JHISE Boards consider that the Specified Dealing will not contravene **clause 7.3**; and (ii) the NSW Government does not within the period of 30 days after JHISE has complied with **clause 7.6(b)** (or if **clause 7.6(d)** applies, the further period described in that clause) (the "Review Period"), give Notice to JHISE stating that in its opinion it is satisfied that **clause 7.3** would be contravened by the Specified Dealing occurring and giving its reasons for holding that opinion.

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- (b) From the time a Notice of the kind described in **clause 7.6(a)(i)** is given by JHISE, JHISE shall make available to the NSW Government and its advisers the Independent Valuation Expert on reasonable notice during normal working hours to answer questions regarding the opinion and underlying reasons of the Independent Valuation Expert. The NSW Government shall undertake, and shall procure that any advisers appointed by it for the purposes of this **clause 7.6** undertake, to keep all of such information confidential on the basis that **clause 23** of this deed applies in respect of such information.
- (c) Where the NSW Government acting with reasonable diligence identifies that the information provided to it under **clause 7.6(b)** does not provide a sufficient basis for an informed opinion as to whether a Specified Dealing breaches **clause 7.3**, the NSW Government may, by Notice to JHISE, request such further information from JHISE or the Independent Valuation Expert as is reasonably necessary to form such an opinion and the Review Period will automatically be extended by a reasonable period (not exceeding 30 days) after receipt by the NSW Government of such information.
- (d) Where the NSW Government acting reasonably determines that the Review Period is insufficient to review the information provided to it under **clause 7.6(b)** or **7.6(c)** in order to form an opinion as to whether a Specified Dealing breaches **clause 7.3**, the NSW Government may, by Notice to JHISE, extend the Review Period by such further period as is reasonably required to review such information (but in any event such further period shall not exceed a period of 60 days). Without limiting the foregoing, it shall be reasonable for the Review Period to be extended under this **clause 7.6(d)** if the Review Period is insufficient for the NSW Government to engage as expeditiously as possible (but having regard to required due process) any external advisers from which it considers it necessary or appropriate to obtain advice with respect to its opinion and the proposed Specified Dealing.
- (e) Any opinion given by the NSW Government under this **clause 7.6** shall not result in **clause 7.3** being rendered inapplicable to a Specified Dealing if the information provided or made available to the Independent Valuation Expert or the NSW Government under this **clause 7.6**, contained any material misstatement of fact or any material omission.
- (f) Without prejudice to JHISE's obligations under **clause 7.6(b)**, JHISE must pay the reasonable costs of the NSW Government (including the reasonable cost of advisers) of any review by the NSW Government of a proposed Specified Dealing under this **clause 7.6**.

7.7 Mandatory accession

- (a) The remaining provisions of this **clause 7.7** have no application in relation to:
- (i) an Excluded Related Entity;
 - (ii) a Person becoming a Sibling Entity where:
 - A. **clause 7.3** is not breached by its creation;
 - B. both the Sibling Entity and JHISE are Listed following its creation; and
 - C. none of the securities of the Sibling Entity are stapled to any securities of JHISE at or around the time the Person becomes a Sibling Entity; or
 - (iii) a Person becoming a Sibling Entity where the Valuation Ratio (as applied to JHISE but excluding the Sibling Entity) immediately after that Person becoming a Sibling Entity is not less than 2.75.
- Further, nothing in this **clause 7.7** requires JHISE or its directors to do anything the authorising of which would require or entail the JHISE Boards taking or refraining from taking or authorising JHISE taking or refraining to take any action which is contrary to law.
- (b) JHISE agrees that to the extent within its power or control, it will procure that each Person who becomes or who will upon implementation of a transaction become a Parent Entity promptly enters into a deed of accession under which it becomes bound to observe all of the obligations of JHISE under this deed and the JHISE Guarantee (in each case as if all references to “JHISE” were a reference to the Parent Entity). Subject to **clause 7.7(f)** and **7.7(g)** JHISE shall remain bound by its obligations under this deed and the JHISE Guarantee.
- (c) JHISE agrees that to the extent within its power or control, it will procure that a Person who becomes or who will upon implementation of a transaction become a Sibling Entity enters into a deed on terms equivalent (other than differences of the kind contemplated in and agreed between JHISE and the NSW Government pursuant to **clause 7.7(d)**), to those in this deed under which it agrees to be bound by obligations equivalent to those of JHISE under this deed, the JHISE Guarantee and each other Related Agreement to which JHISE is a party, but applied on the basis that a reference to “JHISE” is a reference to that Person and on the basis that a reference to the Performing Subsidiary is to a subsidiary of that Person which also enters into that deed and agrees to the same obligations as apply to the Performing Subsidiary under this deed and JHISE shall remain bound by its obligations under this deed and the Related Agreements.

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- (d) Where a Person is to become a Sibling Entity and **clause 7.7(c)** applies, JHISE and the NSW Government shall negotiate in good faith such changes to this deed and the Related Agreements as are necessary to reflect the division of obligations under this deed between two separate and distinct groups and such that the Trustee is not worse off (other than de minimis detriments) as a consequence of that Person becoming a Sibling Entity.
- (e) Where a Person described in **clauses 7.7(b)** or **(c)** executes an accession deed or other deed under those clauses, JHISE must procure the delivery of an opinion of a recognised expert independent legal counsel practising in the place of incorporation of the Parent Entity or the Sibling Entity, or other independent legal counsel reasonably satisfactory to the NSW Government, to the effect that all deeds of accession (or if applicable any other agreements or other instruments effecting such accession) are enforceable in accordance with their terms to no material extent less than this deed would have been enforceable against JHISE.
- (f) If an accession deed has been delivered by the Parent Entity referred to in **clause 7.7(b)** and the financial position of the Liable Group after substituting the Parent Entity for JHISE would be substantially the same or better than the position of the Liable Group prior to that substitution and all material consents and conditions referred to in the legal opinion given under **clause 7.7(e)** have been given or satisfied, then the Parties must, on request by Notice from JHISE, execute a deed of release in favour of JHISE releasing it from all obligations under this deed and the Related Agreements to which it is a party, within 15 Business Days of receipt of such Notice from JHISE.
- (g) If the Parent Entity executes a deed of accession referred to in **clause 7.7(b)**, then:
- (i) this deed shall apply as if references to JHISE were to the Parent Entity;
 - (ii) if the Parent Entity is not the immediate holding company of JHISE, it shall procure the immediate holding company to enter into a deed of guarantee on terms equivalent to the JHISE Guarantee;
 - (iii) subject to **clause 7.7(f)**, JHISE shall be jointly and severally liable with the Parent Entity to perform the obligations of the Parent Entity under this deed;
 - (iv) for the purposes of **clause 7.8**, the Parent Entity shall be deemed to have completed a Capital Raising at the time of the Parent Entity's accession to this deed and may make a Capital Election in relation to that Capital Raising. In such a case the definitions in **clause 7.8** shall be applied as follows:

QCR means the Qualifying Capital Ratio to apply to the Parent Entity.

MV means the Market Capitalisation of JHISE immediately prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity.

ED means the amount of ED which would have applied in a calculation of QCR for JHISE after taking into account the sum of all Equity Distributions paid or payable to the Equity Securityholders of JHISE in connection with the transaction or transactions under which the relevant Person becomes a Parent Entity (other than such Equity Distributions which occurred prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity).

SRC means the sum of the Market Capitalisation of the Parent Entity immediately prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity (less the sum of the amount (if any) which is double counted in the Market Capitalisation of the Parent Entity and MV and the amount of all Equity Distributions made or declared by the Parent Entity between the time of the announcement of the transaction by which the Parent Entity is to become the Parent Entity and the time of accession) and any new capital raised in connection with the transactions under which the Person becomes the Parent Entity (other than such capital which was raised prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity).

PQCR means the QCR which applied to JHISE immediately prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity.

- (v) any discharge of any obligation (whether under this deed or under a guarantee or other Related Agreement) by any of the Parent Entity, the immediate holding company of JHISE or JHISE shall comprise full performance and discharge by the other persons just described of that (or their equivalent) obligation); and
 - (vi) for so long as JHISE remains a wholly owned subsidiary of the Parent Entity, the Close Group of JHISE shall include members of the Close Group of the Parent Entity.
- (h) Without prejudice to the obligations of JHISE under clause 7.7(b) if a Person becomes a Parent Entity which is the ultimate holding company of JHISE and clause 7.7(b) applies in respect of that Parent Entity but it does not enter into an accession deed under that clause, on and from the time at which that Person becomes a Parent Entity:
- (i) the definition of JHISE's Free Cash Flow shall be the Free Cash Flow of the Parent Entity; and

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- (ii) for the purposes of clause 7.8, JHISE shall be deemed to have completed a Capital Raising at the time that the Parent Entity became the Parent Entity and may make a Capital Election in relation to that Capital Raising. In such a case the definitions in clause 7.8 shall be applied as follows:
- QCR** means the Qualifying Capital Ratio to apply to JHISE.
- MV** means the Market Capitalisation of JHISE immediately prior to the announcement of transaction by which the Parent Entity is to become the Parent Entity.
- ED** means the amount of ED which would have applied in a calculation of QCR for JHISE after taking into account the sum of all Equity Distributions paid or payable to the Equity Securityholders of JHISE in connection with the transaction or transactions under which the relevant Person becomes a Parent Entity (other than such Equity Distributions which occurred prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity).
- SRC** means the sum of the Market Capitalisation of the Parent Entity immediately prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity (less the sum of the amount (if any) which is double counted in the Market Capitalisation of the Parent Entity and MV and the amount of all Equity Distributions made or declared by the Parent Entity between the time of the announcement of the transaction by which the Parent Entity is to become the Parent Entity and the time at which the Parent Entity becomes the Parent Entity) and any new capital raised in connection with the transactions under which the Person becomes the Parent Entity (other than such capital which was raised prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity).
- PQCR** means the QCR which applied to JHISE immediately prior to the announcement of the transaction by which the Parent Entity is to become the Parent Entity.
- (i) Without prejudice to the obligations of JHISE under **clause 7.7(c)**, if a Person becomes a Sibling Entity and **clause 7.7(c)** applies in respect of that Sibling Entity but it does not enter into an accession deed under that clause, on and from the time at which that Person becomes a Sibling Entity:
- (i) the definition of JHISE's Free Cash Flow shall comprise the sum of (A) the Free Cash Flow of JHISE (excluding any Free Cash Flow arising from JHISE's ownership of the Sibling Entity) and (B) the Free Cash

Flow of the Sibling Entity multiplied by the proportion of the higher of the Equity Securities and voting shares in the Sibling Entity held in aggregate by JHISE Equity Securityholders and members of the JHISE Group as at the time at which that Person became a Sibling Entity; and

- (ii) for the purposes of **clause 7.8**, JHISE shall be deemed to have completed a Capital Raising at the time the Sibling Entity became a Sibling Entity and may make a Capital Election in relation to that Capital Raising. In such a case the definitions in **clause 7.8** shall be applied as follows:

QCR means the Qualifying Capital Ratio to apply to JHISE.

MV means the Market Capitalisation of JHISE immediately prior to the announcement of the transaction by which the Sibling Entity is to become a Sibling Entity.

ED means the amount of ED which would have applied in a calculation of QCR for JHISE after taking into account the sum of all Equity Distributions paid or payable to the Equity Securityholders of JHISE in connection with the transaction or transactions under which the Sibling Entity becomes a Sibling Entity (other than Equity Distributions that occurred prior to the announcement of the transaction by which the Sibling Entity is to become a Sibling Entity).

SRC means the sum of (A) the sum of the Market Capitalisation of the Sibling Entity (less the sum of the amount (if any) which is double counted in the Market Capitalisation of the Sibling Entity and MV and the amount of all Equity Distributions made or declared by the Sibling Entity between the time of the announcement of the transaction by which the Sibling Entity is to become a Sibling Entity and the time at which the Sibling Entity becomes a Sibling Entity) and new capital raised by the Sibling Entity in connection with the transactions under which the Person becomes a Sibling Entity (other than such capital which was raised prior to the announcement of the transaction by which the Sibling Entity is to become a Sibling Entity), such sum multiplied by the proportion of the higher of the Equity Securities and voting shares in the Sibling Entity held in aggregate by JHISE Equity Securityholders and members of the JHISE Group as at the time at which that Person becomes a Sibling Entity and (B) new capital raised by JHISE (other than such capital which was raised prior to the announcement of the transaction by which the Sibling Entity is to become a Sibling Entity).

PQCR means the QCR which applied to JHISE immediately prior to the announcement of the transaction under which the Sibling Entity is to become a Sibling Entity.

7.8 Capital Election

- (a) The following definitions apply in and solely for the purposes of this **clause 7.8** and **clauses 7.2(k), (m) and (o)**, and for the purpose of defining the Qualifying Capital Ratio (as referred to in **clause 9.3**):

Capital Election has the meaning given to it in **clause 7.8(b)**.

Capital Raising means the issue of Equity Securities in JHISE:

- (i) in a single transaction (whether underwritten or not) where the payment of subscription moneys for those Equity Securities is made within 12 months of the commencement of the transaction (and if such payment occurs after a period of 12 months, the capital raised after that time shall be deemed for the purposes of this **clause 7.8** to comprise a separate Capital Raising commencing on the first day after that 12-month period); or
- (ii) as all or part of the consideration for an acquisition by a member of the JHISE Group of an asset, business or entity or a merger of JHISE with a Person other than a member of the JHISE Group.

Capital Raising Announcement means, in respect of a Capital Raising, the first public announcement of that Capital Raising (whether prospectively or otherwise) on the principal Stock Exchange on which Shares are Listed.

Capital Raising Completion Date means, in respect of a Capital Raising:

- (i) under paragraph (i) of the definition of Capital Raising, the earlier of the date on which the Capital Raising is completed and 12 months after the Capital Raising Announcement; and
- (ii) under paragraph (ii) of the definition of Capital Raising, the last date on which the relevant JHISE Group member may issue Equity Securities as consideration for the relevant acquisition or merger.

Capital Ratio Period means, subject to **clause 7.8(g)**, in respect of a Capital Raising for which a Capital Election has been made, the period:

- (i) commencing on the first day of the first Financial Year commencing after the Capital Raising Completion Date of that Capital Raising ("**First Year**"); and
- (ii) ending on the last day of the Financial Year in which the Capital Raising Completion Date for the next Capital Raising for which a Capital Election has been made occurs.

Qualifying Capital Ratio means the ratio determined in accordance with **clause 7.8(e), (f), (g), (h) and (i)**.

- (b) If, while the Shares are Quoted, JHISE proposes to raise capital under a Capital Raising of an amount greater than 5% of the Market Capitalisation of JHISE as at the trading day immediately prior to the Capital Raising Announcement, JHISE may elect to apply the provisions of this **clause 7.8** in respect of all but not some of that capital by giving a Notice in accordance with **clause 7.8(c)** (“**Capital Election**”).
- (c) A Notice by JHISE of a Capital Election:
- (i) must be given to the Trustee and the NSW Government within 15 Business Days after the Capital Raising Announcement;
 - (ii) applies in relation to all and not some of the capital to be raised under the Capital Raising;
 - (iii) shall annex a copy of the Capital Raising Announcement and specify the material terms of the proposed Capital Raising, including the amount to be raised and where applicable, the minimum and/or maximum amounts to be raised (provided that any failure to satisfy this subparagraph (iii) shall not invalidate the Capital Election); and
 - (iv) may not be withdrawn or revoked once given unless the Capital Raising is not completed, in which case the Capital Election shall be automatically deemed for all purposes not to have been made.
- (d) If JHISE has given a Notice under **clause 7.8(c)** in respect of a Capital Election and the relevant Capital Raising has been completed, JHISE must give a Notice to the Trustee and the NSW Government within 15 Business Days after the Capital Raising Completion Date to which that Capital Election relates, specifying the total amount of capital raised under that Capital Raising.
- (e) If no Capital Raising has ever occurred for which a Capital Election has been made, the Qualifying Capital Ratio shall be 1.
- (f) Subject to **clauses 7.8(e), (g), (h)** and **(i)**, the Qualifying Capital Ratio to apply during a Capital Ratio Period will be calculated in accordance with the formula:

$$\text{QCR} = \frac{\text{MV} + \text{ED}}{\text{MV} + \text{SRC}} \times \text{PQCR}$$

where:

QCR means the Qualifying Capital Ratio;

MV means the Market Capitalisation of JHISE as at the trading day immediately prior to the Capital Raising Announcement;

ED equals:

- (a) **nil**, where the Valuation Ratio (assessed by reference to the trading day described in “MV”) as adjusted by **clause 9.14(c)** is equal to or greater than 2.75; or
- (b) in any other case, the greater of zero and the sum of the following Distributions and Capital Management Transactions, provided each occurred while the Valuation Ratio was below 2.75:
 - (i) that part of each Distribution made during the Previous Period which when made exceeded the limit described in **clause 7.2(f)** and which did not fall within **clause 7.2(k)**; and
 - (ii) that part of each Capital Management Transaction during the Previous Period which did not fall within **clause 7.2(k)**, less the sum of all other Capital Raisings completed during the Previous Period in respect of which an election under **clause 7.8(i)** was not made;

SRC means the sum of:

- (a) the capital raised under the Capital Raising for which the Capital Election was made; and
- (b) the total amount of capital raised under Capital Raisings since the first day of the Previous Period for which Capital Elections were not made (where JHISE elects by Notice under **clause 7.8(i)** that such amounts should be included in the calculation of “SRC”) less capital which has been returned or cancelled since the first day of the Previous Period;

PQCR is the Qualifying Capital Ratio which applied in respect of the Previous Period (and, for the first Capital Raising for which a Capital Election has been made, equals 1);

Previous Period means, in respect of:

- (a) the first Capital Raising occurring after the date of this deed for which a Capital Election has been made, the period commencing on 1 April 2005 and ending on the last day of the Financial Year in which the Capital Raising Completion Date in respect of that Capital Raising falls; and
- (b) for each subsequent Capital Raising for which a Capital Election has been made, the period:
 - (i) commencing immediately after the last applicable Previous Period; and
 - (ii) ending on the last day of the Financial Year in which the Capital Raising Completion Date in respect of that Capital Raising falls.

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- (g) If there is more than one Capital Raising which is subject to a Capital Election and is completed in any Financial Year (“**Relevant FY**”), there will be only one Capital Ratio Period for all of those Capital Raisings and the Qualifying Capital Ratio for that Capital Ratio Period will be as calculated in respect of the last such Capital Raising Completion Date on the basis of the following amended definitions for **clause 7.8(f)**:
- (i) **MV** means the Market Capitalisation of JHISE as at the trading day immediately prior to the first Capital Raising Announcement in the Relevant FY; and
 - (ii) **SRC** means the sum of the total amount of capital raised in respect of each Capital Raising for which a Capital Election has been made completed in the Relevant FY and the total amount of capital raised since the first day of the Previous Period in respect of which a Capital Election has not been made but excluding all such capital which has been returned or cancelled.
- (h) Notwithstanding **clause 7.8(f)**, the Qualifying Capital Ratio to be applied to the Free Cash Flow Amount for the purposes of determining the Annual Payment pursuant to **clause 9.3** cannot increase as a result of the making of a Capital Election in respect of a Capital Raising. If such a result would otherwise arise from the making of a Capital Election under **clause 7.8(b)**, the Qualifying Capital Ratio shall remain unchanged for all purposes and the Capital Election shall be automatically deemed for all purposes not to have been made.
- (i) In calculating ED and SRC under **clause 7.8(f)** where paragraph (a) of the definition of ED does not apply, all Capital Raisings completed during the Previous Period will be deducted from the amount of ED under paragraph (b) of the definition of ED unless and to the extent that JHISE has irrevocably elected by Notice to the NSW Government that some or all of such capital is to be included in the definition of SRC.

