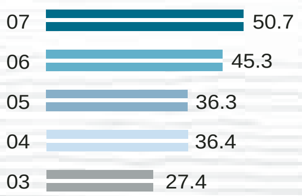
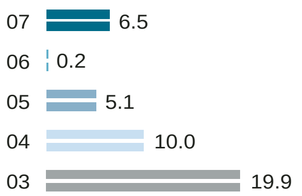
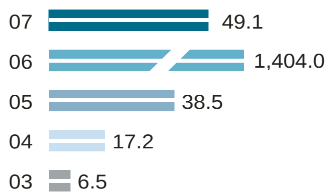


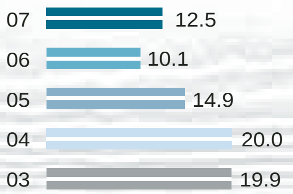
Depreciation and Amortisation
(Millions of US dollars)



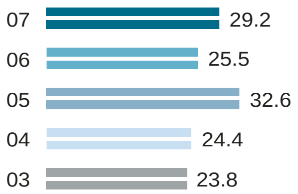
Net Interest Expense
(Millions of US dollars)



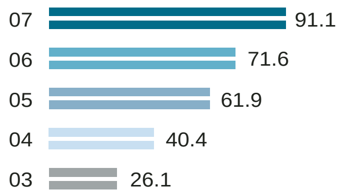
Net Interest Expense Cover
(Times)



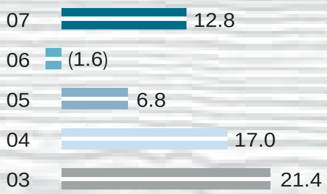
Working Capital to Net Sales
(%)



Effective Income Tax Rate
(%)



Income Tax Expense
(Millions of US dollars)



Gearing Ratio
(%)

CFO'S REPORT

Russell Chenu
Chief Financial Officer

As of 31 March 2007, James Hardie implemented the Amended FFA to provide compensation for Australian asbestos related personal injury claims against certain former companies of the James Hardie Group.

Our results for the year continued to be significantly affected by asbestos adjustments, including accounting adjustments related to the implementation of the Amended FFA.

By way of background, in March 2006, we booked an asbestos provision of US$715.6 million for the estimated economic reality of the proposed FFA.

In September 2006, as a result of an updated actuarial estimate prepared by KPMG Actuaries Pty Ltd (KPMG Actuaries), the asbestos provision was adjusted to US$790.1 million. This reflected an expectation of increased asbestos claims and was prepared as a then-current estimate for the proposed Extraordinary General Meeting which was being convened for shareholders to consider the asbestos compensation proposal. That meeting was held in February 2007 and shareholders approved the proposal.

Numerous accounting adjustments were foreshadowed in the Explanatory Memorandum prepared for shareholders. These adjustments were adopted at 31 March 2007 as a result of implementing the Amended FFA and had a once-only impact. They are explained in detail in Notes 2 and 12 to our consolidated financial statements beginning on pages 83 and 90 of this annual report.

In March 2007, the AICF commissioned the annual, year-end actuarial estimate required by the Amended FFA. The impact of asbestos adjustments including the tax impact related to implementing the Amended FFA was a net expense of US$70.5 million on the net operating profit for fiscal year 2007.

The provision for payment of personal injury claims, asbestos-related deferred tax assets, insurance receivables, workers' compensation and administration costs of the fund and other items, are now being treated as separate amounts in our consolidated balance sheet.

Our balance sheet remains very strong, excluding the net liability arising from the Amended FFA. At the end of March 2007, net debt was US$153.9 million;

[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 103.

Currency of Borrowings

(Millions of US dollars) As at 31 March	2007	2006
Borrowings		
USD	$ 188.0	$ 302.7
Other	–	–
Total Borrowings	$ 188.0	$ 302.7
Deposits		
AUD	$ 5.7	$ 4.4
USD	19.2	302.5
NZD	1.2	2.0
PHP	7.4	5.4
Other	0.6	0.8
Total Deposits	$ 34.1	$ 315.1
Net Borrowings	$ 153.9	$ (12.4)

Capital Expenditure[1]

(Millions of US dollars) Year ended 31 March	2007	2006
USA Fibre Cement	$ 80.3	$ 154.5
Asia Pacific Fibre Cement	10.5	6.6
Other	1.3	1.5
Corporate	–	0.2
Continuing Operations	$ 92.1	$ 162.8

Exchange Rates (US$1=)

Weighted Average	2007	2006
AUD	1.3066	1.3285
NZD	1.5213	1.4466
Closing Spot		
AUD	1.2395	1.3975
NZD	1.4009	1.6348

Debt Maturity Profile

(Millions of US dollars)	2007	2006
Less than one year	$ 83.0	$ 302.7
1–2 years	–	–
2–3 years	–	–
3–4 years	105.0	–
4–5 years	–	–
Greater than 5 years	–	–
Total Borrowings	$ 188.0	$ 302.7

Gross Capital Employed

(Millions of US dollars)	2007	2006
Fixed assets	$ 827.3	$ 775.6
Inventories	147.6	124.0
Receivables/prepayments	329.5	175.0
Other	0.4	7.1
Accounts payable and accruals	(104.1)	(109.3)
Gross capital employed	$ 1,200.7	$ 972.4

total debt was US$188.0 million; and we had cash and unused term facilities of US$201.1 million available to us.

