Appendix III

Adjustments between historic JHIL A GAAP and JHIL US GAAP accounts

APPENDIX III – ADJUSTMENTS BETWEEN HISTORIC JHIL A GAAP AND JHIL US GAAP ACCOUNTS

In A$ million	JHIL A GAAP actual	Asbestos litigation & 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

Note 1
Reflects the difference between A GAAP and US GAAP in accounting for contingencies, and therefore the financial impact of the establishment of the Medical Research and Compensation Foundation (MRCF) in February 2001. Under US GAAP, there is a mandatory accounting standard SFAS5 'Accounting for Contingencies'. Recognition criteria for liabilities under SFAS5 are different to A 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 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 A 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 A 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 A 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 A 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.*

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