JAMES HARDIE INDUSTRIES SE
Form 20-F
July 02, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended 31 March 2012

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 1-15240

JAMES HARDIE INDUSTRIES SE

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant s name into English)

Ireland

(Jurisdiction of incorporation or organization)

Europa House, Second Floor

Harcourt Center

Harcourt Street, Dublin 2, Ireland

(Address of principal executive offices)

Marcin Firek

(Contact name)

353 1411 6924 (Telephone)   353 1479 1128 (Facsimile)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common stock, represented by CHESS Units of Foreign Securities	New York Stock Exchange*
CHESS Units of Foreign Securities	New York Stock Exchange*
American Depositary Shares, each representing five units of CHESS Units of Foreign Securities	New York Stock Exchange

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* Listed, not for trading, but only in connection with the registered American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None.

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report 437,175,963 shares of common stock at 31 March 2012.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ¨ Yes x No

Note Checking the box will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standards as issued by the International Accounting Standards Board ¨	Other ¨

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

¨ Item 17 ¨ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

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In this annual report, unless the context otherwise indicates, James Hardie Industries SE, a Societas Europaea, or a European company incorporated and existing under the laws of Ireland, is referred to as JHI SE. JHI SE together with its direct and indirect wholly owned subsidiaries as of the time relevant to the applicable reference, are collectively referred to as the James Hardie Group. JHI SE and its current direct and indirect wholly owned subsidiaries are collectively referred to as we, us, our, JHI SE and its wholly owned subsidiaries , James Hardie or the Company.

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For certain information about the basis of preparing the financial information in this Annual Report, see Section 2, Reading this Report. In addition, this Annual Report contains statements that constitute forward-looking statements . For an explanation of forward-looking statements and the risks, uncertainties and assumptions to which they are subject, see Section 2, Reading this Report.

A Glossary of Abbreviations and Defined Terms has also been included under Section 4 of this Annual Report.

Information contained in or accessible through the websites mentioned in this Annual Report does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.

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SECTION 1.

INTRODUCTION

The Company is a world leader in manufacturing fibre cement siding and backerboard. Our current primary geographic markets include the United States (US), Australia, New Zealand, the Philippines, Europe and Canada.

Our fibre cement products are used in a number of markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial applications.

We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades and floor and tile underlay.

We employ approximately 2,600 people and generated net sales of US$1.2 billion in fiscal year 2012.

SELECTED FINANCIAL DATA

We have included in this annual report the audited consolidated financial statements of the Company, consisting of our consolidated balance sheets as of 31 March 2012 and 2011, and our consolidated statements of operations, changes in shareholders equity (deficit) and cash flows for each of the years ended 31 March 2012, 2011 and 2010, together with the related notes thereto. The consolidated financial statements included in this annual report have been prepared in accordance with accounting principles generally accepted in the US, or US GAAP.

The selected consolidated financial information summarised below for the five most recent fiscal years has been derived in part from the Company s financial statements. You should read the selected consolidated financial information in conjunction with the Company s financial statements and related notes contained in Section 2, Consolidated Financial Statements and with the information provided in Section 2, Management s Discussion and Analysis. Historic financial data is not necessarily indicative of our future results and you should not unduly rely on it.

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	Fiscal Year ended 31 March				
	2012	**2011**	**2010**	**2009**	**2008**
	(In millions of US dollars except sales price per unit and per share data)				
Consolidated Statements of Operations Data:					
Net Sales					
USA and Europe Fibre Cement[1]	$ 862.0	$ 814.0	$ 828.1	$ 929.3	$ 1,170.5
Asia Pacific Fibre Cement[2]	375.5	353.0	296.5	273.3	298.3
Total net sales	$ 1,237.5	$ 1,167.0	$ 1,124.6	$ 1,202.6	$ 1,468.8
Operating income (loss)[3]	$ 155.5	$ 104.7	$ (21.0)	$ 173.6	$ (36.6)
Interest expense	(11.2)	(9.0)	(7.7)	(11.2)	(11.1)
Interest income	3.8	4.6	3.7	8.2	12.2
Other income (expense)[4]	3.0	(3.7)	6.3	(14.8)	
Income (loss) from operations before income taxes	151.1	96.6	(18.7)	155.8	(35.5)
Income tax benefit (expense)[5]	453.2	(443.6)	(66.2)	(19.5)	(36.1)
Income (loss) from operations	$ 604.3	$ (347.0)	$ (84.9)	$ 136.3	$ (71.6)
Net income (loss)	$ 604.3	$ (347.0)	$ (84.9)	$ 136.3	$ (71.6)
Income (loss) from operations per common share basic	$ 1.39	$ (0.80)	$ (0.20)	$ 0.32	$ (0.16)
Net income (loss) per common share basic	$ 1.39	$ (0.80)	$ (0.20)	$ 0.32	$ (0.16)
Income (loss) from operations per common share diluted	$ 1.38	$ (0.80)	$ (0.20)	$ 0.31	$ (0.16)
Net income (loss) per common share diluted	$ 1.38	$ (0.80)	$ (0.20)	$ 0.31	$ (0.16)
Dividends paid per share	$ 0.04	$	$	$ 0.08	$ 0.27
Weighted average number of common shares outstanding					
Basic	436.2	435.6	433.1	432.3	455.0
Diluted	437.9	435.6	433.1	434.5	455.0
Consolidated Cash Flow Information:					
Cash flows provided by operating activities	$ 387.2	$ 147.2	$ 183.1	$ (45.2)	$ 319.3
Cash flows used in investing activities	$ (49.9)	$ (49.6)	$ (50.5)	$ (26.1)	$ (38.5)
Cash flows used in financing activities	$ (84.4)	$ (89.7)	$ (159.0)	$ 25.0	$ (254.4)
Other Data:					
Depreciation and amortisation	$ 65.2	$ 62.9	$ 61.7	$ 56.4	$ 56.5
Adjusted EBITDA[6]	$ 220.7	$ 167.6	$ 40.7	$ 230.0	$ 19.9
Capital expenditures	$ 35.8	$ 50.3	$ 50.5	$ 26.1	$ 38.5
Volume (million square feet)					
USA and Europe Fibre Cement[1]	1,331.8	1,248.0	1,303.7	1,526.6	1,951.2
Asia Pacific Fibre Cement[2]	392.3	407.8	389.6	390.6	398.2
Average sales price per unit (per thousand square feet)					
USA and Europe Fibre Cement[1]	US$ 647	US$ 652	US$ 635	US$ 609	US$ 600
Asia Pacific Fibre Cement[2]	A$ 916	A$ 916	A$ 894	A$ 879	A$ 862

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	Fiscal Year ended 31 March				
	2012	2011	2010	2009	2008
Consolidated Balance Sheet Data:					
Net current assets[7]	$ 472.5	$ 135.6	$ 50.4	$ 137.7	$ 183.7
Total assets	$ 2,310.0	$ 1,960.6	$ 2,178.8	$ 1,891.7	$ 2,179.9
Total debt[8]	$ 30.9	$ 59.0	$ 154.0	$ 324.0	$ 264.5
Common stock	$ 224.0	$ 222.5	$ 221.1	$ 219.2	$ 219.7
Shareholders equity (deficit)	$ 126.4	$ (454.5)	$ (117.9)	$ (108.7)	$ (202.6)

1 On 1 April 2008, the Company realigned its operating segments by combining the previously reported segments of USA Fibre Cement and Other into one operating segment, USA and Europe Fibre Cement. USA and Europe Fibre Cement manufactures fibre cement interior linings, exterior siding and related accessory products in the United States which are sold in the United States, Canada and Europe.

The segment also includes fibre reinforced concrete pipes manufactured and sold in the United States (through May 2008). Our Plant City, Florida Hardie Pipe Plant was closed and the business ceased operations in May 2008.

2 Asia Pacific Fibre Cement includes all fibre cement manufactured in Australia, New Zealand and the Philippines and sold in Australia, New Zealand, Asia, the Middle East (Israel, Kuwait, Qatar and United Arab Emirates) and various Pacific Islands.

3 Operating income (loss) includes the following asbestos adjustments, Asbestos Injuries Compensation Fund (which we refer to as AICF) SG&A expenses, Australian Securities and Investments Commission (which we refer to as ASIC) related expenses (recoveries), and impairment charges:

	Fiscal Years Ended 31 March				
	2012	2011	2010	2009	2008
	(Millions of US dollars)				
(Unfavourable) favourable asbestos adjustments	$ (15.8)	$ (85.8)	$ (224.2)	$ 17.4	$ (240.1)
AICF SG&A expenses	(2.8)	(2.2)	(2.1)	(0.7)	(4.0)
ASIC related (expenses) recoveries	(1.1)	8.7	(3.4)	(14.0)	(5.5)
Impairment charges	$ (14.3)	$	$	$	$ (71.0)

For additional information on the asbestos adjustments, AICF SG&A expenses, ASIC related expenses (recoveries) and impairment charges, see Section 2, Management s Discussion and Analysis and Notes 11, 13 and 7, respectively, to our consolidated financial statements in Section 2.

4 Other income in fiscal year 2012 and other expense in fiscal year 2011 are due to changes in the fair value of interest rate swap contracts. Other income in fiscal year 2010 primarily includes a realised gain arising from the sale of restricted short-term investments held by AICF. Other expense in fiscal year 2009 consists of an other-than-temporary impairment charge related to restricted short-term investments held by AICF of US$14.8 million. For additional information see Section 2, Management s Discussion and Analysis Results of Operations.

5 Income tax benefit in fiscal year 2012 includes a benefit of US$485.2 million recognised upon RCI s successful appeal of the Australian Taxation Office s (which we refer to as the ATO) disputed 1999 amended tax assessment. Income tax expense in fiscal year 2011 includes a charge of US$345.2 million resulting from the dismissal by the Federal Court of Australia of RCI s appeal of the ATO s disputed 1999 amended tax assessment. For additional information, see Note 14 to our consolidated financial statements in Section 2.

[6] Adjusted EBITDA represents income from operations before interest income, interest expense, income taxes, other non-operating income (expense), described in footnote four above, and depreciation and amortisation charges. The following table presents a reconciliation of Adjusted EBITDA to net cash provided by (used in) operating activities, as this is the most directly comparable GAAP financial measure to Adjusted EBITDA for each of the periods indicated. Items comprising Net cash provided by (used in) operating activities, Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities and Change in operating assets and liabilities, net for fiscal years ended 31 March 2012, 2011 and 2010 are set forth in the Consolidated Statements of Cash Flows on page 115.

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	Fiscal Years Ended 31 March				
	2012	2011	2010	2009	2008
	(Millions of US dollars)				
Net cash provided by (used in) operating activities	$ 387.2	$ 147.2	$ 183.1	$ (45.2)	$ 319.3
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities	(114.4)	(136.8)	(312.0)	(3.5)	(318.9)
Change in operating assets and liabilities, net	331.5	(357.4)	44.0	185.0	(72.0)
Net income (loss)	604.3	(347.0)	(84.9)	136.3	(71.6)
Income tax (benefit) expense	(453.2)	443.6	66.2	19.5	36.1
Interest expense	11.2	9.0	7.7	11.2	11.1
Interest income	(3.8)	(4.6)	(3.7)	(8.2)	(12.2)
Other (income) expense	(3.0)	3.7	(6.3)	14.8	
Depreciation and amortisation	65.2	62.9	61.7	56.4	56.5
Adjusted EBITDA	$ 220.7	$ 167.6	$ 40.7	$ 230.0	$ 19.9

Adjusted EBITDA is not a measure of financial performance under US GAAP and should not be considered an alternative to, or more meaningful than, income from operations, net income or net cash provided by (used in) operating activities, as defined by US GAAP, or as a measure of our profitability or liquidity. Not all companies calculate Adjusted EBITDA in the same manner as we have and, accordingly, Adjusted EBITDA may not be comparable with other companies. We have included information concerning Adjusted EBITDA because we believe that this data is commonly used by investors to evaluate the ability of a company s earnings from its core business operations to satisfy its debt, capital expenditure and working capital requirements. To permit evaluation of this data on a consistent basis from period to period, Adjusted EBITDA has been adjusted for non-cash charges, as well as non-operating income and expense items.

7 Total current assets less total current liabilities.

8 Total debt at 31 March 2012 represents the amount owed by AICF under a secured standby loan facility with the government of New South Wales (the Facility). Because the Company consolidates AICF due to pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA, any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company s consolidated financial position, results of operations and cash flows. James Hardie Industries SE and its wholly-owned subsidiaries are not a party to, guarantor of, or security provider in respect of the Facility.

INFORMATION ON THE COMPANY

History and Development of the Company

The Company was established in 1888 as an import business. In 1951, the Company became publicly owned as a listed company on the Australian Stock Exchange. After becoming a listed company, the Company built up a diverse portfolio of building and industrial products including a wide range of asbestos-based products. In the mid-1980s, we pioneered the development of asbestos-free fibre cement technology and began designing and manufacturing a wide range of fibre cement building products that made use of the benefits that came from the products durability, versatility and strength. Using the technical and manufacturing expertise developed in Australia, we expanded our operations, in particular to the United States, to become a specialised manufacturer of a wide range of fibre cement building materials.

