

Significant changes in state of affairs

The Directors are not aware of any significant change in the state of affairs of the Company during fiscal year 2005 that is not covered in this Annual Report.

Post fiscal year events

The Directors are not aware of any matter or circumstance since the end of fiscal year 2005 not otherwise dealt with in this Annual Report, that has significantly affected, or may significantly affect, the operations of the Company, other than as contained in the MD&A on pages 46 – 58.

Dividends

The Joint Board has declared a dividend of US 6 cents per share. CUFS holders will be paid the dividend in Australian currency on 1 July 2005 if they were registered as at the close of business on 9 June 2005 (AEST). ADR holders will receive payment in US currency.

During fiscal year 2005, JHI NV paid a dividend of US3 cents per share. CUFS holders were paid A4.34 cents per CUFS on 1 July. ADR holders received payment in US currency.

Remuneration Report – Directors' and Executives' Emoluments

This report explains the remuneration policies and arrangements for James Hardie's non-executive directors, executive directors and senior executives. In disclosing this information, James Hardie has complied with the Australian Corporations Act 2001 (including the CLERP 9 amendments) on a voluntary basis.

Directors

The following people were directors of James Hardie during the financial year:

Chairman

Meredith Hellicar Chairman, member Nominating and Governance Committee, Audit Committee and Remuneration Committee

Executive Directors

Current

Louis Gries Chief Executive Officer

W Vlot Company Secretary

Former

Peter Macdonald Chief Executive Officer (1 April 2004 – 22 October 2004 AEST)

Folkert Zwinkels Treasurer (1 April – 22 October 2004 AEST)

Non-Executives Directors

Current

John Barr Deputy Chairman, Chairman Remuneration Committee

Michael Brown Director, Chairman of the Audit Committee

Peter Cameron Director, member Nominating and Governance Committee

Gregory Clark Director, member Audit Committee and Nominating and Governance Committee

Michael Gillfillan Director, member Audit Committee

James Loudon Director, member Audit Committee and Remuneration Committee

Donald McGauchie Director, Chairman of the Nominating and Governance Committee

Former

Alan McGregor Chairman (1 April 2004 – 11 August 2004)

Executives

The following people were the five highest paid executives of James Hardie Industries NV and its subsidiaries in the fiscal year ended 31 March 2005:

Current

James Chilcoff Vice President – International

Mark Fisher Vice President – Speciality Products

Dave Merkley Executive Vice President – Engineering and Process Development

Don Merkley Executive – Vice President Research & Development

Robert Russell Vice President – Established Markets

Former

Phillip Morley Chief Financial Officer (1 April 2004 – 31 May 2004)

Peter Shafron General Counsel and Chief Financial Officer (1 April – 20 October 2004 AEST)

Executive compensation

The Company aims to provide market-competitive total compensation by offering a package of fixed pay and benefits and variable performance pay, based on both long and short-term incentives which link executive remuneration with the interests of shareholders and attract and retain high-performing executives to enhance the success of the business.

The Company's executive compensation program is based on a pay-for-performance policy that differentiates compensation amounts based on an evaluation of performance results in two basic areas: the business and the individual. The CEO's remuneration package is approved by the Supervisory Board for final approval. The CEO makes recommendations to the Remuneration Committee on the compensation of the Company's key executives, based on performance, as well as assessments and advice from independent compensation consultants regarding the compensation practices of the Company, and other practices specific to the countries in which the Company operates and the executives are based.

The Remuneration Committee makes the final compensation decisions concerning these executives.

At Risk remuneration

Total remuneration for the CEO and specified executives is comprised of "at risk" and "not at risk" remuneration. "Not at risk" remuneration comprises base salary, non-monetary benefits and superannuation. "At risk" remuneration comprises short-term incentives and long-term incentives.

Using these definitions, the target percentages of "at risk" remuneration for the specified executives in fiscal year 2005 are shown below.

	Percentage of the Total Remuneration At Risk at the Target Level of Performance
Interim Managing Board Members¹	
Louis Gries	63%
W (Pim) Vlot	26%
Former Managing Board Members	
Peter Macdonald ²	56%
Folkert Zwinkels	11%
Current Executive Officers	
Don Merkley	57%
Dave Merkley	56%
James Chilcoff	54%
Mark Fisher	53%
Robert Russell	53%
Former Executive Officers	
Peter Shafron ²	45%
Phillip Morley ³	0%

¹ Under Article 14.3 of our Articles of Association, Members of the Managing Board appointed by the Supervisory Board are deemed to be "interim" until their appointments are confirmed by shareholders at the next General Meeting.

² All data as of last day of employment.

³ Retired as CFO in May 2004; remained an employee until December 2004; entered into a consulting agreement with the Company in January 2005.

The senior executive remuneration structure has three components:

Fixed remuneration

James Hardie provides fixed pay (base salaries) to attract and retain executives who are critical to the Company's long-term success by providing a guaranteed level of income that recognises the market value of the position as well as internal equities between roles and the individual's capability, experience and performance. Base pay for management typically approximates or is slightly above the median salary for positions of similar responsibility in peer groups. Base salaries are reviewed each year, although increases to them are not automatic.

Variable compensation

Annual variable compensation awards are provided to executives to reward increases in the Company's economic profit, as well as agreed business and individual performance outcomes. These are clearly defined and measurable and are reviewed by the Remuneration Committee each year. Target incentive amounts are designed to be competitive by providing top quartile bonus payments for top quartile performance. Details of the specified executives' variable compensation are set out below.