7.9 Notice of certain Specified Dealings

If JHISE undertakes a Specified Dealing other than a Specified Dealing falling within **clause 7.2**, it shall give a Notice of such Specified Dealing and material particulars to the NSW Government within 14 days of the earlier of announcing and undertaking that Specified Dealing.

8.1 Application of funds

The Parties acknowledge that it is the intent of this deed and the Transaction Legislation and the Trust Deed to ensure that:

- (a) the monies and other assets provided to the Trustee (including the JHISE Contributions) may only be applied in the payment of SPF Funded Liabilities; and
- (b) such monies and other assets are not to be applied to satisfy any other creditors of the Trustee or of the Liable Entities or of the JHISE Group.

8.2 Excluded Claims

Each of the Parties agree and acknowledge that:

- (a) this deed and the Transaction Legislation seek to address, within the limits set out in this deed (including but without limitation the limits set out **in clause 9**) the funding for payment of SPF Funded Liabilities and the handling of Payable Liabilities; and
- (b) nothing in this deed requires or shall require JHISE, the Performing Subsidiary or any other member of the JHISE Group to provide any funding for payment of any of the following liabilities of the Liable Entities (together, the **Excluded Claims**):
 - (i) personal injury or death claims arising from exposure to Asbestos outside Australia;
 - (ii) personal injury or death claims arising from exposure to Asbestos made outside Australia;
 - (iii) claims for economic loss (other than any economic loss forming part of the calculation of an award of damages for personal injury or death) or loss of property, including those relating to land remediation and/or Asbestos or Asbestos products removal, arising out of or in connection with Asbestos or Asbestos products manufactured, sold, distributed or used by or on behalf of the Liable Entities;
 - (iv) any Excluded Marlew Claim;
- (v) any liabilities of the Liable Entities other than SPF Funded Liabilities.

9 FUNDING ARRANGEMENTS

9.1 Funding Agreement

The Performing Subsidiary agrees in favour of the Trustee that it will make the Funding Payments to the Trustee at the times those payments are required to be made under this deed and shall be liable to make such payments when due and payable to the Trustee by way of a specialty debt owing to the Trustee, as evidenced and constituted by this deed.

9.2 Initial funding (including Additional Payment)

The Performing Subsidiary shall, on the Commencement Date, pay into the Compensation Funds Account an amount equal to the following (*Initial Funding*), calculated using the same methodologies and assumptions used in determining the Discounted Central Estimate, and to be set out in the Initial Report, being \$184.3 million, which is comprised of:

- (a) \$211.0 million, being the sum of the following amounts:
 - (i) the Period Actuarial Estimate for the six months ending 31 March 2007, being \$37.0 million;
 - (ii) plus the Period Actuarial Estimate for the Financial Year ending 31 March 2008, being \$75.0 million;
 - (iii) plus the Period Actuarial Estimate for the Financial Year ending 31 March 2009, being \$88.0 million;
 - (iv) plus an amount equal to the estimated reasonable Operating Expenses of the Trustee and the Liable Entities for the six months to 31 March 2007, being \$3.3 million;
 - (v) plus a prepayment (the "*Additional Payment*") equal to \$7.7 million; and
- (b) minus the value of the net assets of the Liable Entities as at 30 September 2006 determined in accordance with **clause 9.10** and by any amounts (other than by way of loan) received by the Trustee or a Liable Entity from any member of the JHISE Group between 30 September 2006 and the Commencement Date (whether under **clause 17** or otherwise).

9.3 Annual payment

- (a) Subject to **clause 9.3(b)** and **clauses 9.7** and **9.11**, on each Payment Date, the Performing Subsidiary must pay to the Trustee an amount equal to the lesser of:
 - (i) the Annual Contribution Amount for that Payment Date plus, for the Payment Date falling on 1 July 2007, \$7.7 million; and

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- (ii) whichever is the greater of:
 - (A) the amount equal to the Free Cash Flow Amount for that Payment Date multiplied by the Qualifying Capital Ratio applicable at that time; and
 - (B) zero,less, in respect of the Payment Date falling on 1 July 2007, \$7.7 million.
 - (b) If the amount calculated under **clause 9.3(a)** in respect of a Payment Date (as adjusted by **clause 9.14(b)**) is a negative amount and JHISE Notifies the Trustee that this **clause 9.3(b)** should apply, on that Payment Date the Trustee must pay the absolute value of that negative amount to the Performing Subsidiary or to such other entity nominated by the Performing Subsidiary.

9.4 Annual Contribution Amount and adjustments thereto

- (a) The Annual Contribution Amount in respect of a Payment Date shall be the amount equal to:
 - (i) the Period Actuarial Estimate, as set out in the Annual Actuarial Report for the period commencing immediately after the end of the Financial Year preceding the Payment Date (the “**Prior Financial Year**”) (that is, while each Financial Year ends on 31 March, this period will commence on the 1 of April preceding the relevant Payment Date) and ending at the end of the third Financial Year following the Prior Financial Year (or, if the end of the Term has been determined not to be extended under **clause 9.9(b)** and the remainder of the Term is less than 3 years, to the end of the Term);
 - (ii) plus an amount equal to the estimated reasonable Operating Expenses of the Trustee and the Liable Entities for the first year of that period as reasonably determined by the Trustee;
 - (iii) minus the value of the net assets held by the Trustee and the Liable Entities at the end of the Prior Financial Year as determined by the Approved Auditor, in accordance with **clause 9.10** but subject to **clauses 9.14(a) and 13.4**; and
 - (iv) plus an amount equal to the sum of all loan principal outstanding under an Authorised Loan Facility, all accrued interest (whether or not capitalised) under an Authorised Loan Facility and all other amounts payable under or in connection with an Authorised Loan Facility as at the end of the Prior Financial Year.

- (b) If, for any reason, the Annual Contribution Amount, or the Free Cash Flow Amount required to be calculated under **clause 9.5** or certified under **clause 5.16** in respect of any Payment Date cannot be determined at least 5 Business Days before the Payment Date then:
- (i) if the Annual Contribution Amount is unknown, the Trustee must use its best endeavours to procure the Approved Actuary to determine, prior to the Payment Date, a reasonable estimate of the Annual Contribution Amount with respect to that Payment Date (failing which, such estimate shall be calculated by reference to the previously published Actuarial Report and the most recently published financial statements of JHISE or the Liable Entities or Trustee as applicable);
 - (ii) if the Free Cash Flow Amount is unknown, JHISE must use its best endeavours to procure the JHISE Auditor to determine, prior to the Payment Date, a reasonable estimate of the Free Cash Flow Amount with respect to that Payment Date, having regard to the most recent Audited Financial Statements;
 - (iii) the estimate of the relevant Annual Payment payable under **clause 9.3** shall be determined having regard to the estimate or estimates, as the case may be, referred to in **clauses 9.4(b)(i)** and **(ii)**, and shall be paid by the Performing Subsidiary on the relevant Payment Date;
 - (iv) if the amount determined under **clause 9.4(b)(iii)** is a negative amount, the Trustee must pay an amount equal to the absolute value of that amount (that is, disregarding the fact that it is a negative amount) to the Performing Subsidiary or to such other entity nominated by the Performing Subsidiary on the relevant Payment Date;
 - (v) the Trustee shall (if applicable) as soon as reasonably possible, use best endeavours to procure that the Annual Actuarial Report is finalised and that JHISE and the NSW Government are provided with a copy of the relevant Annual Actuarial Report and are notified of the Annual Contribution Amount within 30 days after the relevant Payment Date;
 - (vi) JHISE shall (if applicable) as soon as reasonably possible, use best endeavours to procure that the certification of the Free Cash Flow Amount in accordance with **clause 5.16** is finalised and that the Trustee and the NSW Government are provided with a certificate within 30 days after the relevant Payment Date;
 - (vii) if applicable, but subject to **clauses 9.5 and 9.6**, the Performing Subsidiary or the Trustee (as the case requires) shall make a payment or an adjusting payment (as the case requires) so as to ensure that the Trustee has obtained (and has obtained no more or less than) the full amount due under **clause 9.3**. Any payment or adjusting payment made under this **clause 9.4(b)(vii)** shall be paid together with interest from the

Payment Date until the date the payment or the adjusting payment is made, at the Interest Rate, such payment or adjusting payment to be made in any event within 10 Business Days of the finalised Annual Actuarial Report, the Annual Contribution Amount and the Free Cash Flow Amount being Notified to the Trustee and JHISE; and

- (viii) if the JHISE Auditor or Approved Actuary (as the case may be) is unable or unwilling to provide the estimate referred to in paragraphs (i) or (ii), JHISE or the Trustee (as applicable) shall fully disclose to the other Parties the reasons known to them for such inability or unwillingness and **clause 5.16** shall apply in relation to any failure to obtain an audit certificate.

9.5 Free Cash Flow Amount

- (a) Subject to **clauses 9.5(b)** and **(c)**, the Free Cash Flow Amount in respect of any Payment Date shall be an amount equal to the percentage (determined in accordance with **clause 9.6**) of the Free Cash Flow in the immediately preceding Financial Year as certified by the JHISE Auditor. JHISE shall use its best endeavours to provide a copy of that certificate to the Trustee and the NSW Government by no later than 5 Business Days prior to the Payment Date.
- (b) In calculating the Free Cash Flow Amount in respect of the Payment Date falling on 1 July 2007, the Free Cash Flow for the Financial Year ending on 31 March 2007 shall be an amount equal to the Free Cash Flow for that Financial Year plus each of the amounts referred to in **clauses 9.2(a)(i), (a)(ii)** and **(a)(v)** and less the amount set out in **clause 9.2(b)**.
- (c) In calculating the Free Cash Flow Amount in respect of the Payment Date falling on 1 July 2008, the Free Cash Flow for the Financial Year ending on 31 March 2008 shall be an amount equal to the Free Cash Flow for that Financial Year less \$7.7 million.
- (d) The Free Cash Flow Amount shall be converted to Australian dollars by reference to:
- (i) where that amount is reported in US dollars, it shall be translated at the spot Australian dollar / US dollar exchange rate (for purchasing AUD) shown on the Bloomberg AUD/USD currency Bid-Quote page as at 10am (Sydney time) on the date falling 5 Business Days prior to the relevant Payment Date;
 - (ii) where that amount is reported in another currency other than US dollars, it shall be translated at the spot Australian dollar/relevant foreign currency exchange rate (for purchasing AUD) shown on the equivalent Bloomberg AUD/foreign currency Bid-Quote page at the same time and date as described in paragraph (i) above; and
 - (iii) if Bloomberg does not quote such exchange rates, by reference to the rate described above shown on an online bid quotation system equivalent to Bloomberg at the time and the day described in paragraph (i) above.

9.6 Percentage of Free Cash Flow

The percentage of Free Cash Flow for any Financial Year of the Term available for payments shall be the percentage as determined in accordance with **Schedule 3**.

9.7 Payment Options

- (a) Where the Performing Subsidiary gives Notice to the Trustee (with a copy to the NSW Government) not less than 10 Business Days before a Payment Date that it wishes to do so, it may:
- (i) make Annual Payments in relation to one or more specified Financial Years of (or for) the remainder of the Term by equal instalments at intervals of either 3 or 6 months (as specified in that Notice) commencing on that Payment Date, provided that all instalments in respect of a Financial Year must, however, become payable by the last Business Day of that Financial Year; and
 - (ii) prepay an amount at any time, whether or not a Funding Payment amount has at that time been calculated. Where a prepayment is made pursuant to this **clause 9.7**, **clause 9.14** shall apply.

For the avoidance of doubt, the prepayment under **clause 9.2(a)(v)** does not constitute a prepayment under this **clause 9.7**.

- (b) If the Performing Subsidiary gives Notice under **clause 9.7(a)(i)**, it must compensate the Trustee for the interest forgone by the Trustee arising from the later receipt of such Annual Payment by instalments, at the Interest Rate for the period during which a payment is deferred as a result of the operation of **clause 9.7(a)**. Such interest shall accrue from day to day and shall be paid together with the payment of the relevant instalment.
- (c) The Performing Subsidiary may by Notice to the Trustee (with a copy to the NSW Government) given not less than 10 Business Days before the commencement of a Financial Year, revoke or vary a Notice given under **clause 9.7(a)** but that Notice may only affect payments in Financial Years commencing after the date that the Notice is given.
- (d) For the avoidance of doubt, the Initial Funding may not be paid in instalments.

9.8 Notification of payments

The Performing Subsidiary must give Notice to the NSW Government (with a copy to the Trustee) at least 5 Business Days prior to each Payment Date specifying or providing in respect of the payment due on that date:

- (a) the amount of the payment;
- (b) details of calculations of the amount;
- (c) the provision of this deed under which it is to be made;
- (d) the date on which it is to be made; and
- (e) provided it is available, a copy of the certificate of the JHISE Auditor procured under **clause 9.5**.

9.9 End of Term

- (a) JHISE may (but is not obliged) by Notice to the remaining Parties at least 18 months prior to the end of the Term, elect to procure that a Final Payment calculation is made as follows:
 - (i) the Approved Actuary must provide an actuarial report (the “**End of Term Actuarial Report**”) setting out its estimate of the final payment which would be required to be made by the Performing Subsidiary having regard to the principles set out in this **clause 9.9** (the “**Final Payment**”);
 - (ii) the Final Payment will be determined having regard inter alia to the following factors:
 - (A) that it represents a final payment to be made by the Performing Subsidiary with respect to SPF Funded Liabilities;
 - (B) that it is a lump sum payment;
 - (C) that the value of the assets of the Trustee and the Liable Entities (including Insurance and Other Recoveries and any other amounts expected to be recoverable after the Final Payment) must reduce the amount of the Final Payment; and
 - (D) to the extent applicable, the method of calculating the Discounted Central Estimate is in accordance with **clause 14.4**; and
 - (iii) the Approved Actuary will employ the generally accepted best practice methodologies and assumptions relevant at that time to the determination of that valuation and having regard to the purpose of calculating a Final Payment to be made to the Trustee; and

- (b) If the Parties (in their absolute discretion) by the end of the Term have not agreed on the Final Payment and the terms on which a Final Payment would be made at the end of the Term or if JHISE has not given Notice under **clause 9.9(a)**, then the Term will be automatically extended by a period of 10 years. This **clause 9.9** shall have further applications at the end of the Term as extended pursuant to any prior application of this **clause 9.9**.

9.10 Assets and Liabilities of Liable Entities

For the purpose of determining the amounts to be deducted under **clause 9.2(b)** and **9.4(a)(iii)**, the net assets of the Liable Entities shall comprise:

- (a) for the purposes of **clause 9.2(b)**, an amount equal to the sum of:
- (i) \$26.7 million; and
 - (ii) any amounts (other than by way of loan) received by the Trustee or a Liable Entity from any member of the JHISE Group between 30 September 2006 and the Commencement Date (whether under **clause 17** or otherwise).
- (b) for the purposes of **clause 9.4(a)(iii)** for each Financial Year:
- (i) the total assets of the Trustee and the Liable Entities as at the end of that Financial Year (including, for the avoidance of doubt, any amounts by way of Insurance and Other Recoveries determined in accordance with **clause 9.13(a)** and properly recognised in the accounts as assets in accordance with relevant accounting standards but excluding, for the avoidance of doubt, the proceeds of any financial accommodation provided under an Authorised Loan Facility and any undrawn financial accommodation under an Authorised Loan Facility); less
 - (ii) the liabilities of the Trustee and the Liable Entities (excluding any principal repayable under or interest (whether or not capitalised) or other amounts payable under or in connection with an Authorised Loan Facility) as at the end of that Financial Year,

in each case after excluding all Asbestos Liabilities (other than current Proven Claims) and after excluding the relevant corresponding current or non-current asset included or to be included in the Audited Financial Statements of those entities as an amount receivable from the Performing Subsidiary or any other member of the JHISE Group under this deed. Asbestos Liabilities for the purpose of **clause 9.10(b)** includes the amount of any liability included in or to be included in the Audited Financial Statements as being referable to a margin which is added to the estimated costs of asbestos claims incurred but not settled to recognise the inherent uncertainty of the estimated costs of those claims. The calculation of the net assets pursuant to **clause 9.10(b)** shall be confirmed by the Approved Auditor.²

² Clause 9.10 is as amended by deed dated 11 June 2008, and by deed dated 20 December 2013.

9.11 Commutation

If required by JHISE, JHISE and the NSW Government shall negotiate in good faith in relation to agreeing upon the basis upon which JHISE and the Performing Subsidiary could commute their respective obligations under this deed and the Related Agreements, and each member of the JHISE Group would be released from its obligations under this deed and the Related Agreements, on and from the time that:

- (a) another Person undertakes or Persons enter into a deed undertaking those obligations or other obligations satisfactory to the NSW Government in its absolute discretion; or
- (b) the Performing Subsidiary or other member of the JHISE Group makes or procures the making of a lump sum payment or payments to the Trustee, subject to the Parties (in their absolute discretion) reaching agreement on satisfactory arrangements designed to provide a reasonably high degree of assurance that Personal Asbestos Claims and Marlew Claims would continue to be dealt with and Proven Claims would continue to be paid.

The NSW Government may withhold its agreement to any such commutation in its absolute discretion.

9.12 Preparation of Audited Financial Statements

JHISE agrees to prepare Audited Financial Statements in respect of JHISE for each Financial Year throughout the Term, unless the other Parties agree in writing that such a report is no longer required. For the avoidance of doubt, nothing in this **clause 9.12** shall affect the basis on which the Free Cash Flow is determined.

9.13 Calculation of Insurance and Other Recoveries

- (a) Subject to **clause 9.13(b)**, for the purposes of calculation of the Initial Funding and each Annual Contribution Amount under this deed, the amount calculated as "Insurance and Other Recoveries" shall include only such recoveries as the Approved Auditor considers on reasonable grounds are, according to law, payable to the Liable Entities during the period of 12 months following the end of the Prior Financial Year (as defined in **clause 9.4(a)(i)** in relation to that Annual Contribution Amount) or, in the case of the Initial Funding, during the 6 month period ending on 31 March 2007. For the avoidance of doubt, this restriction shall not affect the calculation of Insurance and Other Recoveries when calculating the Term Central Estimate or the Discounted Central Estimate (as applicable) which shall be calculated by reference to the period to which the relevant definition relates.

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- (b) For the purposes of this deed, where the Approved Actuary considers on reasonable grounds that an amount calculated as “Insurance and Other Recoveries” under this deed would otherwise be overstated due to a present or expected liability of a Liable Entity to make all or part of that amount available to non-Australian claimants or claimants for contribution against the Liable Entity, and such amounts would be recoverable by those claimants, the Approved Actuary shall be required to adjust the relevant Insurance and Other Recoveries calculation so as to take into account the likely effect of such liabilities.

9.14 Prepayments

If there has been one or more prepayments under **clause 9.7(a)(ii)** then:

- (a) the amount of the prepayment shall be excluded from the net assets of the Trustee for the purposes of calculating an Annual Contribution Amount, unless the Valuation Ratio as at the last day of the Financial Year preceding the relevant Payment Date exceeded 2.75;
- (b) amounts prepaid are not refundable and cannot cause the amount calculated under **clause 9.3(a)** to be negative;
- (c) for all purposes (including Schedule 3) the Free Cash Flow in the year of prepayment and in each subsequent year shall be deemed to be the Free Cash Flow that would have applied if the prepayment or prepayments had not been made and payments were made when due in the absence of any prepayment or prepayments;
- (d) for the purposes of Schedule 3, each Annual Contribution Amount for the year of prepayment and in each subsequent year shall be deemed to be the Annual Contribution Amount that would have applied if the prepayment or prepayments had not been made and payments were made when due in the absence of any prepayment or prepayments; and
- (e) in calculating the Valuation Ratio referred to in paragraph (a) of the definition of ED in **clause 7.8(f)**, no prepayment or prepayments can render ED equal to nil.