Our legal name was changed to James Hardie Industries N.V. from RCI Netherlands Holdings B.V. in July 2001 when our legal form was converted from a *besloten vennootschap met beperkte aansprakelijkheid* (which we refer to as a B.V.), to a *naamloze vennootschap* (which we refer to as N.V.), or a public limited liability company whose stock, unlike a private limited liability company, may be transferred without executing a notarial deed if such company is listed on a recognised stock exchange. In February 2001, the shareholders of James Hardie Industries Limited (which we refer to as JHIL) agreed to exchange their shares for shares in James Hardie Industries N.V., which retained its primary listing on the Australian Securities Exchange (ASX). In February 2010, our legal name was changed to James Hardie Industries SE when our legal form was converted from a Dutch N.V. to a Dutch Societas Europaea (which we refer to as SE) in connection with the implementation of Stage 1 of a two-stage re-domicile proposal (together, the Re-domicile) to change our registered corporate domicile from The Netherlands to Ireland. As a Dutch SE, we became subject to the Council of the European Union s Regulation on the Statute for a European Company (SE Regulations). On 17 June 2010, we implemented Stage 2 of the Re-domicile and changed our registered corporate domicile to Ireland and became an Irish tax resident on 29 June 2010.

We conduct our operations under legislation in various jurisdictions. As an Irish SE, we are subject to Irish law in addition to the SE Regulation, European Union Council Regulations and relevant European Union Directives. Prior to becoming an Irish SE, we were also subject to the jurisdiction of the Dutch authority Financial Markets and the Dutch Corporate Governance Code. In addition, we operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, Australian Securities and Investments Commission (ASIC), the New York Stock Exchange (NYSE), the United States Securities and Exchange Commission (SEC), the Irish Takeover Panel and various other rulemaking bodies.

Our corporate domicile is located in Ireland. The address of our registered office in Ireland is Europa House, Second Floor, Harcourt Centre, Harcourt Street, Dublin 2, Ireland. The telephone number there is +353 1411 6924. Our agent in the United States is CT Corporation. Its office is located at 3 Winners Circle, 3rd Floor, Albany, New York 12205.

Corporate Restructuring

On 17 May 2011, we announced that we had commenced an internal reorganisation involving the simplification of our corporate structure, including some of the arrangements which were previously part of our Netherlands domicile. This internal reorganisation is being made to facilitate the ability to access and distribute surplus cash flows and earnings of our operating subsidiaries more efficiently, including for the purpose of making periodic contributions to AICF. As part of this restructure, the Company incurred a tax charge of US$32.6 million on undistributed earnings of its US subsidiaries during fiscal year 2011, as it remitted US earnings as part of the internal reorganisation.

This tax charge did not impact the contribution to AICF in July 2011, although it did reduce the amount to be contributed to AICF in July 2012 by approximately US$12.4 million. However, this reduction was offset by the Company s early contribution to AICF of US$138.7 million on 2 April 2012, which was 35% of amounts received from the ATO during fiscal year 2012. See Note 14 to our consolidated financial statements in Section 2 for additional information on amounts received from the ATO.

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The following is a simplified diagram of our current corporate structure:

Consolidation of AICF

In February 2007, our shareholders approved the Amended and Restated Final Funding Agreement (which we refer to as AFFA) entered into on 21 November 2006 to provide long-term funding to AICF. JHI SE owns 100% of James Hardie 117 Pty Ltd (the Performing Subsidiary) that funds AICF subject to the provisions of the AFFA. We appoint three of AICF s directors and the New South Wales (which we refer to as NSW) Government appoints two of AICF s directors.

Under the terms of the AFFA, the Performing Subsidiary has an obligation to make payments to AICF on an annual basis. The amount of these annual payments is dependent on several factors, including our free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the annual cash flow cap. JHI SE guarantees the Performing Subsidiary s obligation. As a result, for purposes of US GAAP, we consider JHI SE to be the primary beneficiary of AICF.

Although we have no legal ownership in AICF, for financial reporting purposes, our interest in AICF is considered variable and we consolidate AICF due to our pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA. Our consolidation of AICF results in a separate recognition of the asbestos liability and certain other asbestos-related assets and liabilities on our consolidated balance sheet. Among other items, we record a deferred tax asset for the anticipated future tax benefit we believe is available to us that arises from amounts contributed to the asbestos fund by the Performing Subsidiary. Since fiscal year 2007, movements in the asbestos liability arising from changes in foreign currency or actuarial adjustments are classified as *asbestos adjustments*, and the income tax benefit arising from contributions to AICF is included within *income tax benefit (expense)* on our consolidated statements of operations when realised. See Note 2 to our consolidated financial statements in Section 2.

Business Overview

General Overview of our Business

Based on net sales, we believe we are the largest manufacturer of fibre cement products and systems for internal and external building construction applications in the United States, Australia, New Zealand, and the Philippines. We market our fibre cement products and systems under various Hardie brand names and other brand names such as Artisan® Lap and Artisan™ Accent Trim by James Hardie, Cemplank® and Prevail® siding (we also formerly marketed siding under the brand name Sentry™ siding), Scyon®, Stria siding, and HardieBacker®. We believe that, in certain applications, our fibre cement products and systems provide a combination of distinctive performance, design and cost advantages when compared to other fibre cement products and alternative products and systems that use solid wood, engineered wood, vinyl, brick, stucco or gypsum wallboard. The sale of fibre cement products in the United States accounted for 67%, 68% and 72% of our total net sales in fiscal years 2012, 2011 and 2010, respectively.

Our fibre cement products are used in a number of markets, including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes), repair and remodeling and a variety of commercial and industrial applications (stores, warehouses, offices, hotels, motels, schools, libraries, museums, dormitories, hospitals, detention facilities, religious buildings and gymnasiums). We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades, and floor and tile underlayments.

In contrast to some other building materials, fibre cement provides durability attributes, such as strong resistance to moisture, fire, impact and termites, requires relatively little maintenance and can be used as a substrate to create a wide variety of architectural effects with textured and colored finishes.

The breakdown of our net sales by operating segment for each of our last three fiscal years is as follows:

	Fiscal Year Ended 31 March		
	2012	2011	2010
	(Millions of US dollars)		
USA and Europe Fibre Cement	$ 862.0	$ 814.0	$ 828.1
Asia Pacific Fibre Cement	375.5	353.0	296.5
Total	$ 1,237.5	$ 1,167.0	$ 1,124.6

Industry Overview

US Housing Industry and Fibre Cement Industry

In the United States, fibre cement is principally used in the residential building industry. Such usage fluctuates based on the level of new home construction and the repair and remodeling of existing homes. The level of activity is generally a function of interest rates and the availability of financing to homeowners to purchase a new home or make improvements to their existing homes, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for building products is also affected by residential housing starts and existing home sales, the age and size of the housing stock and overall home improvement expenditures. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company s performance, were relatively flat at 445,600 for fiscal year 2012 compared to fiscal year 2011.

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In the United States, the largest application for fibre cement products is in the external siding industry. Siding is a component of every building and it usually occupies more square footage than any other external building component, such as windows and doors. Selection of siding material is based on installed cost, durability, aesthetic appeal, strength, weather resistance, maintenance requirements and cost, insulating properties and other features. Different regions of the United States show a decided preference amongst siding materials according to economic conditions, weather, materials availability and local taste. The principal siding materials are vinyl, stucco, fibre cement, solid wood and brick. Vinyl has the largest share of the siding market.

International Fibre Cement Industry

In Australia and New Zealand, fibre cement building products are used in both the residential and commercial building industries with applications in external siding, internal walls, ceilings, floors, soffits and fences. The residential building industry represents the principal market for fibre cement products. We believe the level of activity in this industry is generally a function of interest rates, inflation, unemployment levels, demographic trends, gross domestic product growth and consumer confidence. Demand for fibre cement building products is also affected by the level of new housing starts and renovation activity.

Fibre cement products have, across a range of product applications, gained broader acceptance in Australia and New Zealand than in the United States, primarily due to earlier introduction in Australia and New Zealand.

Australia

According to the Australian Bureau of Statistics (ABS) total dwelling commencements in Australia decreased from 167,577 in calendar year 2010 to 146,509 in calendar year 2011 with detached houses decreasing from 106,575 in calendar year 2010 to 91,807 in calendar year 2011. Renovation activity, as measured in local currency expenditures by the ABS, has increased from calendar year 2010 to calendar year 2011 for a total increase over this period of approximately 4%. The Housing Industry Association of Australia expects new housing construction and renovation activity to soften over the short-to-medium term.

Former subsidiaries of ABN 60 developed fibre cement in Australia as a replacement for asbestos cement in the early 1980s. Asbestos sheet production ceased in the early 1980s and asbestos pipe production ceased in 1987. Competition has intensified over the past decade in Australia. In addition to competition from solid wood, engineered wood, wallboard, masonry and brick, two Australian competitors have established fibre cement manufacturing facilities in Australia and fibre cement imports are also growing.

New Zealand

According to Statistics New Zealand, new dwellings consents in New Zealand decreased from approximately 14,611 for the year ended March 2011 to 14,596 for the year ended March 2012. Residential renovation activity in New Zealand has decreased from the year ended March 2011 to the year ended March 2012 for a total decrease over this period of approximately 4%. InfoMetrics New Zealand believes new housing construction and renovation activity are expected to remain weak through calendar year 2012, with consents consistent with calendar year 2011.

Competition continues to intensify in New Zealand as fibre cement imports have become more cost competitive and overseas manufacturers struggling with the global recession look for additional markets to add to their existing ones.

Philippines

In the Philippines and other Asian and Middle Eastern (Israel, Kuwait, Qatar and the United Arab Emirates) markets, fibre cement building products are used in both the residential and commercial building industries with applications in ceilings, internal walls, external siding, external facades and soffits. The residential building industry represents the principal market for fibre cement products. In general, fibre cement products have, across a range of product applications, gained broader acceptance in these regions over the last decade. In the Philippines, additional imported fibre cement products have entered the market. However, in some of the developing markets, gypsum usage has increased and penetrated into fibre cement applications. Fibre cement and asbestos cement production facilities are located throughout Asia and exporting between countries is common practice. We believe that fibre cement (we do not manufacture fibre cement products containing asbestos) has good long-term growth potential because of the benefits of light-weight and framed construction compared to traditional masonry construction. In addition, we believe the opportunity to replace wood-based products, such as plywood, with more durable fibre cement will be attractive to some consumers in some of these markets.

Europe

In Europe, fibre cement building products are used in both residential and commercial building industries with applications in external siding, internal walls, floors, soffits and roofing. We compete in most segments except roofing and promote the use of fibre cement products against traditional masonry, gypsum-based products and wood-based products. Since we commenced selling our products in Europe in fiscal year 2004, we have continued to work to grow demand for our products by building awareness among distributors, builders and contractors. Management believes that the growth outlook for fibre cement in Europe is favourable in light of stricter insulation requirements driving demand for advanced exterior cladding systems and better building practices increasing the use of fibre cement in interior applications.

Products

We manufacture fibre cement products in the United States, Australia, New Zealand and the Philippines. In fiscal year 2004, we commenced our European fibre cement business by distributing our fibre cement products in the United Kingdom and France. We also manufacture fibre cement pipes in Australia and previously manufactured fibre cement pipes and roofing products in the United States. In May 2008 and April 2006, we ceased operation of our pipes and roofing businesses, respectively, in the United States. Our total product offering is aimed at the building and construction markets, including new residential construction, manufactured housing, repair and remodeling and a variety of commercial and industrial building applications.

We offer a wide range of fibre cement products for both exterior and interior applications. In the United States and elsewhere, our products are typically sold as planks or flat sheets with a variety of patterned profiles and finishes. Planks are used for external siding while flat sheets are used for internal and external wall linings and floor and tile underlayments. Outside the United States, we also manufacture fibre cement products for use in other applications such as building facades, lattice, fencing, decorative columns, flooring, soffit lining and ceiling applications, some of which have not yet been introduced into the United States.

We developed a proprietary technology platform that enables us to produce thicker yet lighter-weight fibre cement products that are generally lighter and easier to handle than traditional building products. The first application of this technology in the United States has been our HardieTrim® board. HardieTrim board is a fibre cement trim product that is used on the exterior of residential and

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commercial construction to replace traditional wood and engineered wood trim. HardieTrim board was launched in fiscal year 1999, with the introduction of HardieTrim HLD board.

We believe that our products provide certain performance, design and cost advantages. The principal fibre cement attributes in exterior applications are durability and low maintenance, particularly when compared to competing wood and wood-based products, while offering comparable aesthetics. Our fibre cement products exhibit resistance to the damaging effects of moisture, fire, impact and termites compared to wood and wood-based products, which we believe has enabled us to gain a competitive advantage over competing products. Vinyl siding products generally have better durability characteristics than wood-based products, but typically cannot duplicate fibre cement s aesthetics and the characteristics necessary for effectively accepting paint applications.

Our fibre cement products provide strength and the ability to imprint patterns that closely resemble patterns and profiles of traditional materials such as wood and stucco. The surface properties provide an effective paint-holding finish to wood and engineered wood products such that the periods between necessary maintenance and repainting are generally longer. Compared to masonry construction, fibre cement is lightweight, physically flexible and can be cut using readily available tools. This makes fibre cement suitable for lightweight construction across a range of architectural styles. Fibre cement is well suited to both timber and steel-framed construction.

In our interior product range, we believe our ceramic tile underlayment products exhibit better handling and installation characteristics compared to fibreglass mesh cement boards. Compared to wood and wood-based products, our products provide the same general advantages that apply to external applications. In addition, our fibre cement products exhibit less movement in response to exposure to moisture than many alternative competing products, providing a more consistent and durable substrate on which to install tiles. In internal lining applications where exposure to moisture and impact damage are significant concerns, our products provide superior moisture resistance and impact resistance than traditional gypsum wet area wallboard and other competing products.

