

Financial statements for the year

ended March 31, 2002

James Hardie Industries N.V.

(formerly RCI Netherlands Holdings B.V.)

Amsterdam

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1 General Introduction

These financial statements are the statutory financial statements of James Hardie Industries N.V. (“the Company”). The consolidated group accounts of the Company have been separately prepared and included in the Annual Report 2002 of James Hardie. The Annual Report 2002 of James Hardie will be distributed to shareholders, except those who requested not to receive a copy, on June 14, 2002.

A copy of the Annual Report 2002 of James Hardie may be obtained from the Company’s website at www.jameshardie.com or from the following offices of the Company:

Registered Office
4th floor, Atrium,
Unit 04-07 Strawinskylaan 3077
1077 ZX Amsterdam, The Netherlands
Phone: (31 20) 301 2984

Operational Headquarters
26300 La Alameda, Suite 100
Mission Viejo CA 92691, USA
Phone: (1 949) 348 1800

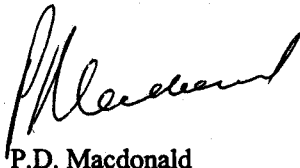
Investor Relations
Level 3, 22 Pitt St
Sydney NSW 2000, Australia
GPO Box 3935 Sydney NSW 2001
Phone: (61 2) 8274 5274

2 Directors' Report

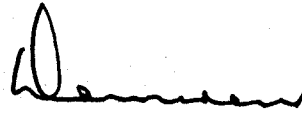
The director's report can be found in the Annual Report 2002 of James Hardie.

Amsterdam, May 14, 2002

The Board of Managing Directors,

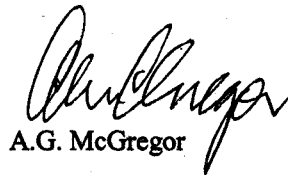


P.D. Macdonald



D.E. Cameron

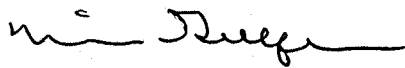
The Board of Supervising Directors,




A.G. McGregor




M.R. Brown



M.J. Gillfillan



M. Hellicar



M.M. Koffel

3 Financial statements

Balance sheet as at March 31, 2002

(before proposed appropriation of net result for the year)

US\$ million	March 31, 2002	March 31, 2001
Current assets		
Cash and bank balances	0.8	-
Receivables	0.2	-
Total current assets	1.0	-
Non-current assets		
Financial fixed assets	402.6	780.9
Due from group company	7.8	-
Total non-current assets	410.4	780.9
Total Assets	411.4	780.9
Current liabilities		
Accounts Payable	0.9	-
Total current liabilities	0.9	-
Non-current liabilities		
Due to group company	35.3	-
Total non-current liabilities	35.3	-
Total liabilities	36.2	-
Shareholders' equity		
Called-up and paid-in share capital	205.4	73.8
Share premium account	779.3	691.7
Merger revaluation account	(623.5)	-
Retained earnings opening	15.4	6.5
Income for the year	193.2	8.9
Interim dividends paid	(190.1)	-
Retained earnings closing	18.5	15.4
Cumulative translation reserve	(4.5)	-
Total shareholders' equity	375.2	780.9
Total liabilities and shareholders' equity	411.4	780.9

Profit and loss account for the year ended March 31, 2002

US\$ million	March 31, 2002			March 31, 2001	
	Up to and including reorganization	Post-reorganization	Total		
General and administrative expenses	-	(1.4)	(1.4)	-	-
Financial Income					
Dividend income	34.4	-	34.4	8.9	
Gain on disposal of subsidiaries	140.3	-	140.3	-	
Foreign exchange losses	-	(0.1)	(0.1)	-	
Interest expense	-	(0.4)	(0.4)	-	
Share in income of subsidiaries	-	20.4	20.4	-	
	174.7	19.9	194.6		8.9
Income before taxation	174.7	18.5	193.2		8.9
Taxation benefit	-	-	-		-
Net Income	174.7	18.5	193.2		8.9

Notes to the financial statements for the year ended March 31, 2002

1. General

At March 31, 2001, James Hardie Industries N.V. (“the Company”), formerly RCI Netherlands Holdings B.V., was a wholly owned subsidiary of RCI Lux. Investments S.A.R.L. At that date, the ultimate parent company was James Hardie Industries Limited (JHIL), Australia. The Company was incorporated on October 26, 1998 and is located in Amsterdam.

