

Your Directors of the Joint Board present their report on the consolidated entity consisting of James Hardie Industries NV (JHI NV) and the entities it controlled at the end of, or during, the year ended 31 March 2005 (collectively referred to as the "Company").

Directors

At the date of this report the members of the Supervisory Board are: Ms M Hellicar (Chairman), Mr JD Barr (Deputy Chairman), Messrs MR Brown, MJ Gillfillan, JRH Loudon, GJ Clark, PS Cameron and DG McGauchie and the interim¹ members of the Managing Board are: Messrs L Gries and W Vlot. The Joint Board consists of all of the members of the Supervisory Board plus Mr Gries.

JHI NV Board changes between 1 April 2004 to the date of this report were: Mr AG McGregor retired from the Supervisory Board and Joint Board on 25 August 2004; Mr PD Macdonald resigned from the Joint Board on 21 October 2004; Messrs PD Macdonald and F Zwinkels resigned from the Managing Board on 22 October 2004; Mr L Gries and Mr W Vlot were appointed to the Managing Board as interim members¹ on 22 October. Directors' qualifications, experience, special responsibilities and period in office are set out in the Directors' profiles on pages 36 – 37 of this report.

Corporate Governance

Details of JHI NV's corporate governance policies and procedures, including information about Joint Board Committees, are set out on pages 79 – 93 of this report.

Activities of the Supervisory Board and the Committees

The Supervisory Board and the Committees regularly held deliberations throughout fiscal year 2005. Details on the number of meetings of the Supervisory Board and the Committees and the attendance of members of the Supervisory Board and the Committees are set out on page 60 of this report.

In its meetings, the Supervisory Board discussed regularly:

- the performance of the JHI NV's individual business groups;
- company and business unit budgets
- monthly, quarterly, half-yearly and yearly results and financial statements;
- capital expenditure requests
- the safety and environmental performance of the business;
- JHI NV's financing in general and its credit rating.
- the entry into voluntary asbestos compensation arrangements with the New South Wales Government, subject to lender support and shareholder approval;

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 the next General Meeting of shareholders.

The Supervisory Board also discussed the operational and financial objectives of JHI NV, the strategy to achieve these objectives, the parameters to be applied in relation to the strategy, the business plans for the businesses, dividends and capital management, the risks to JHI NV and the reports by the Managing Board of the internal risk management and control systems and their developments.

In addition, the Supervisory Board discussed, without the members of the Managing Board being present, severance agreements with Mr Macdonald and Mr Shafron; the appointment of the CEO (and, in consultation with the CEO, the appointment of the CFO); its own performance, composition, profile and competence; the performance of its individual members; succession; its relationship with the Managing Board and the composition thereof. The Supervisory Board also discussed, without the members of the Managing Board being present, the performance of the Managing Board and of its individual members and succession.

The Audit Committee reviewed JHI NV's monthly, quarterly, half-yearly and yearly results, financial statements and the Annual Report. Furthermore, the Audit Committee oversaw the relationship with the external auditor and the functioning of the internal audit department, including the compliance with recommendations and observations of internal and external auditors. It also discussed the effect of internal risk management and control systems.

The Remuneration Committee discussed the remuneration of the members of the Managing Board (and interim members of the Managing Board), described on pages 63 – 78 of this report as well as the severance agreements with Mr Macdonald and Mr Shafron. Other topics included equity grants to executives; remuneration of the executive team and salary increase guidelines for each business; non executive director remuneration and cap; retiree health care benefits for US executives; Economic Profit Incentive Plan; executive contracts; management structure, succession planning and development; US non-qualified deferred compensation plan.

The Nominating and Governance Committee discussed the size and composition of the Supervisory Board and the Managing Board as well as the functioning of the individual members of the Supervisory Board and the Managing Board. Furthermore, this committee discussed the succession of Mr Macdonald and Mr Shafron as well as corporate governance compliance developments.