	Short term incentive ¹		Estimates of the maximum remuneration amounts which could be received under the 2005 equity grants in future years ²		
	Awarded	Forfeited	2006	2007	2008
Interim Managing Board Members³					
Louis Gries	155%		–	–	–
W (Pim) Vlot		100%	–	–	–
Former Managing Board Members					
Peter Macdonald		100%	–	–	–
Folkert Zwinkels		100%	–	–	–
Current Executive Officers					
Don Merkley	171%		103,069	64,513	32,123
Dave Merkley	172%		103,069	64,513	32,123
James Chilcoff	189%		80,662	50,489	25,140
Mark Fisher	191%		80,662	50,489	25,140
Robert Russell	171%		80,662	50,489	25,140
Former Executive Officers					
Peter Shafron		100%	–	–	–
Phillip Morley	N/A	N/A	–	–	–

¹ Percentage of target actually paid in FY05, includes previous bonus realised and allocated in notional bank for payment in future years with sustained performance (the long term component of the bonus plan).

² Represents annual SG&A expense for the aggregate Fiscal 2005 stock option award fair market value estimated using the Black-Scholes option-pricing model.

³ Under Article 14.3 of our Articles of Association, Members of the Managing Board appointed by the Supervisory Board are deemed to be "interim" until their appointments are confirmed by shareholders at the next General Meeting.

Long-term incentives

James Hardie reinforces the executive officers' alignment with the financial interest of shareholders by providing equity-based long-term incentives (share options and shadow share plans). Award levels are determined based on market standards and the individual's responsibility, performance and potential to enhance shareholder value.

The Remuneration Committee uses the dilution-based methodology to determine the appropriate number of options to grant each year and benchmarks peers to allocate the shares appropriately to the executives.

The key terms of outstanding equity grants are outlined in the table below:

2001 JHI NV Equity Incentive Plan	Granted on 19 October 2001 in exchange for the termination of shadow stock awards, previously granted in November 1999 and 2000.
Offered to:	Specified US executives, not members of the Managing Board.
Vesting Schedule:	20% of options vest each year on the anniversary of the original grant date in November. The original US shadow stock grant did not involve performance hurdles; this grant maintains these conditions.
Expiration Date:	10th anniversary after the original November grant date.
2001 JHI NV Equity Incentive Plan	Annual grants made in December 2001, 2002, 2003, and 2004.
Offered to	Specified executives, not members of the Managing Board.
Vesting Schedule	25% of options vest on the 1st anniversary of the grant; 25% vest on the 2nd anniversary date and 50% vest on the 3rd anniversary date. As the majority of participants are US employees, this plan follows normal and customary US grant guidelines and has no performance hurdles.
Expiration Date	10th anniversary of the grant.
2001 Peter Donald Macdonald Share Option Plan	Granted on 12 July 2001.
Offered to	CEO
Performance Period	12 July 2001 – 12 July 2004.
Retesting	Yes, monthly on the first day of each month until six (6) months after resignation date or 19 April 2005. All options granted under this plan were cancelled in April 2005 when they failed the test.
Exercise period	Six months after resignation date or 19 April 2005.
Performance condition	TSR performance hurdle compared to Top 100 companies from the following sectors: Building Materials, Developers and Contractors, Diversified Industrials, Engineering, Infrastructure and Utilities, Miscellaneous Industrials, Paper and Packaging, Retail, Transport, Food and Household Goods, Chemicals and Healthcare. This condition is a normal hurdle to align the CEO's interests with shareholders.
Vesting criteria	– 0% of performance rights vest if JHX's TSR is below the 50th percentile of the market comparator group. – 75% of performance rights vest if JHX's TSR is at the 50th percentile of the market comparator group. – Between 50th and 75th percentile, vesting is on a straight line basis with JHX's ranking against the market comparator group (+1% for each percentile over the 50th percentile of the comparator group). – 100% of performance rights vest if JHX's TSR is in at least the 75th percentile of the market comparator group.

**2002 Peter Donald Macdonald
Share Option Plan**

	Granted on 19 July 2002
Offered to	CEO
Performance Period	19 July 2002 to 19 July 2005
Retesting	Yes, monthly on the first day of each month until 31 October 2005
Exercise period	Until July 2012
Performance condition	TSR performance hurdle compared to ASX 200 excluding the companies listed in the 200 Financials and 200 Property Trust indices. This condition is a normal hurdle to align the CEO's interests with shareholders.
Vesting criteria	<ul style="list-style-type: none">- 0% of performance rights vest if JHX's TSR is below the 50th percentile of the market comparator group.- 75% vest of performance rights vest if JHX's TSR is at the 50th percentile of the market comparator group.- Between 50th and 75th percentile, vesting is on a straight line basis with JHX's ranking against the market comparator group (+1% for each percentile over the 50th percentile of the comparator group)- 100% of performance rights vest if JHX's TSR is in at least the 75th percentile of the market comparator group.

**JHI NV Stock Appreciation Rights
Incentive Plan**

	14 December 2004
Offered to	Interim Managing Board members
Vesting Schedule	50% on 14 December 2006; 50% on 14 December 2007
Expiration Date	Gain in share price between grant and vesting date is paid in cash on vesting date, no shares are exchanged.