In the United States, the following new products were released over the last five years:

- During fiscal year 2008, we introduced Artisan® Lap siding, 10 Artisan® Accent Trim and HardieWrap® weather barrier.
- During fiscal year 2009, we introduced two new siding profiles, HardieSoffit® Beaded Porch Panel and HardieShingle® Shingle Plank.
- During fiscal year 2010, we introduced HardieZone® System siding products.
- During fiscal year 2011, we introduced new HardieShingle® siding, HardieTrim® NT3 Boards, two new lap siding products, 12 Artisan® Accent Trim and HardieBacker® ProGrid cement board.
- During fiscal year 2012, we introduced new profile HZ5® HardiePlank® siding, additional HardieShingle® siding profiles, new Improved Smooth HardieTrim® boards, new HardieTrim® Crown Mouldings and three new colors to the James Hardie® ColorPlus® palette.

In Australia and New Zealand, new products released over the past five years include Axon® cladding, Scyon Stria® siding, Secura® Interior Flooring, Secura Exterior Flooring and Horizon Lining; in Australia only, new products include: Matrix® cladding and Axent® trim; and additionally, in New Zealand only, the following new products were released: ShingleSide panel and CLD Cavity Battens and Rigid Air Barrier.

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In the Philippines, new products released over the past five years include Hardisenepa® Fascia Board, Hardiplank® Siding, Hardifloor Systems and Hardipattern® Boards.

Seasonality

Our earnings are seasonal and typically follow activity levels in the building and construction industry. In the United States, the calendar quarters ending in December and March generally reflect reduced levels of building activity depending on weather conditions. In Australia and New Zealand, the calendar quarter ending in March is usually affected by a slowdown due to summer holidays. In the Philippines, construction activity diminishes during the wet season from June through September and during the last half of December due to the slowdown in business activity over the holiday period. Also, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors. See Section 3, Risk Factors.

Raw Materials

The principal raw materials used in the manufacture of fibre cement are cellulose fibre (wood-based pulp), silica (sand), portland cement and water.

Cellulose Fibre. Reliable access to specialised, consistent quality, low cost pulp is critical to the production of fibre cement building materials. Cellulose fibre is sourced from New Zealand, the United States, Canada, and Chile and is processed to our specifications. It is further processed using our proprietary technology to provide the reinforcing material in the cement matrix of fibre cement. We have developed a high level of internal expertise in the production and use of wood-based pulps. This expertise is shared with our pulp producers, which have access to appropriate raw wood stocks, in order to formulate superior reinforcing pulps. The resulting pulp formulas are typically proprietary and are the subject of confidentiality agreements between the pulp producers and us. Moreover, we have obtained patents in the United States and in certain other countries covering certain unique aspects of our pulping formulas and processes that we believe cannot adequately be protected through confidentiality agreements. However, we cannot assure you that our intellectual property and other proprietary information will be protected in all cases. See Section 3, Risk Factors. We have entered into contracts that discount pulp prices in relation to various pulp indices and purchase our pulp from several qualified suppliers in an attempt to mitigate price increases and supply interruptions.

Pulp has historically demonstrated more price sensitivity than other raw materials that we use in our manufacturing process. In fiscal year 2012, the average Northern Bleached Softwood Kraft (which we refer to as NBSK) pulp price was US$952 per ton, a 3% decrease compared to fiscal year 2011. Input costs are expected to remain at elevated levels when compared to historic long-term averages.

Silica. High purity silica is sourced locally by the various production plants. In the majority of locations, we use silica sand as a silica source. In certain other locations, however, we process quartz rock and beneficiate silica sand to ensure the quality and consistency of this key raw material.

Cement. Cement is acquired in bulk from local suppliers and is supplied on a just-in-time basis to our manufacturing facilities. The silos at each fibre cement plant hold between one and three days of our cement requirements. We continue to evaluate options on agreements with suppliers for the purchase of cement that can fix our cement prices over longer periods of time.

Water. We use local water supplies and seek to process all wastewater to comply with environmental requirements.

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Sales, Marketing and Distribution

The principal markets for our fibre cement products are the United States, Australia, New Zealand, the Philippines, Canada, and in parts of Europe, including the United Kingdom and France. In addition, we sell fibre cement products in many other countries, including Belgium, China, Denmark, France, French Caribbean, Germany, Hong Kong, Hungary, India, Indonesia, Ireland, Italy, Malta, Mexico, the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates), The Netherlands, Norway, various Pacific Islands, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Taiwan, Turkey and Vietnam. Our brand name, customer education in comparative product advantages, differentiated product range and customer service, including technical advice and assistance, provide the basis for our marketing strategy. We offer our customers support through a specialised fibre cement sales force and customer service infrastructure in the United States, Australia, New Zealand, the Philippines and Europe (which is based out of The Netherlands). The customer service infrastructure includes inbound customer service support coordinated nationally in each country (customer service support for Canada is based out of the United States and customer service support for Europe is based out of The Netherlands), and is complemented by outbound telemarketing capability. Within each regional market, we provide sales and marketing support to building products dealers and lumber yards and also provide support directly to the customers of these distribution channels, principally homebuilders and building contractors.

In the United States, we sell fibre cement products for new residential construction predominantly to distributors, which then sell these products to dealers or lumber yards. This two-step distribution process is supplemented with direct sales to dealers and lumber yards as a means of accelerating product penetration and sales. Repair and remodel products in the United States are typically sold through the large home center retailers and specialist distributors. Our top five US customers accounted for approximately 55% of our total USA and Europe Fibre Cement gross sales in fiscal year 2012. In Australia and New Zealand, both new construction and repair and remodel products are generally sold directly to distributor/hardware stores and lumber yards rather than through the two-step distribution process. In the Philippines, a network of thousands of small to medium size dealer outlets sells our fibre cement products to consumers, builders and real estate developers, although in recent years, do-it-yourself type stores have started to enter the Philippines market. Physical distribution of product in each country is primarily by road or sea transport, except in the United States where transportation is primarily by road and, to a lesser extent, by rail.

Fibre cement products manufactured in Australia, New Zealand and the Philippines are exported to a number of markets in Asia, the Pacific, and the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates) by sea transport. We maintain dedicated regional sales management teams in our major sales territories. As of 31 May 2012, the sales teams (including telemarketing staff) consisted of approximately 301 people in the United States and Canada, 72 people in Australia, 22 people in New Zealand, 38 people in the Philippines, and 26 people in Europe. We also employ one person based in Hong Kong and one person based in South Korea, who each function as a regional export salesperson, and who covers markets such as South Korea, Hong Kong, Macau, China and the Middle East (Israel, Kuwait, Qatar and the United Arab Emirates). Our national sales managers and national account managers, together with the regional sales managers and sales representatives, maintain relationships with national and other major accounts. Our sales force includes skilled trades people who provide on-site technical advice and assistance. In some cases, sales forces manage specific product categories.

Despite the fact that distributors and dealers are generally our direct customers, we also aim to increase primary demand for our products by marketing our products directly to homeowners, architects and builders. We encourage them to specify and install James Hardie® products because of the quality and craftsmanship of our products. This pull through strategy, in turn, assists us in

expanding sales for our distribution network as distributors benefit from the increasing demand for our products.

Geographic expansion of our fibre cement business has occurred in markets where framed construction is prevalent for residential applications or where there are opportunities to change building practices from masonry to framed construction. Expansion is also possible where there are direct substitution opportunities irrespective of the methods of construction. Our entry into the Philippines is an example of the ability to substitute fibre cement for an alternative product (in this case plywood). With the exception of our current major markets, as well as Japan and certain rural areas in Asia, Scandinavia, and Eastern Europe, most markets in the world principally utilise masonry construction for external walls in residential construction. Accordingly, further geographic expansion depends substantially on our ability to provide alternative construction solutions and for those solutions to be accepted in those markets.

Because fibre cement products were relatively new to the Philippines, the launch of our fibre cement products in the Philippines in fiscal year 1999 was accompanied by strategies to address the particular needs of local customers and the building trade. For example, we established a carpenter training and accreditation program whereby Filipino carpenters who are unfamiliar with our products are taught installation techniques. We have also put greater emphasis on building our relationships with new home developers and builders in order to educate the market on the benefits of our products in this particular sector.

Dependence on Trade Secrets and Research and Development

We pioneered the successful development of cellulose reinforced fibre cement and, since the 1980s, have progressively introduced products developed as a result of our proprietary product formulation and process technology. The introduction of differentiated products is one of the core components of our global business strategy. This product differentiation strategy is supported by our significant investment in research and development activities.

The following table sets forth our research and development expenditures for the three preceding fiscal years:

	Fiscal Years Ended 31 March		
(Millions of US dollars)	**2012**	**2011**	**2010**
Research and Development Expenditures[1]	32.4	$ 31.2	$ 30.4
Research and Development Expenditures as a percentage of total net sales	2.6%	2.7%	2.7%

1 Included within research and development expenditures for fiscal years 2012, 2011 and 2010 is US$2.0 million, US$3.2 million and US$3.3 million, respectively, classified as selling, general and administrative expenses.

Our current patent portfolio is based mainly on fibre cement compositions, associated manufacturing processes and the resulting products. Our non-patented technical intellectual property consists primarily of our operating and manufacturing know-how, which is maintained as trade secret information. We have increased our abilities to effectively create, manage and utilise our intellectual property and have implemented a strategy that increasingly uses patenting, licensing, trade secret protection and joint development to protect and increase our competitive advantage. However, we cannot assure you that our intellectual property and other proprietary information will be protected in all cases. In addition, if our research and development efforts fail to generate new, innovative products or processes, our overall profit margins may decrease and demand for our products may fall.

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In addition, the Company has a variety of patents and licenses; industrial, commercial and financial contracts; and manufacturing processes. While the Company is dependent on the competitive advantage that these items provide as a whole, the Company is not dependent on any one of them individually and does not consider any one of them individually to be material. We do not materially rely on intellectual property licensed from any outside third parties. See Section 3, Risk Factors.

Governmental Regulation

As noted above, on 17 June 2010 we moved our corporate domicile to Ireland and are now subject to Irish law in addition to the SE Regulations. In addition, we continue to operate under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the NYSE, the SEC, the Irish Takeovers Panel and various other rulemaking bodies. See Section 3, Memorandum and Articles of Association for information regarding Irish Company Law and regulations to which we are subject.

Environmental Regulation

Our operations and properties are subject to extensive federal, state and local and foreign environmental protection and health and safety laws, regulations and ordinances. These environmental laws, among other matters, govern activities and operations that may have adverse environmental effects, such as discharges to air, soil and water, and establish standards for the handling of hazardous and toxic substances and the handling and disposal of solid and hazardous wastes. In the United States, these environmental laws include, but are not limited to:

- the Resource Conservation and Recovery Act;
- the Comprehensive Environmental Response, Compensation and Liability Act;
- the Clean Air Act;
- the Occupational Safety and Health Act;
- the Mine Safety and Health Act;
- the Emergency Planning and Community Right to Know Act;
- the Clean Water Act;
- the Safe Drinking Water Act;
- the Surface Mining Control and Reclamation Act;
- the Toxic Substances Control Act;
- the National Environmental Policy Act; and
- the Endangered Species Act,

as well as analogous state, regional and local regulations. Other countries also have statutory schemes relating to the protection of the environment.

Some environmental laws provide that a current or previous owner or operator of real property may be liable for the costs of removal or remediation of environmental contamination on, under, or in that property or other impacted properties. In addition, persons who arrange, or are deemed to have arranged, for the disposal or treatment of hazardous substances may also be liable for the costs of removal or remediation of environmental contamination at the disposal or treatment site, regardless of whether the affected site is owned or operated by such person. Environmental laws often impose liability whether or not the owner, operator or arranger knew of, or was responsible for, the presence of such environmental contamination. Also, third parties may make claims against owners or operators of properties for personal injuries, property damage and/or for clean-up associated with releases of hazardous or toxic substances pursuant to applicable environmental laws and common law tort theories, including strict liability.

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Environmental compliance costs in the future will depend, in part, on continued oversight of operations, expansion of operations and manufacturing activities, regulatory developments and future requirements that cannot presently be predicted.

Organisational Structure

JHI SE is incorporated and domiciled in Ireland.

The table below sets forth our significant subsidiaries, all of which are wholly-owned by JHI SE, either directly or indirectly, as of 31 May 2012.

Name of Company	Jurisdiction of Establishment
James Hardie 117 Pty Ltd	Australia
James Hardie Aust Holdings Pty Ltd.	Australia
James Hardie Austgroup Pty Ltd.	Australia
James Hardie Australia Management Pty Ltd.	Australia
James Hardie Australia Pty Ltd.	Australia
James Hardie Building Products Inc.	United States
James Hardie Europe B.V.	Netherlands
James Hardie Holdings Ltd	Ireland
James Hardie International Finance Ltd.	Ireland
James Hardie International Group Ltd.	Ireland
James Hardie International Holdings Ltd.	Ireland
James Hardie N.V.	Netherlands
James Hardie New Zealand Ltd	New Zealand
James Hardie Philippines Inc	Philippines
James Hardie Research (Holdings) Pty Ltd	Australia
James Hardie Research Pty Ltd	Australia
James Hardie Technology Limited	Bermuda
James Hardie U.S. Investments Sierra LLC	United States
N.V. Technology Holdings, A Limited Partnership	Australia
RCI Pty Ltd	Australia

Property, Plants and Equipment

We estimate that our manufacturing plants are among the largest and lowest cost fibre cement manufacturing plants in the United States. We believe that the location of our plants positions us near attractive markets in the United States while minimising our transportation costs for product distribution and raw material sourcing.