9.15 Rationing arrangements

The Parties acknowledge and agree that:

- (a) the available assets of the Trustee, including as a result of payments made under this deed and earnings on the Compensation Funds’ assets from time to time, may or may not be sufficient to meet in full all Operating Expenses, Proven Claims, Claims Legal Costs and other SPF Funded Liabilities as and when they fall due for payment;

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- (b) if the Trustee considers that it is reasonably likely that it does not or will not have sufficient funds to pay the amounts described in **clause 9.15(a)** as and when they fall due for payment, it may become necessary, in accordance with Division 5 of Part 4 of the Transaction Legislation, for the Trustee to ration the timing or amount of payments made with respect to Proven Claims or Payable Liabilities in order to achieve the foregoing;
- (c) if it is reasonably foreseeable that the available assets of the Trustee and the Liable Entities from time to time (including without limitation the JHISE Contributions and earnings of the Compensation Funds from time to time) are likely to be insufficient to fund the payment of all reasonably foreseeable SPF Funded Liabilities:
- (i) the Trustee may Notify the NSW Government and JHISE that the circumstances described in this clause 9.15(c) are reasonably foreseeable and provide reasonable details of such circumstances and the prospective shortfall, and following the giving of such a Notice, the Parties agree that for so long as the Trustee:
- (A) is seeking and thereafter engaging in or is ready, willing and able to enter into and pursue bona fide discussions with the NSW Government and JHISE in relation to a proposed scheme under section 35 of the Transaction Legislation (“Rationing Scheme”); or
- (B) is proceeding with reasonable expedition to design, prepare, seek approval of the Minister for an application to the Court, approval of the Court of and implement the Rationing Scheme,
- from the time such a Notice is given until such time as the Supreme Court of New South Wales has made final orders in respect of the Rationing Scheme, the Trustee may defer payment of Proven Claims in whole or in part if and to the extent the Trustee has determined this to be reasonably immediately necessary (and prior to the Rationing Scheme being approved by the Court) to avoid Persons with earlier Proven Claims receiving greater proportionate payments than Persons with expected later Proven Claims, provided that any such deferral shall accord with principles set out in section 35(4) of the Transaction Legislation and provided further that the rights of such Persons to payment of their Proven Claims shall not be prejudiced except to the extent of such deferral and by the Rationing Scheme following approval by the Court; and
- (ii) no member of the JHISE Group has or shall have any liability for such a shortfall other than as expressly provided in this deed and none of the

Parties shall impose any liability on any member of the JHISE Group in respect of that shortfall but nothing in this **clause 9.15(c)(ii)** shall relieve JHISE or the Performing Subsidiary from any of their obligations under the Transaction Documentation.

- (d) For the avoidance of doubt, nothing in this **clause 9.15** operates to prevent or limit the making of payments in connection with an Authorised Loan Facility including without limitation:
- (i) repayment of any part of the principal payable under an Authorised Loan Facility;
 - (ii) payment of any interest (whether or not capitalised) payable under an Authorised Loan Facility; and
 - (iii) payment of any other amounts that are payable under or in connection with an Authorised Loan Facility.

10 JHISE GUARANTEE AND WIND UP AND RECONSTRUCTION EVENTS

10.1 JHISE Guarantee

JHISE must immediately following the time of execution by the Trustee of the deed and accession referred to in **clause 1.5**, execute and deliver to the Trustee and the NSW Government the JHISE Guarantee.

10.2 Calling of and payments under guarantee

Without limiting the JHISE Guarantee and **clause 16**, the JHISE Guarantee may be enforced against JHISE without the need to first initiate any proceedings or to seek to enforce the Funding Obligations or any other payment obligations against the Performing Subsidiary.

10.3 JHISE Wind Up Event or Reconstruction Event

- (a) If a Wind-Up Event of JHISE occurs, each of the Funding Obligations of the Performing Subsidiary and the obligations of JHISE under the JHISE Guarantee will automatically accelerate and crystallise on the following basis:
- (i) the Funding Obligations will become immediately due and payable by the Performing Subsidiary and shall, to the extent permitted by law, be an amount equal to the Wind Up or Reconstruction Amount determined in accordance with **clause 10.4(a)**, and comprise a specialty debt due immediately prior to the filing of the order that resulted in the Wind-Up Event, occurring;
 - (ii) the Guaranteed Obligations under the JHISE Guarantee will become immediately due and payable in accordance with the terms of the JHISE Guarantee;

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- (b) The Wind-Up or Reconstruction Amount may be proved in any proceedings following or in connection with any Wind-Up Event in relation to JHISE and voted in relation to such proceedings.
- (c) By Notice to JHISE, the NSW Government may at any time:
- (i) cause the Wind-Up or Reconstruction Amount to cease to be payable, and the Funding Obligations and the Guaranteed Obligations to cease to be subject to an acceleration and crystallisation under **clause 10.3(a)** in respect of one or more Wind-Up Events; or
 - (ii) direct that the acceleration and crystallisation provided for in **clause 10.3(a)** to be deemed not to have occurred in respect of one or more Wind-Up Events.
- (d) The Wind-Up or Reconstruction Amount will cease to be payable, and the Funding Obligations and the Guaranteed Obligations will cease to be subject to an acceleration and crystallisation under this **clause 10** in respect of the relevant Wind Up Event if an order of the kind described in the definition of “Wind Up Event” is made and is subsequently struck out, dismissed, reversed or withdrawn and the time period for commencing any proceedings to review such an order has expired (or any timely commenced proceedings for review of such an order, have been concluded).
- (e) If a Reconstruction Event of JHISE occurs, each of the Funding Obligations of the Performing Subsidiary and the obligations of JHISE under the JHISE Guarantee will automatically accelerate and crystallise on the following basis, but subject to **clauses 10.3(g) and (i)**:
- (i) the Funding Obligations will become immediately due and payable by the Performing Subsidiary and shall be an amount equal to the Wind-Up or Reconstruction Amount determined in accordance with **clause 10.4(b)**, and comprise a specialty debt due immediately prior to the Reconstruction Event;
 - (ii) the Guaranteed Obligations under the JHISE Guarantee will become immediately due and payable in accordance with the terms of the JHISE Guarantee.
- (f) The Wind Up or Reconstruction Amount may be voted and proved for the purposes of (or at) any meeting or vote of creditors or similar proceedings relating to creditors following and in relation to any Reconstruction Event in relation to JHISE, subject to **clause 10.5**.

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- (g) The Wind-Up or Reconstruction Amount will immediately cease to be payable, and the Funding Obligations and the Guaranteed Obligations will immediately cease to be subject to an acceleration and crystallisation, and may no longer be voted or proved under this **clause 10** in respect of the relevant Reconstruction Event if:
- (i) the order constituting the “Reconstruction Event” is entered or made (or deemed to have been entered or made) and is subsequently struck out, dismissed, reversed, withdrawn or otherwise comes to an end, provided that, if the Reconstruction Event is an event as described in paragraph (c) of the definition of “Reconstruction Event” and the order was entered under Irish law, JHISE emerges from the Reconstruction Event without a Plan (as defined in **clause 10.5**) having been accepted by the creditors and approved by the court and without being declared bankrupt;
 - (ii) the meeting of creditors of the kind described in paragraph (a) or (d) that constitutes the “Reconstruction Event” is convened and the meeting is held or is cancelled or is otherwise vacated; or
 - (iii) any vote of creditors due to occur following that Reconstruction Event (other than a Reconstruction Event as described in paragraph (c) of the definition of “Reconstruction Event” and the order was entered under Irish law or occurring as a result of a voluntary case being commenced, or a final order for relief being entered, under Chapter 11 of the US Bankruptcy Code) to determine any compromise, plan or distribution occurs, is cancelled or is otherwise permanently vacated or rendered invalid.
- (h) By Notice to JHISE, the NSW Government may at any time:
- (i) cause the Funding Obligations and the Guaranteed Obligations to cease to be subject to an acceleration and crystallisation under **clause 10.3(a)** in respect of one or more Reconstruction Events; or
 - (ii) direct that the acceleration and crystallisation provided for in **clause 10.3(a)** to be deemed not to have occurred in respect of one or more Reconstruction Events.
- (i) Each of the Trustee and the NSW Government:
- (i) subject to **clause 10.3(j)**, covenant in favour of JHISE and the Performing Subsidiary in respect of a Reconstruction Event that except for the purposes of asserting a claim against JHISE or the Performing Subsidiary in a bankruptcy proceeding or an insolvency proceeding relating to such Reconstruction Event, neither the Trustee nor the NSW Government shall commence, institute or continue proceedings in any jurisdiction seeking the enforcement or recovery from JHISE or the

Performing Subsidiary of the Wind Up or Reconstruction Amount (whether under this deed or any Related Agreement) relating to such Reconstruction Event or any part thereof, but nothing in this **clause 10.3(i)(i)** shall prejudice the operation of any provision of this deed which is enlivened by the occurrence of a Wind Up Event; and

- (ii) acknowledge that JHISE has agreed to the terms of this **clause 10** in reliance on the covenants described in this **clause 10.3(i)** and that compliance by both the Trustee and the NSW Government is a fundamental condition to it having any rights under this **clause 10** in respect of a Reconstruction Event.
- (j) Nothing in **clause 10.3(i)** shall restrict the Trustee or the NSW Government from:
- (i) voting or proving the Wind Up or Reconstruction Amount in accordance with and subject to **clause 10.3(f)**; or
 - (ii) commencing or instituting proceedings in any jurisdiction in relation only to the existence or amount of any Wind Up or Reconstruction Amount or any voting rights attaching thereto, or any matters incidental to determining such amount or voting rights.

10.4 Calculation of Wind Up or Reconstruction Amount

- (a) Upon a Wind-Up Event or Reconstruction Event occurring in relation to JHISE, the Wind Up Amount or Reconstruction Amount will be determined on the following basis:

$$\text{Wind Up Amount or Reconstruction Amount} = \text{TCE} - \text{C} - (\text{VA} - \text{VL} + \text{P})$$

where:

TCE has the meaning given in **clause 7.2(m)** as set out in the most recent Annual Actuarial Report published prior to the Wind Up Event or Reconstruction Event;

VA has the meaning given in **clause 7.2(m)**;

VL has the meaning given in **clause 7.2(m)**;

P has the meaning given in **clause 7.2(m)**.

C equals the amount determined in accordance with the following provisions:

- (i) notwithstanding anything herein to the contrary, C shall equal zero:
 - (A) upon and following a Wind-Up Event; or

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- (B) if:
- I. JHISE commences a bankruptcy proceeding made under the US Bankruptcy Code which results in the occurrence of a “Reconstruction Event”; and
 - II. the determination of the amount of the Trustee’s claim is required in order for the Trustee to prove or vote that claim to permit the Trustee to participate in a vote of creditors; and
 - III. JHISE fails to provide the information required under clause 10.4(d) in time to permit such a determination to be made;
- (ii) in any other circumstance for the purposes of determining a Wind-Up or Reconstruction Amount, “C” shall equal the amount by which TCE exceeds the present value of all the Annual Payments that are then due or would become due pursuant to this deed taking into account the operation of the Free Cash Flow cap under **clause 9.3**, having regard to the following:
- (A) C shall be calculated on the basis of the projected Free Cash Flow of JHISE taking into account any projected changes in Free Cash Flow as a result of implementing a proposed Plan (as defined in **clause 10.5**) arising other than from debt to equity conversions by creditors of JHISE or new capital raised by JHISE or any Reorganised Debtor (as defined in **clause 10.5**), and the Qualifying Capital Ratio, in each case, immediately prior to the Reconstruction Event discounted at a discount rate equal to the sum of:
 - (i) the discount rate used in the calculation of the “TCE” as published in the most recent Annual Actuarial Report, and
 - (ii) 5 percentage points (500 basis points); and
 - (B) C shall be calculated recognizing that the Term is automatically extended (unless the Parties in their absolute discretion agree otherwise) under **clause 9.9**.
- (b) In determining the value of “VA” and “VL” the Trustee shall procure that the Approved Auditor seeks appropriate expert advice from the Approved Actuary or otherwise as it considers necessary, and the value of each of “VA” and “VL” shall be certified by the Approved Auditor;

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- (c) The certification of the value of “VA” and “VL” by the Approved Auditor shall, if the NSW Government so requires, be subject to review by the NSW Government Auditor in the manner set out in **clause 5.13**;
 - (d) If a Reconstruction Event occurs, JHISE must provide a Notice to the Approved Auditor (copied to the NSW Government and the Trustee) setting out its projections of its Free Cash Flow and its estimate of C and the basis on which such estimate has been calculated (but without accepting liability for any errors or omissions in relation to the same) during the period for which it is necessary to project the Free Cash Flow in determining the amount of C. The Trustee or the NSW Government may, by election, require that an Independent Valuation Expert determines the amount of “C” on the terms set out in **clause 7.1(b)**, and in such event, such terms shall apply in relation to the determination of such Independent Valuation Expert despite the fact that such determination is not a determination under **clause 7** and in such a case C shall be equal to the amount determined by the Independent Valuation Expert or if no such Independent Valuation Expert is appointed within 10 Business Days of receipt of JHISE’s Notice under this **clause 10.4(d)**, the estimate of C in that Notice.

10.5 Voting

Each of the Trustee and NSW Government acknowledge and agree that, without prejudice to their obligations under the Intercreditor Deeds and to the extent permitted by law, all voting rights conferred upon the Trustee and the NSW Government arising out of this deed or the JHISE Guarantee will be exercised in respect of any proposed meeting or composition with creditors, plan of arrangement, plan of reorganization, or other restructuring for JHISE in connection with any Reconstruction Event (“**Plan**”) so as to vote in favour of the Plan where, if the Plan were to come into force:

- (a) JHISE or any entity (the “**Reorganised Debtor**”) which, pursuant to and upon the effective date of a restructuring transaction (including a plan of reorganization confirmed under Chapter 11 of the U.S. Bankruptcy Code, but not a transaction approved by the court pursuant to Section 363 of the U.S. Bankruptcy Code) occurring in connection with a Reconstruction Event (i) acquires or undertakes the whole or a substantial part of the business or assets of JHISE or the JHISE Group, or (ii) consolidates, merges, or engages in another similar transaction with JHISE or the JHISE Group as a part of the restructuring transaction occurring in connection with a Reconstruction Event, would not be Insolvent;
- (b) the implementation of the Plan would not result in a Liquidation of JHISE or the Reorganised Debtor;
- (c) this deed, the JHISE Guarantee and each other Related Agreement would continue to bind all Parties to them (or in the case of a Reorganised Debtor of JHISE, that Reorganised Debtor), save that any termination of the Intercreditor Deeds shall not result in this requirement failing to be satisfied; and

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- (d) ignoring any effect of the Intercreditor Deeds, the Plan would not operate so as to discriminate between the claims of the Trustee and the claims of the Lenders adversely to the claims of the Trustee.

10.6 Consequence of a Plan

If a Plan (as defined in **clause 10.5**) comes into and continues in effect in relation to a Reconstruction Event, then unless such a Plan is cancelled or abandoned prior to being implemented:

- (a) the obligations of JHISE and the Performing Subsidiary and the claims of the Trustee and the NSW Government arising under this deed and the Related Agreements (including without limitation in respect of the Wind-Up or Reconstruction Amount) shall be dealt with in accordance with the Plan; and
- (b) the Wind-Up or Reconstruction Amount will immediately cease to be payable, and the Funding Obligations and the Guaranteed Obligations will immediately cease to be subject to an acceleration and crystallisation, and may no longer be voted or proved under this **clause 10** in respect of that Reconstruction Event.

11 EFFICIENCIES

11.1 Costs Review Inquiry

- (a) The Parties acknowledge that the Costs Review Inquiry Legislation commenced on 1 July 2005 and that the conditions precedent contemplated by **clauses 3.2(a), 3.3(d)** and (in respect of the Costs Review Inquiry) **3.3(e)** of the Heads of Agreement have been satisfied.
- (b) The NSW Government agrees to:
- (i) share the results of the Costs Review Inquiry with the Other Governments; and
 - (ii) encourage the timely adoption by each Other Government of the results of the Costs Review Inquiry to the extent appropriate in the case of the Courts and tribunals of any Other Government which handles Claims; and
 - (iii) undertake the review of the Costs Review Inquiry Legislation anticipated in the Costs Review Inquiry Report within the time contemplated in that report.
- (c) While the NSW Government is not obliged to perform any of its obligations under **clause 11.1(b)** until on or after the Commencement Date, it may in its absolute discretion choose to perform some or all of those obligations before the Commencement Date and such performance will, on the occurrence of the Commencement Date, be taken to satisfy the relevant obligations under **clause 11.1(b)**.

11.2 Acknowledgements

All Parties acknowledge that:

- (a) all Parties desire that the process for the management of Personal Asbestos Claims, Marlew Claims and Claims Legal Costs is as efficient as possible, consistent with preserving Claimants' rights to compensation, and that they are committed to seeking to maintain an efficient claims management process over time; and
- (b) an efficient process for the management of Personal Asbestos Claims, Marlew Claims and Claims Legal Costs is important to the funding arrangements covered by this deed.

11.3 Procedural Improvements Submissions

- (a) Either or both JHISE and the Trustee may from time to time make submissions to the NSW Government regarding further changes which might be made to the processes of making, processing and settling Personal Asbestos Claims, Marlew Claims and Claims Legal Costs including the apportionment of damages and recovery of contributions and payment of damages from third parties to make the same more economically and otherwise efficient.
- (b) The NSW Government agrees and undertakes:
 - (i) to give timely and bona fide consideration to:
 - A. submissions made under **clause 11.3(a)**; and
 - B. the adoption of the proposals set out in those submissions; and
 - (ii) that in the event the NSW Government adopts any proposals the subject of a submission under **clause 11.3(a)**, the NSW Government shall share its information on those proposals which are so adopted with the Other Governments, and use its reasonable endeavours to encourage their timely adoption by each Other Government to the extent appropriate in the case of the Courts and tribunals of that Other Government which handle Claims.

12 RELEASES

12.1 Releases of the JHISE Group, Liable Entities and other Persons

- (a) The Parties acknowledge that upon the commencement of the Release Legislation, the NSW Government will have used its best endeavours, subject to any limits on the legislative powers of the State of New South Wales, to bring into force legislation effective under New South Wales law to extinguish any civil liability of:
 - (i) each member of the JHISE Group, each Liable Entity and each of their respective present and past directors, officers, employees, advisors and agents (collectively, the "**Released Persons**") in respect of the Relevant Matters;

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- (ii) Released Persons in respect of the entry by JHISE and the Performing Subsidiary into this deed and the Related Agreements and their implementation by the JHISE Group, and the circumstances giving rise to the same, but without prejudice to the obligations of members of the JHISE Group to the parties to this deed or the Related Agreements under, or in connection with negotiations leading to the entry by the parties into, this deed or any Related Agreement; and
 - (iii) any member of the JHISE Group or any Liable Entity for claims for economic loss (not forming part of a personal injury claim or otherwise resulting from personal injury) or loss of or damage to property, including those relating to land remediation or Asbestos or Asbestos products removal, arising out of Asbestos or Asbestos products manufactured, sold, distributed or used by or on behalf of the Liable Entities,

and the NSW Government agrees, subject to the remainder of this **clause 12**, that it will not introduce legislation (whether or not expressed to amend the Release Legislation or the Transaction Legislation) which denies the JHISE Group the benefit of, or derogates from, the releases and extinguishments set out in the Release Legislation.