**Link between remuneration policy and
company performance**

A significant proportion of the CEO and specified executives' remuneration is "at risk" remuneration. The annual bonus payment is entirely "at risk" and is comprised of short-term and long term components.

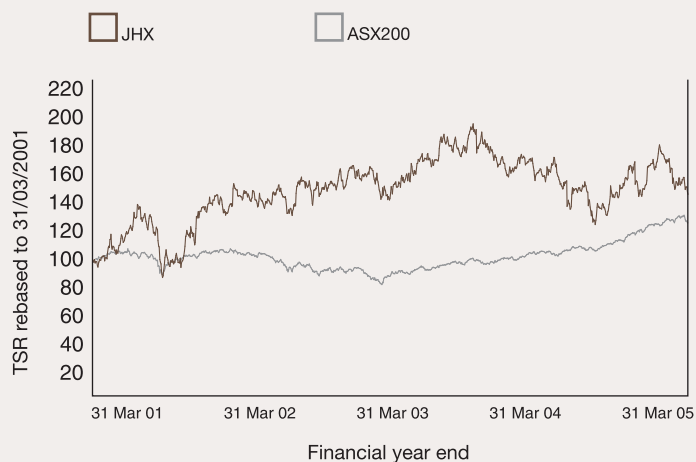
The short-term component of the annual bonus is achieved when the CEO and specified executives achieve demanding corporate and personal targets, approved by the Remuneration Committee. The long-term component is paid to the executive when the company sustains performance at or above each year's annual target each consecutive year.

The corporate targets are based on a year-on-year increase in Economic Profit (Net Operating Profits After Tax (NOPAT) minus the cost of capital). The reference to Economic Profit supports the Company's primary objective to create long-term value and rewards consistent value creation over a long-term horizon. Every three years, with the assistance of independent advisors, the Remuneration Committee sets the amount the Company's Economic Profit must

increase in each of the following three years to result in the achievement of the target bonus and the amount the Company must exceed the target in order to pay greater than target bonuses.

When the Company's Economic Profit performance exceeds the target by a predetermined annual amount, then the percentage the performance target is exceeded will be taken into consideration when calculating the bonus payment for that year for the members of the Managing Board and other plan participants. The current year's bonus payment will only include 33.3% of the additional bonus funds generated by exceeding the target. The remaining 66.6% of the additional bonus funds will be set aside and will only be paid 50% in each of the following two years if the Company continues to meet or exceed its Economic Profit target. If the Company does not achieve the performance target or misses the target by this predetermined amount, or more, then the funds that were set aside in previous years will be eroded and not paid at any time to the plan participants.

For executives who are members of the Managing Board there is an added link between Long-Term Incentives and performance of the Company. Options granted under the Managing Board Transitional Stock Option Plan vest on the third anniversary of the issue date subject to a Total Shareholder Return (TSR) hurdle. Under the hurdle, 50% of the options issued to a member of the Managing Board vest if the Company's TSR since the issue date is equal to or higher than the median TSR for the Company's peer group (Median TSR) over that period. The Company's peer group is the companies listed in the S&P ASX 200 Index on the issue date. For each 1% that the Company's TSR is above the Median TSR, a further 2% of options will vest.



5 Year total returns for JHX and ASX200

Source: Computershare Analytics

Note: Before 15 October 2001,

JHX was HAH, the former group listed company.

Remuneration for Non-Executive Directors for the year ended 31 March 2005

Fees paid to Non-Executive Directors of James Hardie are determined by the Joint Board, with the advice of external remuneration advisors, within the maximum amount approved by the shareholders from time to time.

Independent experts in Australia and the USA benchmark directors' remuneration against peer companies, taking into consideration the level of fees paid to board members of companies with similar size, complexity of operations and responsibilities and workload requirements of board members.

During fiscal year 2005, directors were paid a base fee for service on the James Hardie board. Additional fees were paid to the position of Chairman. Non-Executive Directors Mr MR Brown and Ms M Hellicar also have accrued retirement benefits up to July 2002 in accordance with a discontinued shareholder-approved scheme and together with Messrs PS Cameron and DG McGauchie receive Australian mandated 9% superannuation guarantee contributions on their fees.

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

However, James Hardie's long-term performance relative to other large corporations is considered, among other factors, in setting the fee pool which is periodically proposed to shareholders at Annual General Meetings for approval. The current aggregate fee pool of US\$650,000 was approved by shareholders in 2002, representing an increase from the previous pool of A\$360,000.

Directors' interests are aligned with the long-term interests of shareholders through the requirement that they accept a minimum amount of their fees in the form of shares.

At the 2002 JHI NV Annual General Meeting, shareholders approved, in accordance with ASX Listing Rule 10.14, effective for a three-year period, the Supervisory Board Share Plan (SBSP). Under the SBSP, members of the Supervisory Board are required to accept at least US\$10,000 of their annual fees in ordinary shares/CUFS in JHI NV which are subject to a two-year restricted trading period. Under the SBSP, members of the Supervisory Board will also be entitled to receive a greater proportion of their remuneration in JHI NV shares if they so elect. The issue price is the average of the market closing prices at which CUFS were quoted on the ASX during the five business days preceding the day of issue.

Board fees are not paid to Mr Gries since the responsibilities of board membership are considered in determining the remuneration provided as part of his normal employment conditions.

