Appendix I – Adjustments between historic JHIL A GAAP and JHIL US GAAP accounts

In A$ million	JHIL A GAAP actual	MRCF creation	Property revaluation	Fixed assets & goodwill life	SAB101 revenue recognition	Other	JHIL US GAAP actual
Profit and loss statement for the year ended 31 March 2001		Note 1	Note 2	Note 3	Note 4	Note 5	
Sales	1,548.6	-	-	-	8.8	-	1,557.4
EBIT	142.6	20.6	4.0	4.0	3.7	2.4	177.3
Interest	(23.8)	-	-	-	-	-	(23.8)
EBT	118.8	20.6	4.0	4.0	3.7	2.4	153.5
Tax	(26.8)	(7.0)	(0.9)	(1.6)	(1.4)	(0.6)	(38.3)
NPAT pre-abnormals	92.0	13.6	3.1	2.4	2.3	1.8	115.2
Abnormals, net of tax	(53.6)	-	5.7	-	-	-	(47.9)
Extraordinary items, net of tax	(237.9)	242.0	-	-	(2.3)	-	1.8
NPAT	(199.5)	255.6	8.8	2.4	-	1.8	69.1
Balance Sheet at 31 March 2001							
Cash	153.2						153.2
Receivables	219.0					(10.3)	208.7
Inventories	178.9						178.9
Fixed assets	1,171.8		(31.8)	21.9		(17.6)	1,144.3
Investments	20.7						20.7
Intangibles	66.3			3.1			69.4
Other	120.0					17.8	137.8
Total assets	1,929.9	-	(31.8)	25.0	-	(10.1)	1,913.0
Creditors	168.1						168.1
Borrowings	885.9						885.9
Provisions	298.3	-				(12.8)	285.5
Total liabilities	1,352.3	-	-	-	-	(12.8)	1,339.5
Net assets	577.6	-	(31.8)	25.0	-	2.7	573.5

BACKGROUND INFORMATION ON JAMES HARDIE'S CORPORATE RESTRUCTURING

Note 1
Under US GAAP, there is a mandatory accounting standard SFAS5 'Accounting for Contingencies'. Recognition criteria for liabilities under SFAS5 are different to Australian GAAP and, notwithstanding the significant uncertainty as to the measurement of asbestos-related liabilities, SFAS5 would have required JHIL to book a provision for the estimated cost of future asbestos litigation in its US GAAP accounts in prior years. Under SFAS5, the provision would not have been discounted to present value.

Outlays on asbestos-related litigation would have been debited against the provision, rather than affecting operating profits. Under US GAAP, due to the existence of this provision, the net assets at 15 February 2001 of the former asbestos manufacturing subsidiaries gifted to the Medical Research and Compensation Foundation (MRCF) were significantly lower, such that the financial effect of the deconsolidation of those subsidiaries is minimal.

In prior years, there would have been a very significant difference between the Australian GAAP and US GAAP balance sheet provisions for asbestos-related litigation, due to the requirement to account for contingencies under SFAS5. However, as at 31 March 2001, the two former asbestos manufacturing subsidiaries in which the provision would have been booked were not controlled by James Hardie and, therefore, are not included in James Hardie's balance sheet at that date.

Note 2
US GAAP does not permit upwards revaluations of properties. Therefore, the carrying value of properties is lower in the US GAAP accounts, resulting in a reduced depreciation expense.

Note 3
Under US GAAP, JHIL uses a 20 year life for plant and a 25 year life for goodwill. Depreciation and amortisation expense is therefore lower under US GAAP, compared to Australian GAAP where economic lives of 15 years are used for certain plant and 20 years for goodwill.

Note 4
This adjustment reflects a change to revenue recognition policies brought about by SEC Staff Accounting Bulletin No 101 (SAB101), which applies to the 31 March 2001 financial year. Previously, the Company recognised revenue when product was shipped, but under SAB101 it is necessary for risk of ownership to have passed before revenue can be recognised. The revenue recognition policy has been adopted for both US GAAP and Australian GAAP in the year to 31 March 2001. The change in policy to comply with SAB 101 does not impact operating profits, given the transitional provisions under US GAAP of SAB 101. However, there is no corresponding relief under Australian GAAP.