- (b) For the purposes of this **clause 12**, “**civil liability**” has its natural and ordinary meaning.
- (c) In addition to any rights arising in favour of the Released Persons under the Release Legislation, the NSW Government must execute the NSW Government Deed of Release on or before the Commencement Date.
- (d) JHISE agrees promptly to provide to any Released Person who so requested in writing, a photocopy of a counterpart of the NSW Government Deed of Release duly executed by the NSW Government.
- (e) Without prejudice to any right or remedy of the NSW Government, the Releases in respect of Persons who are not natural persons may be suspended by the NSW Government whenever:
 - (i) the Performing Subsidiary shall be and remains in breach of any obligation to make a Funding Payment under this deed and such breach shall have remained unremedied for not less than 3 months and remains unremedied; or;

- (ii) JHISE is in breach of clause 7 and that breach has not been rectified within a reasonable period (of not less than 3 months) of JHISE having received a Notice under **clause 12.1(f)**; or
 - (iii) JHISE is and remains in breach of **clause 7** and JHISE has not given a Notice to the NSW Government under **clause 7.9** in respect of that breach, and the NSW Government has given JHISE at least 30 days' Notice that the suspension applies.
- (f) The NSW Government may give to JHISE Notice of any matter which JHISE has given it Notice under **clause 7.9** which the NSW Government considers, acting reasonably, to constitute a breach by JHISE of **clause 7**. For the avoidance of doubt, any Notice given by the NSW Government is not proof that JHISE is in breach of **clause 7** and if the NSW Government having given notice, purports to suspend then that suspension will not take effect. If a Notice is given in circumstances where JHISE is in breach of **clause 7** and the relevant period referred to in **clause 12.1(e)** has not expired, those Releases will not be suspended until the expiry of that period.
- (g) The NSW Government must revoke the suspension of any release of liability suspended as a result of any breach of a kind described in **clause 12.1** immediately upon JHISE remedying that breach and Notifying the NSW Government demonstrating that such a breach has been remedied.

12.2 No Admission

Nothing in this deed or any Related Agreement can nor shall be taken as an admission by JHISE, the Performing Subsidiary or any of their controlled entities, directors, officers, employees, advisers or agents (past and present) that it or he or she has had any role in organising or procuring any unlawful action or is or has been in breach of any law.

12.3 Releases of ACTU, Unions NSW and Banton

JHISE agrees, and the Trustee shall procure the Liable Entities, unconditionally and irrevocably to release each of the following Persons and (if applicable) their past and present directors, officers, advisers and agents:

- (a) the ACTU (and those unions affiliated to the ACTU);
- (b) Unions NSW (and those unions affiliated to Unions NSW);
- (c) the officers, members and employees of the ACTU (and its affiliated Unions) and Unions NSW (and its affiliated unions); and
- (d) Banton,

from civil liability which they may have to JHISE, the Liabile Entities or arising from or relating to:

- (e) the underfunding of the MRCF;
- (f) the Jackson Inquiry;
- (g) all Relevant Matters,

on and subject to the terms set out in the Unions' Deed of Release.

13 NO ADVERSE OR DISCRIMINATORY LEGISLATIVE OR REGULATORY ACTION AND DISCUSSIONS WITH OTHER GOVERNMENTS

13.1 Legislative or regulatory action

- (a) For the purposes of **clause 13, legislative action** means the enactment, amendment or repeal of any legislation, including without limitation the making, amendment or repeal of any instrument, as defined in section 3(1) of the Interpretation Act 1987, which includes a statutory rule, as defined in section 21 of the *Interpretation Act 1987* (NSW).
- (b) For the purposes of **clause 13, regulatory action** means:
 - (i) the exercise of statutory functions (being functions, powers, authorities and duties conferred or imposed on any person or body by legislation); and
 - (ii) the exercise by the NSW Government of the powers and functions described in section 7 of the Australia Act 1986 (Cth) itself or by advising the Governor of New South Wales to exercise such powers and functions,but excludes any action taken under and in accordance with the Transaction Legislation or the Release Legislation.

13.2 No Adverse Legislative Action

- (a) Subject to the remaining provisions of this **clause 13**, the NSW Government undertakes to and agrees with JHISE and the Performing Subsidiary that it will not undertake any adverse legislative action directed at any member of the JHISE Group, the Trustee or any of the Liabile Entities in relation to any of the Relevant Matters or in relation to Asbestos Liabilities (except that, for these purposes, "Excluded Claims" within the definition of "Asbestos Liabilities" are limited to Excluded Claims relating to Asbestos).

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- (b) Without limitation, legislative action shall be taken to be adverse if:
- (i) it denies to or in relation to any of the Trustee, any member of the JHISE Group or any of the Liable Entities benefits or advantages which are provided or available to others in similar circumstances; or
 - (ii) it operates by reference to any of the Trustee, any member of the JHISE Group or any of the Liable Entities, this deed or any of the Related Agreements or an attribute which only one or more of them possesses;
 - (iii) it amends or repeals all or part of the Transaction Legislation or Release Legislation in a manner which would adversely affect any member of the JHISE Group, the Trustee or the Liable Entities, unless such amendment or repeal has been agreed in advance in writing by JHISE acting reasonably;
 - (iv) notwithstanding the fact that the legislative action may not on its face contravene the provisions of this **clause 13** (for example because it applies generally), having regard to the nature or circumstances of the legislative action, it would be concluded that the purpose of the legislative action was or a material purpose of the legislative action included having the effect of increasing any of the amounts that but for such action would have been payable under this deed or in respect of payments of the liabilities to be funded hereunder and the legislative action has or will have the result or effect of increasing any of such amounts.
- (c) Subject to **clause 13.2(b)(iii)** and also, in the case of clauses **13.2(c)(ii)** and **(iii)**, subject to **clause 13.2(b)(iv)**, legislative action:
- (i) in respect of the claims handling and determination process, including through the Dust Diseases Tribunal;
 - (ii) in respect of the handling, removal or disposal of Asbestos; or
 - (iii) considered necessary to deal with the consequences of the manufacture and sale of asbestos products,

shall not be considered adverse to any member of the JHISE Group, the Trustee or the Liable Entities under **clauses 13.2(a)** and **(b)** if it applies to former Asbestos manufacturers or Asbestos defendants generally, irrespective of the fact that it might by reason of circumstances have a greater impact on JHISE, the Trustee or the Liable Entities than on other manufacturers or defendants, provided that, if **clause 13.2(b)(iv)** applies in relation to actions referred to in **clause 13.2(c)(i)**, the JHISE Group, the Trustee and the Liable Entities do not suffer any material increase in Operating Expenses or Claims Legal Costs to be borne by them as a result of such actions under **clause 13.2(c)(i)** (or any equivalent actions under **clause 13.3(c)(i)**).

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- (d) The obligations and undertakings of the NSW Government set out in **clause 13.2(a)** shall be suspended whenever:
- (i) the Performing Subsidiary shall be and remains in breach of any obligation to make a Funding Payment under this deed, and such breach shall have remained for not less than 3 months and remains unremedied; or
 - (ii) JHISE is in breach of **clause 7** and that breach has not been remedied within a reasonable period (of not less than 3 months) of JHISE having received a Notice under **clause 13.2(e)** and such breach remains unremedied; or
 - (iii) JHISE shall be and remains in breach of **clause 7** and JHISE has not given a Notice to the NSW Government under **clause 7.9** in respect of that breach and the NSW Government has given JHISE at least 30 days' Notice that the suspension applies.
- (e) The NSW Government may notify JHISE of any matter of which JHISE has given it Notice under **clause 7.9** which the NSW Government considers, acting reasonably, to constitute a breach by JHISE of **clause 7**. For the avoidance of doubt, any notice given by the NSW Government is not proof that JHISE is in breach of **clause 7**. If the NSW Government, having given Notice under this **clause 13.2(e)**, undertakes adverse legislative action in circumstances where JHISE is not in breach of **clause 7**, then without limiting JHISE's other rights at common law or under this deed, that adverse legislative action will be in breach of **clause 13.2**.
- (f) Immediately upon any breach described in **clause 13.2(d)** being rectified and the NSW Government having received Notice of such breach being rectified, the NSW Government shall not take, and shall cease to take, any further adverse legislative action, provided that nothing in this **clause 13.2(f)** requires the NSW Government to:
- (i) seek the repeal of legislation in force at the time such breach is rectified (other than any legislation which was, when introduced, in breach of the provisions of this deed); or
 - (ii) take any executive or other action in breach of generally applicable protocols of the NSW Government associated with bringing legislation into force.
- (g) The NSW Government acknowledges and agrees that:
- (i) damages for dust diseases compensation are determined by common law in New South Wales;

- (ii) the NSW Government will not change the common law basis of assessment of damages for dust diseases compensation; and
 - (iii) accordingly, the NSW Government will not legislate to reduce or increase damages for dust diseases.
- (h) The Parties acknowledge that this **clause 13.2** does not prevent the proper exercise by the NSW Parliament of its legislative power, but that this **clause 13.2(h)** is without prejudice to the right of any other Party or Parties to claim damages from the NSW Government in respect of any breach by the NSW Government of its obligations under this **clause 13**.
- (i) The Parties acknowledge that this **clause 13.2** operates and is intended to operate independently of **clause 13.3**.

13.3 No Adverse Regulatory Action

- (a) Subject to the remaining provisions of this **clause 13**, the NSW Government undertakes to and agrees with JHISE and the Performing Subsidiary that it will not undertake any adverse regulatory action directed at any member of the JHISE Group, the Trustee or any of the Liable Entities in relation to any of the Relevant Matters or in relation to Asbestos Liabilities (except that, for these purposes, "Excluded Claims" within the definition of "Asbestos Liabilities" are limited to Excluded Claims relating to Asbestos).
- (b) Without limitation, regulatory action shall be taken to be adverse if:
- (i) it denies to or in relation to any of the Trustee, any member of the JHISE Group or any of the Liable Entities benefits or advantages which are provided or available to others in similar circumstances;
 - (ii) it operates by reference to any of the Trustee, any member of the JHISE Group or any of the Liable Entities, this deed or any of the Related Agreements or an attribute which only they possess; or
 - (iii) notwithstanding the fact that the regulatory action may not on its face contravene the provisions of this **clause 13** (for example because it applies generally), having regard to the nature or circumstances of the regulatory action, it would be concluded that the purpose of the regulatory action was or a material purpose of the regulatory action included having the effect of increasing any of the amounts that but for such action would have been payable under this deed or in respect of payments of the liabilities to be funded hereunder and the regulatory action has or will have the result or effect of increasing any such amounts.
- (c) Subject, in the case of **clauses 13.3(c)(ii)** and **(iii)**, to **clause 13.3(b)(iii)**, regulatory action:
- (i) in respect of the claims handling and determination process, including through the Dust Diseases Tribunal;

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- (ii) in respect of the handling, removal or disposal of Asbestos; or
 - (iii) considered necessary to deal with the consequences of the manufacture and sale of asbestos products,
- shall not be considered adverse to any member of the JHISE Group, the Trustee or the Liable Entities under **clauses 13.3(a) and (b)** if it applies to former Asbestos manufacturers or Asbestos defendants generally, irrespective of the fact that it might by reason of circumstances have a greater impact on JHISE, the Trustee or the Liable Entities than on other manufacturers or defendants, provided that, if **clause 13.3(b)(iii)** applies in relation to a matter referred to in **clause 13.3(c)(i)**, the JHISE Group, the Trustee and the Liable Entities do not suffer any material increase in Operating Expenses or Claims Legal Costs to be borne by them as a result of such actions under **clause 13.3(c)(i)** (or any equivalent actions under **clause 13.2(c)(i)**).
- (d) The obligations and undertakings of the NSW Government set out in **clause 13.3(a)** shall be suspended whenever:
 - (i) the Performing Subsidiary shall be and remains in breach of any obligation to make a Funding Payment under this deed, and such breach shall have remained for not less than 3 months and remains unremedied; or
 - (ii) JHISE is in breach of **clause 7** and that breach has not been remedied within a reasonable period (not less than 3 months) of JHISE having received a Notice under **clause 13.3(e)** and such breach remains unremedied; or
 - (iii) JHISE shall be and remains in breach of clause 7 and JHISE has not given a Notice to the NSW Government under clause 7.9 in respect of that breach and the NSW Government has given JHISE at least 30 days' Notice that the suspension applies.
 - (e) The NSW Government may notify JHISE of any matter of which JHISE has given it Notice under **clause 7.9** which the NSW Government considers, acting reasonably, to constitute a breach by JHISE of **clause 7**. For the avoidance of doubt, any notice given by the NSW Government is not proof that JHISE is in breach of **clause 7**. If the NSW Government having given Notice under this **clause 13.3(e)**, undertakes adverse regulatory action in circumstances where JHISE is not in breach of **clause 7**, then without limiting JHISE's other rights at common law or under this deed, that adverse regulatory action will be in breach of **clause 13.3**.

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- (f) Immediately upon any breach described in **clause 13.3(d)** being rectified and the NSW Government having received Notice of such breach being rectified, the NSW Government shall not take, and shall cease to take, any further adverse regulatory action, provided that nothing in this **clause 13.3(f)** requires the NSW Government to:
- (i) seek the repeal of legislation or any instrument in force at the time such breach is rectified (other than any legislation or instrument which was, when introduced, in breach of the provisions of this deed); or
 - (ii) take any executive or other action in breach of generally applicable protocols of the NSW Government associated with bringing legislation or instruments into force.
- (g) The Parties acknowledge that this **clause 13.3** operates and is intended to operate independently of **clause 13.2**.

13.4 Other Governments

- (a) Subject to **clause 13.7**, this **clause 13.4** applies if:
- (i) an Other Government introduces a scheme (the “**Scheme**”) providing for payment of compensation, or which provides benefits for which the common law would provide compensation, to some or all Claimants (the “**Relevant Claimants**”) for what would, if brought against a Liable Entity or a member of the JHISE Group, constitute Personal Asbestos Claims (the “**Relevant Claims**”); and
 - (ii) JHISE, another member of the JHISE Group, the Trustee or any Liable Entity is required by law to make payments under the Scheme to the Relevant Claimants or to contribute to a Person designated under the Scheme to receive payments on account of liabilities imposed under the Scheme for the purpose of compensating the Relevant Claimants for Relevant Claims (the “**Relevant Liabilities**”).
- (b) Subject to **clause 13.7**, **clause 13.4(c)(i)** shall also apply if an Other Government takes any legislative or regulatory action which, had it been taken by the NSW Government, would have resulted in the NSW Government breaching **clause 13.2** or **13.3** and in such a case, then unless **clause 13.4(a)** applies in respect of such action, such action shall be deemed to be a Scheme to which **clause 13.4(c)(i)** applies and the Relevant Liabilities shall be the additional liabilities incurred by members of the JHISE Group, the Trustee or the Liable Entities as a result of such action, provided that such application of **clause 13.4(c)(i)** shall occur only from the later of 6 months after the date JHISE shall have Notified the NSW Government of such legislative or regulatory action by such other Government or the possibility or proposal that such action (or some generally similar action) might or would be taken by such other Government and the date and the time such application would have occurred but for this proviso.

- (c) If this **clause 13.4** applies:
- (i) the payment obligations of the Performing Subsidiary and JHISE under this deed and the Related Agreements shall be adjusted so as to ensure that the JHISE Group's present and future liabilities with respect to Personal Asbestos Claims are not increased as a result of the Scheme as follows:
- (A) all payments of Relevant Liabilities made by a member of the JHISE Group under the Scheme shall be treated as though they had been received by the Trustee and had increased the net assets of the Trustee by that amount (and earned income for each Financial Year at the discount rate published by the Approved Actuary in the Annual Actuarial Report in relation to that Financial Year); and
- (B) any Relevant Liabilities incurred but unpaid by the Liable Entities or the Trustee under the Scheme shall be ignored in determining the net assets of the Liable Entities and the Trustee and any payments of Relevant Liabilities shall be added back to the net assets of the relevant Liable Entity or the Trustee (as applicable) (as though the net assets were never reduced by the amount of such payments).
- provided that, in the case of a Scheme described in **clause 13.4(a) and (b)**, such adjustments shall cease to be made when the arrangements contemplated in **clause 13.4(c)(ii)** are implemented (including that any amending legislation necessary to give effect to that clause comes into full force); and
- (ii) the Parties agree to negotiate in good faith to make such modifications to the terms of this deed and the Related Agreements (and the NSW Government agrees to use its best endeavours to amend the Transaction Legislation and the Release Legislation) as are reasonably necessary to ensure that the liability of the JHISE Group, the Trustee and the Liable Entities in connection with Personal Asbestos Claims (having regard to liabilities arising under the Transaction Documents and the Relevant Liabilities under the Scheme) is not increased as a result of the implementation and operation of the Scheme.
- (d) Without limiting **clause 13.4(c)**, the Parties agree that:
- (i) the necessary modification to the Funding Obligations may be reflected in a narrowing of the definition of "Claimants" under this deed or a deferral of payment of Relevant Claims under the Transaction

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- Legislation, which will cause an adjustment to the Period Actuarial Estimate, the Term Central Estimate and the Discounted Central Estimate; and
- (ii) a Relevant Claimant should not, by reason of the Scheme, recover or obtain full compensation more than once for a Relevant Claim.
- (e) If JHISE, another member of the JHISE Group, the Trustee or any Liable Entity is not required by law to make payments under the Scheme, but JHISE wishes to elect to make payments to the Scheme either itself or through another member of the JHISE Group, the Trustee or any Liable Entity, then:
- (i) the Parties agree to negotiate in good faith to determine what modifications (if any) should be made to the terms of this deed, the Related Agreements, the Transaction Legislation and the Release Legislation in respect of the funding arrangements and the management of Personal Asbestos Claims to give appropriate recognition to the Scheme of the Other Government and to reflect the fact that Relevant Claimants will be compensated for Relevant Claims under the Scheme instead of under the funding arrangements under this deed; and
 - (ii) unless the Parties reach agreement on the modifications (if any) and those modifications (including to the Transaction Legislation and the Release Legislation) (if any) are made, no adjustment shall be made to the obligations of JHISE or the Performing Subsidiary under this deed or any Related Agreement even if JHISE elects to make payments under the Scheme.

13.5 Participation in discussions with Other Governments and regulators

The NSW Government must, if requested by JHISE by Notice to the NSW Government:

- (a) participate with JHISE in discussions with either or both:
 - (i) Other Governments; and
 - (ii) the Australian Competition and Consumer Commission, the ASIC and other regulatory bodies, in relation to matters arising out of the Jackson Inquiry; and
- (b) advocate action by the Other Governments or the regulatory bodies described in **clause 13.5(a)**, consistent with the provisions of the Transaction Documentation.

13.6 Referral of powers

If the NSW Government refers legislative power to the Commonwealth in a manner permitted under section 51(xxxvii) of the Commonwealth Constitution for any matter in relation to Asbestos Liabilities or their management, the NSW Government must:

- (a) ensure that the referral does not affect the Transaction Documentation;
- (b) ensure that the referral does not permit the Commonwealth to legislate in a manner inconsistent with the Transaction Documentation; or
- (c) obtain JHISE's prior written agreement to the referral to the extent that it would not conform to the requirements of **clauses 13.6(a) or 13.6(b)**.

13.7 Limitations on Recoveries

- (a)
 - (i) For the purposes of this clause 13.7, "Recoveries" means any statutory entitlement of the NSW Government or any Other Government or any governmental agency or authority of any such government ("Relevant Body") to impose liability on or to recover an amount or amounts from any person in respect of any payments made or to be made or benefits provided by a Relevant Body in respect of Personal Asbestos Claims or Marlew Claims (other than as a defendant or in settlement of any claim, including a cross claim or claim for contribution) that is from time to time a "statutory recovery claim" for the purposes of the Transaction Legislation.