Our manufacturing plants use significant amounts of water which, after internal recycling and reuse, are eventually discharged to publicly owned treatment works (with the exception of our Blandon, Pennsylvania and Summerville, South Carolina facilities, which maintain closed loop systems, at which production was suspended in November 2007 and November 2008, respectively). The discharge of process water is monitored by us, as well as by regulators. In addition, we are subject to regulations that govern the air quality and emissions from our plants. In the past, from time to time, we have received notices of discharges in excess of our water and air permit limits. In each case, we have addressed the concerns raised in those notices, including the payment of any associated minor fines and capital expenditures associated with preventing future discharges in excess of permitted levels.

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Plants and Process

Fibre Cement Building Products

We manufacture fibre cement building products in the United States and Asia Pacific. Annual design capacity is based on management s historical experience with our production process and is calculated assuming continuous operation, 24 hours per day, seven days per week, producing 5/16 medium density product at a targeted operating speed. Annual design capacity is not necessarily reflective of our actual capacity utilisation rates for our fibre cement plants by region. Annual capacity utilisation is affected by factors such as demand, product mix, batch size, plant availability and production speeds and is usually less than annual design capacity. We manufacture products of varying thicknesses and density.

We currently have an annual design capacity of 3,390 mmsf and 520 mmsf in the United States and Asia Pacific, respectively, for our fibre cement building products. Fiscal year 2012 capacity utilisation, based on this annual design capacity, for our fibre cement building products plants was an average of 46% and 72% in the United States and Asia Pacific, respectively. As indicated above, annual design capacity is based on management s estimates. No accepted industry standard exists for the calculation of our fibre cement manufacturing facility design and utilisation capacities.

Fibre Reinforced Concrete Pipes

We manufacture fibre reinforced concrete pipes in Australia. Our current annual design capacity for our fibre reinforced concrete pipes plant is 50 thousand tons.

Plant Locations

The location of each of our fibre cement plants is set forth below:

Fibre Cement Building Products
United States Plants Operating
Cleburne, Texas
Peru, Illinois
Plant City, Florida
Pulaski, Virginia
Reno, Nevada
Tacoma, Washington
Waxahachie, Texas
United States Plants Suspended
Blandon, Pennsylvania[1]
Fontana, California[2]
Summerville, South Carolina[2]
Asia Pacific
Australia
Sydney, New South Wales
Brisbane, Queensland (Carole Park)[3]
New Zealand
Auckland
The Philippines
Manila
Fibre Reinforced Concrete Pipes

Australia

Brisbane, Queensland (Meeandah)[3]

[1] We suspended production at our Blandon, Pennsylvania plant in November 2007.

[2] We suspended production at our Fontana, California and Summerville, South Carolina plants in December 2008 and November 2008, respectively.

[3] There are two manufacturing plants in Brisbane. Carole Park produces only flat sheets and Meeandah produces only pipes and columns.

While the same basic process is used to manufacture fibre cement products at each facility, plants are designed to produce the appropriate mix of products to meet each geographic market s specific, projected needs. The facilities were constructed and are operated so production can be efficiently adjusted in response to increased consumer demand by increasing production capacity utilisation, enhancing the economies of scale or adding additional lines to existing facilities, or making corresponding reductions in production capacity in response to weaker demand.

Except for the Waxahachie, Texas facility, we own all of our fibre cement manufacturing facilities located in the United States. The lease for the Waxahachie, Texas facility expires on 31 March 2020, at which time we have an option to purchase the facility.

Our three Australian fibre cement manufacturing facilities are not owned by us. One of the leases expires on 23 March 2016, with an option to renew the lease for two further terms of 10 years expiring in March 2036. The other two leases expire on 23 March 2019, and contain options to renew for two further terms of 10 years expiring in March 2039. There is no purchase option available under our leases related to our Australian sites. Our one New Zealand fibre cement manufacturing facility is not owned by us. The lease for our New Zealand facility expires on 22 March 2016, at which time we have an option to renew the lease for two further terms of 10 years expiring in March 2036. There is no purchase option available under our lease related to our New Zealand facility.

We own 40% of the land on which our Philippines fibre cement plant is located, and 100% of the Philippines plant itself.

Mines

We lease silica quartz mine sites in Tacoma, Washington; and Reno, Nevada. The lease for our quartz mine in Tacoma, Washington expires in February 2014 (with options to renew). The lease for our silica quartz mine site in Reno, Nevada expires in January 2014 (with options to purchase).

As a mine operator, we are required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), and rules promulgated by the Securities and Exchange Commission implementing that section of the Dodd-Frank Act, to provide certain information concerning mine safety violations and other regulatory matters concerning the operation of our mines. During fiscal year 2012, we did not receive any notices, citations, orders, legal action or other communication from the U.S. Department of Labor s Mine Safety and Health Administration that would necessitate additional disclosure under Section 1503(a) of the Dodd-Frank Act.

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Capital Expenditures

The following table sets forth our capital expenditures for each year in the three-year period ended 31 March 2012.

	Fiscal Years Ended 31 March		
	2012	2011	2010
	(Millions of US dollars)		
USA and Europe Fibre Cement	$ 26.7	$ 39.5	$ 40.6
Asia Pacific Fibre Cement	6.7	9.9	6.7
Research and Development and Corporate	2.4	0.9	3.2
Total Capital Expenditures	$ 35.8	$ 50.3	$ 50.5

The Company did not have any material divestitures in the fiscal years ended 31 March 2012, 2011 and 2010.

The significant capital expenditure projects over the past three fiscal years in our USA and Europe Fibre Cement business include:

- commencement of a new finishing capability on an existing product line in fiscal year 2009. As of 31 March 2012, we have incurred US$23.5 million related to this project;
- commencement of expenditures to enhance environmental compliance at our plants in fiscal year 2011. As of 31 March 2012, we have incurred US$11.0 million related to this project;
- an upgrade to our supply chain management IT systems. As of 31 March 2012, we have incurred US$4.3 million related to this project;
- expenditures related to a new ColorPlus line at our Cleburne plant. As of 31 March 2012, we have incurred US$5.7 million related to this project; and
- addition of 12 foot XLD Trim capability at our Peru, Illinois plant for US$3.6 million in fiscal year 2011.

We currently expect to spend between US$70 million and US$100 million in fiscal year 2013 for capital expenditures, including facility upgrades and expansions, equipment to enhance environmental compliance, and the implementation of new fibre cement technologies. We expect to fund our capital expenditures through a combination of internal cash and funds from our credit facilities.

Competitive pressures and market developments could require further increases in capital expenditures. Our financing for these capital expenditures is expected to come from cash from our future operations and from external debt to the extent that cash from operations does not cover our capital expenditures. However, if we are unable to extend our credit facilities, or are unable to renew our credit facilities on terms that are substantially similar to the ones we presently have, we may experience liquidity issues and may have to reduce our levels of planned capital expenditures to conserve cash for future cash flow requirements.

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GROUP MANAGEMENT TEAM

Our management is overseen by a Group Management Team (which we refer to as GMT), whose members cover the key areas of fibre cement research and development, production, manufacturing, sales, human resources, investor relations, finance and legal.

Members of the GMT (in alphabetical order) are:

Joe Blasko BSc, JD

General Counsel

Age 45

Joe Blasko joined James Hardie as General Counsel in June 2011. Mr Blasko reports to the Company s CEO.

Before joining James Hardie, Mr Blasko was Assistant General Counsel, and later, the General Counsel at Liebert Corporation, an Emerson Network Power Systems company and wholly-owned subsidiary of Emerson Electric Co. In his four years with Liebert/Emerson, Mr Blasko was responsible for establishing the legal department in Columbus, Ohio, managing and overseeing all legal matters and working closely with the executive management team. In this role, Mr Blasko also had global responsibilities which required expertise across multiple jurisdictions. From 2004 to 2006, Mr Blasko was Associate General Counsel at The Scotts Miracle-Gro Company, serving as the effective general counsel to numerous corporate divisions within the organisation. From 1997 to 2004 Mr Blasko gained considerable regulatory and litigation expertise working at Vorys, Slater, Seymour and Pease LLP in Ohio.

Mr Blasko has a Juris Doctor from Case Western Reserve University in Cleveland, Ohio and a Bachelor of Science in Foreign Service from Georgetown University, with a specialty in Foreign Service, International Relations, Law and Organisations.

Russell Chenu BCom, MBA

Chief Financial Officer

Age 62

Russell Chenu joined James Hardie as Interim Chief Financial Officer (CFO) in October 2004 and was appointed CFO in February 2005. He was elected to the Company s Managing Board by CUFS holders at the 2005 Annual General Meeting (AGM), re-elected in 2008 and continued as a member of the Managing Board until it was dissolved in June 2010.

Mr Chenu is an experienced corporate and finance executive who has held senior finance and management positions with a number of Australian publicly-listed companies. In a number of these senior roles, he has been engaged in significant strategic business planning and business change, including several turnarounds, new market expansions and management leadership initiatives.
Mr Chenu has a Bachelor of Commerce from the University of Melbourne and an MBA from Macquarie Graduate School of Management, Australia.

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Mark Fisher BSc, MBA

Executive General Manager International

Age 41

Mark Fisher joined James Hardie in 1993 as a Production Engineer. Since then, he

has worked for the Company as Finishing Manager, Production Manager and Product Manager at various locations; Sales and Marketing Manager; and as General Manager of our Europe Fibre Cement business. Mr Fisher was appointed Vice President Specialty Products in November 2004, then Vice President Research & Development in December 2005. In February 2008, his role was expanded to cover Engineering & Process Development. In January 2010, he was appointed Executive General Manager International, responsible for research and
development, engineering, manufacturing logistics and product management, as well as the Company s non-US businesses.
Mr Fisher has a Bachelor of Science in Mechanical Engineering and an MBA from University of Southern California.

Louis Gries BSc, MBA

Chief Executive Officer

Age 58

Louis Gries joined James Hardie as Manager of the Fontana fibre cement plant in California in February 1991 and was appointed President of James Hardie Building Products, Inc in December 1993. Mr Gries became Executive Vice President - Operations in January 2003, responsible for operations, sales and marketing in our businesses in the Americas, Asia Pacific and Europe.

He was appointed Interim CEO in October 2004 and became CEO in February 2005. Mr Gries was elected to the Company s Managing Board by CUFS holders at the 2005
AGM and continued as Chairman of the Managing Board until it was dissolved in June 2010.
In April 2012, the Company announced that effective 30 June 2012, Mr Gries would also assume responsibility for managing the US business upon Mr Nigel Rigby s departure from the Company.

Before he joined James Hardie, Mr Gries worked for 13 years for USG Corp, including a variety of roles in research, plant quality and production, and product and plant management.

He has a Bachelor of Science in Mathematics from the University of Illinois and an MBA from California State University, Long Beach, California.

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Sean O Sullivan BA, MBA

Vice President Investor & Media Relations

Age 47

Sean O Sullivan joined James Hardie as Vice President Investor & Media Relations in December 2008. For the eight years prior to joining James Hardie, Mr O Sullivan was Head of Investor Relations at St. George Bank, where he established and led the investor relations function.

Mr O Sullivan s background includes thirteen years as a fund manager for GIO Asset Management, responsible for domestic and global investments. During this period, he spent time on secondment with McKinsey and Co, completing a major study into the Australian financial services industry. Mr O Sullivan s final position at GIO was General Manager of Diversified Investments where his responsibilities included determining the asset allocation for over A$10 billion in funds under management. After leaving the GIO, Mr O Sullivan worked for Westpac Banking Corporation in funds management sales.
He has a Bachelor of Arts in Economics from Sydney University and an MBA from Macquarie Graduate School of Management.

Nigel Rigby

Executive General Manager USA

Age 45

Nigel Rigby joined James Hardie in 1998 as a Planning Manager for our New Zealand business and has held a number of sales, marketing and product and business development roles with the Company. In November 2004, Mr Rigby was appointed Vice President Emerging Markets and in 2006 he was named Vice President General Manager Northern Division. In November 2008, he became Vice President General Manager of the Company s newly-formed US Eastern Division, responsible for the former Northern and Southern Division markets and plants. In January 2010, he was appointed Executive General Manager USA, responsible for the US business.
In April 2012, the Company announced that Mr Rigby will be leaving the Company effective 30 June 2012.

Before joining us, Mr Rigby held various management positions at Fletcher Challenge, a New Zealand based company involved in energy, pulp and paper, forestry and building materials.

None of the persons above has any familial relationship with each other or with the Board of Directors listed below. In addition, none of the individuals listed above is party to any arrangement or understanding with a major shareholder, customer, supplier or other entity, pursuant to which any of the above was selected as a member of the GMT.

BOARD OF DIRECTORS

James Hardie s directors have widespread experience, spanning general management, finance, law and accounting. Each director also brings valuable international experience that assists with James Hardie s growth.