On July 2, 1998, JHIL, a public company organized under the laws of Australia and listed on the Australian Stock Exchange, announced a plan of reorganization and capital restructuring (the “1998 Reorganization”). James Hardie N.V. (“JHNV”) was incorporated in August 1998, as an intermediary holding company, with all its common stock owned by indirect subsidiaries of JHIL. On October 16, 1998, JHIL’s shareholders approved the 1998 Reorganization. Effective as of November 1, 1998, JHIL contributed its fiber cement businesses, its US gypsum wallboard business, its Australian and New Zealand building systems businesses and its Australian windows business (collectively, the “Transferred Businesses”) to JHNV and its subsidiaries. In connection with the 1998 Reorganization, JHIL and its non-transferring subsidiaries retained certain unrelated assets and liabilities (the “Retained Assets and Liabilities”).

On July 24, 2001, JHIL announced a further plan of reorganization and capital restructuring (the “2001 Reorganization”). In connection with the 2001 Reorganization, the Company issued common shares represented by CHESS Units of Foreign Securities (“CUFS”) on a one for one basis to existing JHIL shareholders in exchange for their shares in JHIL such that the Company became the new ultimate holding company for JHIL and JHNV. Completion of the 2001 Reorganization occurred in October 2001.

As part of the 2001 Reorganization, the Company:

- Received a dividend and a return of capital from one of its subsidiaries
- Sold all of its subsidiaries to other group companies and realized a gain on the disposal
- Paid a dividend and a return of capital to its shareholders
- Undertook a share split and converted the nominal capital into Euro denomination
- Acquired all the shares of JHIL by issuing new shares in the Company in exchange for the JHIL shares. The Company’s investment in JHIL was recorded at the fair market value of the shares acquired based on the quoted market price of the shares on the date of Reorganization

Shortly following the 2001 Reorganization, the Company changed its accounting policy for its investment in subsidiaries. The investment in subsidiaries is now recorded using the equity accounting method to reflect the net asset value of the subsidiaries. Previously, the Company accounted for its investment in subsidiaries at historical cost. As part of the 2001 Reorganization, the subsidiaries acquired by the company were recorded at the market capitalization value of JHIL at the date of acquisition, which was significantly higher than the net asset value of the underlying assets in the subsidiaries acquired. Following the 2001 Reorganization, the Company controls the same assets and liabilities as JHIL controlled immediately prior to the 2001 Reorganization. A merger revaluation account is accounted for to reach the historical cost basis using the “as-if” pooling method on the basis that the transfers are between companies under common control.

2. Basis Of Presentation

Management of the Company is of the opinion that the functional currency of the Company is the US dollar. Furthermore, the reporting currency of the subsidiaries is also the US dollar. Accordingly, the financial statements of the Company are expressed in millions of US dollars.

3. Summary of significant accounting policies

General

The annual accounts are prepared in accordance with accounting principles generally accepted in The Netherlands. The accounting principles as described in the notes to the consolidated financial statements also apply to the statutory financial statements, unless indicated otherwise.

Consolidation

The consolidated financial statements of the Company for the year ended March 31, 2002, which are disclosed in the Annual Report 2002 of James Hardie, have been prepared in accordance with accounting principles generally accepted in the United States of America. In management's opinion, the attached consolidated financial statements do not differ materially from those which would have been prepared, had generally accepted Dutch accounting principles been applied.

Financial fixed assets

Financial fixed assets comprise investments in subsidiaries and loans to group companies. Prior to October 2001, the investment in subsidiaries is stated at historical cost, less amounts written off for diminution in value which are considered to be of a permanent nature. From October 2001, the investment in subsidiaries is recorded using the equity accounting method to reflect the net asset value of the subsidiaries.