Note: Any statutory entitlement of a Relevant Body properly paid out of the damages payable as part of a Proven Claim pursuant to a judgement or settlement of a Personal Asbestos Claim or a Marlew Claim is not to be treated as a Recovery for the purposes of this clause 13.7.

- (a)
 - (ii) The Parties agree and acknowledge that the intent of this clause 13.7 is to establish a framework for and to limit the JHISE Group's funding of Recoveries under this deed and that the reference in section 32(3)(a) of the Transaction Legislation to "the funding set aside" under this deed for the payment of statutory recovery claims is a reference to the Annual Limit and the Term Limit provided for in clause 13.7(b).
- (b) In consideration of JHISE's and the Performing Subsidiary's agreement to include Recoveries within the scope of the funding arrangements set out in this deed (but only to the limited extent provided for in this clause 13.7), the NSW Government agrees to use its best endeavours to ensure, through the Transaction Legislation, that the Liable Entities (or the Trustee on their behalf) cannot be compelled to pay (whether paid directly to Relevant Bodies or as a

component of amounts payable or liabilities incurred in respect of Personal Asbestos Claims or Marlew Claims or to Concurrent Wrongdoers) Recoveries which in aggregate exceed in any Financial Year the lesser of:

- (i) the amount equal to the liabilities of the Liable Entities to pay Recoveries as calculated under the relevant statute(s) from time to time;
- (ii) for the first Financial Year of operation of the Compensation Funds, an amount equal to \$750,000 ("Annual Limit") and in respect of each subsequent Financial Year, an amount equal to the prior Financial Year's Annual Limit, indexed for inflation or deflation by reference to the All Groups Consumer Price Index as published by the Australian Bureau of Statistics (or, if such statistic ceases to be published, the nearest equivalent generally published figure);

and further the aggregate of Recoveries paid by the Liable Entities (or the Trustee on their behalf) over the Term of this deed (including any extension of the Term under clause 9.9 of this deed) shall not exceed \$30 million ("Term Limit").

- (c) Notwithstanding clause 13.7(a) and without limiting JHISE's or the Performing Subsidiary's rights under any other provision of this deed, if any Liable Entity (or the Trustee on its own behalf or on behalf of a Liable Entity) or any member of the JHISE Group is required to pay any amount in respect of Recoveries in excess of the Annual Limit or the Term Limit as described in clause 13.7(b), the payment obligations of the Performing Subsidiary and JHISE under this deed and the Related Agreements shall be adjusted by the amount of the excess as though the excess were a payment of a Relevant Liability under a Scheme to which clause 13.4 applies.

Note: If a Liable Entity (or the Trustee on its own behalf or on behalf of a Liable Entity) records as a liability in its financial statements any amount in respect of Recoveries in excess of the Annual Limit or the Term Limit, the amount is to be treated as an Asbestos Liability and thereby excluded from liabilities of the Trustee and the Liable Entities under clause 9.10(b)(ii) when determining the net assets of the Liable Entities under clause 9.4(a)(iii) for the purposes of calculating the Annual Contribution Amount.

- (d) If any Liable Entity (or the Trustee on its own behalf or on behalf of a Liable Entity) or any member of the JHISE Group is required to pay any amount representing any statutory entitlement of a Relevant Body that is not:

- (i) a Recovery for the purposes of this clause 13.7; or
- (ii) an amount otherwise permitted to be paid by this deed and the Transaction Legislation,

the payment obligations of the Performing Subsidiary and JHISE under this deed and the Related Agreements shall be adjusted by the amount of the payment as though the payment were a payment of a Relevant Liability under a Scheme to which clause 13.4 applies.

If a payment of the kind described in this clause 13.7(d) is required to be made or is reasonably anticipated to be required to be made, any Party may immediately request by Notice to the other Parties that they undertake the negotiations contemplated by clause 13.4(c)(ii).

- (e) For the purposes of clause 13.7(b) and section 32(3)(b) of the Transaction Legislation, the parties agree that Recoveries are to be paid in accordance with the provisions of the James Hardie Former Subsidiaries (Winding up and Administration) Amendment (Statutory Recovery Claims) Regulation 2012 (made pursuant to section 32(4) of the Transaction Legislation) (as amended from time to time) as if the reference to “statutory recovery claims” in the Regulation is a reference to Recoveries, unless the parties otherwise agree in writing.
- (f)
 - (i) To avoid doubt, the parties acknowledge that clauses 13.2 and 13.3 apply to this clause 13.7 and any amendment to the Transaction Legislation or the Release Legislation made in connection with the subject matter of this clause 13.7.
 - (ii) Without limiting clause 13.7(f)(i), the NSW Government undertakes and agrees that it will not amend the James Hardie Former Subsidiaries (Winding up and Administration) Amendment (Statutory Recovery Claims) Regulation 2012, or make any regulation to prescribe any claim as a “statutory recovery claim” without the consent in writing of JHISE.

14 ACTUARIAL ISSUES

14.1 Initial Report

The Parties acknowledge that:

- (a) JHISE engaged KPMG Actuaries to provide in the Initial Report, a calculation of the Discounted Central Estimate of the liabilities of the Liable Entities to Claimants as at 30 June 2005;
- (b) a copy of that Initial Report has been made available to the Parties;
- (c) the Initial Report clearly delineates the methodology and assumptions made for the purposes of that calculation.
- (d) if the Commencement Date has not occurred by 30 April 2006, any Party may by Notice before the Commencement Date, request that KPMG Actuaries consider a matter specified in the Notice (being a matter listed in **clause 14.2(b)**) to consider whether in light of the specified matter KPMG Actuaries wishes to amend the Initial Report under **clause 14.2**.

14.2 Initial Payment

- (a) The Parties acknowledge that the calculation of the Initial Funding amount set out in this deed has been based upon the facts, assumptions and results set out in the Initial Report.
- (b) JHISE acknowledges that the terms on which it has engaged KPMG Actuaries have included terms that if the Commencement Date has not commenced by 31 March 2006, KPMG Actuaries may, by further report (“**Further Actuarial Report**”) amend the Initial Report at any time before the Commencement Date by reason of the bona fide consideration by KPMG Actuaries of any of the following:
 - (i) new or additional information which has been provided to KPMG Actuaries and which would cause KPMG Actuaries to update or amend the Initial Report; and
 - (ii) actual experience.
- (c) Where KPMG Actuaries amends the Initial Report under **clause 14.2(b)**, whichever of JHISE or the Trustee has then engaged KPMG Actuaries must use its best endeavours to procure that KPMG Actuaries promptly gives the Further Actuarial Report to the Parties.
- (d) Subject to **clause 14.2(e)**, if the Parties are given a Further Actuarial Report in accordance with **clause 14.2(c)**, they must:
 - (i) meet to consider whether the Further Actuarial Report indicates that the Initial Funding or the Additional Payment remain an appropriate basis for the establishment of the Compensation Funds; and
 - (ii) negotiate in good faith to agree, if they agree that those payments and matters are no longer appropriate, amendments to **clause 9.2** (and, to the extent those amendments affect the amount of the Additional Payment, the amounts to be deducted under **clause 9.2**) so that the Initial Funding will be appropriate on the basis of the facts, assumptions and results set out in the Further Actuarial Report.
- (e) If a Further Actuarial report is prepared and the Commencement Date occurs before any agreement is reached under **clause 14.2(d)**, the Parties agree that the Initial Funding shall be calculated by reference to the Initial Report and not the Further Actuarial Report and the parties will negotiate in good faith to determine whether an adjustment payment in respect of the Initial Funding should be made by the Performing Subsidiary or the Trustee and if so the amount of such payment.

14.3 Liabe Entities to assist

The Trustee must procure (to the extent the Liabe Entities are subject to its control or direction) that the Liabe Entities:

- (a) provide to the Approved Actuary data and other assistance requested by the Approved Actuary to enable the Approved Actuary to prepare the Annual Actuarial Report for the period ending as at the Financial Year End of each Financial Year within 20 days of the Financial Year End of that year;
- (b) provide, if requested to do so, ongoing regular information to, amongst others, the Approved Actuary in relation to the notification, payment and settlement of Claims and Claims Legal Costs, and the assets available to meet Proven Claims, Claims Legal Costs and Operating Expenses and other Payable Liabilities; and
- (c) provide access for the Approved Actuary to Persons relevant to the operations of the Trustee and to Persons relevant to the operations of the Liabe Entities, including, but not restricted to, employees, executives, claims managers and advisers of the Trustee and the Liabe Entities.

14.4 Ongoing actuarial assessments

- (a) The Trustee will use its best endeavours to procure that the Approved Actuary prepares and provides to the NSW Government an Annual Actuarial Report by the date which is 20 days prior to each Payment Date. If the Approved Actuary is unavailable or unwilling to provide that report, the Trustee must immediately disclose to the other Parties the reasons known to the Trustee for such unavailability or unwillingness and must use its best endeavours to procure that the report is delivered as soon as possible after that due date (and **clause 9.4(b)** shall apply where the report has not been finalised at least 5 Business Days before the Payment Date).
- (b) Each Annual Actuarial Report must set out:
 - (i) the Discounted Central Estimate as at the end of the Financial Year ending prior to the Payment Date;
 - (ii) the Period Actuarial Estimate for the period commencing immediately after the end of the Financial Year preceding the Payment Date (the **Prior Financial Year**) and ending at the end of the third Financial Year following the Prior Financial Year (or, if the end of the Term has been determined not to be extended under **clause 9.9(b)**, and the remainder of the Term is less than 3 years, to the end of the Term); and
 - (iii) the Term Central Estimate for the period:
 - (A) from and including the day following the end of the Financial Year preceding that Payment Date;

- (B) up to and including the last day of the Term (excluding any automatic or potential extension of the Term pursuant to **clause 9.9**, unless or until the Term has been extended in accordance with that clause).
- (c) The Trustee must engage the Approved Actuary on terms that (and use its best endeavours to procure that):
 - (i) the Approved Actuary must undertake the calculations set out in **clause 14.4(b)** and include these calculations in its Annual Actuarial Report;
 - (ii) the Annual Actuarial Reports are prepared adopting methodologies and assumptions which are consistent from year to year, subject to the need and duty to update or vary such methodologies and assumptions where required to reflect generally accepted best practice methodologies and assumptions appropriate at the relevant time, to be clearly delineated consistent with determining a Discounted Central Estimate; and
 - (iii) the Annual Actuarial Report complies with PS300 or subsequent applicable Australian actuarial standards.

14.5 Review by NSW Government Reviewing Actuary

- (a) The NSW Government may from time to time appoint a NSW Government Reviewing Actuary to conduct a peer review of the Initial Report or any one or more Annual Actuarial Reports or Further Actuarial Report (not being a report given before the Initial Report and (other than in respect of the Initial Report) not more than 5 years before the date of appointment of the NSW Government Reviewing Actuary).
- (b) If after having made reasonable enquiries and assessment the NSW Government has not been able to identify an actuary who meets all of the requirements set out in the definition of “NSW Government Reviewing Actuary” in **clause 1.1**, the NSW Government shall notify the other Parties of that fact and failing agreement between the Parties within 21 days as to an actuary acceptable to all the Parties, the NSW Government shall promptly refer the matter to the President of the Institute of Actuaries of Australia, who shall have the sole power to select an available actuary who best meets those requirements to be the NSW Government Reviewing Actuary. The NSW Government may appoint the actuary so selected or may elect not to appoint a NSW Government Reviewing Actuary at that time.
- (c) Where the NSW Government proposes to make an appointment of a NSW Government Reviewing Actuary under **this clause 14.5**, it must promptly give Notice to JHISE, the Trustee and the Approved Actuary specifying:
 - (i) the name and address of the proposed appointee;

- (ii) the basis on which the proposed appointee fulfils the requirements for such an appointment as set out in the definition of “NSW Government Reviewing Actuary” in **clause 1.1**.
- (iii) the Initial Report, the Further Actuarial Report or the Annual Actuarial Reports to be reviewed by the proposed appointee; and
- (iv) an outline of the scope and purpose of the independent review.

14.6 Access by NSW Government Reviewing Actuary

If requested by the NSW Government Reviewing Actuary by Notice, the Trustee, must (and must use its best endeavours to procure the Liable Entities and the Approved Actuary to) provide:

- (a) data;
- (b) results of modelling; and
- (c) all other assistance and information (including providing reasonable access to the working papers of the Approved Actuary),

reasonably required by the NSW Government Reviewing Actuary, so as to enable the NSW Government Reviewing Actuary to conduct any peer review under **clause 14.5**. Those persons are only required to do so if the NSW Government Reviewing Actuary has executed a confidentiality deed (on terms reasonably acceptable to those persons and to the NSW Government) to keep confidential any information and data so provided and to recognise and protect the intellectual capital and property of the Approved Actuary’s work and models to the extent they are disclosed, provided it shall not be required to incur any material expenditure in complying with this requirement, but it may be liable to pay damages for any breach of this **clause 14.6**. The confidentiality deed will permit the NSW Government Reviewing Actuary to make any disclosure to the NSW Government, the Trustee, the Liable Entities, JHISE or the officers and employees or any of them, subject to the recipients being under a legally binding obligation of confidentiality in respect of such information, subject to limited exceptions to permit disclosures required by law.

14.7 NSW Government Reviewing Actuary Input

If the NSW Government Reviewing Actuary:

- (a) has reasonable grounds to disagree with, and in fact does not agree with, the information, calculations, methodology or assumptions in any Annual Actuarial Report or the Further Actuarial Report; and
- (b) considers that the disagreement is material,

the NSW Government may, at its discretion, give Notice to the Approved Actuary (with copies to the Trustee, JHISE and the Performing Subsidiary) setting out in detail

those assumptions or those elements of the methodology of the Annual Actuarial Report or the Further Actuarial Report with which the NSW Government Reviewing Actuary disagrees, and providing detailed reasons for its disagreement and for its view that the disagreement is material.

14.8 Consideration of NSW Government Reviewing Actuary's Notice

If the Trustee receives a copy of a Notice from the NSW Government to the Approved Actuary under **clause 14.7**, the Trustee must instruct the Approved Actuary:

- (a) to give the matters set out by the NSW Government *bona fide* consideration and provide a detailed response by Notice to the NSW Government (with copies to the Trustee, JHISE and the Performing Subsidiary); and
- (b) where the Approved Actuary considers it is necessary or appropriate to do so, to revise and reissue the most recent report on which the NSW Government Reviewing Actuary conducted its review or recalculate the Discounted Central Estimate, Term Central Estimate or Period Actuarial Estimate (as the case may be) as at the relevant Financial Year End upon the revised assumptions and methodologies.

14.9 Revised Report by Approved Actuary

- (a) If the Trustee gives an instruction under **clause 14.8** and the Approved Actuary issues a revised report, that report shall be in substitution for the relevant report under **clause 14.4**, and shall form the basis for calculating relevant amounts for the purposes of **clauses 9 and 10** for the relevant Financial Year.
- (b) Where an error or recalculation disclosed in the revised report of the Approved Actuary has resulted in the Performing Subsidiary making an overpayment or underpayment to the Trustee, the Performing Subsidiary shall promptly pay any amounts underpaid by it to the Trustee, or the Trustee shall promptly reimburse the Performing Subsidiary for any amount overpaid to it (as the case may be). Where the error resulted in no payment having occurred, the Performing Subsidiary shall promptly make the correct payment.

14.10 Actuarial Acknowledgments of Uncertainty

Each of the Parties acknowledges, without derogating from the remaining provisions of this deed, that:

- (a) there is inherent uncertainty involved in the actuarial assessment of long tail liabilities arising from exposure to Asbestos; and

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- (b) the primary purpose in obtaining the Annual Actuarial Reports is:
- (i) to ascertain the Discounted Central Estimate, the Term Discounted Central Estimate and Period Actuarial Estimates as at the end of the relevant Financial Year; and
 - (ii) not to determine the current amount that would need to be set aside in a closed fund established at the end of the relevant Financial Year in order to ensure that all Proven Claims would be paid in full without any further financial support to that fund.

14.11 Review of Draft Annual Actuarial Reports

- (a) The Trustee shall procure that the Approved Actuary provides to each of JHISE and the NSW Government an advanced draft of each Annual Actuarial Report at least 10 Business Days prior to that report being required to be finalised under this deed.
- (b) No later than 5 Business Days after receipt of a draft report under **clause 14.11(a)**, JHISE or the NSW Government may give Notice to the Trustee and the Approved Actuary with copies to the other Parties, requesting that the Approved Actuary consider specified questions of fact regarding the contents of the draft report.
- (c) The Trustee shall procure that the Approved Actuary considers in good faith any questions of fact notified under **clause 14.11(b)** by JHISE or the NSW Government with respect to the draft report.

15 FINANCIAL COVENANTS

15.1 Terms of Financial Covenants

JHISE covenants to the Trustee in terms of the Financial Covenants and warrants that these are equivalent to those given by it as at the date of this deed to its Initial Lenders.

15.2 Changes to Financial Covenants

If the Financial Covenants given by JHISE to the Lenders change or new Financial Covenants are given by JHISE to its Lenders from time to time during the Term in lieu of or in addition to any previously applicable Financial Covenant, JHISE automatically covenants to the Trustee in terms of those new or amended Financial Covenants. JHISE must notify the Trustee and the NSW Government of details of the new or amended Financial Covenants as soon as reasonably practicable and, until such Notice is given, the Financial Covenants in favour of the Trustee as last notified to the Trustee shall continue to apply in favour of the Trustee in addition to any new or amended Financial Covenants automatically given in favour of the Trustee.

15.3 Information undertakings

In the event that JHISE is obliged to notify a Lender of a breach of any of the Financial Covenants, JHISE agrees and undertakes to notify the Trustee and the NSW Government at the same time the Notice is given to the relevant Lender and keep the Trustee and the NSW Government informed, on a timely basis, of the outcome of discussions with the relevant Lender in respect of such a breach. Each recipient of such a Notice agrees to keep the contents and the fact of such Notices having been given confidential, other than to the extent reasonably necessary for the recipients to exercise their rights under this deed and any Related Agreements to which they are a party.

15.4 Auditor's Certificate

JHISE shall procure that, not later than 60 Business Days after the end of each Financial Year of JHISE, the JHISE Auditor gives the Trustee and the NSW Government a certificate in respect of that Financial Year specifying whether or not:

- (a) the financial statements for that year indicate that JHISE was on the last day of that Financial Year in breach of any of the Financial Covenants; or
- (b) in the course of its audit of the accounts of JHISE for that Financial Year, it became aware of any information that showed that JHISE was, on the last day of that Financial Year, in breach of any of the Financial Covenants and if it is aware of any such information, the JHISE Auditor must specify the nature and period of the existence of any breach.

15.5 Consents under the equivalent Financial Covenants

Where a Financial Covenant is given to the Trustee and conduct may not be engaged in or allowed without the consent of the Trustee under that Financial Covenant, then any consent or a waiver granted by the Lender under the equivalent Financial Covenant given by that Lender shall be taken to be consent or waiver (as the case may be) by the Trustee, but shall be subject to qualifications equivalent to those set out in the Lender's consent or waiver. JHISE must promptly deliver to the Trustee a certified copy of the consent or waiver granted by that Lender.

15.6 Warranty on Absence of Cross Guarantees

JHISE warrants to the Trustee and the NSW Government that at the date of this deed the Controlled Entities within the JHISE Group have not given Cross Guarantees of liabilities of JHISE to third parties, except as required:

- (a) to obtain relief under ASIC Class Order 98/1418 for wholly owned subsidiaries from preparing audited financial statements (or any class order amending, replacing or superseding such order); and
- (b) Australian Tax Office tax consolidation requirements imposed by virtue of Part 3-90 of the *Income Tax Assessment Act 1997* (Cth).