Michael Hammes BS, MBA

Age 70

Michael Hammes was elected as an independent Non-Executive Director of James Hardie in February 2007. He was appointed Chairman of the Board in January 2008 and is a member of the Audit Committee, the Remuneration Committee and the Nominating and Governance Committee. Mr Hammes previously served as a member of the Re-domicile Due Diligence Committee.

Experience: Mr Hammes has extensive commercial experience at a senior executive level. He has held a number of executive positions in the medical products, hardware and home improvement, and automobile sectors, including CEO and Chairman of Sunrise Medical, Inc (2000-2007), Chairman and CEO of Guide Corporation (1998-2000), Chairman and CEO of Coleman Company, Inc (1993-1997), Vice Chairman of Black & Decker Corporation (1992-1993) and various senior executive roles with Chrysler Corporation (1986-1990) and Ford Motor Company (1979-1986).
Directorships of listed companies in the past five years: Current Lead Director of Navistar International Corporation (since 1996) and Director of DynaVox Mayer-Johnson (listed in April 2010).

Other: Resident of the United States.

Last elected: August 2011

Term expires: August 2014

Donald McGauchie AO

Age 62

Donald McGauchie joined James Hardie as an independent Non-Executive Director in August 2003 and was appointed Acting Deputy Chairman in February 2007 and Deputy Chairman in April 2007. He is a member of the Board, Chairman of the Nominating and Governance Committee and a member of the Remuneration Committee.

Experience: Mr McGauchie has wide commercial experience within the food processing, commodity trading, finance and telecommunication sectors. He also has extensive public policy experience, having previously held several high-level advisory positions to the Australian Government.
Directorships of listed companies in the past five years: Current - Chairman (since 2010) and Director (since 2010) of Australian Agricultural Company Limited; Chairman (since 2010) and Director (since 2003) of Nufarm Limited; Director of GrainCorp Limited (since 2009). Former - Chairman of Telstra Corporation Limited (2004-2009).

Other: Chairman Australian Wool Testing Authority (since 2005) and Director since 1999; Former Director of The Reserve Bank of Australia (2001-2011); resident of Australia.

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Last elected: August 2010

Term expires: August 2013

Brian Anderson BS, MBA, CPA

Age 61

Brian Anderson was appointed as an independent Non-Executive Director of James Hardie in December 2006. He is a member of the Board, Chairman of the Audit Committee and a member of the Remuneration Committee. He previously served as Chairman of the Re-domicile Due Diligence Committee.

Experience: Mr Anderson has extensive financial and business experience at both executive and board levels. He has held a variety of senior positions, with thirteen years at Baxter International, Inc, including Corporate Vice President of Finance, Senior Vice President and CFO (1997-2004) and, more recently, Executive Vice President and CFO of OfficeMax, Inc (2004-2005). Earlier in his career, Mr Anderson was an Audit Partner of Deloitte & Touche LLP (1986-1991).

Directorships of listed companies in the past five years: Current Chairman (since 2010) and Director (since 2005) of A.M. Castle & Co.; Director of Pulte Homes Corporation (since 2005); Director (since 1999) and Lead Director (since April 2011) of W.W. Grainger, Inc.

Other: Resident of the United States.

Last elected: August 2009

Term expires: August 2012. Mr. Anderson will stand for re-election at the 2012 AGM.

David Dilger CBE, BA, FCA

Age 55

David Dilger was appointed as an independent Non-Executive Director of James Hardie in September 2009. He is a member of the Board, and a member of the Audit Committee and Remuneration Committee.

Experience: Mr Dilger has substantial experience in multinational manufacturing operations and a strong finance background. He has held a number of senior executive positions, including CEO of Greencore Group plc (1995-2008), CEO of Food Industries plc (1988-1991) and CFO of Woodchester Investments (1984-1988).

Directorships of listed companies in the past five years: Former Non-executive director of The Bank of Ireland plc (2003-2009) serving as Senior Independent Director (2007-2009).

Other: Former Chairman of Dublin Airport Authority plc (2009-2011); resident of Ireland.

Last elected: August 2010

Term expires: August 2013

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David Harrison BA, MBA, CMA

Age 65

David Harrison was appointed as an independent Non-Executive Director of James Hardie in May 2008. He is a member of the Board, Chairman of the Remuneration Committee and a member of the Audit Committee.

Experience: Mr Harrison is an experienced Company director with a finance background, having served in corporate finance roles, international operations and information technology during 22 years with Borg Warner/General Electric Co. His previous experience includes ten years at Pentair, Inc., as Executive Vice President and CFO (1994-1996 and 2000-2007) and Vice President and CFO roles at Scotts, Inc. and Coltec Industries, Inc. (1996-2000).
Directorships of listed companies in the past five years: Current Director National Oilwell Varco (since 2003); Director Navistar International Corporation (since 2007).

Other: Resident of the United States.

Last elected: August 2010

Term expires: August 2013

Alison Littley BA, FCIPS

Age 50

Alison Littley was appointed as an independent Non-Executive Director of James Hardie in February 2012. She is a member of the Board and a member of the Audit Committee.

Experience: Ms Littley has substantial experience in multinational manufacturing and supply chain operations, and she brings a strong international leadership background building effective management teams and third party relationships. She has held a variety of positions, most recently as Chief Executive of Buying Solutions, a UK Government Agency responsible for procurement of goods and services on behalf of UK government and public sector bodies (2006-2011). She has previously held senior management roles in Diageo plc (1999-2006) and Mars, Inc (1981-1999).
Directorships of listed companies in the past five years: None.

Other: Resident of the United Kingdom.

Last elected: Ms Littley will be standing for election at the August 2012 AGM.

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James Osborne BA Hons, LLB

Age 63

James Osborne was appointed as an independent Non-Executive Director of James Hardie in March 2009. He is a member of the Board and a member of the Nominating and Governance Committee. He previously served as a member of the Re-domicile Due Diligence Committee.

Experience: Mr Osborne is an experienced company director with a strong legal background and a considerable knowledge of international business operations in North America and Europe. His career includes 35 years with the leading Irish law firm, A&L Goodbody, in roles which included opening the firm s New York office in 1979 and serving as the firm s managing partner (1982-1994). He has served as a consultant to the firm since 1994. Mr Osborne also contributed to the listing of Ryanair in London, New York and Dublin and continues to serve on Ryanair s board.
Directorships of listed companies in the past five years: Current Director, Ryanair Holdings plc (since 1996); Former Chairman, Independent News & Media (2011-2012), Chairman, Newcourt Group plc (2004-2009).

Other: Chairman, Eason & Son Ltd (since August 2010), Chairman, Centric Health (since 2006); resident of Ireland.

Last elected: August 2009

Term expires: August 2012. Mr. Osborne will stand for re-election at the 2012 AGM.

Rudy van der Meer M.Ch.Eng

Age 67

Rudy van der Meer was elected as an independent Non-Executive Director of James Hardie in February 2007. He is a member of the Board and the Nominating and Governance Committee.

Experience: Mr van der Meer is an experienced former executive, with considerable knowledge of international business and the building and construction sector. During his 32-year association with Akzo Nobel N.V., he held a number of senior positions including CEO Coatings (2000-2005), CEO Chemicals (1993-2000), and member of the five person Executive Board (1993-2005).
Directorships of listed companies in the past five years: Current Chairman of the Supervisory Board of Imtech N.V. (since 2005); Director LyondellBasell Industries NV (since August 2010); Former Member of the Supervisory Board of Hagemeyer N.V. (2006-2008).

Other: Chairman of the Board of Energie Beheer Nederland B.V. (since 2006); Chairman of the Supervisory Board of VGZ U.A. Health Insurance (since May 2011); resident of The Netherlands.

Last elected: August 2011

Term expires: August 2014

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Our CEO, Louis Gries, is an Executive Director on the Company s Board. Mr Gries biographical details appear in the Group Management Team section.

None of the persons above has any familial relationship with each other or with the GMT. In addition, none of the individuals listed above is party to any arrangement or understanding with a major shareholder, customer, supplier or other entity, pursuant to which any of the above was selected as a director.

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REMUNERATION REPORT

This remuneration report explains James Hardie s approach to remuneration, and has been adopted by the Board on the recommendation of the Remuneration Committee.

Irish law does not require the Company to produce a remuneration report or to submit it to shareholders. Similarly, the Company is not required under the ASX Corporate Governance Council Principles and Recommendations or section 300A of the Australian Corporations Act to submit a remuneration report to shareholders for a non-binding vote. However, taking into consideration the Company s large Australian shareholder base, James Hardie has voluntarily produced a remuneration report for non-binding shareholder approval for some years and currently intends to continue to do so. This document reports on the Company s remuneration practices in fiscal year 2012 and also voluntarily includes an outline of the Company s proposed remuneration framework for fiscal year 2013.

During fiscal year 2012 the Remuneration Committee retained Towers Watson (in the United States) and Guerdon Associates (in Australia) as its independent advisers, and the Company retained Hewitt Associates as its external remuneration adviser.

1. APPROACH TO CEO AND SENIOR EXECUTIVE REMUNERATION

1.1 Objectives

James Hardie s remuneration philosophy is to provide competitive remuneration, compared with US companies exposed to the US housing market, that emphasises operational excellence and shareholder value creation through incentives which link executive remuneration with the interests of shareholders. The Company s executive remuneration framework is based on a pay-for-performance policy that differentiates remuneration amounts based on an evaluation of performance by the business and the individual.

1.2 Policy

It is James Hardie s policy to align remuneration received with performance achieved.

Remuneration packages for senior executives comprise fixed pay and benefits (which we refer to as Fixed Remuneration) and variable performance pay (which we refer to as Variable Remuneration), based on both short-term incentives (which we refer to as STI) and long-term incentives (which we refer to as LTI). The Company s policy is for fixed pay and benefits for senior executives to be positioned at the market median and total target direct remuneration (comprising salary and target STI and LTI) to be positioned at the market 75th percentile if stretch target performance goals are met. Performance hurdles for target STI and LTI payments are set with the expectation that the Company will deliver profitability and growth results in the top quartile of its listed, US building products peer group companies. If these performance hurdles are not met, the amount payable under the STI and LTI components will be less (and potentially zero for poor performance).

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1.3 Setting Remuneration Packages

Individual remuneration packages for the CEO and senior executives are evaluated by the Remuneration Committee annually to make sure that they continue to achieve the Company s objectives and are competitive with developments in the market. The Remuneration Committee commissions a review from its independent US compensation adviser of the remuneration positioning for the CEO and senior executives relative to their US peers. Subject to compliance with US tax code requirements, the Board makes the final decisions concerning the remuneration (base salary, employment contract terms, Scorecard rating, and STI and LTI target, maximum and actual grants) of the CEO and CFO. The CEO makes recommendations to the Board and Remuneration Committee regarding the remuneration of senior executives other than himself. The Remuneration Committee then makes the final decisions concerning the remuneration of the remaining senior executives, for review by the Board.

Remuneration decisions are based on the Company s remuneration framework, which is reviewed by the Remuneration Committee and approved by the Board each fiscal year. Senior executive remuneration takes into account the individual s competencies, skills and performance, the specific roles and responsibilities of the relevant position, advice received by the Remuneration Committee from external independent compensation advisers, and other practices specific to the markets in which the Company operates and countries in which the executive is based or was based prior to any relocation.

Each year the Remuneration Committee reviews and approves a list of peer group companies which it uses for comparative purposes in setting remuneration for the CEO, CFO and the Company s senior executives. As the Company s main business and most of its senior executives are in the US, the peer group used by the Company comprises US listed companies exposed to the US housing market. The same peer group is used to determine relative performance for that year s LTI equity grants.

1.4 Senior Executives

The Company s senior executives in fiscal year 2012 were:

Louis Gries, Chief Executive Officer

Joe Blasko, General Counsel

Russell Chenu, Chief Financial Officer

Mark Fisher, Executive General Manager International

Nigel Rigby, Executive General Manager USA

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2. FISCAL 2012 COMPANY PERFORMANCE AND LINK WITH REMUNERATION POLICY

2.1 Actual Performance

James Hardie s five-year EBIT and Net income, and five-year A$ Total Shareholder Return (including dividends and capital returns) mapped against changes in US housing starts are shown in the graphs below:

EBIT[1]
(Millions of US dollars)

Net Income[2]
(Millions of US dollars)

[1] Excludes asbestos, asset impairments and ASIC expenses.

[2] Excludes asbestos, asset impairments, ASIC expenses and tax adjustments.

2.2 Market Conditions

A significant proportion of the remuneration for senior executives is Variable Remuneration, which is at risk. The Company s remuneration arrangements aim to ensure a link between the performance of the Company and bonuses paid and equity awarded.

Operating conditions in the US residential housing market continued to be demanding in fiscal year 2012. According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company s performance, were approximately 445,600 in fiscal year 2012, which is relatively flat compared to fiscal year 2011. Repair and remodel activity also slightly declined during fiscal year 2012.

Although there were ongoing challenges in the housing market, including tight credit conditions, elevated unemployment rates and a shadow inventory of foreclosed homes, fiscal year 2012 reflected a more stable market environment (albeit at historically low levels) and consistent operating results when compared with fiscal year 2011. Although some industry data suggest increased interest among potential homebuyers, builder confidence remains at relatively low levels and the market remains restrained due to the many challenges that continue to inhibit a sustainable recovery in the overall housing market and broader US economy.

