

Chairman's Report

Having regard to recent events, it is difficult to write this year's report summarising key events for the company.

In reviewing the performance of the company to the end of March this year, I can report on another good year of increasing sales and profits.

However, news of our operating success comes against the background of the New South Wales Government's Special Commission of Inquiry, announced in February and sitting since the end of the financial year.

The Commission began taking evidence in April, reviewing matters related to the asbestos liabilities of former subsidiaries of James Hardie and the company's role in establishing the Medical Research and Compensation Foundation to manage these.

The company has co-operated fully with the Commission. I and several of our key managers and advisers have given evidence. Many of you

will have seen media coverage of cross-examinations and other issues related to the Commission. I can assure you that I, and my fellow directors, are extremely concerned about issues that are being reported. We are also aware that it would be inappropriate to comment on the Commission during its hearings and before the Commissioner issues his report. Rather, our approach has been to let the Commission run its course, and provide comment only when it is appropriate to do so.

Around the time this Annual Report is being issued, we will be presenting submissions in response to issues identified by the Commission. The Commission is currently expected to report to the NSW Government in September 2004. Once we are in a position to understand the findings, we will be able to respond. As has always been the case, we reaffirm our commitment to keep shareholders fully informed, at the earliest possible opportunity and using the most effective means.



That is for the future. I now turn to the operating and financial performance for the year on which we are reporting. This is discussed in considerable detail in other sections of the report. I encourage you to read these pages to understand the basis of our success to date, and our belief in the future performance potential of the business. All key indicators grew strongly and operating profit was up 50% over the full year. All the business units showed good or improving results. We materially exceeded all our key long-term targets across the business, with 25% revenue growth, an 18% EBIT to sales ratio, and a 23% return on capital employed.

This company has directors from Australia, the United States and Europe. We seek to ensure we have the right people in place for the challenges of the future. An important part of the Board's function is to ensure that directors, and the Board as a whole, are contributing and performing to achieve the best possible outcomes for shareholders.

To this end, this year the Board and individual directors underwent an external review that has much in common with the performance reviews experienced by all those who work for the company. The review was carried out by an independent, external consultant. It covered the relative strengths and weaknesses of the Board compared to other Boards, as well as Board composition and structure, director performance, relations with management and Board renewal and succession planning. I am pleased to report that the reviewer reported favourably on all aspects of procedures and performance.

During the year, we appointed John D Barr to the Board. John is a United States citizen who has more than 30 years' management experience in the North American industrial sector. He has wide-ranging corporate and operating experience and has

outstanding credentials as a builder of businesses that can sustain good performance. John will be standing for election at this year's Annual General Meeting.

The Board has recommended a dividend increase of one-half of a US cent, or 20%, to US\$0.03 per share for the final dividend payment from this past year's earnings. We are committed to efficient capital management and will continue to evaluate the best way to provide value to shareholders.



Alan McGregor AO
Chairman

ANOTHER
GOOD YEAR
OF INCREASING
SALES AND
PROFITS

OUR BELIEF IN
THE FUTURE
PERFORMANCE
POTENTIAL OF
THE BUSINESS



“In conclusion, I would like to thank our management and employees for their enthusiastic and hardworking contribution to the excellent results that have been achieved.”

ALL THE
BUSINESS UNITS
SHOWED GOOD
OR IMPROVING
RESULTS

WE MATERIALLY
EXCEEDED ALL
OUR KEY LONG-
TERM TARGETS
ACROSS THE
BUSINESS