No Non-Executive Director has been granted options or performance rights.

Details of the remuneration of each Non-Executive Director is set out in the table below.

	Primary	Equity	Post-employment	Other	Total
	Directors' Fees US\$	JHI NV Stock ² US\$	Superannuation US\$ ¹	Retirement Benefits US\$	US\$
Non-Executive Directors					
Meredith Hellicar					
FY 2005	128,750	20,000	13,388	–	162,138
FY 2004	43,333	20,000	5,700	–	69,033
Michael Brown					
FY 2005	60,000	10,000	6,300	–	76,300
FY 2004	53,333	10,000	5,700	–	69,033
Donald McGauchie					
FY 2005	55,000	10,000	5,850	–	70,850
FY 2004	31,667	15,000	4,200	–	50,867
John Barr					
FY 2005	60,000	10,000	–	–	70,000
FY 2004	33,519	–	–	–	33,519
Peter Cameron					
FY 2005	40,000	20,000	5,400	–	65,400
FY 2004	–	63,333	5,700	–	69,033
Michael Gillfillan					
FY 2005	55,000	10,000	–	–	65,000
FY 2004	53,333	10,000	–	–	63,333
Gregory Clark					
FY 2005	50,000	10,000	–	–	60,000
FY 2004	–	63,333	–	–	63,333
James Loudon					
FY 2005	40,000	20,000	–	–	60,000
FY 2004	47,333	16,000	–	–	63,333
Former Non-Executive Director					
Alan McGregor ³					
FY 2005	38,750	2,500	3,713	640,976	685,939
FY 2004	160,000	10,000	15,300	–	185,300
Total emoluments for Non-Executive Directors					
FY 2005	527,500	112,500	34,651	640,976	1,315,627
FY 2004	422,518	207,666	36,600	–	666,784

¹ The superannuation benefits reflect Australian mandated 9% superannuation guarantee contributions on the Australian directors' total fees.

² The annual allocation to non-executive directors of JHI NV stock to the value of US\$10,000 was approved by shareholders at the Annual General Meeting held on 19 July 2002. The Non-Executive Directors can elect to take additional stock in lieu of fees.

³ On 11 August 2004, Mr McGregor resigned as Chairman of the Supervisory Board due to ill health. On 25 August 2004, he resigned from the Joint and Supervisory Boards and from all Board Committees.

Remuneration for Executive Directors for the year ended 31 March 2005

Details of the remuneration of each Executive Director of James Hardie is set out in the table below.

	Primary		Post-employment	Equity	Other	Total	
	Base Pay	Bonuses	Non Cash	Superannuation	Shadow	Severance	
	US\$	US\$	Benefits	and 401 (k)	Share and	Pay	
			US\$	Benefits	Options ¹	US\$	
				US\$	US\$		
						US\$	
Executive Directors							
Louis Gries ²							
FY 2005	576,654	1,160,452	136,012	13,000	233,155	–	2,119,273
FY 2004	439,427	753,720	114,725	12,000	228,535	–	1,548,407
W (Pim) Vlot ³							
FY 2005	136,436	–	–	3,619	–	–	140,055
FY 2004							
Former Executive Directors							
Peter Macdonald ⁴							
FY 2005	471,219	–	17,697	13,000	138,430	6,513,284	7,153,630
FY 2004	822,500	1,745,390	15,693	12,000	593,558	–	3,189,141
Folkert Zwinkels ⁵							
FY 2005	188,377	–	–	31,326	3,379	–	223,082
FY 2004	121,756	27,921	10,715	13,526	3,345	–	177,263
Total emoluments for Executive Directors							
FY 2005	1,372,686	1,160,452	153,709	60,945	374,964	6,513,284	9,636,040
FY 2004	1,383,683	2,527,031	141,133	37,526	825,438	–	4,914,811

¹ Options are valued using the Black-Scholes option-pricing model and the fair value of options granted are included in compensation during the period in which the options vest. The weighted average assumptions and weighted average fair value used for grants in fiscal year 2005 were as follows: 1.1% dividend yield; 29.1% expected volatility; 3.2% risk free interest rate; 3.3 years of expected life; and A\$1.35 weighted fair value at grant date. Shadow share expense included in compensation is calculated based on the movement in the JHI NV share price during the year and the increase in vesting of the shadow shares; A\$/US\$ foreign exchange movements also effect the result. Actual benefit received depends on the JHI NV share price and foreign rates at the time of exercise. The Company's US Shadow Stock Plan and non-US Based Employees Stock Plan were terminated at the end of February 2005 and the value on that day of all the outstanding shares of these plans were paid to the participants.

² On 22 October 2004 (AEST), Mr Gries was appointed as an interim member of the Managing Board and named interim Chief Executive Officer. Under Article 14.3 of our Articles of Association, Members of the Managing Board appointed by the Supervisory Board are deemed to be "interim" until their appointments are confirmed by the next General Meeting of shareholders.

³ On 22 October 2004 (AEST), Mr Vlot, Company Secretary, was appointed as an interim member of the Managing Board. On 30 June 2005, Mr Vlot's temporary employment agreement will expire by its terms and Mr Ben Butterfield, the Company's General Counsel, will be appointed as Company Secretary and an interim member of the Managing Board. In connection with the expiration of his agreement, we expect to make a lump sum payment to Mr Vlot of approximately 50,000 Euros.