15.7 Future Cross Guarantees

If on or after 21 December 2004 any Controlled Entity of JHISE has entered or enters into any Cross Guarantee in favour of any Lender, JHISE must procure that:

- (a) the relevant Controlled Entity gives in favour of the Trustee a cross guarantee subordinated to the Cross Guarantee given to the Lender (but otherwise on equivalent terms); and
- (b) that such cross guarantee remains in force for as long as the Lender's Cross Guarantee remains in force.

15.8 Warranty and Covenant in relation to JHISE liabilities

JHISE warrants to the Trustee and the NSW Government that, at the date of this deed, JHISE has no material liabilities other than:

- (a) creditors, provisions and indemnities incidental to its activities as a holding company without a material operating business, and
- (b) guarantees or indemnities given to Lenders;
- (c) liabilities in relation to Taxation;
- (d) liabilities to Shareholders in their capacity as such not prohibited under this deed;
- (e) those liabilities arising by virtue of the cross guarantees described in **clause 15.6**; and
- (f) liabilities arising under this deed and the Related Agreements to which it is a party,

and covenants that, for the term of this deed, it will have no material liabilities other than those of the kind described in **clauses 15.8(a) to (f)** inclusive.

15.9 Reporting under Intercreditor Deeds

JHISE agrees to provide to the NSW Government and the Trustee, on a quarterly basis, summary information in relation to the quantum and type of Finance Money Debt (as defined in the Intercreditor Deeds) of the JHISE Group (but JHISE shall not be required to disclose details of Lenders as part of such reporting).

16 DEFAULT

16.1 Notifications of Default

- (a) JHISE, the Performing Subsidiary and, to the extent it becomes aware of the following, upon becoming so aware, the Trustee must immediately give Notice complying with **clause 16.1(b)** to the Trustee and the NSW Government where there is:
 - (i) a failure by the Performing Subsidiary to make any Funding Payment at the time required;

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- (ii) a failure by JHISE to make any payment required by the JHISE Guarantee at the time required; or
 - (iii) any other failure, breach or default by JHISE or the Performing Subsidiary under this deed or any Related Agreement of which they become aware.
- (b) A Notice under **clause 16.1(a)** must specify:
- (i) the failure, breach or other default of which Notice is given; and
 - (ii) material particulars of that failure, breach or other default.

16.2 Special Default of JHISE or Performing Subsidiary

A Special Default occurs if and only if:

- (a) the Performing Subsidiary fails to make a payment when due under **clause 9** and such payment is not made within three months of a Notice of default being given to JHISE by the NSW Government or by the Trustee; or
- (b) JHISE breaches its obligations under **clause 7** of this deed and JHISE does not remedy the breach within three months after Notice of the default has been given to JHISE by the NSW Government or the Trustee,

and immediately ceases to exist where that payment is made or that breach has been remedied, as the case may be.

16.3 Consequences of Special Default of JHISE or Performing Subsidiary

- (a) Without prejudice to **clause 10**, if a Special Default occurs, there is no acceleration of the obligations of any member of the JHISE Group to the Trustee, but, without limiting any other remedy that may be available to the Trustee or the NSW Government during the currency of a Special Default, no member of the JHISE Group shall be entitled to declare or pay any Equity Distributions to Equity Securityholders of JHISE.
- (b) If a Special Default occurs, or an Insolvency Event in relation to JHISE occurs, and so long as that Special Default or Insolvency Event remains in existence, and the NSW Government gives to JHISE a Notice that this **clause 16.3(b)** is to apply:
 - (i) the quorum for a Trustee Board meeting will be two Directors appointed by the NSW Government;

- (ii) the total number of votes that may be cast at any Trustee Board meeting by the Directors (including the Chairman) appointed by JHISE or one of its subsidiaries present at the meeting shall be one less than the number of votes that may be cast by the number of Directors appointed by the NSW Government present at that meeting; and
- (iii) the Trustee Board shall be constituted so that the majority of Directors shall have been appointed by the NSW Government, and:
 - (A) the NSW Government may appoint further Directors so that the foregoing is achieved, and the Chairman (and remove any such appointees); and
 - (B) JHISE shall procure the resignation of the requisite number of Directors appointed by JHISE so that the foregoing is achieved.

16.4 Remedy of Special Default of JHISE or Performing Subsidiary

If following the exercise by the NSW Government of its rights under **clause 16.3(b)** any Directors have been appointed or removed pursuant to **clause 16.3(b)(iii)** and the relevant Special Default is remedied or the Insolvency Event ceases to exist (as the case may be):

- (a) the NSW Government must immediately give Notice to the Trustee under **clause 5.3** removing, and procure the resignation of, the Directors that it appointed as a result of that Special Default or Insolvency Event; and
- (b) JHISE may appoint replacement directors under **clause 5.2** such that the majority of Directors are then appointed by JHISE.

16.5 Other breaches, including by the NSW Government or the Trustee

- (a) If any Party to this deed becomes aware that it has breached any of the terms of this deed (other than breaches which comprise Special Defaults), then that party must immediately give each other Party to this deed a Notice setting out full details of the breach and its expected impact on its future compliance with its obligations arising under this deed.
- (b) If a Party to this deed becomes aware that any other Party has breached any of the terms of this deed (other than breaches which comprise Special Defaults), it may give that other Party Notice of the breach.
- (c) The Party in breach which gives or receives a Notice under **clause 16.5(a) or (b)** shall have a reasonable period after the first such Notice to rectify the breach, except where the breach is incapable of remedy and the other Parties shall not take action in relation to such breach until such period has expired.

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- (d) For the avoidance of doubt, this **clause 16.5** does not require the giving of Notice or any other act before **clause 10** applies in accordance with its terms.
- (e) The absence of express termination rights in this deed shall not derogate from or qualify the common law termination rights of each Party (if any), which are expressly (and are intended to be) preserved in full, save that:
- (i) JHISE cannot terminate this deed or any Related Agreement for any default or breach committed by the Trustee whilever directors appointed by JHISE to the Trustee Board are entitled to exercise a majority of the votes of that Board;
 - (ii) the NSW Government cannot terminate this deed or any Related Agreement for any default or breach committed by the Trustee whilever the quorum and voting arrangements described in **clause 16.3(b)** apply; and
 - (iii) termination by the NSW Government in respect of a default by JHISE (and vice versa) shall operate to terminate this deed as between all of the Parties to it; and
 - (iv) the Trustee can only terminate this deed where permitted to do so under the terms of the Trust Deed.

16.6 NSW Government's right and power to enforce

- (a) Subject to **clause 16.6(c)**, the NSW Government shall be entitled directly to enforce all promises made by JHISE and the Performing Subsidiary to the Trustee under **clauses 6, 9, 10, 15.1** and **15.7** of this deed, under each Related Agreement to which the Trustee is a party and each Cross-Guarantee given in favour of the Trustee by any Controlled Entity of JHISE, in each case, to the full extent permitted by law provided that:
- (i) in relation to **clause 9** and without prejudice to the operation of **clause 10**, neither the Trustee nor the NSW Government may exercise any such enforcement right (other than urgent interlocutory relief as described in and subject to the provisions of **clause 16.6(c)(iv)(B)** below) in respect of a default by the Performing Subsidiary in paying the Annual Payment (or any instalment thereof) under **clause 9** for a period of 40 days from the date when such Annual Payment (or any instalment thereof) was due if:
 - A. the Performing Subsidiary or JHISE has immediately provided to the NSW Government reasons for the default and such reasons are reasonable in the circumstances (for example and without limitation, that JHISE is experiencing temporary cash flow difficulties and is seeking to rectify the difficulty);

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- B. JHISE has promptly after that due date entered into and continued to pursue or been ready, willing and able to enter into and pursue discussions with the NSW Government and (if available) the Trustee to remedy that default and provides to the NSW Government and the Trustee material particulars of the default and the proposed remedy or remedies;
- C. JHISE is not and does not become Insolvent at any time during that period; and
- D. subject to **clause 10**, a Reconstruction Event does not occur at any time during that period.
- provided that such period shall automatically expire upon any of the requirements in sub-paragraphs (A) to (D) inclusive (**Moratorium Requirements**) ceasing to be satisfied; and
- (ii) if all of the Moratorium Requirements remain satisfied at the expiry of the above 40 day period and, in the opinion of the NSW Government (acting reasonably), there is a reasonable prospect of JHISE or the Performing Subsidiary paying the outstanding amount within a further period of 50 days, the initial 40 day period shall be extended by a further 50 days, save that such period shall automatically expire upon any of the Moratorium Requirements ceasing to be satisfied.
- (b) Subject to **clause 16.6(c)**, the NSW Government shall have the power directly to enforce as an attorney of the Trustee under the Irrevocable Power of Attorney and on behalf of the Trustee all promises made by JHISE and the Performing Subsidiary to the Trustee under **clauses 6, 9, 10, 15.1** and **15.7** of this deed, under each Related Agreement to which the Trustee is a party and each Cross-Guarantee given in favour of the Trustee by any Controlled Entity of JHISE, provided that such power may only be exercised or enforced subject to the same requirements applicable to the NSW Government's direct enforcement entitlements contained in **clauses 16.6(a)(i)** and **(ii)**. The NSW Government and the Trustee covenant that they will not amend or replace the Irrevocable Power of Attorney without the prior written consent of JHISE, not to be unreasonably withheld.
- (c) Prior to taking any action to exercise any of the foregoing powers of enforcement ("**Action**"):
- (i) the NSW Government shall Notify the Trustee of the Action the NSW Government would propose to take and the reasons why such Action is required or appropriate;
- (ii) the Trustee may by Notice to the NSW Government within 3 Business Days of receipt by the Trustee of the Notice described **in clause 16.6(c)(i)** indicate its views on the NSW Government's proposed Action,

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- including whether the Trustee has any objection to such proposed Action, and shall provide its reasons for such views and any objection by the Trustee to such proposed Action (including without limitation any course of action the Trustee might propose to take in response to the NSW Government's proposal);
- (iii) the NSW Government must give proper and *bona fide* consideration to the views and any objection by the Trustee set out in the Trustee's Notice described in **clause 16.6(c)(ii)**, and subject to the Trustee Board being promptly available for such a meeting, meet with the Trustee Board if requested so to do by that Board and if after so doing the NSW Government nevertheless proposes to take such Action, unless such Notice is waived by the Trustee, the NSW Government shall give at least 2 Business Days' Notice to the Trustee of its intention so to do; and
 - (iv) the NSW Government shall be entitled only to take:
 - (A) the Action so Notified, such other alternative action as may reasonably be considered to be within the general scope of the Action so Notified, or as otherwise agreed by the Trustee, and any of the foregoing actions as shall be reasonably incidental to either the Action so Notified or such alternative or agreed Action; and
 - (B) urgent Action in the nature of seeking urgent interlocutory Court relief of which it was not practicable for the procedure in ~~this~~**clause 16.6(c)** to be carried out, provided that the NSW Government gives such notice of such urgent action to the Trustee in relation thereto as shall be reasonably practicable in the circumstances.
- (d) Subject to the foregoing and **clause 10.3(i)**, the NSW Government shall be entitled to claim and recover as damages (in addition to all other amounts which the NSW Government may be entitled to claim and recover on the NSW Government's own behalf) an amount equal to the damages which the Trustee itself would have suffered as a result of the breach to which the power of enforcement relates, together with any interest to the extent not included in the damages, provided that in relation to any such claims or any exercise by the NSW Government of its enforcement entitlements or its exercise of powers as attorney:
- (i) the NSW Government may not recover any such amount to the extent that the same amount has previously been recovered by the Trustee;
 - (ii) the Trustee may not recover any such amount to the extent that the same amount has previously been recovered by the NSW Government;

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- (iii) any amount recovered by the NSW Government pursuant to its rights under this **clause 16.6** (excluding any amounts required to be disgorged by operation of law and legal and other recovery costs to the extent recovered in relation to the NSW Government in its own capacity and not on behalf of the Trustee) shall reduce any liability or obligation of JHISE and/or the Performing Subsidiary to the Trustee under this deed or a Related Agreement by a corresponding amount;
 - (iv) unless **clause 4.6** applies, any amounts received by the NSW Government pursuant to its rights under this **clause 16.6** or which is due and payable to it (excluding any amounts required to be disgorged by operation of law (disregarding any law which comes into force in breach of **clause 13** and which breach has been Notified to the NSW Government) its legal and other recovery costs), must be paid (or, where not yet received, directed by it to be paid) immediately to the Trustee and such amounts shall be held on trust for the Trustee;
 - (v) if **clause 4.6** applies, any such amount received by or under the direction of the NSW Government (excluding legal and other recovery costs to the extent recovered in relation to the NSW Government in its own capacity and not on behalf of the Trustee) shall be paid in accordance with that clause;
 - (vi) if the NSW Government takes any action in exercise of any such enforcement entitlements, it shall be liable to the Trustee for such damage as the Trustee may suffer from any negligence in relation to the timing or manner of such action, unless at the time such action is taken a majority of directors of the Trustee Board were appointed by JHISE and control a majority of the voting rights of that Board and the Trustee has been given reasonable prior Notice of such action by the NSW Government and not objected to such action.
- (e) If the NSW Government takes any enforcement action under this **clause 16.6**, it may, by Notice to the Trustee but subject to **clause 16.6(d)(iv)**, require that the Trustee refrain from taking any action which, if taken, would be inconsistent with the Action of the NSW Government under this **clause 16.6** or, subject to law, rescind or revoke prior actions undertaken by the Trustee.
- (f) The Trustee must not, without the prior written consent of the NSW Government, waive or compromise all or any part of any payment (actually or contingently) due from JHISE or the Performing Subsidiary under this deed or any Related Agreement, and the Parties acknowledge that any such purported waiver or compromise that is not accompanied by such written consent from the NSW Government is invalid, has no effect on the obligations of JHISE or the Performing Subsidiary and cannot be relied upon or pleaded by way of estoppel or otherwise.

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- (g) The NSW Government's power of enforcement referred to in this **clause 16.6** is without prejudice to any of the rights and powers conferred on the NSW Government (whether alone or jointly with others) under, or consequent upon a breach by a Party of its obligations under, this deed or any Related Agreement.
- (h) Subject to the foregoing provisions of this **clause 16.6**, the power of the NSW Government to enforce under this **clause 16.6** on behalf of the Trustee shall be without prejudice to and shall not derogate or detract from the rights and powers of the Trustee to enforce the provisions of this deed (and any Related Agreement to which it is a party) given in favour of the Trustee.

16.7 Interest on defaults

Except as otherwise provided for in **clause 9.4(b)(vii)** or **9.7**, if the Performing Subsidiary or JHISE fail to pay a JHISE Contribution when due and payable under this deed, then the Trustee shall be entitled to charge interest on that amount for the period it remains unpaid at an interest rate per annum equal to the Interest Rate plus 100 basis points.

17 INTERIM FUNDING

17.1 Interim Funding to Liable Entities

Pending the provision of funding under this deed, and prior to the earlier of the Commencement Date and the date referred to in **clause 2.2(a)**, and subject to the other existing sources of funding of the Liable Entities being exhausted, and subject to agreement as to the extent and terms thereof, JHISE and the Performing Subsidiary shall assist in ensuring that funding is available to the Liable Entities for the purposes of meeting liabilities to Claimants up to the earlier of the Commencement Date and the date referred to in **clause 2.2(a)**.

17.2 Conditions to interim funding

JHISE's obligations under this **clause 17** are conditional upon each of the Parties to this deed other than JHISE and the Performing Subsidiary performing their respective obligations under this deed.

17.3 Type of assistance

The extent and manner of assistance to be provided (for example, by way of loan or advance) and the terms and conditions thereof are to be agreed by JHISE and the Liable Entities.

17.4 Repayment of Interim Funding

The Parties acknowledge and agree that notwithstanding that the funding to be provided by JHISE or any of its subsidiaries as contemplated by this clause 17 is not a "Payable Liability" as defined in this deed, that funding and interest applicable thereon (calculated in accordance with the terms on which such funding is advanced to any Liable Entity) must be repaid from the Initial Funding.

18.1 Power to Borrow

Subject to the terms of the Trust Deed, the Trustee may borrow funds in the event that there is a shortfall or prospective shortfall of funds being available to it by way of Funding Payments and may repay such borrowed funds and pay any interest (whether or not capitalised) or other amounts payable in respect of or in connection with such borrowed funds.

18.2 No Credit Support by NSW Government or the JHISE Group

Except as provided in the Facility Agreement, the Trustee shall not be entitled to credit or other borrowing support from the NSW Government or the JHISE Group.

18.3 Repayment of amounts under an Authorised Loan Facility

The Parties agree that no later than 1 week after JHISE announces its third quarter financial results in each Financial Year, they will meet to discuss the amount of the Annual Payment that is then anticipated to be made on the next Payment Date and its impact on the ability of the Trustee to meet the anticipated Payable Liabilities for the Financial Year in which that Payment Date falls.

Note in relation to clause 18.3

The intention of any meeting convened in accordance with clause 18.3 is for the Parties to consider any funding needs of the Trustee including the Trustee's capacity to repay amounts under any Authorised Loan Facility.

18.4 Facility Agreements and amendments

- (a) The NSW Government agrees with JHISE that it will not enter into any Facility Agreement or Security Documentation without the prior written consent of JHISE (such consent not to be unreasonably withheld or delayed). JHISE acknowledges that it has consented to the form of the Initial Facility Agreement and the Security Documentation entered into in connection with the Initial Facility Agreement.
- (b) The NSW Government agrees with JHISE that it will not amend any Facility Agreement or Security Documentation without the prior written consent of JHISE (such consent not to be unreasonably withheld or delayed).

19.1 Education campaign

JHISE agrees that it will contribute an amount of \$75,000 per annum for a period of 10 years (starting on the Commencement Date and payable on or by each anniversary thereof) towards an education campaign for the benefit of the Australian public on the dangers of Asbestos on the following basis:

- (a) the Parties are to seek, on an ongoing basis, the active co-operation and funding support of the Other Governments, insurers and other companies with Asbestos liabilities relevant to the focus of the education campaign described in **clause 19.1(f)** for the education campaign;
- (b) funding shall be administered by a Committee comprised of representatives of the NSW Government, JHISE, the ACTU and any Persons who have committed a minimum of \$50,000 per annum to the education campaign (if they so wish);
- (c) amounts contributed by JHISE and not spent within a certain year shall be carried over to the next year and amounts left over at the end of the 10 year period shall be allocated at the Committee's sole discretion to:
 - (i) education programs determined by the Committee; or
 - (ii) a medical research funding institution of good repute which conducts medical research into Asbestos, as selected by the Committee following consultation with JHISE;
- (d) the Committee will consider the style and content of the education campaign and will not endorse that content or style without the approval of a majority of the representatives on the Committee;
- (e) the Parties acknowledge the importance of an endorsement by a government of education material and the Committee will use reasonable endeavours to obtain such an endorsement of its education material and the NSW Government agrees to consider in good faith such requests for endorsement;
- (f) the education campaign will focus on "home renovators" by:
 - (i) alerting those people to the dangers of Asbestos;
 - (ii) alerting those people as to what products may contain Asbestos and where those products may be found in existing household or other environments; and
 - (iii) advising those people as to the steps that ought be taken by people planning home renovations or who otherwise identify Asbestos products in their home or other environment; and
- (g) the education campaign will use such methods as are determined by the Committee in its discretion.

19.2 “In kind” assistance

In addition to its obligation to contribute money under **clause 19.1**, JHISE and the NSW Government each agree to provide a reasonable level of “in kind” assistance to assist in the delivery of the education campaign by the methods determined by the Committee. By way of example only, such “in kind” assistance might involve the use of the JHISE Group’s distribution network within Australia to distribute educational material designed to be made available to home renovators at point of sale of hardware products.