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2.3 Company Performance

Despite these challenges and the significant decline in the US housing market since March 2006, the Company achieved strong results in fiscal year 2012, gaining both category and market share and continuing to be in a strong operational and financial position. Some of the key components in the Company s performance in fiscal year 2012 include:

- an improvement of 20% in the Company s net operating result to US$140.4 million, excluding asbestos, asset impairments, ASIC expenses and tax adjustments;
- an improvement in net sales, sales volume and EBIT (excluding asset impairments) for the USA and Europe Fibre Cement business of 6%, 7% and 1%, respectively;
- an improvement in net sales and EBIT for the Asia Pacific business of 6% and 1%, respectively, in a generally weak industry environment and with sales volume down 4%;
- successful resolution of the RCI litigation, which resulted in a refund of A$369.8 million from the ATO; and
- strong net operating cash flow, which resulted in a net cash position of US$265.4 million at 31 March 2012 (compared to net debt of US$40.4 million at 31 March 2011) and allowed the Board to recommence dividend payments and capital management and to make an advance payment to the Asbestos Injuries Compensation Fund of US$138.7 million.

As part of its assessment of the Company s performance in the US, the Board considered the impact of an asset impairment charge of US$14.3 million taken during fiscal year 2012. Although the Board would normally take the view that such a charge should be included in the calculation of management s performance during the year, the Board determined not to do so in respect of this charge because:

- replacement of the asset provided space for new plant and equipment which will be used to more cost-effectively service continued growth in one of the Company s key markets; and
- recent improvements in manufacturing efficiency mean that markets serviced by the asset can be serviced more effectively by the Company s existing manufacturing facilities.

2.4 Performance Linkage with Remuneration Policy

The Board and Remuneration Committee continue to believe that the Company s remuneration framework is appropriate to focus management on dealing with the continuing difficult US housing industry conditions and provides appropriate alignment between senior executives and shareholders.

As part of their annual review of management performance, the Board and Remuneration Committee review management s performance compared to prior years and its peers on a range of factors, including performance against the measures in the Company s Variable Remuneration STI and LTI plans, other financial performance, and the Scorecard. Based on that review, the Board and Remuneration Committee concluded that management s performance in fiscal year 2012 was superior to the 75th percentile of its peer group of companies and substantially better than the Company s performance in fiscal year 2011. As a result of this assessment, Variable Remuneration outcomes in fiscal year 2012 are substantially above fiscal year 2011 and, for the STI plans, above target.

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More details about this assessment, including the percentage of the maximum Variable Remuneration awarded to or forfeited by senior executives is set out in section 3 of this Remuneration Report below.

3. DESCRIPTION OF COMPANY S REMUNERATION ARRANGEMENTS

This section describes the Company s remuneration arrangements applying in fiscal year 2012.

3.1 Overview of Variable Remuneration

Variable Remuneration is at risk and is earned by senior executives when the Company or the individual meets or exceeds specified performance goals. The Company s Variable Remuneration incentive plans for senior executives in fiscal year 2012 are set out below:

Duration	Plan Name	Amount	Form Incentive Paid
Short-term (1-3 years)	Individual Performance Plan (IP Plan)	20% of STI Target	Cash
	Executive Incentive Plan	80% of STI Target	Cash
Long-term (3-5 years)	Long Term Incentive Plan (LTIP)	40% of LTI Target	Hybrid RSUs
		30% of LTI Target	Relative TSR RSUs
		30% of LTI Target	Scorecard LTI (cash)

3.2 Scorecard

The Company includes an element of a Scorecard rating in both its Hybrid RSUs (formerly called Executive Incentive Plan RSUs) and Scorecard LTI to ensure continued focus by senior executives on a balance of financial, strategic, business, customer and organisational development goals. Each of these are important contributors to long-term creation of shareholder value. The Scorecard contains a number of key objectives and the measures the Board expects to see achieved in relation to these objectives. Individual senior executives may receive different ratings depending on their contribution to achieving the Scorecard objectives. Although most of the objectives in the Scorecard have quantitative targets, the Company has not allocated a specific weighting to any single objective and the final Scorecard assessment will involve an element of judgment by the Board.

The Remuneration Committee monitors progress against the Scorecard annually. The Scorecard can only be applied by the Board to exercise negative discretion (ie, to reduce the amount of Hybrid RSUs and Scorecard LTI that will ultimately vest). It cannot be applied to enhance the maximum reward that can be received. The only change to the Scorecard objectives for fiscal year 2012 compared to fiscal year 2011 was the replacement of the Zero to Landfill objective with a broader Manufacturing Efficiency objective, which is a multi-year initiative that builds on the waste reduction objectives of Zero-to-Landfill with a focus on increasing machine efficiencies and product capabilities. Among other matters, this objective will support more efficient manufacturing. It is likely that senior executives will receive different ratings when assessing their Scorecard performance for the Hybrid RSUs and Scorecard LTI.

Further details related to the Scorecard for fiscal year 2012, including the method of measurement, historical performance against the proposed measures and the Board s expectations, were previously set out in the 2011 AGM Notice of Meeting. An assessment of the Company s Scorecard performance for fiscal years 2010-2012 is set out on pages 42-44 of this report. The Board will provide an

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explanation of the final assessment of performance under the Scorecard for fiscal years 2012-2014 at the conclusion of fiscal year 2014.

3.3 Description of Variable Remuneration

3.3.1 Short-Term Incentives

The STI target for senior executives is allocated between corporate goals (under the Executive Incentive Plan or EIP Plan) and individual goals (under the Individual Performance Plan or IP Plan). The STI target for senior executives was determined as a percentage of base salary, which was unchanged in fiscal year 2012:

Position	STI Target as % of base salary	Proportion of STI Target allocated to corporate goals	Proportion of STI target allocated to individual goals
Chief Executive Officer	125%	80%	20%
Chief Financial Officer	33%	0%	100%
Other senior executives	45-65%	75-80%	20-25%

Given the Board s assessment at the start of fiscal year 2012 that the US housing market continued to be uncertain and was lacking stability, for fiscal year 2012 the Board determined that 40% of each senior executive s LTI target should be received in Hybrid RSUs. Although this component of a senior executive s Variable Remuneration is received in three years time, it is treated as STI since the maximum amount which can be paid is determined at the end of the first year based on the Company s performance in fiscal year 2012, and then subject to the negative discretion exercisable two years later if the Board feels that performance in fiscal year 2012 was achieved at the expense of long-term measures, including those set forth in the Scorecard.

(a) FY12 STI Cash bonus for individual goals Individual Performance Plan

Part of the STI target for each senior executive is allocated based on their individual performance and is payable in cash. The maximum payout for this component is 150% of the STI target allocated based on the respective senior executive s individual performance. Senior executives are assessed by the Board and the Remuneration Committee on their individual performance against specific objectives for fiscal year 2012, which are approved by the Board and the Remuneration Committee. Rewards are based on the Board s assessment of each senior executive s performance at the end of the fiscal year.

Board s Assessment of the Individual Performance Plan for FY12

The IP Plan links financial rewards to the achievement of a senior executive s specific individual objectives that have benefited the Company and contributed to shareholder value and that are not directly captured by the corporate component of the STI.

(b)FY12 STI cash bonus for corporate goals - Executive Incentive Plan

Each senior executive (other than the CFO) has part of their STI target allocated based on achievement of corporate objectives and is payable in cash. The maximum payout for this component is 300% of the STI target allocated for corporate performance.

The Company uses a Payout Matrix which provides for a range of possible payouts depending on the Company s performance against performance hurdles which assess growth above market (which we

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refer to as the Growth Measure) and earnings (which we refer to as the Return Measure) to determine the level of payout under the EIP. The purpose of the two Payout Matrix performance hurdles is to ensure that as management increases its top line growth focus, it does not do so at the expense of short to medium-term returns. Management is encouraged to balance growth and returns since achievement of strong rewards requires management to generate both strong earnings and sales growth substantially above market. Higher returns on one measure at the expense of the other measure result in lower, or nil, reward.

To ensure management does not unduly benefit or is not unduly penalised by external factors, the Growth Measure and Return Measure are respectively indexed for changes in new housing starts and the US repair and remodel market, and for changes in pulp prices. Other factors such as costs related to legacy issues and exchange rate movements are also excluded. The Board also has discretion to change the payout under the Payout Matrix if growth relative to market is below expectations and the Board determines that the reason for such performance is outside management s control, or following a management decision endorsed by the Board given an assessment of market circumstances at the time.

Each business has its own Payout Matrix which includes a range of Return Measure and Growth Measure targets. All senior executives, including the CEO, are assessed based on the consolidated results of all the operating businesses.

The Company does not disclose the Growth Measure and Return Measure targets since these are commercial in confidence. However, achieving a target payment for fiscal year 2012 would have required performance in excess of the average of the performance for the previous three years on both the Growth Measure and the Return Measure.

Board Assessment of the Executive Incentive Plan for FY12

The Board believes that the Payout Matrix under the EIP is appropriate because it:

- provides management with an incentive towards achieving the overall corporate goals;
- balances growth with returns;
- recognises the need to flexibly respond to strategic opportunities depending on our markets ability to recover from the currently prevailing uncertain economic environment;
- incorporates indexing for factors beyond management s control; and
- incorporates Board discretion where a long-term decision endorsed by the Board would impact short-term results measured under the Payout Matrix in the Board s assessment of management s performance.

(c) FY12 LTI (Hybrid RSUs) - Executive Incentive Plan

For fiscal year 2012, 40% of the LTI target for senior executives was allocated to the EIP and payable in Hybrid RSUs. The maximum initial grant of Hybrid RSUs is up to 300% of the target. The number of Hybrid RSUs granted is based on the Company s performance against corporate level EBIT performance targets approved by the Board. The targets for fiscal year 2012 were derived based on the STI EIP Payout Matrix for fiscal year 2012 and a grant of Hybrid RSUs at target required an

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improvement on performance for fiscal year 2011. The EBIT performance hurdle for the Hybrid RSUs was:

Before the Hybrid RSUs that were granted in June 2012 vest in June 2014 and convert to shares, the Board will assess the Company s results to ensure short-term results in fiscal year 2012 were not obtained at the expense of long-term sustainability, taking into account the Company s financial results, the measures set out in the Scorecard and each senior executive s individual performance. Based on this assessment, the Board will determine what percentage of the senior executive s Hybrid RSUs will vest and convert to shares. In effect, the Scorecard applies a holdback and forfeiture principle to give the Board discretion to review fiscal year 2012 performance with the benefit of another two years of trading and assess whether the strong results in fiscal year 2012 were obtained at the expense of long-term sustainability.

Although this component of a senior executive s Variable Remuneration is received in three years time, it is treated as an STI since the maximum amount which can be paid is determined at the end of the first year based on the Company s performance in fiscal year 2012, and then subject to the negative discretion exercisable in a further two years if the Board feels that performance in fiscal year 2012 was achieved at the expense of long-term performance.

Calculation of the Hybrid RSUs granted to the CEO for fiscal year 2012 performance is described below:

Based on the CEO s LTI target quantum of US$3,100,000 in fiscal year 2012 and James Hardie s performance of 98% of target against the Hybrid RSU EBIT performance hurdle, the CEO received:

40% x US$3,100,000 x 98% = US$1,215,200 which was settled in 166,459 Hybrid RSUs on 7 June 2012.

At the conclusion of the additional two-year performance period in June 2014, the Board will assess the Company s and the CEO s performance in fiscal year 2012 with the benefit of an additional two years of trading. The number of Hybrid RSUs which will vest is between 0% and 100%. For indicative purposes, assuming that the Board determines 100% or 85% or 70% of the CEO s Hybrid RSUs should vest, he could receive one of:

- if the Board determines 100% of the RSUs should vest: 166,459 shares
- if the Board determines 85% of the RSUs should vest: 141,490 shares
- if the Board determines 70% of the RSUs should vest: 116,521 shares

Board Assessment of Hybrid RSUs for FY12

The Board believes that Hybrid RSUs are an appropriate incentive vehicle in the current market because they:

- provide an incentive to ensure that the Company s growth focus is not achieved at the expense of short- and medium-term shareholder returns;
- align management with shareholders because the reward vehicle is based on share price;
- focus on long-term results over the three-year performance period;
- recognise that quantifying a specific long-term financial outcome requirement was not yet possible in the market prevailing at the start of fiscal year 2012;
- avoid a mechanistic formula with outcomes based on market movements rather than management action; and
- allow for the forfeiture of some or all of the potential value, in the collective judgment of the independent directors, based on financial returns, individual performance and a number of long-term objectives identified by the Board as being able to affect longer-term outcomes in uncertain economic times.

Board Assessment of management performance under Executive Incentive and Individual Performance Plans for FY12

The Company s results and the subsequent STI and LTI payouts for fiscal year 2012 were above STI target and marginally below LTI target due to:

- USA and Europe Fibre Cement performing substantially above target on the Growth Measure, due to strong category and market share growth, and marginally below target on the Return Measure, due to lower prices in the second half of fiscal year 2012, higher freight costs and higher product provisions offset by strong manufacturing performance, lower energy prices and higher volume; and
- Asia Pacific achieving performance slightly above target on the Growth Measure, despite difficult market conditions in all geographic markets except the Philippines, and performance marginally above target on the Return Measure, due to a mixture of strong sales activity, improved price and product mix, controlled organisational spend and manufacturing performance.

The higher payout under the STI plan reflects the Company s strong Growth Measure performance in fiscal year 2012, whereas the lower payout under the LTI plan (before the Board even considers whether to exercise its negative discretion in two years time) reflects the Company s marginally below target performance on the Return Measure.