⁴ On 22 October 2004 (AEST), Mr Macdonald resigned from the company.

⁵ On 22 October 2004 (AEST), Mr Zwinkels resigned from his position on the Managing Board. On 30 April 2005, Mr Zwinkels resigned as Treasurer. In connection with his resignation, in May 2005 (after the end of the fiscal year), the Company made a lump sum payment to Mr Zwinkels of approximately US\$65,000 in accordance with his final settlement agreement.

Remuneration of Executive Officers for the year ended 31 March 2005

Details of the remuneration of each specified Executive Officer of James Hardie is set out in the table below.

	Primary		Post-employment		Equity	Other		Total
	Base Pay	Bonuses	Non Cash	401 (k)	Shadow	Severance	Relocation	
	US\$	US\$	Benefits	Benefits	Share and	and	Allowances	
			US\$	US\$	Options ¹	Retirement	and Other	
			US\$	US\$	US\$	Pay	Non-	
						US\$	recurring	US\$
							US\$	US\$
Current Executive Officers								
Don Merkley								
FY 2005	334,000	521,656	65,245	13,000	195,177	–	–	1,129,078
FY 2004	315,577	437,401	68,503	12,000	173,176	–	–	1,006,657
Dave Merkley								
FY 2005	303,769	475,573	87,978	13,000	192,269	–	–	1,072,589
FY 2004	285,577	394,064	68,481	12,000	135,437	–	–	895,559
James Chilcoff								
FY 2005	234,231	259,688	31,956	12,000	27,172	–	104,971	670,018
FY 2004								
Mark Fisher								
FY 2005	215,770	262,062	50,301	12,946	107,084	–	17,438	665,601
FY 2004								
Robert Russell								
FY 2005	233,751	234,542	32,366	12,833	111,733	–	–	625,224
FY 2004								
Former Executive Officers								
Peter Shafron ²								
FY 2005	211,427	–	38,924	12,855	21,674	863,162	8,686	1,156,728
FY 2004	307,500	375,951	34,625	12,000	360,222	–	16,356	1,106,654
Phillip Morley ³								
FY 2005	275,833	–	93,872	13,000	137,082	1,028,708	–	1,548,496
FY 2004	327,630	445,742	78,802	12,000	580,926	–	–	1,445,100
Total emoluments								
FY 2005	1,808,781	1,753,521	400,642	89,634	792,191	1,891,870	131,095	6,867,734
FY 2004	1,236,284	1,653,158	250,411	48,000	1,249,761	–	16,356	4,453,970

¹ Options are valued using the Black-Scholes option-pricing model and the fair value of options granted are included in compensation during the period in which the options vest. The weighted average assumptions and weighted average fair value used for grants in fiscal year 2005 were as follows: 1.1% dividend yield; 29.1% expected volatility; 3.2% risk free interest rate; 3.3 years of expected life; and A\$1.35 weighted fair value at grant date. Shadow share expense included in compensation is calculated based on the movement in the JHI NV share price during the year and the increase in vesting of the shadow shares; A\$/US\$ foreign exchange movements also effect the result. Actual benefit received depends on the JHI NV share price and foreign rates at the time of exercise. The Company's US Shadow Stock Plan and non-US Based Employees Stock Plan were terminated at the end of February 2005 and the value on that day of all the outstanding shares of these plans were paid to the participants.

² On 20 October 2004, Mr Shafron resigned from the Company.

³ Consistent with prior years, gross up of tax on the increase/decrease in investment value of superannuation is included for Mr Morley. This benefit is provided to Mr Morley to offset US taxes he would not have had to pay on his superannuation if he was still in Australia. At the end of May 2004, Mr Morley retired from his position of Chief Financial Officer, but remained an employee until 31 January 2005. In connection with his retirement, the Company made a lump sum payment to Mr Morley equal to 18 months of salary based on his salary at the time of his departure. We also paid additional salary amounts owed to him related to expatriate pay. On 1 February 2005, Mr Morley entered into a consulting arrangement with the Company.

Employment contracts

Remuneration and other terms of employment for the Chief Executive Officer and certain other senior executives are formalised in service agreements. The main elements of these agreements are set out below.