The (temporary) Special Committee was established by the Supervisory Board on 19 July 2004 and was disbanded on 31 March 2005. It oversaw the company's participation in the SCI; reviewed the SCI's report and recommended to the Board appropriate actions in response to its findings; oversaw on behalf of the company any developments and discussion of suitable arrangements to ensure legitimate claimants receive fair and equitable compensation; and discussed the developments of negotiations with the NSW government, the ACTU and the Asbestos Victim's Associations which resulted in the signing of a Heads of Agreement in December 2004.

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

Attendance at meetings

Directors' attendance at JHI NV Managing Board, Supervisory Board, Joint Board and Joint Board Committee meetings during the fiscal year ended 31 March 2005 is recorded in the table below.

Member	Boards of Directors						Committee					
	Joint Board		Supervisory Board		Audit		Remuneration		Nominating and Governance		Special	
	H	A	H	A	H	A	H	A	H	A	H	A
M Hellicar	15	15	19	19	10	8	3	3	1	1	17	17
JD Barr	15	14	19	17			3	3				
MR Brown	15	14	19	19	12	12						
MJ Gillfillan	15	11	19	16	12	10					17	16
JRH Loudon	15	12	19	14	12	12	2	2				
GJ Clark	15	14	19	17					3	3		
PS Cameron	15	12	19	18					3	3		
DG McGauchie	15	15	19	19					3	3	17	17
L Gries	6	6										
Former Directors												
AG McGregor	8	7	3	2	2	2			2	2		
PD Macdonald	9	8										

Managing Board

Interim Members ¹		
	H	A
L Gries	6	6
W Vlot	6	6
Former Members		
PD Macdonald	6	6
FH Zwinkels	6	6

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 the next General Meeting of shareholders.

H = Number of meetings held during the time the Director held office or was a member of the Committee during the fiscal year.

A = Number of meetings attended during the time the Director held office or was a member of the Committee during the fiscal year. Non-Committee members also attend Committee meetings from time to time; these attendances are not shown.

Changes in Directors' interests in JHI NV securities

Changes in Directors' relevant interests in JHI NV securities between 1 April 2004 and 31 March 2005 are set out in the tables below.

	Number of Shares/CUFS at 1 April 2004	SBSP ¹ 3 Dec 2004 issue A\$5.94 per CUFS	Number of Shares/CUFS at 31 March 2005
Supervisory Board			
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 Subsequent to approval of the Supervisory Board Share Plan (the "SBSP") 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.

Managing Board Interim Member¹	CUFS at date of appointment	Options at date of appointment	CUFS at 31 March 2005	Options at 31 March 2005
Louis Gries	127,675	1,189,544	127,675	1,189,544
Pim Vlot	–	–	–	–

Former Directors	CUFS at 1 April 2004	Options at 1 April 2004	CUFS at date of resignation/ retirement	Options at date of resignation/ retirement
Alan McGregor (former Chairman)	8,614,895	–	8,614,895	–
Peter Macdonald (former member of our Joint & Managing Boards)	428,980	3,774,000	428,980	3,774,000
Folkert Zwinkels (former member of our Managing Board)	–	8,775	–	8,775

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 the next General Meeting of shareholders.

Shares Allotted Under SBSP

Director	3 Dec 2004¹	22 August 2003²	27 August 2002³
Meredith Hellicar	2,117	2,225	2,948
John Barr	1,068	–	–
Michael Brown	1,068	1,260	1,641
Peter Cameron	2,117	5,602	–
Gregory Clark	1,068	5,602	6,688
Michael Gillfillan	1,068	1,260	1,641
James Loudon	2,117	1,839	1,641
Donald McGauchie	1,068	1,743	–
Former Director			
Alan McGregor	Nil	1,260	1,641
Totals	11,691	20,791	16,200

¹ The acquisition price was A\$5.94 per share/CUFS. Each participant's 3 December 2004 mandatory participation of 1,068 JHI NV shares/CUFS is subject to escrow period ending on 4 December 2006.

