Currency of Borrowings	As at 31 March	
(Millions of US dollars)	**2005**	2004
Borrowings		
USD	**147.4**	165.0
Other	**11.9**	10.8
Total Borrowings	**159.3**	175.8
Deposits		
AUD	**4.4**	3.6
USD	**97.7**	61.9
NZD	**4.9**	1.2
PHP	**4.6**	2.6
Other	**1.9**	3.0
Total Deposits	**113.5**	72.3
Net Borrowings	**45.8**	103.5

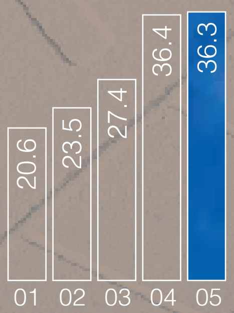
Debt Maturity Profile		
(Millions of US dollars)	**2005**	2004
Less than one year	**37.6**	28.4
1-2 years	**27.1**	25.7
2-3 years	**8.1**	27.1
3-4 years	**46.2**	8.1
4-5 years	**–**	46.2
Greater than 5 years	**40.3**	40.3
Total Borrowings	**159.3**	175.8

Capital Expenditure[1]	As at 31 March	
(Millions of US dollars)	**2005**	2004
USA Fibre Cement	**144.8**	56.2
Asia Pacific Fibre Cement	**4.1**	8.4
Other Fibre Cement	**4.1**	9.5
Corporate	**–**	–
Continuing Operations	**153.0**	74.1

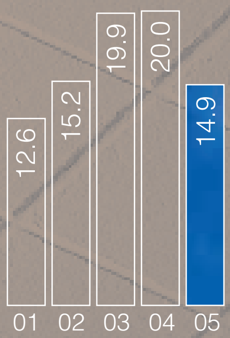
Exchange Rates (US$1=A$)

Weighted Average	**2005**	2003
AUD	**1.3519**	1.4419
NZD	**1.4448**	1.6361
Closing Spot		
AUD	**1.2946**	1.3156
NZD	**1.4071**	1.5083

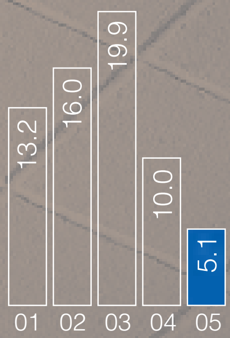
Gross Capital Employed		
(Millions of US dollars)	**2005**	2004
Fixed assets	**685.6**	567.1
Inventories	**99.9**	103.2
Receivables/prepayments	**140.0**	137.0
Other	**11.5**	17.1
Creditors	**(101.4)**	(87.2)
Gross capital employed	**835.6**	737.2



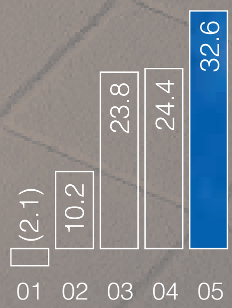
Depreciation and Amortisation
(Millions of US dollars)



Working Capital to Net Sales
(%)



Net Interest Expense
(Millions of US dollars)



Effective Income Tax Rate
(%)

Financial Review

In summary, we've had very strong growth in the operating and financial performance of the company in the last 12 months. We experienced strong cash flows, have very low net debt and we are expanding our capacity in the United States in view of our confidence in growth prospects for the United States, and the company.

James Hardie's operating performance for fiscal year 2005 was strong: sales were up 23%; gross profit was up 19%; and EBIT was up 14%. These and other results are discussed in more detail in Management's Discussion & Analysis on pages 46 – 58.

Operating cash flow generation was up 35% to US$219.8 million, through continued strong performance and better working capital management, assisted by the buoyancy of the US residential housing market. This led to a 56% reduction in net debt to US$45.8 million.

Operating costs for the full year included SCI and related expenses of US$28.1 million, and other operating expense of US$6.0 million which included a US$5.3 million charge for a settlement loss on a defined benefit superannuation (or pension plan) for employees of our Australian operations. Operating profit from continuing operations was up 2% to US$127.9 million. Operating profit from continuing operations excluding SCI and other related expenses for the full year was higher at US$150.2 million, an increase of 20%. We continued to invest in Research and Development - US$21.6 million during fiscal year 2005.

EBIT for USA Fibre Cement was up 24% to US$241.5 million and for Asia Pacific Fibre Cement was up 25% to US$46.8 million.

Net interest expense declined by 49%, although this improvement is largely due to capitalising US$4.3 million more interest expense in fiscal year 2005 compared to fiscal year 2004 because we had higher levels of major construction projects and significant capacity expansion expenditure underway.

The effective tax rate for the year was 32.6%. We expect this to be about 30% for fiscal year 2006, although it may eventually be different due to a number of factors, including the level of deductibility of SCI and other related expenses and the geographic mix of earnings.

Adjusted EBITDA of US$232.5 million for the full year is up by 11% from the prior year.

Our capital expenditure[1] for the year increased significantly to US$153.0 million. Most of this was spent on capacity expansion in the United States, including the Reno, Nevada, plant, and the trim line and ColorPlus® finishing technology manufacturing capacity at our Peru, Illinois, plant. We also announced construction of our 10th plant, our largest planned to date, in Pulaski, Virginia at an estimated cost of US$98 million.

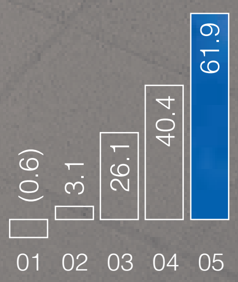
Our key performance ratios for the year show:

- A slight increase in basic earnings per share from continuing operations from US 27.4 cents to US 27.9 cents;
- A return on shareholders' funds of 22.4%;
- A slight rise in return on capital employed, from 23.4% to 23.6%;
- A decline in EBIT margin from 17.5% to 16.2%; however EBIT margin before SCI and other related expenses was 18.5%.
- Our gearing ratio decreased from 17.0% to 6.8%;
- Our net interest expense cover improved from 17.2 times to 38.5 times;
- Our net interest paid cover improved from 14.7 times to 18.3 times; and
- Net debt payback was down from 7.6 months to 2.5 months.

Part of the decline in the return on shareholders' funds and the increase in return on capital employed is a result of the financing structure of the company, where we have reduced reliance on debt and increased reliance on equity. Although we currently have extraordinarily low debt, that is likely to change with the initial funding payment and on-going annual contributions proposed for the asbestos compensation arrangements.

The financial indicators, particularly debt service capacity – as indicated by net interest expense cover, net interest paid cover, and net debt pay back – show our current financial strength.

Russell Chenu
Chief Financial Officer



Income Tax Expense (Benefit)
(Millions of US dollars)

1 Capital expenditure includes both cash and credit purchases and therefore differs from the consolidated statements of cash flow. See Note 18 to the consolidated financial statements on page 129.