CEO

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

Components	Details
Length of contract	Three year term, commencing 10 February 2005. Term is automatically extended on 9th day of each February for an additional 1 year unless either party notifies the other, 90 days in advance of the automatic renew date, that it does not want the term to renew.
Base salary	US\$750,000/yr. Salary will be reviewed annually by the JHI NV Board in April.
Short term incentive	<p>Annual bonus target is 100% of annual base salary with a mixture of company (80%) and individual (20%) performance objectives.</p> <p>The Remuneration Committee recommends the Company's and executive's performance objectives and the performance against these objectives, to the JHI NV Supervisory Board for approval. If the Company's performance exceeds the annual objective, the executive realises a bonus greater than his target bonus, but only one-third of the excess bonus is paid to the participant at the end of the fiscal year. The remaining two-thirds is then deposited with a notional bank and is paid to the executive over the following two years if the Company's objectives are met in these years, or is reduced if the Company's objectives are not met.</p>
Long term incentive	The banking mechanism of the annual bonus plan is considered a long term incentive. Upon the approval of the shareholders, stock options with performance hurdles will be granted each year. The recommended number of options to be granted will be appropriate for this level of executive in the US. The recommend option grant for August 2005 is 1,000,000 options.
Defined Contribution Plan	The executive may participate in the US 401k defined contribution plan up to the annual IRS limit. The Company will match the executive's contributions into the plan up to the annual IRS limit.
Resignation	The executive may cease his employment with the Company by providing written notice.
Termination by JH	<p>The Company may terminate the executive's employment for Cause or not for Cause. If the Company terminates the employment, not for cause, or the executive terminates his employment "for good reason" then the company will pay the following:</p> <ol style="list-style-type: none"> amount equivalent to 1.5 times the annual base salary at the time of termination amount equivalent to 1.5 times the executive's Average Annual Bonus actually paid in up to the previous three fiscal years as CEO.
Post Termination Consulting	The Company will request the executive, and the executive will agree, to consult to the company upon termination for a minimum of two years, as long as the executive maintains the company's non-compete and confidentiality agreements, and the executive will receive his annual base salary and annual target bonus in exchange for this consulting and non-compete.
Other	<p>Tax Equalisation: The Company covers the extra personal tax burden that is a result of the Company's structure and any payment of income out of the Netherlands.</p> <p>Tax Advice: The Company will pay the costs of filing the executive's income tax returns to the required countries.</p> <p>Health, Welfare and Vacation Benefits: The executive is eligible to receive all health, welfare and vacation benefits offered to all US employees. The executive is also eligible to participate in the Company's Executive Health and Wellness program.</p> <p>Business Expenses: The executive is entitled to receive reimbursement for all reasonable and necessary travel and other business expenses incurred or paid by the executive in connection with the performance of his services under this agreement.</p> <p>Automobile: The Company will either purchase or lease an automobile for business and personal use by the executive, or, in the alternative, the executive will be entitled to an automobile lease allowance not to exceed Seven Hundred Fifty Dollars (US\$750) per month. Unused allowance or part thereof will be paid to the executive.</p>

Company Secretary

Details of the Company Secretary's employment contract are as follows:

Components	Details
Length of contract	Fixed period of six months from the date of employment; renewable twice for any fixed term before becoming indefinite.
Base salary	Gross monthly salary payable twelve times each year, reviewed annually.
Short term incentive	An annual target bonus is set at 15% of the executive's annual base salary, calculated based on the Company's bonus plan parameters and the executive's achievement against agreed objectives and targets. The bonus is fully based on Individual Performance.
Defined Contribution Plan	The Company shall pay an age related percentage of the Gross Salary actually paid to the executive in any given year as its contribution to the premiums of a pension arrangement (pensioentoezegging) for the benefit of the employees of the Company, provided the executive makes a personal contribution of 4%.
Resignation or Termination	Neither the Company nor the employee may terminate the definite contract during the defined period unless on mutual agreement; the contract automatically ends at the end of the defined period unless renewed.
Other	<p>Health, Welfare and Vacation Benefits: The executive is entitled to a holiday allowance, payable in the month of May, equal to 8% of the gross salary, earned over the preceding period June through May. If the Employment Contract starts and/or terminates during the year or the working hours change, the holiday allowance will be paid out pro rata. The executive receives vacation benefits in the amount of 24 days per 12 months of service (not including Saturdays, Sundays, or public holidays).</p> <p>The Company will pay 50% of the premiums for health care insurance for the executive. The Company and the executive will mutually agree which health care insurance is reasonable and the executive has to provide the Company with a copy of the health care insurance arrangement, before the Company makes any payment.</p> <p>Vehicle Allowance: The executive will use his personal vehicle during the course of business and the use for business purposes, not including home-to-work travel, will be reimbursed in accordance with the non taxable per kilometre allowance permitted by the Tax Authorities from time to time.</p>

Other executives

Details of the employment contracts for other Specified Executives are as follows:

Components	Details
Length of contract	Indefinite
Base salary	Base salary is subject to Remuneration Committee approval and reviewed annually in April.
Short term incentive	<p>An annual bonus target is set at a percentage of the executive's salary. Targets typically range from 35%-90%; 80% of this bonus target is based on the company meeting or exceeding aggressive performance objectives; 20% of this bonus target is based on the executive meeting or exceeding personal performance objectives.</p> <p>The Remuneration Committee recommends the Company's and executive's performance objectives and the performance against these objectives, to the JHI NV Supervisory Board for approval. If the Company's performance exceeds the annual objective, the executive realises a bonus greater than his target bonus, but only one-third of the excess bonus is paid to the participant at the end of the fiscal year. The remaining two-thirds is then deposited with a notional bank and is paid to the executive over the following two years if the Company's objectives are met in these years, or is reduced if the Company's objectives are not met.</p>
Long term incentive	The banking mechanism of the annual bonus plan is considered a long term incentive. Upon the approval of JHINV Supervisory Board, stock options will be granted each year under the JHI NV 2001 Equity Incentive Plan.
Defined Contribution Plan	The executive may participate in the US 401k defined contribution plan up to the annual IRS limit. The Company will match the executive's contributions into the plan up to the annual IRS limit.
Resignation	The executive may cease his employment with the Company by providing written notice.
Termination by JH	<p>The Company may terminate the executive's employment for Cause or not for Cause. Depending on the executive's individual contract, if the Company terminates the employment, not for cause, or the executive terminates his employment "for good reason" then the company may pay up to:</p> <ol style="list-style-type: none"> an amount equivalent to 1.5 times the annual base salary at the time of termination amount equivalent to 1.5 times the executive's Average Annual Bonus actually paid in the previous three fiscal years.