² The acquisition price was A\$7.52 per share/CUFS. Each participant's 22 August 2003 mandatory participation of 1,260 JHI NV shares/CUFS is subject to escrow period ending on 22 August 2005.

³ The acquisition price was A\$6.71 per share/CUFS. Each participant's 27 August 2002 mandatory participation of 1,641 JHI NV shares/CUFS were subject to escrow, until they were released on 27 August 2004.

Options

Under our Remuneration Policy, Non-Executive Directors do not receive options. Details of JHI NV options granted to specified key executives throughout the company and exercised during the reporting period are set out in Note 16 to the consolidated financial statements on page 125.

Principal activities

Principal activities of the Company during fiscal year 2005 were the manufacture and marketing of fibre cement products in: the USA, Australia, New Zealand, Philippines and Chile. The Company also sells fibre cement products in Asia, the United Kingdom and Northern Europe.

Review and results of operations

A review of the Company's operations during the fiscal year and of the results of those operations is contained in Management's Discussion and Analysis (MD&A) on pages 46 – 58.

Environmental regulations and performance

Protecting the environment is critical to the way the Company does business, and we continue to seek means of using materials and energy more efficiently and to reduce waste and emissions.

Our integrated environmental, health and safety management system includes regular monitoring, auditing and reporting within the Company. The system is designed to continually improve the Company's performance and systems with training, regular review, improvement plans and corrective action as priorities.

The manufacturing and other ancillary activities conducted by the Company are subject to licenses, permits and agreements issued under environmental laws that apply in each respective location.

Under the applicable licenses and trade waste agreements, discharges to water, air and the sewerage system and noise emissions are to be maintained below specified limits. In addition, dust and odour emissions from the sites are regulated by local government authorities. The Company employs dedicated resources and appropriate management systems at each site to ensure that our obligations are met. These resources are also employed to secure improvements in our systems and process that go beyond those required by law.

Solid wastes are removed to licensed landfills. Programs are in place to reduce waste that presently goes to landfills. These include expanded recycling programs.

Further information about James Hardie's environmental aims is included in pages 42 – 43.

Financial position, outlook and future needs

The financial position, outlook and future needs of the Company are set out in the MD&A on pages 46 – 58.

Auditors

The Company prepares its annual accounts in accordance with Dutch GAAP and US GAAP. Each set of accounts is audited by independent auditors in the countries concerned. The auditors have provided the Board with a declaration of their independence.

Insurance and indemnification of Directors and officers

During the financial year, the Company paid premiums for insurance policies insuring any past, present or future Director, secretary, executive officer or employee of the Company including JHI NV Directors named above, against certain liabilities. In accordance with common commercial practice, the insurance policies prohibit disclosure of the nature of the insurance cover and the amount of the premiums.

JHI NV's Articles of Association provide that JHI NV shall generally indemnify any person who is or was a member of JHI NV's Managing, Supervisory or Joint Boards or one of JHI NV's employees, officers or agents, and who suffers any loss as a result of any action in connection with their service to JHI NV, provided they acted in good faith in carrying out their duties and in a manner they reasonably believed to be in JHI NV's interest. This indemnification generally will not be available if the person seeking indemnification acted with gross negligence or wilful misconduct in the performance of such person's duties to JHI NV. A court in which an action is brought may, however, determine that indemnification is appropriate nonetheless.

During fiscal year 2005, Mr Gries, interim Member of the Managing Board¹ of JHI NV received a revised deed of indemnification upon his appointment as CEO, in accordance with the Articles of Association and Dutch law.

Other disclosures

Readers are referred to the Company's Form 20-F document which is filed with the US Securities and Exchange Commission (the "SEC") annually, and which contains additional disclosures prescribed by the SEC. The Form 20-F filing can be accessed through the Investor Relations area of the company's website at www.jameshardie.com, or from the company's Registered Offices in Amsterdam and Sydney (see page 141 for addresses).

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 the next General Meeting of shareholders.