The Board and the Remuneration Committee believe that stabilisation in the US housing market means that the heightened focus on short-term performance for the past four years using the Hybrid RSUs is no longer required. In fiscal year 2013, the Hybrid RSUs will be replaced by a long-term financial return measure based on return on capital employed (which we refer to as ROCE RSUs). ROCE RSUs are described in more detail in the 2012 AGM Notice of Meeting.

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The percentage of the maximum Variable Remuneration under the EIP awarded to or forfeited by senior executives for performance in fiscal year 2012 compared to fiscal year 2011 is set out below.

	Cash STI[1]		Hybrid RSUs[2]	
	Awarded	**Forfeited**	**Awarded**	**Forfeited**
	%	%	%	%
L Gries				
Fiscal Year 2012	56	44	33	67
Fiscal Year 2011	31	69	8	92
J Blasko[3]				
Fiscal Year 2012	56	44	-	-
Fiscal Year 2011	-	-	-	-
R Chenu				
Fiscal Year 2012	100	-	33	67
Fiscal Year 2011	100	-	8	92
M Fisher				
Fiscal Year 2012	58	42	33	67
Fiscal Year 2011	34	66	8	92
N Rigby				
Fiscal Year 2012	56	44	33	67
Fiscal Year 2011	28	72	8	92

1 **Awarded** = % of fiscal year 2011 or 2012 Cash STI maximum actually paid. **Forfeited** = % of fiscal year 2011 or 2012 STI maximum foregone. STI amounts were paid in cash under the Executive Incentive Program and IP Plan or as an additional one-off discretionary bonus for one executive in fiscal year 2011. These amounts do not include Hybrid RSUs. The cash payments for each fiscal year are paid in the June following the end of the fiscal year.

2 **Awarded** = % of fiscal year 2011 or 2012 Hybrid RSUs maximum which actually granted. **Forfeited** = % of fiscal year 2011 or 2012 Hybrid RSUs maximum which was foregone. The value earned for performance in a fiscal year was granted in the form of Hybrid RSUs in the June following the end of the fiscal year. Hybrid RSUs will vest two years after grant date and convert to shares, subject to the Board s exercise of negative discretion.

3 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.

3.3.2 Long-Term Incentives

The remaining 60% of the LTI target for senior executives is allocated as grants of RSUs based on the Company s total shareholder return relative to its peers (which we refer to as Relative TSR RSUs), plus grants of cash-settled awards based on the Company s stock price performance and the Scorecard (which we refer to as Scorecard LTI). The maximum award under both of these programs is capped at 300% of the target.

(a) FY12 Relative TSR RSUs

30% of the LTI target for senior executives is allocated as grants of Relative TSR RSUs, which were granted in September 2011 for fiscal year 2012. The peer group for the Relative TSR RSUs consists of the same peer group of companies exposed to the US housing market which the Company uses for compensation benchmarking purposes. The Board and the Remuneration Committee believe that US companies form a more appropriate peer group than ASX-listed companies as they are exposed to the same macro factors in the US housing market as the Company faces. The names of the companies comprising the peer group for each grant of Relative TSR RSUs are set out in section 7 of this Remuneration Report. The Company s relative TSR performance will be measured against the peer

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group over a 3- to 5-year period from grant date, with testing after the third year, and then every six months until the end of year 5, based on the following schedule:

Performance against Peer Group	% of Relative TSR RSUs vested
<50th Percentile	0%
50th Percentile	33%
51st 74th Percentile	Sliding Scale
≥75th Percentile	100%

Board s Assessment of the Relative TSR RSU Component of Long Term Incentive Plan for FY12

The Board considered whether re-testing is appropriate for Relative TSR RSUs, given some investors prefer a single test for relative performance measures. The Board concluded that re-testing is appropriate given that further volatility may be experienced in the continuation of the global financial crisis. In addition, this approach extends the motivational potential of the Relative TSR RSUs from three to five years and, given that the Company will incur the same accounting expense irrespective of the vesting outcome, is more effective from a cost-benefit perspective.

(b) FY12 Scorecard LTI

30% of the LTI target for senior executives is allocated as grants of Scorecard LTI awards that were granted in June 2011 for fiscal year 2012. Scorecard LTI is a cash-settled award with the final payout based on the Company s share price performance over the three years from the grant date and the senior executive s Scorecard rating. At the start of the three-year performance period, the Company will calculate the number of shares the senior executives could have acquired if they received a maximum payout on the Scorecard LTI on that date. At the end of the three-year performance period, the Board will assess each of the senior executive s contribution to the long-term objectives set out in the Scorecard to give them a rating of between 0 and 100. Depending on this rating, between 0% and 100% of the senior executive s awards will vest three years later. Each senior executive will receive a cash payment based on the Company s share price at the end of the period multiplied by the number of shares they could have acquired at the start of the performance period, adjusted downward in accordance with their Scorecard rating.

Board Assessment of Scorecard LTI for FY12

The Board introduced Scorecard LTI because it determined that a reward that focused on longer-term strategic and operational goals was essential, given that specific longer-term financial objectives cannot be readily determined in an uncertain housing market. Ensuring that the reward s value is tied to share price provides alignment with shareholder interests. Moreover, payment in cash allows flexibility to apply the reward across different countries, while providing executives with liquidity to pay tax or other material commitments at a time that coincides with vesting of shares (via the RSU programs) such that they are less likely to decide to sell their shares.

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Board Assessment of management performance under Scorecard LTI for FY12

At the end of fiscal year 2012 the Board and the Remuneration Committee performed their first review of the Company s and management s performance under the Scorecard, relating to the grant of Scorecard LTI in June 2009 as part of the FY10 LTI. A weighted average Scorecard rating of 61% (from a range of 50% to 83%) was applied based on the senior executives contribution to the Company s performance against the Scorecard objectives.

As previously disclosed in the Company s 2009 AGM Notice of Meeting, the Company s performance over the three-year period from FY10-FY12 based on the Scorecard objectives determined in mid-2009 was:

Measure	Performance over period	Board Requirement	Reasons	Assessment of Management s Performance
US Primary Demand Growth (PDG)	FY12: 9.1% FY11: (4.4)%[1] FY10: 7.4%[1] [1] Figures have been restated to reflect updated methodology calculation.	**Minimum:** Maintain relative to market **Stretch:** Primary demand growth relative to market	A key strategy for the Company is to maximise its market share growth/retention of the exterior cladding market for new housing and for repair & remodel segments, which it does by growing fibre cement s share of the exterior cladding market and by maintaining the Company s share of the fibre cement category.	Growth above stretch target achieved over three year period. Negative result in FY11 recovered and improved in FY12.
US Product Mix Shift	Color Plus and Artisan penetration improved each year.	**Board Minimum:** 5% annual improvement in penetration of ColorPlus and Artisan products **Stretch:** 10% annual improvement in penetration of ColorPlus and Artisan products	The Company aims to maintain its leadership position across the fibre cement category of the exterior cladding market by developing new products/marketing/manufacturing approaches that will result in an improved mix of our products and gross margins.	Performance above stretch target. The focus of this goal will include other differentiated products going forward.
US Zero To the Landfill (ZTL)	In the past three years the Company has made significant progress in reducing the amount of materials sent to landfill.	**Minimum:** 5% annual reduction of equivalent dumpsters sent to landfill **Stretch:** 7% annual reduction of equivalent dumpsters sent to landfill	This measure is a primary contributor to the Company s environmental goals and improving material yield will reduce manufacturing costs. In addition, achieving important environmental, social and governance (ESG) goals reduces risk.	Growth above stretch target achieved over three year period. The elimination rate slowed as savings became more difficult to find. The goal was expanded in FY11 to a broader manufacturing efficiency goal.

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Measure	Performance over period	Board Requirement	Reasons	Assessment of Management s Performance
Safety	FY12: 1.46 18.1 FY11: 1.74 18.8 FY10: 1.7 37	No fatalities **Minimum:** 10.4 Incident Rate (IR) (FY10 industry average) and 50 Severity Rate (SR) **Stretch:** 2.0 IR and 20 SR	Safety of Company employees is an essential ESG measure.	Performance above stretch goals. Results below 2 IR and 20 SR are now expected.
Strategic Positioning	JH Europe re-set as a viable business. Acquired small fibreglass windows manufacturer and shaped trim technology.	The Board expects that management will continue to diversify to provide more balance and greater profit opportunities to Company.	Developing and, as appropriate, implementing, alternative strategic actions for sustainable growth beyond the Company s traditional markets will create shareholder value through increased profits and diversification for lower risk.	Performance met minimum goals.
Legacy Issues	All major legacy issues concluded.	**Minimum:** Resolve or address the Dutch domicile and make substantial progress on others **Stretch:** Resolve or address all legacy issues	Resolution of these issues is a fundamental component of the Company s ESG goals, paving the way to lower risk and more certainty for all stakeholders.	Performance met stretch goals. All major legacy issues concluded, largely in the Company s favour. Only remaining issue is conclusion of appeals of certain former directors and officers in the ASIC litigation (the Company is not involved in these proceedings).
Managing During the Economic Crisis	With nil debt, ample liquidity, strong EBIT margins, strong cash flow and earnings, JH is well-positioned, including relative to peers.	Maintain an adequate capital structure.	With the US building materials industry experiencing a downturn unprecedented in the past 60 years, managing the Company through this time so it can emerge at the end of this period in as strong or stronger competitive position in the overall industry is crucial.	Performance met Board requirements. Strong cash generation in the business and a successful resolution of the ATO litigation.

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Measure	Performance over period	Board Requirement	Reasons	Assessment of Management s Performance
Talent Management/ Development	The Company continues to have a strong management team.	It is not possible to set a specific goal for this measure beyond requiring that management capability be retained and grown.	Improving management development and capability is important to the Company s future growth.	Performance below Board minimum requirements. The CEO will be managing the US business for the next few years with a focus on developing a strong management team capable of achieving the Company s goals.

(c) FY12 Long-Term Incentives Below Senior Executive Level

In fiscal year 2012, selected employees other than senior executives received equity-based, long-term incentives in the form of RSUs under the 2001 JHI SE Equity Incentive Plan (which we refer to as the 2001 Plan). Participation in such a plan helps align the interests of employees with shareholders. Award levels are determined based on the Remuneration Committee s review of local market standards and the individual s responsibility, performance and potential to enhance shareholder value. Unlike the RSUs granted to senior executives, these RSUs generally vest at the rate of 25% on the 1st anniversary of the grant, 25% on the 2nd anniversary date and 50% on the 3rd anniversary date. The term of the 2001 Plan was extended through to 2021 at the 2011 AGM.

Board s Assessment of 2001 Plan

The majority of participants in the 2001 Plan are US employees. Senior executives named in this report did not receive RSUs under the 2001 Plan in fiscal year 2012. The RSUs granted to other employees under the 2001 Plan follow normal and customary US grant guidelines and market practice and have no performance hurdles. The Board is satisfied that this practice is necessary to attract and retain US employees and is particularly effective in the current environment for the better management of the Company s cash flow.

3.4 Description of Fixed Remuneration

Fixed remuneration consists of base salaries, non-cash benefits, participation in a defined contribution retirement plan and superannuation contributions.

3.4.1 Base Salaries

Base salary provides a guaranteed level of income that recognises the market value of the position and internal equities between roles, and the individual s capability, experience and performance. Base salaries for senior executives are positioned around the market median for positions of similar responsibility. Base salaries are reviewed by the Remuneration Committee each year, although increases are not automatic. Following a review of senior executive compensation at the start of fiscal year 2013, the Board determined that only two of the Company s senior executives will receive a base salary increase in fiscal year 2013.

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3.4.2 Non-Cash Benefits

James Hardie s executives may receive non-cash benefits such as a cost of living allowance, medical and life insurance benefits, car allowances, membership in executive wellness programs, long service leave and an annual financial planning allowance (which includes tax return preparation assistance).

3.4.3 Retirement Plan/Superannuation

In every country in which it operates, the Company offers employees access to pension, superannuation or individual retirement savings plans consistent with the laws of the respective country.

3.5 Relative Weightings of Fixed and Variable Remuneration in 2012

The Company s improved performance in fiscal year 2012 was reflected in an increase in the Variable Remuneration paid to senior executives in fiscal year 2012 compared to fiscal year 2011:

	Fixed Remuneration[1]	**Variable Remuneration**[3]				
	Salary, Non-cash Benefits, Superannuation, 401(k) etc	Cash Incentive[2]	Hybrid RSUs	Scorecard LTI	Relative TSR RSUs	Total Variable
	%		%	%	%	%
L Gries						
Fiscal Year 2012	12	18	12	29	29	88
Fiscal Year 2011	20	12	4	32	32	80
J Blasko[4]						
Fiscal Year 2012	70	30	-	-	-	30
Fiscal Year 2011	-	-	-	-	-	-
R Chenu						
Fiscal Year 2012	54	12	6	14	14	46
Fiscal Year 2011	55	13	2	15	15	45
M Fisher						
Fiscal Year 2012	30	24	8	19	19	70
Fiscal Year 2011	36	17	3	22	22	64
N Rigby						
Fiscal Year 2012	27	27	8	19	19	73
Fiscal Year 2011	36	17	3	22	22	64

1 Includes base salary, non-cash benefits, expatriate benefits, other non-recurring benefits and superannuation/pension payments.
2 Includes STI amounts that were paid in cash under the Executive Incentive Program and IP Plan (for fiscal year 2011 as an additional one-off discretionary bonus for one executive). The cash payments for each fiscal year are paid in the June following the end of the fiscal year.
3 Equity components include fiscal year 2012 SG&A expense for Hybrid RSUs, Scorecard LTI and Relative TSR RSUs.
4 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.