Components	Details
Post Termination Consulting	Currently in respect of two executives, the Company may, or may be required to, request the executive, and the executive will agree, to consult to the company for two years upon termination in exchange for the payment as designated in the individual's contract, as long as the executive maintains the company's non-compete and confidentiality agreements. The payment amount ranges from the executive's annual base salary to the annual base salary plus annual target bonus as of the termination date.
Other	<p>Health, Welfare and Vacation Benefits: The executive is eligible to receive all health, welfare and vacation benefits offered to all US employees. The executive is also eligible to participate in the Company's Executive Health and Wellness program.</p> <p>Business Expenses: The Executive is entitled to receive reimbursement for all reasonable and necessary travel and other business expenses incurred or paid by the Executive in connection with the performance of his services under this Agreement</p> <p>Automobile: The Company will either lease an automobile for business and personal use by the Executive, or, in the alternative, the Executive will be entitled to an automobile lease allowance not to exceed Seven Hundred Fifty Dollars (US\$750) per month. Unused allowance or part of this will be paid to the Executive.</p>
International Assignment	Executives who are on assignment in countries other than their own receive additional benefits which may include tax equalisation payment and tax advice, a car in the country they are assigned to, and financial assistance with housing, moving and storage.

Equity holdings

Options granted to members of the Managing Board

Name	Grant Date	Exercise Price (AUD)	Holding at 1 April 2004	Granted	Total Value at Grant ¹ (USD)	Vested	Exercised	Value at Exercise ² (USD)	Lapsed	Value at Lapse ³ (USD)	Holding at 31 March 05	Weighted Average Fair Value per option ⁴ (USD)
Interim members of Managing Board												
Louis Gries	19 Oct 01	3.1321	40,174	200,874	71,732	200,874	160,700	1.98	–	–	40,174	0.3571
	19 Oct 01	3.0921	175,023	437,539	168,321	350,032	262,516	2.11	–	–	175,023	0.3847
	17 Dec 01	5.0586	324,347	324,347	137,296	324,347	–	–	–	–	324,347	0.4233
	3 Dec 02	6.449	325,000	325,000	210,633	162,500	–	–	–	–	325,000	0.6481
	5 Dec 03	7.05	325,000	325,000	338,975	81,250	–	–	–	–	325,000	1.043
W Pim Vlot												
Former members of Managing Board												
Peter	12 Oct 01	3.1821	1,200,000	1,200,000	404,760	1,200,000	–	–	–	–	1,200,000	0.3373
Macdonald	12 Oct 01	4.7621	624,000	624,000	236,995	–	–	–	–	–	624,000	0.3798
	19 Jul 02	5.7086	1,950,000	1,950,000	1,174,095	–	–	–	–	–	1,950,000	0.6021
Folkert Zwinkels	3 Dec 02	6.449	8,775	11,700	7,583	5,850	2,925	0.52	–	–	8,775	0.6481
	14 Dec 04	5.99	–	9,000	9,164	–	–	–	–	–	9,000	1.0182

¹ Total Value at grant = Average Fair Value per share x number of shares granted.

² Value at Exercise/share = Fair Market Value at Exercise – exercise price.

³ Excess of the aggregate stock option grant at the closing stock price of the Company's stock on date of lapse less the aggregate stock option grant at exercise price.

⁴ The weighted average fair value per right is estimated on the date of grant using the Black-Scholes option-pricing model.