Note 5
This includes a number of other adjustments which are not individually significant in their impact upon the profit and loss account, comprising:

- accounting for superannuation plans under Financial Accounting Standard 87
- treatment of capitalised start-up costs on new manufacturing facilities
- accounting for available for sale investments
- accounting for employee share plans
- accounting for warranties
- reversal of the present value discount in respect of the MRCF provision. US GAAP requires provisions to be held at their face value, not their present value
- reversal of the dividend provision. US GAAP only permits a dividend provision to be booked when formally declared by the Board.

Appendix II – Adjustments between JHIL US GAAP historic accounts and JHIL US GAAP normalised accounts

In A$ million	**JHIL US GAAP actual**	**Abnormal & Extraordinary items**	**MRCF rent and interest**	**WHT on internal dividends**	**Proposal costs expensed**	**Temporary financing measures**	**JHIL US GAAP normalised**
Profit and loss statement for the year ended 31 March 2001		Note 1	Note 2	Note 3	Note 4	Note 5	
Sales	1,557.4	-	-	-	-	-	1,557.4
EBIT	177.3	-	(3.0)	-	5.8	-	180.1
Interest	(23.8)	-	(5.0)	-	-	-	(28.8)
EBT	153.5	-	(8.0)	-	5.8		151.3
Tax	(38.3)	-	2.7	(13.9)	(1.0)	(21.6)	(72.1)
NPAT pre-abnormals	115.2	-	(5.3)	(13.9)	4.8	(21.6)	79.2
Abnormals, net of tax	(47.9)	47.9	-	-	-	-	-
Extraordinary items, net of tax	1.8	(1.8)	-	-	-	-	-
NPAT	69.1	46.1	(5.3)	(13.9)	4.8	(21.6)	79.2

Note 1

Items reported as abnormal or extraordinary items in the financial statements of JHIL for the year ended 31 March 2001 principally comprise one-off costs and provisions, which are not expected to recur.

Note 2

Rental expense on properties occupied by certain of James Hardie's Australian manufacturing facilities and interest on a A$70 million term loan will continue to be paid to two former subsidiaries of James Hardie, which are now controlled by the Medical Research and Compensation Foundation (MRCF). These rent and interest costs were eliminated as intercompany items in the James Hardie consolidated accounts before the creation of the MRCF, but in future will be reported as external costs.

Note 3

Assumes that dividends of 19¢ per share were paid to Shareholders out of US-sourced profits. This would have necessitated an internal dividend of A$93 million from the US businesses to the listed Australian parent, on which a withholding tax (WHT) expense of A$13.9 million at an assumed 15% rate would have been incurred.

Note 4

Costs of A$5.8 million associated with developing the restructuring were expensed in the year to 31 March 2001, and will not be incurred in a normal year.

Note 5

Represents the temporary financing measures put in place following the unsuccessful 1998 restructuring which will not be available in future.

Appendix III –– Adjustments between JHIL US GAAP normalised accounts and JHI NV US GAAP pro forma accounts

In A$ million	JHIL US GAAP normalised	WHT saving on internal dividends	Dutch finance company benefits	Operating costs	JHI NV US GAAP pro forma
Profit and loss statement for the year ended 31 March 2001		Note 1	Note 2	Note 3	
Sales	1,557.4	-	-	-	1,557.4
EBIT	180.1	-	-	(1.0)	179.1
Interest	(28.8)	-	-	-	(28.8)
EBT	151.3	-	-	(1.0)	150.3
Tax	(72.1)	13.2	17.4	0.3	(41.2)
NPAT	79.2	13.2	17.4	(0.7)	109.1

Note 1
Following implementation of the restructuring, there will be an annual reduction of A$13.2 million in withholding tax (WHT) cost, compared to the normalised accounts, due to the ability to source distributions to shareholders primarily from finance company profits, without withholding tax. A small portion of future dividends will probably need to be sourced from the US businesses, incurring a 5% withholding tax cost.

Note 2
An annual reduction of A$17.4 million (being US$9.7 million at an exchange rate of A$1.00:US$0.5559) in worldwide tax expenses will be achieved following implementation of the Proposal due to the application of the legislated Financial Risk Reserve regime to the activities of the Dutch finance company to be established under the Proposal.

Note 3
An increase of A$1.0m in ongoing expenses is expected under the new corporate structure, primarily relating to the requirement to establish an office in The Netherlands to control company treasury, insurance and secretarial operations and to cover compliance costs.