20 MEDICAL RESEARCH³

20.1 Medical research

Subject to **clause 20.3**, the Parties agree that:

- (a) JHISE will contribute an amount of \$500,000 per annum for a period of 10 years (starting on the Commencement Date and payable on or by each anniversary thereof) for the purposes of conducting or funding the conduct of medical research into the diagnosis and treatment of Asbestos diseases on the basis that:
 - (i) JHISE administers its own medical research grants scheme with the assistance of relevant experts to review and make recommendations concerning the expressions of interest and research proposals; and
 - (ii) any funds not used in any particular year can be carried over and added to the next year’s funding amount;
- (b) JHISE will, within 9 months of the Commencement Date, establish a trust for the purposes of conducting or funding the conduct of medical research into the diagnosis and treatment of Asbestos diseases and ensure that all funds paid to that trust are maintained in one or more bank accounts to be used only for the purposes of the trust;
- (c) the trustee of the medical research trust will at all times be a member of the JHISE Group determined by JHISE in its discretion;
- (d) the awarding of medical research grants from the proceeds of the trust shall be a matter for the trustee to determine in accordance with the purposes of the trust; and

³ Clause 20 is as amended by deed dated 8 November 2007.

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- (e) on and from the time the final payment required under this **clause 20.1** is made, or if for any reason the trust determines earlier than on the tenth anniversary of the Commencement Date, JHISE may at its election, by Notice to the NSW Government determine the medical research trust and in any such case any resulting surplus funds and any amounts not then due and payable under **clause 20.1(a)** shall be paid to one or more medical research institutions selected by agreement between JHISE and the NSW Government which are of good repute and which conduct medical research into the diagnosis and treatment of Asbestos diseases (and on such terms as JHISE may consider reasonable to ensure that such funds are only expended on such medical research into Asbestos diseases).

20.2 Reporting obligations

- (a) Subject to **clause 20.3**, within 20 Business Days after establishing the trust referred to in **clause 20.1(b)**, JHISE shall give Notice to the NSW Government confirming that the trust has been established and attaching a copy of the instrument by which the trust was established.
- (b) Subject to **clause 20.3**, JHISE agrees to promptly provide to the NSW Government copies of the annual reports, financial statements and such other periodic reports as may be produced by the medical research trust from time to time in relation to the granting of medical research grants.
- (c) Subject to **clause 20.3**, JHISE agrees to procure that the trust deed pursuant to which the trust is established shall oblige the trustee to include within its periodical reporting:
- (i) the amount of each contribution by JHISE under **clause 20.1(a)** and the current balance of the trust funds; and
 - (ii) in respect of each medical research grant from proceeds of the trust, the name and address of the recipient of such grant, the amount of such grant and details of the medical research project to which such grant is to be applied.

20.3 Deed with NHMRC or other approved research organisation

- (a) The parties agree that if:
- (i) JHISE and the National Health and Medical Research Council (“**NHMRC**”) enter into a deed in a form acceptable to the NSW Government, acting reasonably (“**NHMRC Deed**”) within the period of time specified in **clause 20.1(b)**;

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- (ii) each “Annual Amount” that JHISE pays to the NHMRC under the NHMRC Deed is no less than \$500,000;
 - (iii) JHISE pays the first “Annual Amount” to the NHMRC as soon as possible after the “Commencement Date” under the NHMRC Deed and thereafter pays the “Annual Amount” to the NHMRC in February of each year, commencing in February 2008;
 - (iv) JHISE promptly provides to the NSW Government a copy of any receipt it receives from the NHMRC in respect of any “Annual Amount” JHISE pays to the NHMRC under the NHMRC Deed;
 - (v) JHISE promptly provides to the NSW Government a copy of each “Annual Funding Report” it receives from the NHMRC under the NHMRC Deed;
 - (vi) JHISE complies with the NHMRC Deed; and
 - (vii) the NHMRC Deed is not terminated,

then, for the period in which all of the above circumstances exist, JHISE’s obligations under **clauses 20.1 and 20.2** are suspended.

- (b) The parties agree that if:
 - (i) the NHMRC Deed is terminated but, within two (2) months of termination (or such longer period as agreed to in writing by the NSW Government), JHISE enters into a deed in a form acceptable to the NSW Government, acting reasonably, (“**Research Deed**”) with another medical research institution of good repute which conducts medical research into the diagnosis and treatment of Asbestos related diseases (or selects and provides funding to grantees who conduct such research) and which is acceptable to the NSW Government, acting reasonably (“**Approved Organisation**”);
 - (ii) each “Annual Amount” that JHISE pays to the Approved Organisation under the Research Deed is no less than \$500,000;

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- (iii) the first payment of an “Annual Amount” under the Research Deed is made on or before whichever is the latest to occur of the date by which the next payment would have been due under the NHMRC Deed had it not been terminated or the date which is two (2) months after the date the NHMRC Deed is terminated (or such longer period as agreed to in writing by the NSW Government);
 - (iv) other than in respect of the first payment which is to be paid in accordance with clause 20.3(b)(iii), JHISE pays the “Annual Amount” to the Approved Organisation in February of each year, commencing after the Research Deed is entered into;
 - (v) JHISE promptly provides to the NSW Government a copy of any receipt it receives from the Approved Organisation in respect of any “Annual Amount” JHISE pays to the Approved Organisation under the Research Deed;
 - (vi) JHISE promptly provides to the NSW Government a copy of each “Annual Funding Report” it receives from the Approved Organisation under the Research Deed;
 - (vii) JHISE complies with the Research Deed;
 - (viii) the Research Deed is not terminated, other than in circumstances where following its termination, JHISE enters into a new Research Deed in accordance with **clause 20.3(b)(i)** (amended as if references to the “NHMRC Deed” were references to the Research Deed being terminated); and
 - (ix) upon a Research Deed being terminated and JHISE entering into a new Research Deed with a new Approved Organisation in accordance with **clause 20.3(b)(i)** (amended as if references to the “NHMRC Deed” were references to the Research Deed being terminated), JHISE complies with **clauses 20.3(b)(ii) to (vii)** in relation to the new Research Deed (amended as if references to the “NHMRC Deed” (other than the reference in **clause 20.3(b)(vii)**) were references to the last

Research Deed terminated and references to the “Approved Organisation” were references to the research institution that is a party to the new Research Deed), then, for the period in which all of the above circumstances exist or are being complied with, JHISE’s obligations under **clauses 20.1** and **20.2** are suspended.

- (c) If:
- (i) the NHMRC Deed is terminated and JHISE does not enter into a Research Deed in accordance with **clause 20.3(b)(i)**; or
 - (ii) any Research Deed is terminated and JHISE does not enter into a new Research Deed in accordance with **clause 20.3(b)(i)** (amended as if references to the “NHMRC Deed” were references to the Research Deed being terminated); or
 - (iii) for any other reason JHISE does not make ten payments in total of at least \$500,000 each under the NHMRC Deed and any Research Deeds in accordance with clauses 20.3(a) or 20.3(b) (as relevant) within 10 years of the Commencement Date,
- then JHISE’s obligations under **clauses 20.1** and **20.2** will cease to be suspended and JHISE must comply with those obligations in respect of the balance of \$5,000,000, after deducting any payments made to NHMRC under the NHMRC Deed or an Approved Organisation under a Research Deed.
- (d) If **clause 20.3(c)** applies, JHISE must establish the trust fund required under **clause 20.1** as soon as reasonably practicable after the relevant event in **clauses 20.3(c)(i), (ii)** or **(iii)** occurs, and no later than the date which is 6 months after that event occurs.

21 BANS AND BOYCOTTS

If requested by JHISE, the NSW Government will write to persons persisting in bans or boycotts in New South Wales with respect to JHISE’s products requesting that such bans and boycotts be lifted.

22 OPINIONS

22.1 Acknowledgement of receipt of opinions effective at the date of this deed

Each Party acknowledges that JHISE has obtained (effective as of the date of this deed), for the benefit of all Parties to this deed, the following opinions relating to the validity, binding nature and enforceability of this deed, the insolvency law in relevant jurisdictions including Australia, and such other matters set out in those opinions:

- (a) an opinion from Atanaskovic Hartnell as to the validity, binding nature and enforceability of this deed under Australian law, in the form set out in **Schedule 4**; and
- (b) an opinion from De Brauw Blackstone Westbroek in relation to Dutch law in the form set out in **Schedule 5**.

22.2 Opinions to be received following execution of this deed

JHISE agrees to obtain the following opinions in respect of compliance with relevant laws and applicable Stock Exchange requirements relating to JHISE seeking Shareholder approval as described in **clause 2.1(d)** and the form and content of the Shareholders Documentation, for the benefit of all Parties to this deed:

- (a) an opinion from Atanaskovic Hartnell in the form set out in **Schedule 6**;
- (b) an opinion from De Brauw Blackstone Westbroek in relation to Dutch law in the form set out in **Schedule 7**;
- (c) a corresponding opinion from Gibson, Dunn and Crutcher LLP in relation to applicable U.S. Federal and Californian law and the rules and regulations of the New York Stock Exchange in the form set out in **Schedule 8**,

or such other law firms qualified to provide such opinions which are acceptable to the Parties acting reasonably (as the case requires).

23 CONFIDENTIALITY

23.1 Confidentiality

Subject to **clause 23.2**, each Party shall, and shall procure that its employees, officers, agents and advisers (each a **'Representative'**) keep strictly confidential:

- (a) the terms of this deed and the Related Agreements until the Shareholder Documentation has been sent to Shareholders; and
- (b) all information provided to that Party or its Representatives in relation to, or in connection with this deed or any Related Agreement; and
- (c) all matters relating to the Transaction Legislation and the Release Legislation, including without limitation, drafts of the Transaction Bill, the Amending Bill and the Release Bills.

and each Party shall be responsible for all acts and omissions of its Representatives in relation to such information.

23.2 Exceptions

A Party (and its Representatives) may disclose information under or obtained in connection with this deed, the Compensation Funds, the Related Agreements and the initialled drafts of the Transaction Legislation and the Release Legislation as may be necessary to:

- (a) the Party's related bodies corporate, professional advisors, bankers, financial advisors and financiers, if those persons undertake to keep the information disclosed confidential;
- (b) any Person being considered by a Party to be nominated as a Director, provided that such candidate agrees to keep such information confidential pending his or her appointment (after which the Director shall be subject to the same confidentiality requirements applicable to other Directors) and failing such appointment being made the candidate must immediately return all such information in written or recorded form and delete all electronic records of such information in its possession or under its control;
- (c) comply with any applicable law or requirement of any regulatory body (including any relevant Stock Exchange) and any corporate governance guidelines adopted by such bodies which are adopted by JHISE;
- (d) any of its employees to whom it is necessary to disclose the information, if that employee undertakes to keep the information confidential;
- (e) gain necessary approvals for the purpose of entering into or implementing this deed (including by satisfying the Conditions) provided (except in the case of the Condition in **clause 2.1(d)**) that, except in relation to any disclosures made pursuant to **clause 2.5**, the recipient is provided with a copy of this **clause 23** and agrees to keep such information confidential;
- (f) any Person as permitted by the written agreement of all Parties; or
- (g) any Person if the content of the Disclosure is or has become generally available to the public otherwise than by breach of this deed or by breach of any confidentiality deed entered into on or before the date of this deed and to which the NSW Government and JHISE (among others) were party in relation to the Transaction Bill and the Release Bills (and for the avoidance of doubt, once a version of the Transaction Legislation or the Release Legislation is introduced in the NSW Parliament, only so much of any other version of the

Transaction Legislation, the Release Legislation, the Transaction Bill or the Release Bills as is reflected in the terms in which it is introduced is then in the public domain).

23.3 Disclosure to the parties to the Heads of Agreement

A Party may disclose the terms of this deed to a party to the Heads of Agreement and their professional advisors provided the following terms and conditions are satisfied:

- (a) those persons must have previously agreed to keep such information strictly confidential until such time as the Shareholder Documentation is sent to Shareholders;
- (b) access by such persons to the terms of this deed shall be supervised by the disclosing Party; and
- (c) such persons shall not be permitted to photocopy or retain a copy of this deed or any of the Related Agreements to which they are not party, until the Shareholder Documentation has been sent to Shareholders.

24 AGREED SUMMARY

The Parties have agreed upon a summary of this deed and the Related Agreements which is set out in **Annexure 2**. This deed (other than the summary) and the Related Agreements prevail over the summary, and for the avoidance of doubt the summary does not form part of this deed. The summary is not subject to **clause 23.1**.

25 COSTS AND STAMP DUTY

25.1 Costs

Subject to **clause 25.2**, unless and to the extent otherwise agreed in writing between any of the Parties, each Party must bear its own costs arising out of the negotiation, preparation and execution of this deed and the Related Agreements

25.2 Stamp duty

Subject to **clause 25.3**, all Duty payable on or in connection with this deed and any Related Agreement and any instrument executed under or any transaction evidenced by such documents must be borne by JHISE.

25.3 Waiver of NSW stamp duty

The NSW Government agrees to waive any Duty payable to it on or in connection with this deed or any Related Agreement in accordance with **section 63** of the Transaction Legislation.

26 GOVERNING LAW AND JURISDICTION

26.1 Governing law

This deed is governed by the laws of New South Wales.

26.2 Submission to jurisdiction

Each Party submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales, and waives any right to claim that those Courts are an inconvenient forum.

26.3 Service

- (a) A document may be served on a Party by delivering it to that Party at its address in **clause 30**.
- (b) This **clause 26.3** does not prevent another mode of service.
- (c) JHISE irrevocably appoints James Hardie Australia Pty Limited (ACN 084 635 558 as its agent to receive service of process in any legal action or proceeding related to this deed or any Related Agreement in the Courts of New South Wales, and must appoint a substitute agent reasonably acceptable to the NSW Government if the then current agent is unable to receive service of process.

27 COUNTERPARTS

This deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

28 ACCESS TO INFORMATION

- (a) If at any time there is no Director in office who has been appointed by the NSW Government or if the NSW Government has requested the Trustee in writing to do so, the Trustee must do the following, provided that the NSW Government shall not be entitled to exercise these rights in such a way as to interfere with or impose a material compliance or administrative burden on the Trustee:
 - (i) upon being requested to do so on a Financial Year by Financial Year basis, provide to an officer of the NSW Government notified by the NSW Government to the Trustee and JHISE from time to time as being designated for this purpose (“**Designated Officer**”) copies of all notices of meeting of the Trustee Board, all agendas and copies of minutes of Trustee Board meetings held during that Financial Year as if the Designated Officer were a Director;
 - (ii) promptly, upon being requested to do so in relation to a particular meeting, provide the Designated Officer with a copy of the Board Papers of the Trustee Board as if the Designated Officer were a Director;

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- (iii) upon being given reasonable notice, permit the NSW Government to inspect the property of the Trustee during office hours;
 - (iv) upon being given reasonable notice, permit the NSW Government to inspect and take copies of the Trustee's business records, including its accounts; and
 - (v) respond to reasonable enquiries relating to the business affairs and finances of the Trustee and permit the Designated Officer and such other senior officers ("Senior Officers") of the NSW Government as may be reasonably necessary with reasonable access to the officers, employees, and Approved Auditor of the Trustee to enable such matters to be discussed.
- (b) The NSW Government agrees and undertakes to procure that all information obtained by it or the Designated Officer or any Senior Officer in relation to the Trustee under this **clause 28** shall be kept confidential and shall be used only for the purpose of assessing the compliance of JHISE, the Performing Subsidiary and the Trustee with their respective obligations under this deed and the Related Agreements.
 - (c) JHISE, the Performing Subsidiary and the Trustee acknowledge that the confidentiality obligations of the NSW Government under **clause 28(b)** are without prejudice to any overriding obligations of any NSW Government Minister to perform his or her Ministerial duties to the NSW Parliament, nor do such obligations fetter the exercise by any such Minister of his or her proper Ministerial functions or powers.
 - (d) In the event that the NSW Government has requested the Trustee to provide any document described in **clause 28(a)** and the Trustee has after a reasonable time been unable to locate such document, the Designated Officer may request JHISE and JHISE shall use reasonable endeavours to provide a copy of the named and identified document to the Designated Officer, and JHISE shall provide a copy of any such document within the possession or under the control of JHISE or the Performing Subsidiary.

29 AMENDMENT OF THIS DEED

The Parties can only vary a term of this deed if the variation is in writing and all Parties execute an amending agreement hereto.

30 NOTICES

- (a) A notice, approval, consent, nomination or other communication ("Notice") to a person relating to this deed:
 - (I) must state that it is a notice relating to this deed;

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- (ii) shall state the relevant clause in this deed to which the notice relates;
 - (iii) must be in legible writing; and
 - (iv) must be in English.
- (b) If the Notice is to either or both of JHISE and/or the Performing Subsidiary then it must be addressed as follows:
- Name: James Hardie Industries SE/ Performing Subsidiary
Attention: The Chairman and the Chief Financial Officer
Addresses: 2nd Floor Europa House, Harcourt Centre Harcourt Street
Dublin 2, Ireland
Facsimile: +35 3 1 479 1128
and
Level 3, 22 Pitt Street, Sydney NSW 2000
Facsimile: + 61 2 8274 5218
- (c) If the Notice is to the NSW Government then it must be addressed as follows:
- Name: The State of New South Wales, c/- The Cabinet Office
Attention: Deputy Director-General (Legal)
Address: Level 39, Governor Macquarie Tower, Farrer Place, Sydney, NSW 2000
Facsimile: + 61 2 9228 3062
with copies, if the NSW Government has appointed a Director or any Directors, to each such Director as notified to the Trustee from time to time by such Director; and
- (d) If the Notice is to the Trustee then it must be addressed as follows⁴:
- Name: Asbestos Injuries Compensation Fund Limited
Attention: The Chief Executive Officer
Address: Suite 1, Level 7, 233 Castlereagh Street, Sydney NSW 2000
Facsimile: + 61 2 9277 6699

⁴ Amended by Notice pursuant to clause 30(i) dated 13 June 2008.

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- (e) If the Notice is from a corporation then an officer of that corporation must sign the Notice.
 - (f) Notice is sent by the sender and received by the receiver:
 - (i) if the Notice is hand delivered, upon delivery to the receiving Party;
 - (ii) if the Notice is sent by facsimile, upon the successful completion of the relevant transmission;
 - (iii) if the Notice is sent by registered mail within Australia, 2 Business Days after the registration of the notice of posting; and
 - (iv) if the Notice is sent by ordinary mail within Australia, 3 Business Days from and including the date of postage.
 - (g) For the avoidance of doubt, Notice shall not be sent by electronic email.
 - (h) In **clause 30(f)**, a reference to a Party receiving a Notice includes a reference to the receiver's officers, agents or employees.
 - (i) A Party may vary any of the details relating to it contained in **clause 30(b)** or **30(c)** at any time by Notice to the other Parties.
 - (j) Where a Notice to a Party must be copied to another Person, each such Notice must be despatched at the same time and using the same method and upon failure to do so, each such Notice will be deemed to be given at the time and by the method of despatch of the last such Notice.

31 GENERAL

31.1 Severability

- (a) If a provision of this deed is invalid, illegal or unenforceable, then that provision to the extent of the invalidity, illegality or unenforceability must be ignored in the interpretation of this deed.
- (b) All the other provisions of this deed remain in full force and effect.

31.2 No waiver

- (a) A Party's agreement to waive a right or entitlement under this deed is only effective if that Party gives written Notice of that waiver to the Party seeking the benefit of the waiver.
- (b) Waiver by a Party of anything required to be done under this deed is not a waiver of any other thing required to be done under this deed.
- (c) **Clause 31.2(b)** applies even if the act or thing is of a different nature.
- (d) A failure or delay in exercising a right arising from a breach of this deed is not a waiver of that right.