4. Financial fixed assets

Financial fixed assets comprise

	March 31, 2002	March 31, 2001
	US\$ million	US\$ million
Investment in subsidiaries	402.6	780.9
	402.6	780.9

The movements in investment in subsidiaries are as follows:

	US\$ million
Balance March 31, 2000 (historical cost)	915.5
Capital increase	91.4
Repayment of capital	(226.0)
	<hr/>
Balance March 31, 2001 (historical cost)	780.9
Sale of shares	(633.7)
Repayment of capital	(147.2)
	<hr/>
Subtotal after Phase 1 of 2001 Reorganization	-
Capital increase	1,993.0
Repayment of capital	(392.3)
Dividends received	(590.5)
Transfer to merger revaluation account	(623.5)
Income from investments	20.4
Translation effect	(4.5)
	<hr/>
Balance March 31, 2002 (net asset value)	402.6
	<hr/>

The balance as at March 31, 2002 represents the 100% shareholding in James Hardie N.V. and in HAH Pty Limited (formerly James Hardie Industries Limited).

Details of the 2001 Reorganization is presented in the consolidated financial statements of the Company included in the Annual Report 2002 of James Hardie.

5. Non-current Group Loans

Borrowings from these companies have no fixed repayment schedule. Interest is charged using a floating interest rate which is reset quarterly. At March 31, 2002 the average interest rate was 2.5%.

6. Shareholders' Equity

US\$ million	Issued and paid in capital	Share premium account	Merger revaluation account	Retained earnings	Cumulative translation reserve	Total
Balance April 1, 2001	73.8	691.7	-	15.4	-	780.9
Conversion of premium	6.4	(6.4)	-	-	-	-
Net income (up to and including reorganization)	-	-	-	174.7	-	174.7
Dividends paid	-	-	-	(190.1)	-	(190.1)
Capital return	(80.2)	(685.3)	-	-	-	(765.5)
Subtotal after phase 1 of Reorganization	-	-	-	-	-	-
Issuance of shares	205.4	801.8	-	-	-	1,007.2
Capital return	-	(22.5)	-	-	-	(22.5)
Merger revaluation	-	-	(623.5)	-	-	(623.5)
Net income (post reorganization)	-	-	-	18.5	-	18.5
Translation effect	-	-	-	-	(4.5)	(4.5)
Balance March 31, 2002	205.4	779.3	(623.5)	18.5	(4.5)	375.2

The EURO equivalent of the issued share capital at March 31, 2002 amounts to EURO 227,719,260 (2001: EURO 10,890,789). For changes in issued and paid in capital and additional paid in capital we refer to the consolidated financial statements of the Company included in the Annual Report 2002 of James Hardie.

As at March 31, 2002 the Company had 2,000,000,000 authorized shares and 455,438,519 issued shares.

Details of share option schemes are detailed in the consolidated financial statements of the Company included in the Annual Report 2002 of James Hardie.

There is a difference in Shareholders' Equity between the consolidated financial statements under US GAAP and these entity accounts under Dutch GAAP as under US GAAP loans receivable relating to the issuance of shares to employees are required to be classified under equity. The amount of loans receivable relating to the issuance of shares at March 31, 2002 was US\$4.8 million.

7. Taxation

The weighted average statutory tax rate of the company as presented in these accounts differs from the Dutch statutory tax rate as a result of the Dutch fiscal treatment of the activities of the company.

8. Remuneration to Board of Directors Members

The remuneration to members of the Board of Directors of JHINV during the year ended March 31, 2002 was:

Supervisory Board Directors	Directors' Fees	Superannuation	Total
	US\$	US\$	US\$
AG McGregor	56,489	4,519	61,008
M Hellicar	14,979	1,211	16,190
MR Brown	14,979	1,211	16,190
MJ Gillfillan	18,814		18,814
MM Koffel	14,978		14,978
Total remuneration for Supervisory Board Directors			127,180

Managing Board Directors	Base Pay US\$	Bonuses US\$	Total cash pay US\$	Superannuation and other Benefits (1)	Shadow Share & Options (2)	Expatriate benefits		
				US\$	US\$	US\$		
PD Macdonald	425,342	718,356	1,143,698	5,696	190,559	-		
DE Cameron	98,855	24,308	123,163	37,573	77,442	44,998		
Total remuneration for Managing Board Directors			524,197	742,664	1,266,861	43,269	268,001	44,998

(1) Gross up of tax payable on the increase in the investment value of superannuation is included for expatriate directors.