With reduced capital expenditure requirements, and the finalisation of the asbestos compensation arrangements, the company announced a significantly-increased final dividend of US15 cents per share to provide a full year dividend of US20 cents per share, up US12 cents per share on last year's full year dividend.

We expect the dividend payout ratio in the future to be between 50% and 75% of net income before asbestos adjustments, subject to funding requirements, and we continue to review other capital management options.

The results of our business segments are described in more detail on pages 12–17 of this report and, in Management's Discussion and Analysis on pages 30–41.

Our consolidated results for fiscal year 2007 had net sales up 4% and gross profit up 4%. We are continuing to invest in growth initiatives in the United States in particular, and SG&A expense was up slightly as a result.

Research and development expense was down 10%, and we recorded an EBIT loss of US$86.6 million. Excluding the asbestos adjustments, EBIT increased 14% to US$318.9 million.

We recorded a net interest expense of US$6.5 million, and an income tax benefit of US$243.9 million, reflecting the US$335.0 million deferred tax asset related to implementing the Amended FFA, as well as a minor change in remuneration accounting in US GAAP.

Our net operating profit was US$151.7 million for fiscal year 2007, compared to a loss of US$506.7 million for fiscal year 2006. Excluding asbestos adjustments and tax benefit related to implementing the Amended FFA, our net profit was up 6% to US$222.2 million, compared to US$208.9 million in fiscal year 2006.

Corporate costs for the year were reduced by 8%. They included:

- Stock compensation expense of US$5.8 million, down 2% from last year;
- SCI and other related expenses of US$13.6 million, down 22% from US$17.4 million last year; and
- Earnings-related bonuses of US$3.0 million, down 68% from US$9.5 million last year.

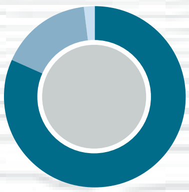
Our net interest expense of US$6.5 million for the year was affected by a higher average level of net debt outstanding compared to the prior year, partly caused by the deposit we paid to the Australian Taxation Office (ATO) in July 2006 and the initial funding payment under the Amended FFA in February 2007, net of the effects of lower capital spending.

Excluding the asbestos adjustments and the tax benefit from implementing the Amended FFA, the full-year effective tax rate was 29.2% for fiscal year 2007, versus 25.5% for fiscal year 2006, reflecting factors such as the geographic mix of earnings.

Adjusted EBITDA excluding asbestos adjustments was US$369.6 million, up 13% on last year's figure of $US326.0 million, led primarily by increases in USA Fibre Cement EBIT and by the impairment charge related to the roofing plant in fiscal year 2006.

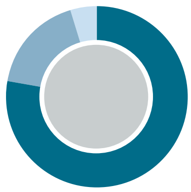
A significant result is the strength of cash flow from trading operations, remaining at over US$300 million, despite an adverse

Continued over



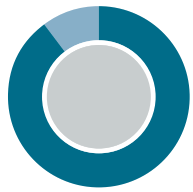
1,262.3 USA Fibre Cement
251.7 Asia Pacific Fibre Cement
28.9 Other

Net Sales
(Millions of US dollars)



893.0 USA Fibre Cement
199.3 Asia Pacific Fibre Cement
52.5 Other

Total Identifiable Assets
(Millions of US dollars)



362.4 USA Fibre Cement
39.4 Asia Pacific Fibre Cement

EBIT for R&D and Other was a loss of 26.4

EBIT
(Millions of US dollars)

[1] Excluding payments under the Amended FFA.

movement in working capital. Net cash used by our operating activities was US$67.1 million, and included tax payments of US$80.8 million; a deposit of US$154.8 million with the ATO for the amended assessment received in July 2006 and interest payments paid to the ATO; and the initial payment to the AICF of US$148.7 million.

Our capital expenditure of US$92.6 million decreased 43% from the prior year. The largest decrease was in the USA Fibre Cement business, following the completion of initiatives in the ColorPlus® product area and the second line at our facility in Pulaski, Virginia. However, the increase in depreciation and amortisation expense reflected the impact of the high level of capital expenditure in the past few years.

Our key performance ratios for the year show:

– An improvement in diluted earnings per share, from US45.2 cents to US47.6 cents;

– A relatively strong return on shareholder funds of 24.0%, down from 29.1% due to relatively steady earnings on a higher equity base;

– A slight dilution in return on capital employed, from 28.9% to 26.6%, because of relatively steady earnings on higher capital employed;

– A very strong EBIT margin of 20.7%, up from 18.9%; and

– Total dividends of US9.0 cents per share were paid in the fiscal year.

Our debt service capacity indicators all look very strong, with:

– Net interest expense cover of 49.1 times;

– Net interest paid cover of 62.5 times; and

– Net debt payback of 1.9 years[1].

In summary, we had a very solid overall operating performance for the year. Although the US housing market weakened materially during the twelve months ended 31 March 2007, particularly in the second half, it was slightly stronger than the business environment for which we set the business, and our results reflect the benefits of that difference.

The asbestos compensation funding arrangement is now operational and our financial position remains strong, although we will continue to see the results buffeted by movements in the Australian dollar - US dollar exchange rate.

We have increased the dividend substantially and expect that our future dividends will be higher than the 15-25% payout ratio James Hardie has had for some years. This change is partly attributable to the fact that, at least in the short-term, we expect to be able to fund higher dividends and US production capacity increases, even if we have substantial expansion to undertake in the US.

Russell Chenu
Chief Financial Officer