31.3 Further assurances

Each Party must do everything necessary to give full effect to this deed.

31.4 Entire agreement

- (a) This deed and the Related Agreements embody the entire agreement between the Parties.
- (b) This deed supersedes all previous agreements.
- (c) The Heads of Agreement is superseded by this deed.

32 CUMULATIVE RIGHTS

A right, power, discretion and remedy arising out of this deed in favour of a Party:

- (a) is cumulative; and
- (b) does not diminish any other right, power, discretion and remedy of any Party.

33 ATTORNEYS

An attorney executing this deed states that the attorney has no notice of the revocation, termination or suspension of the power of attorney appointing that attorney.

34 ASSIGNMENT, NOVATION AND OTHER DEALINGS

A Party must not assign or novate this deed, or declare a trust over, or otherwise deal with (or enter into any subcontract in relation to) all or any part of the benefit of it or a right or obligation under it, or purport to do so, without the prior written consent of the other Parties.

Schedule 1 – Related Agreements

<u>Title</u>	<u>Parties</u>	<u>Purpose</u>
Trust Deed of the Compensation Funds (Annexure 3)	Settlor Trustee	Establish the Discretionary Fund and set out its purposes powers and governance and make amendments to the terms governing the Charitable Fund
JHISE Guarantee (Annexure 5)	JHISE, the Trustee and NSW Government	Guarantee by JHISE
Intercreditor Deeds (Annexures 7A and 7B)	The Trustee JHISE/Performing Subsidiary NSW Government Guarantee Trustee	Sets out intercreditor arrangements as between the Trustee and the NSW Government, and the Lenders
Unions' Deed of Release (Annexure 4)	JHISE, ACTU, Unions NSW, Banton	Release from liability and lifting of boycotts upon signing the Original FFA
NSW Government Deed of Release (Annexure 6)	JHISE, NSW Government	Release from liability upon the Commencement Date
Irrevocable Power of Attorney (Annexure 9)	Trustee NSW Government	To appoint the NSW Government as the attorney of the Trustee
Second Irrevocable Power of Attorney	Trustee NSW Government	To appoint the NSW Government as the attorney of the Trustee in its capacity as trustee of the Discretionary Fund

Part 1 – Representations and warranties by JHISE

JHISE represents and warrants to the NSW Government as follows:

- (a) **incorporation:**
- (i) JHISE is a company duly incorporated and validly existing under the laws of the Netherlands;
 - (ii) the Performing Subsidiary is a company duly incorporated and validly existing under the laws of Australia;
- (b) **corporate power:** each of:
- (i) subject to satisfaction of the conditions set forth in **clauses 2.1(e) and 2.1(d)**, JHISE; and
 - (ii) the Performing Subsidiary,
- has the corporate power to enter into and perform its obligations under this deed, the JHISE Guarantee and the other Related Agreements to which it is a party and to carry out the transactions contemplated by those documents;
- (c) **enforceability:** subject to the terms of the opinions set out in Schedules 4 and 5, this deed and each Related Agreement to which JHISE or the Performing Subsidiary is a party are valid, binding and enforceable against those parties in accordance with their terms in competent courts exercising jurisdiction in New South Wales or, in the case of the JHISE Guarantee, in the Netherlands;
- (d) **no contravention by JHISE:** so far as JHISE is aware, the execution by JHISE of this deed, the JHISE Guarantee and the other Related Agreements to which it is a party will not violate in any material respect any provision of:
- (i) the constituent documents of JHISE;
 - (ii) any material agreement or judgment binding upon JHISE or the assets of JHISE; or
 - (iii) any law or regulation of any Government Authority or Stock Exchange;
- (e) **no contravention by the Performing Subsidiary:** so far as JHISE is aware, the execution by the Performing Subsidiary of this deed and the Related Agreements to which it is a party will not violate in any material respect any provision of:
- (i) constituent documents of the Performing Subsidiary;

-
- (ii) any material agreement or judgment binding upon the Performing Subsidiary or the assets of the Performing Subsidiary; or
 - (iii) any law or regulation of any Government Authority or Stock Exchange;
- (f) **Solvency:** JHISE is, immediately after entering into this deed, the JHISE Guarantee and the other Related Agreements, able to pay its debts as and when they fall due; and
- (g) **Authorisations:** All authorisations, consents, approvals, registrations, notices, exemptions and licenses with or from any Governmental Authority or Stock Exchange necessary for the due and valid execution by JHISE and the Performing Subsidiary of, this deed and each of the Related Agreements to which JHISE or the Performing Subsidiary is a party, or which would, if not obtained by JHISE or the Performing Subsidiary, prevent the exercise by the Trustee of its remedies under this deed and each of the Related Agreements to which JHISE or the Performing Subsidiary is a party (assuming such rights were exercised immediately upon execution of this deed), have been effected or obtained and are in full force and effect.

2. Awareness

A reference in **clause 1** of this **Schedule 2** to JHISE's awareness shall be taken to be a reference solely to the awareness of the officer of JHISE who provides a certificate pursuant to **clause 2.8(b)**, after having made reasonable enquiries.

3. Acknowledgement of Reliance

JHISE acknowledges that the NSW Government has relied upon the representations and warranties made by JHISE in this deed and in the certificate delivered pursuant to **clause 2.8(b)** in connection with those representations and warranties. All such representations and warranties shall survive the execution and delivery of this deed and the Related Agreements.

Part 2 – Form of Officer’s certificate

Schedule 3 – Percentage of Free Cash Flow

Rules for Determination of Percentage of Free Cash Flow for Payments of JHISE Contributions

1. Initial Free Cash Flow position and general rule

The percentage of Free Cash Flow available for payments under **clause 9** for each Financial Year of the Term shall be:

- a. for each Financial Year before the Financial Year ending on 31 March 2012, 35%; and
- b. for each Financial Year ending on or after 31 March 2012, subject to paragraphs 2, 3, and 4, the same percentage as for the previous Financial Year.

2. Step Down

Subject to **clauses 9.14(c)** and **9.14(d)**, in relation to each Financial Year (*Relevant Financial Year*) to which paragraph 1(b) applies, if:

- a. there has been no previous reduction in the percentage of Free Cash Flow under this paragraph 2 or the last reduction in the percentage of Free Cash Flow under this paragraph 2 (ie not being a reduction under paragraph 5) occurred no later than the Financial Year commencing four years before the start date of the Relevant Financial Year;
- b. the percentage of Free Cash Flow applying to payments under **clause 9** for the previous Financial Year was 10% or more; and
- c. the formula $AFCF \times (PP - 5 \text{ percentage points}) > ACA$ is satisfied

where:

AFCF = the arithmetic mean of the amounts of the Free Cash Flow for the previous four Financial Years

PP = the percentage of Free Cash Flow applying to payments under **clause 9** for the previous Financial Year

ACA = the arithmetic mean of the Annual Contribution Amounts for the previous four Financial Years,

the percentage of Free Cash Flow available for payments under **clause 9** for that Financial Year shall be the percentage which applied in the previous Financial Year less 5 percentage points.

Example in relation to paragraph 2

If the Relevant Financial Year was the year ending on 31 March 2015 and in the previous Financial Year PP was 35% then the percentage of Free Cash Flow for the Relevant Financial Year would become 30% if the tests in sub-paragraph (a) and sub-paragraph (c) were satisfied.

3. Step Up

3.1 Subject to paragraph 3.2 and to **clauses 9.14(c)** and **9.14(d)**, in relation to any Financial Year commencing with or which comes after the Financial Year ending 31 March 2013, if:

- a. there has been a reduction in the percentage of Free Cash Flow under paragraph 2; and
- b. the Annual Contribution Amount for that Financial Year would be greater than that which would be otherwise required by **clause 9** for that Financial Year, then the percentage of Free Cash Flow available for payments under **clause 9** for that Financial Year shall be the percentage which applied in the previous year plus 5 percentage points.

3.2 If there has been an increase in the percentage of Free Cash Flow under paragraph 3.1, the percentage cannot be stepped up again from that level in any subsequent Financial Year.

Example in relation to paragraph 3:

If the percentage of Free Cash Flow in the Financial Year ending 31 March 2016 would have been 25% and then paragraph 3.1 applies to that Financial Year, the new percentage of Free Cash Flow for that Financial Year would be 30% but paragraph 3.2 prevents the Free Cash Flow percentage ever being increased at any stage in the future to above 30%.

4. No Immediate Reduction if Step Up in 2013 Financial Year

Where paragraph 3 has been applied to the Financial Year ending 31 March 2013 to increase the percentage of Free Cash Flow available for payments in that Financial Year back up to 35%, paragraph 2 cannot be applied to the Financial Year ending on 31 March 2014 to reduce the percentage of Free Cash Flow in that Financial Year back down to 30%.

Example in relation to paragraph 4

If the percentage of Free Cash Flow for the year ending 31 March 2012 was reduced under paragraph 2 to 30% and then was increased for the Financial Year ending 31 March 2013 under paragraph 3 to 35%, the earliest that it

could be reduced again under paragraph 2 to 30% would be the year ending 31 March 2015 (because paragraph 2 could not be reapplied until after 31 March 2014). The earliest that it could then be further reduced under paragraph 2 to 25% would be the year ending 31 March 2019 (because paragraph 2(a) requires a four year gap between the start dates for each step down other than step downs to reverse a step up under paragraph 5).

5. Step-down After Previous Step-up

Subject to paragraph 4, where paragraph 3 has been applied to increase the percentage of Free Cash Flow available for payments in a Financial Year, the application of the test in paragraph 2(a) to determine whether to reduce the percentage of Free Cash Flow, should be ignored when assessing whether JHISE can move down to the next 5 percentage point level.

Example in relation to paragraph 5

If the percentage was reduced under paragraph 2 from 35% to 30% for the year ending 31 March 2015 and then had to be increased under paragraph 3 to 35% for the year ending 31 March 2016, the percentage could return to 30% for the year ending 31 March 2017 (if the test in paragraph 2(c) is satisfied). The earliest that paragraph 2 will allow a reduction to 25% would then be the year ending 31 March 2019 i.e. 4 years after the last reduction under paragraph 2.

DEED OF NOVATION

DATE

PARTIES

1. **JAMES HARDIE 117 PTY LIMITED** ABN [], of Level 3, 22 Pitt Street, Sydney in the State of New South Wales (the **Performing Subsidiary and the Retiring Party**)
2. **[INSERT]** (Substitute Party)

AND

3. **JAMES HARDIE INDUSTRIES SE ARBN 097 892 895** incorporated in the Netherlands and having its registered office at Atrium, 8th Floor, Strawinskylaan 3077, 1077ZX Amsterdam, Netherlands (with its principal office in Australia at Level 3, 22 Pitt Street, Sydney, New South Wales, 2000) (**JHISE**)
4. **THE STATE OF NEW SOUTH WALES (NSW Government)**
5. **ASBESTOS INJURIES COMPENSATION FUND LIMITED**, trustee of the Compensation Funds from time to time, in its capacity as trustee of the Charitable Fund and of the Discretionary Fund (the **Trustee**)

(each of JHISE, NSW Government the Trustee and the Substitute Party, are a **Continuing Party**)

THE PARTIES AGREE

DEFINITIONS AND INTERPRETATION

1. DEFINITIONS

In this deed capitalised terms have the meaning given to them in the Final Funding Agreement except as set out below or the context requires otherwise.

Effective Date means the date of this deed.

Final Funding Agreement means the deed having the name “a deed for a Final Funding Agreement” dated 1 December 2005, between James Hardie Industries SE, The State of New South Wales, the Performing Subsidiary and the Trustee, as amended and restated by way of a deed dated [] 2006, in relation to the provision by the Performing Subsidiary of funding to the Trustee by way of long-term contributions towards Asbestos-related liabilities for Claims against the Liable Entities.

1.2 Interpretation

The rules of interpretation in clause 1.2 of the Final Funding Agreement apply unless the context requires otherwise.

2. NOVATION

2.1 Novation

On and from the Effective Date, the parties novate the Final Funding Agreement so that:

- (a) the Substitute Party replaces the Retiring Party under the Final Funding Agreement as if it was an original party to the Final Funding Agreement; and
- (b) a reference in the Final Funding Agreement to the Retiring Party must be read as a reference to the Substitute Party.

2.2 Assumptions of rights and obligations

On and from the Effective Date:

- (a) the Substitute Party must comply with the Final Funding Agreement; and
- (b) the Substitute Party obtains the rights and assumes the obligations and liabilities of the Retiring Party under the Final Funding Agreement whether arising before or after the Effective Date; and
- (c) each Continuing Party must comply with the Final Funding Agreement on the basis that the Substitute Party has replaced the Retiring Party under it in accordance with this deed.

2.3 Release by Continuing Party

Each Continuing Party, on and from the Effective Date, releases the Retiring Party from:

- (a) any of the Retiring Party's obligations or liabilities which arose under the Final Funding Agreement; and
- (b) any action, claim and demand it has, or but for this **clause 2.3** would have had, against the Retiring Party under the Final Funding Agreement.

2.4 Release by Retiring Party

The Retiring Party, on and from the Effective Date, releases each Continuing Party from:

- (a) any obligation and liability under the Final Funding Agreement; and
- (b) any action, claim and demand it has, or but for this clause 2.4 would have had, against the Continuing Party under the Principal Deed.

2.5 Indemnity and Liability

- (a) The Substitute Party indemnifies the Retiring Party on demand against any claim, action, damage, loss, liability, cost, expense or payment which the Retiring Party pays, suffers, incurs or is liable for in respect of any act of or omission by the Substitute Party in respect of the Final Funding Agreement, which occurs after the Effective Date.
- (b) The Substitute Party is liable to each Continuing Party in respect of any claim, action, damage, loss, liability, cost, expense or payment which the Continuing Party pays, suffers, incurs or is liable for in respect of the Final Funding Agreement, which occurred, or which arises out of or is caused by any act or omission which occurred on, before or after the Effective Date.
- (c) Without limiting the generality of their respective terms, each indemnity in this clause 2.5 in favour of a party extends to all legal costs and expenses incurred by the party on the higher of a solicitor and own client basis and a full indemnity basis.

3. REPRESENTATIONS AND WARRANTIES

3.1 Substitute Party Warranties

- (a) The Substitute Party represents and warrants to each Continuing Party that the statements with respect to the Performing Subsidiary set out in **Part 1 of Schedule 2** of the Final Funding Agreement are true and accurate as at the date of this deed, as amended by replacing references to “the Performing Subsidiary” with “the Substitute Party”.
- (b) On the date of this deed, the Substitute Party has provided to the NSW Government, and the NSW Government acknowledges receipt, of an officer’s certificate signed by the chief financial officer of the Substitute Party in the form set out in **Part 2 of Schedule 2** (but only in respect of statements made with respect to the Performing Subsidiary, as described in clause 3.1(b) of this deed).

4. MISCELLANEOUS

4.1 General

Clauses 25.1, 25.2, 26.1, 26.2, 26.3(a) and (b), 27, 29, 30, 31.1, 31.2, 31.3, 32, 33 and 34 of the Final Funding Agreement shall apply to this deed except that under clause 30 references to JHISE/Performing Subsidiary and their address shall be replaced by a reference to the Retiring Party and the Retiring Party’s relevant address and references to NSW Government and its address for notices shall be replaced by a reference to the Substituting Party and its relevant address.

SIGNED as a deed.

[EXECUTION CLAUSES]

Schedule 11

For the purposes of this schedule:

Advance means an Advance as defined in the Initial Facility Agreement.

Lender means the Lender as defined in the Initial Facility Agreement.

The Tax Requirements to be satisfied throughout the term of the Initial Facility Agreement and addressed in private binding rulings are:

- (a) the proceeds of any Advance received by the Trustee of the Charitable Fund under the Initial Facility Agreement will not form part of the assessable income of the Liable Entities, the Trustee of the Charitable Fund or the Trustee of the Discretionary Fund as ordinary or statutory income;
- (b) any transfer of interests in, or other entitlements to, assets (or proceeds from asset realisations) by the Liable Entities under Security Documentation in connection with Advances provided under the Initial Facility Agreement will not result in assessable income of the Liable Entities or the Trustee of the Charitable Fund or the Trustee of the Discretionary Fund as ordinary or statutory income;
- (c) if a Liable Entity is required, under the Initial Facility Agreement to make a payment to the Lender, the amount of the payment will not form part of the assessable income of the Trustee of the Charitable Fund or the Trustee of the Discretionary Fund as either ordinary or statutory income;
- (d) if the Trustee of the Charitable Fund pays an amount to a Liable Entity to settle the rights of indemnity and/or rights of subrogation of that Liable Entity that arise as a consequence of the Liable Entity making a payment to the Lender under the Initial Facility Agreement, no amount will be included in the assessable income of the Liable Entity as ordinary or statutory income;
- (e) if a Liable Entity releases the Trustee of the Charitable Fund from its obligations to that Liable Entity that arise as a consequence of:
 - a. the Liable Entities transferring interests in, or other entitlements to, assets (or proceeds from asset realisations) as security for or in connection with an Advance provided under the Initial Facility Agreement; or
 - b. the Liable Entities making a payment for or in connection with those security arrangements, including any payments made by the Liable Entities under the Initial Facility Agreement,

-
- no amount will form part of the assessable income of the Trustee of the Charitable Fund or the Trustee of the Discretionary Fund as ordinary or statutory income;
- (f) Division 230 of the Income Tax Assessment Act 1997 will not apply to the Trustee of the Charitable Fund, the Trustee of the Discretionary Fund or the Liable Entities to alter the conclusions reached in (a) to (e) above;
 - (g) Part IVA of the Income Tax Assessment 1936 will not apply with respect to any or all payments or transactions contemplated by the Initial Facility Agreement; and
 - (h) for the purposes of A New Tax System (Goods and Services) Act 1999 the transaction flows that occur under the Initial Facility Agreement and Security Documentation in connection with Advances provided under the Initial Facility Agreement do not represent or comprise consideration for a taxable supply made by or to the Trustee or the Liable Entities.

Signing Page

Signed by The Honourable Morris Iemma MP,
Premier of New South Wales,
for The State of New South Wales

signed by Morris Iemma

Signed by Meredith Hellicar and Russell Chenu
for James Hardie Industries N.V.(now James Hardie Industries SE)

signed by Meredith Hellicar

signed by Russell Chenu

Meredith Hellicar
Chairman

Russell Chenu
Authorised Officer

Signed for and on behalf of
James Hardie 117 Pty Limited by its
duly authorised attorney

signed by Bruce Potts

Director

signed by Donald A. J. Salter

Director

Signed for and on behalf of
Asbestos Injuries Compensation Fund Limited by

Signed by Joanne Marchione

Director

Signed by Peter W. Baker

Director

LIST OF SIGNIFICANT SUBSIDIARIES

The table below sets forth our significant subsidiaries as of 31 March 2014, 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 1 Limited	Bermuda
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 North America Inc.	United States
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

**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: 26 June 2014

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Matthew Marsh, 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/ Matthew Marsh

Matthew Marsh
Chief Financial Officer

Date: 26 June 2014

**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 2014 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: 26 June 2014

/s/ Louis Gries

Louis Gries

Chief Executive Officer

/s/ Matthew Marsh

Matthew Marsh

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 22, 2014, 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, 2014.

/s/ Ernst & Young LLP

Irvine, California
June 26, 2014

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 2014, dated 22 May 2014 (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 2014.

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 2014.

Your attention is drawn to the Important Note at the beginning of the Executive Summary of the Report.

/s/ Neil Donlevy

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

26 June 2014