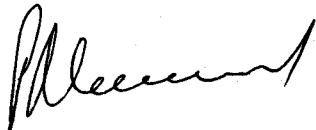
(2) Options are valued using the Black-Scholes method and the fair value of options granted included in emoluments. Shadow share expense included in emoluments is calculated based on the movement in the JHINV share price during the year and the increase in vesting of the shadow shares.

9. Consolidated Financial Statements of James Hardie Industries N.V.

The consolidated financial statements of the Company for the year ended March 31, 2002 are included in the Annual Report 2002 of James Hardie.

Amsterdam, May 14, 2002

The Board of Managing Directors,

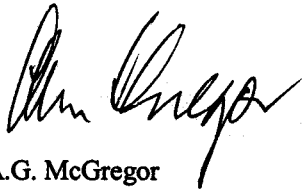


P.D. Macdonald



D.E. Cameron

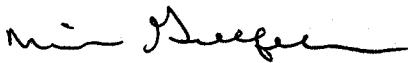
The Board of Supervising Directors,



A.G. McGregor



M.R. Brown



M.J. Gillfillan



M. Hellicar



M.M. Koffel

4 Other information

Profit appropriation according to the Articles of Association

Any profit appropriation must be in accordance with Article 42 of the Company's Articles of Association as disclosed below.

42.1 Out of the profit made in any financial year shall first be retained by way of reserve, with due observance of applicable provisions of Law relating to statutory reserves (*wettelijke reserves*) such portion of the profit - the positive balance of the profit and loss account - as determined by the Joint Board.

42.2 The portion of the profit remaining after application of article 42.1, shall be at the disposal of the Joint Board.

42.3 Subject to the Law and these Articles, the Joint Board may resolve to declare a dividend and fix the date and amount of payment and determine as to whether or not profits are distributed to Shareholders either in cash or in Shares or other securities issued by the Company or by other companies, or a combination thereof, provided however that the General Meeting shall have the authority to make such distributions in the form of Shares in the Company, if a designation as referred to in article 4.2 is not in force.

42.4 Subject to the provisions of section 2:105 subsection 4 Dutch Civil Code, and these Articles the Joint Board may resolve to declare an interim dividend on Shares. Interim dividends may be distributed to the Shareholders, in proportion to the number of Shares held by each of them, either in cash or in Shares or other securities issued by the Company or by other companies, or a combination thereof, provided however that the General Meeting shall have the authority to make such distributions in the form of Shares in the Company, if a designation as referred to in article 4.2 is not in force.

42.5 Dividends shall be divisible among the Shareholders in proportion to the nominal amount paid (or credited as paid) (excluding the amounts unpaid on those Shares pursuant to article 5) on the Shares of each Shareholder without prejudice to the other provisions of this article 42. To the extent one or more payments on Shares are made during the period to which a dividend relates, the dividend on the amounts so paid on Shares shall be reduced pro rata to the date of these payments.

42.6 The Company can only declare dividends in so far as its shareholders equity (*eigen vermogen*) exceeds the amount of the paid up and called portion of the share capital, plus the statutory reserves (*wettelijke reserves*).

Proposed appropriation of the net result for the year

It is proposed to credit the net result for the period to retained earnings. This proposal has not been reflected in these financial statements.

Auditors' Report

The report of the auditors, PricewaterhouseCoopers N.V., is presented on page 14.

To the Board of Directors and Shareholders of
James Hardie Industries N.V.
(formerly RCI Netherlands Holdings B.V.), Amsterdam

PricewaterhouseCoopers N.V.
Accountants
Prins Bernhardplein 200
1097 JB Amsterdam
P.O. Box 94071
1090 GB Amsterdam
The Netherlands
Telephone +31 (20) 568 66 66
Facsimile +31 (20) 568 68 88
www.pwcglobal.com/nl

Auditors' report

Introduction

We have audited the financial statements of James Hardie Industries N.V. (formerly RCI Netherlands Holdings B.V.), Amsterdam, for the year ended March 31, 2002. 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 audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. 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 presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at March 31, 2002 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Amsterdam, May 14, 2002



PricewaterhouseCoopers N.V.