Options granted to other Executive Officers

Name	Grant Date	Exercise Price (AUD)	Holding at 1 April 2004	Granted	Total Value at Grant ¹ (USD)	Vested	Exercised	Value at Exercise ² (USD)	Lapsed	Value at Lapse ³ (USD)	Holding at 31 March 05	Weighted Average Fair Value per option ⁴ (USD)
Current Executive Officers												
Don	19 Oct 01	3.1321	48,209	120,524	43,039	120,524	72,315	1.67	–	–	48,209	0.3571
Merkley	19 Oct 01	3.0921	138,170	230,284	88,590	184,228	92,114	1.69	–	–	138,170	0.3847
	17 Dec 01	5.0586	170,709	170,709	72,261	170,709	–	–	–	–	170,709	0.4233
	3 Dec 02	6.449	200,000	200,000	129,620	100,000	–	–	–	–	200,000	0.6481
	5 Dec 03	7.05	250,000	250,000	260,750	62,500	–	–	–	–	250,000	1.043
	14 Dec 04	5.99	–	230,000	234,186	–	–	–	–	–	230,000	1.0182
Dave	19 Oct 01	3.1321	48,209	120,524	43,039	120,524	72,315	1.67	–	–	48,209	0.3571
Merkley	19 Oct 01	3.0921	82,902	138,170	53,154	110,536	55,268	1.69	–	–	82,902	0.3847
	17 Dec 01	5.0586	102,425	102,425	43,357	102,425	–	–	–	–	102,425	0.4233
	3 Dec 02	6.449	200,000	200,000	129,620	100,000	–	–	–	–	200,000	0.6481
	5 Dec 03	7.05	250,000	250,000	260,750	62,500	–	–	–	–	250,000	1.043
	14 Dec 04	5.99	–	230,000	234,186	–	–	–	–	–	230,000	1.0182
James	19 Oct 01	3.1321	40,174	40,174	14,346	40,174	–	–	–	–	40,174	0.3571
Chilcoff	19 Oct 01	3.0921	92,113	92,113	35,436	73,691	–	–	–	–	92,113	0.3847
	17 Dec 01	5.0586	68,283	68,283	28,904	68,283	–	–	–	–	68,283	0.4233
	3 Dec 02	6.449	111,000	111,000	71,939	55,500	–	–	–	–	111,000	0.6481
	14 Dec 04	5.99	–	180,000	183,276	–	–	–	–	–	180,000	1.0182
Mark	19 Oct 01	3.1321	40,174	40,174	14,346	40,174	40,174	2.11	–	–	–	0.3571
Fisher	19 Oct 01	3.0921	92,113	92,113	35,436	73,691	–	–	–	–	92,113	0.3847
	17 Dec 01	5.0586	68,283	68,283	28,904	68,283	–	–	–	–	68,283	0.4233
	3 Dec 02	6.449	74,000	74,000	47,959	37,000	–	–	–	–	74,000	0.6481
	5 Dec 03	7.05	132,000	132,000	137,676	33,000	–	–	–	–	132,000	1.043
	14 Dec 04	5.99	–	180,000	183,276	–	–	–	–	–	180,000	1.0182
Robert	19 Oct 01	3.1321	8,034	40,174	14,346	40,174	–	–	–	–	8,034	0.3571
Russell	19 Oct 01	3.0921	55,268	138,170	53,154	110,536	–	–	–	–	55,268	0.3847
	17 Dec 01	5.0586	68,283	68,283	28,904	68,283	–	–	–	–	68,283	0.4233
	3 Dec 02	6.449	111,000	111,000	71,939	55,500	–	–	–	–	111,000	0.6481
	5 Dec 03	7.05	132,000	132,000	137,676	33,000	–	–	–	–	132,000	1.043
	14 Dec 04	5.99	–	180,000	183,276	–	–	–	–	–	180,000	1.0182
Former Executive Officers												
Peter	17 Dec 01	5.0586	170,709	170,709	72,261	85,355	85,355	1.27	85,354	59,813	–	0.4233
Shafron	3 Dec 02	6.449	200,000	200,000	129,620	50,000	50,000	0.40	150,000	–	–	0.6481
	5 Dec 03	7.05	250,000	250,000	260,750	–	–	–	250,000	–	–	1.043
Phillip	17 Dec 01	5.0586	273,134	273,134	115,618	273,134	–	–	–	–	273,134	0.4233
Morley	3 Dec 02	6.449	134,300	134,300	87,040	134,300	–	–	–	–	134,300	0.6481
	5 Dec 03	7.05	100,000	100,000	104,300	100,000	–	–	–	–	100,000	1.043

¹ Total Value at grant = Average Fair Value per share x number of shares granted.

² Value at Exercise/share = Fair Market Value at Exercise – exercise price.

³ Excess of the aggregate stock option grant at the closing stock price of the Company's stock on date of lapse less the aggregate stock option grant at exercise price.

⁴ The weighted average fair value per right is estimated on the date of grant using the Black-Scholes option-pricing model.

Directors' Report *Year ended 31 March 2005 (continued)*

Shareholdings

Changes in Non-Executive Directors' relevant interests in JHI NV securities between 1 April 2004 and 31 March 2005 are set out in the table below:

Number of Shares/CUFS at Name	SBSP ¹ Number of 3 Dec 2004 issue Shares/CUFS at		31 March 2005
	1 April 2004	A\$5.94 per CUFS	
Meredith Hellicar	7,934 2,117		10,051
John Barr	21,000 1,068		22,068
Michael Brown	12,901 1,068		13,969
Peter Cameron	11,602 2,117		13,719
Gregory Clark	12,290 1,068		13,358
Michael Gillfillan	52,901 1,068		53,969
James Loudon	3,480 2,117		5,597
Donald McGauchie ²	4,743 1,068		5,811

¹ Since the Supervisory Board Share Plan (the "SBSP") was approved at the 2002 Annual General Meeting, three general allotments have been made to participants.

² Mr McGauchie holds 3,000 shares/CUFS as Trustee of a superannuation fund.

Changes in current and former Executive Officers' relevant interests in JHI NV securities between 1 April 2004 and 31 March 2005 are set out in the table below:

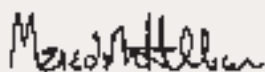
Number of Shares/CUFS at Name	Number of Shares/CUFS at	
	1 April 2004	31 March 2005
Louis Gries	127,675	127,675
Peter Macdonald ¹	428,600	428,600
Phillip Morley	115,200	115,200

¹ As of 31 March 2004 and 31 March 2005 Mr Macdonald had 380 CUFS held in his wife's name for their children.

Loans

Under the Executive Stock Ownership plan, the Company granted a loan to Mr Macdonald which was settled at the time of his resignation.

This report is made in accordance with a resolution of the members of the Joint Board.



M Hellicar
Chairman
Supervisory and Joint Boards



L Gries
Chief Executive Officer and
Interim Chairman Managing Board²

Signed Amsterdam, The Netherlands, 25 June 2005

² Under Article 14.3 of our Articles of Association, Members of the Managing Board appointed by the Supervisory Board are deemed to be "interim" until their appointments are confirmed by the next General Meeting of shareholders.