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3.6 Variable Remuneration Payable in Future Years

Details of the accounting cost of the Variable Remuneration for fiscal year 2012 that may be paid to senior executives in future years are set out below. The minimum amount payable is nil in all cases. The maximum amount payable will depend on the share price at time of vesting, and is therefore not possible to determine. The table below is based on the fair value of the RSUs and Scorecard LTI according to US GAAP accounting standards and the Company s estimate of the Scorecard Rating to be applied to Scorecard LTI.

	Scorecard LTI[1] (US dollars)				Hybrid RSUs[2] (US dollars)				Relative TSR RSUs[3] (US dollars)			
	FY2012	**FY2013**	**FY2014**	**FY2015**	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2012**	**FY2013**	**FY2014**	**FY2015**
L Gries	659,222	807,437	807,437	150,427	-	487,867	599,567	111,700	451,695	832,670	832,670	383,256
J Blasko[4]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R Chenu	74,428	91,162	91,162	16,984	-	55,082	67,693	12,611	50,998	94,012	94,012	43,271
M Fisher	74,428	91,162	91,162	16,984	-	55,082	67,693	12,611	50,998	94,012	94,012	43,271
N Rigby	22,642	27,733	27,733	5,167	-	22,347	27,464	5,117	N/A	N/A	N/A	N/A
	830,720	**1,017,494**	**1,017,494**	**189,562**	**-**	**620,378**	**762,417**	**142,039**	**553,691**	**1,020,694**	**1,020,694**	**469,798**

1 Represents annual SG&A expense for Scorecard LTI granted in June 2011 based on Board assumption of final Scorecard rating. The fair value of each award is adjusted for changes in JHI SE s common stock price at each balance sheet date until the final Scorecard rating is applied in June 2014, at which time the final value is based on the Company s share price and the senior executive s Scorecard rating at the time of vesting.

2 Represents annual SG&A expense for the Hybrid RSUs granted in June 2012 for performance in fiscal year 2012. The fair value of each RSU is adjusted for changes in JHI SE s common stock price at each balance sheet date until the Board exercises negative discretion and some, all or none of the awards become vested in June 2014.

3 Represents annual SG&A expense for the Relative TSR RSUs granted in September 2011 with fair market value estimated using the Monte Carlo option-pricing method.

4 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.

4. CHANGES TO REMUNERATION FOR FISCAL YEAR 2013

4.1 Overview of Remuneration for Fiscal Year 2013

The Board and the Remuneration Committee have spent a considerable amount of time over the past year reviewing the Company s existing remuneration arrangements. With the Board believing that the US housing market has now stabilised to an extent which permits the setting of multi-year financial metrics as part of the Company s LTI compensation arrangements, there are a number of changes proposed to remuneration for fiscal year 2013.

There will be no increases to the CEO s base salary, target STI or target LTI in fiscal year 2013.

The principal changes to the Company s STI and LTI plans are:

introducing an adjustment to the result achieved on the Growth Measure of the Payout matrix depending on the Company s performance against the largest participants in the wood-look market;

replacing the existing Hybrid RSUs with RSUs which have a performance measure based on the Company s average return on capital employed (ROCE) over a three year period;

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- changing the performance criteria for the Relative TSR RSUs to increase the performance required to achieve target and maximum rewards, eliminate cliff vesting at the 50th percentile and provide for rewards to incrementally increase from the 40th percentile;

- reducing the maximum payout that can be received under the ROCE and Relative TSR RSUs (which account for 70% of target LTI) from 300% to 200% of LTI target. The Board has retained the maximum payout of 300% of target for the Scorecard LTI to give itself flexibility;

- increasing the number of days used to calculate the starting and testing points to 20 business days to reduce the impact of a single day s volatility on vesting;

- updating the Peer Group for fiscal year 2013 grants of Relative TSR RSUs; and

- updating the Scorecard objectives for fiscal year 2013.

The following section summarises the changes to the Executive Incentive Plan and the Scorecard LTI for fiscal year 2013.

4.2 STI - Changes to Executive Incentive Plan for FY13

The Board proposes to continue with the basic Payout Matrix approach balancing performance on the Growth Measure against performance on the Return Measure for the corporate portion of the EIP described on page 36 of this report.

However, in fiscal year 2013 it will adjust the Growth Measure of the Payout Matrix based on the Company s performance against market tracking data from the largest participants in the wood-look products market (collectively, the Wood-Aesthetic Market Index or WMI).

The Company s performance against each of the three individual components of the WMI will impact the Growth Return by adding or subtracting from the current primary demand growth derived multiple as follows:

- if the Company meets or exceeds the performance of all three WMI participants, 0.2x will be added to the Growth Measure;

- If the Company meets or exceeds the performance of two of the three WMI participants, there will be no change to the Growth Measure; and

- If the Company fails to meet or exceed the performance of more than one of the three WMI participants, then 0.2x will be subtracted from the Growth Measure.

In each case, the resulting Growth Measure is multiplied by the Return Measure to achieve the final payout.

The Board and the Remuneration Committee believe that this amendment will further focus management on increasing the Company s share of the exterior cladding market at the expense of wood-look competitors, which will create substantial value for shareholders.

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4.3 LTI - Changes to Scorecard LTI for FY13

The Board uses the Scorecard to set strategic objectives for which performance can only be assessed over a period of time. The changes to the objectives for fiscal year 2013, and the reasons for those changes are set out below:

Goal	Change	Reasons
Primary demand growth	Supplemented to include growth against wood-look products.	This will provide greater focus on the areas where the Company can increase fibre-cement s share of the market.
Product Mix Shift	No change to the objective. But as the Company develops new differentiated products, measurement of this goal will include those products.	Product mix shift is a key part of the Company s product leadership through creating new differentiated value-added products.
Managing during the Economic Crisis	Replaced with a new goal Positioning the Company for potential recovery .	Moving the Company to a more appropriate leverage and being ready to grow in the event that the US housing market recovers.
Legacy Issues	Removed.	Not required now that most of the Company s legacy issues have been resolved.

The other components of the Scorecard remain unchanged.

4.3 LTI - Changes to ROCE RSUs and Relative TSR RSUs

The 2012 AGM Notice of Meeting contains details of the changes to the ROCE RSUs and Relative TSR RSUs.

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5. REMUNERATION PAID TO SENIOR EXECUTIVES

5.1 Total Remuneration for Senior Executives

Details of the remuneration of the senior executives in fiscal years 2012 and 2011 are set out below:

(US dollars)		**Primary**		**Post-employment**	**Equity Awards**		**Other**	
Name	Base Pay	Bonuses[1]	Noncash Benefits[2]	Superannuation and 401(k) Benefits	Ongoing Vesting[3]	Mark-to-Market[4]	Relocation Allowances, Expatriate Benefits, and Other Non-recurring[5]	**Total**
L Gries								
Fiscal Year 2012	**$ 956,825**	**$ 1,959,285**	**$ 106,960**	**$ 14,700**	**$ 4,832,467**	**$ 1,469,093**	**$ 104,000**	**$ 9,443,330**
Fiscal Year 2011	944,137	948,342	50,948	17,072	5,016,523	58,953	599,806	7,635,781
J Blasko								
Fiscal Year 2012	**230,769**	**161,730**	**45,840**	**9,808**	**-**	**-**	**387,062[6]**	**835,209**
Fiscal Year 2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R Chenu								
Fiscal Year 2012	**953,735[7]**	**339,510**	**96,474**	**88,800**	**895,737**	**287,159**	**105,133**	**2,766,548**
Fiscal Year 2011	828,334	255,494	85,570	78,812	862,097	5,467	132,740	2,248,514
M Fisher								
Fiscal Year 2012	**434,317**	**416,599**	**50,979**	**14,877**	**701,388**	**220,125**	**-**	**1,838,285**
Fiscal Year 2011	438,596	200,803	28,401	15,986	750,268	5,457	-	1,439,511
N Rigby								
Fiscal Year 2012	**509,711**	**529,939**	**28,469**	**-**	**734,313**	**171,637**	**-**	**1,974,069**
Fiscal Year 2011	472,663	204,204	24,413	-	758,905	6,227	-	1,466,412
Total Compensation for Senior Executives								
Fiscal Year 2012	**$ 3,085,357**	**$ 3,407,063**	**$ 328,722**	**$ 128,185**	**$ 7,163,905**	**$ 2,148,014**	**$ 596,195**	**$ 16,857,441**
Fiscal Year 2011	$ 2,683,730	$ 1,608,843	$ 189,332	$ 111,870	$ 7,387,793	$ 76,104	$ 732,546	$ 12,790,218

1 Includes STI amounts that were paid in cash under the Executive Incentive Program and IP Plan or as an additional one-off discretionary bonus for one executive in fiscal year 2011. The cash payments for each fiscal year are paid in the June following the end of the fiscal year.

2 Includes the aggregate amount of all noncash benefits received by the executive in the year indicated. Examples of noncash benefits that may be received by executives include medical and life insurance benefits, car allowances, membership in executive wellness programs, long service leave, financial planning and tax services.

3 Includes grants of Scorecard LTI awards, Relative TSR RSUs and Hybrid RSUs. Relative TSR RSUs are valued using Monte Carlo simulation method. Hybrid RSUs and Scorecard LTI awards are valued based on JHI SE s share price at each balance date. The fair value of equity awards granted are included in compensation during the period in which the equity awards vest. In the case of Hybrid RSUs and Scorecard LTI awards, this amount excludes the equity award expense in fiscal years 2012 and 2011 resulting from changes in the Company s share price, which is disclosed separately in the Equity Awards Mark-to-Market column.

4 Hybrid RSUs and Scorecard LTI awards are valued based on the Company s share price at each reporting date. The amount included in this column is the equity award expense resulting solely from changes in the US dollar share price during fiscal years 2012 and 2011. During fiscal year 2012, there was a 27% appreciation in the Company s share price from US$6.30 to US$7.99.

[5] Includes a non-cash charge to recognise gross-up and tax paid on equity vested during fiscal years 2012 and 2011 for which a portion of the vesting period was while L Gries and R Chenu were seconded to The Netherlands.

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6 Commenced employment 13 June 2011. Received relocation allowance in lieu of fiscal year 2012 LTI grants.

7 R Chenu s base salary is denominated in A$ and a significant amount of this increase is as a result of changes in the A$:US$ exchange rate.

5.2 Equity Holdings of Senior Executives

(a) Options

Name	Grant Date	Exercise Price per right (A$)	Holding at 1 April 2011	Granted	Total Value at Grant[1] (US$)	Vested	Exercised	Value at Exercise per right[2] (US$)	Lapsed	Value at Lapse per right[3] (US$)	Holding at 31 March 2012	Weighted Average Fair Value per right[4]
Senior Executives												
L Gries	3-Dec-02[6]	$ 6.4490	325,000	325,000	$ 210,633	325,000	(325,000)	1.0610	-	-	-	0.6481
	5-Dec-03[6]	$ 7.0500	325,000	325,000	$ 338,975	325,000	-	-	-	-	325,000	1.0430
	21-Nov-06[7]	$ 8.4000	415,000	415,000	$ 888,100	415,000	-	-	-	-	415,000	2.1400
	21-Nov-06[7]	$ 8.4000	381,000	381,000	$ 1,131,570	228,600	-	-	(152,400)	-	228,600	2.9700
	29-Aug-07[7]	$ 7.8300	445,000	445,000	$ 965,650	445,000	-	-	-	-	445,000	2.1700
	29-Aug-07[7]	$ 7.8300	437,000	437,000	$ 1,302,260	343,482	-	-	-	-	437,000	2.9800
J Blasko	-	-	-	-	-	-	-	-	-	-	-	-
R Chenu	22-Feb-05[6]	$ 6.3000	93,000	93,000	$ 107,973	93,000	-	-	-	-	93,000	1.1610
	21-Nov-06[7]	$ 8.4000	65,000	65,000	$ 139,100	65,000	-	-	-	-	65,000	2.1400
	21-Nov-06[7]	$ 8.4000	60,000	60,000	$ 178,200	36,000	-	-	(24,000)	-	36,000	2.9700
	29-Aug-07[7]	$ 7.8300	68,000	68,000	$ 147,560	68,000	-	-	-	-	68,000	2.1700
	29-Aug-07[7]	$ 7.8300	66,000	66,000	$ 196,680	51,876	-	-	-	-	66,000	2.9800
M Fisher	3-Dec-02[6]	$ 6.4490	74,000	74,000	$ 47,959	74,000	(74,000)	1.3510	-	-	-	0.6481
	5-Dec-03[6]	$ 7.0500	132,000	132,000	$ 137,676	132,000	-	-	-	-	132,000	1.0430
	14-Dec-04[6]	$ 5.9900	180,000	180,000	$ 183,276	180,000	(90,000)	0.8500	-	-	90,000	1.0182
	1-Dec-05[6]	$ 8.9000	190,000	190,000	$ 386,137	190,000	-	-	-	-	190,000	2.0323
	21-Nov-06[6]	$ 8.4000	158,500	158,500	$ 291,069	158,500	-	-	-	-	158,500	1.8364
	10-Dec-07[6]	$ 6.3800	277,778	277,778	$ 275,084	277,778	-	-	-	-	277,778	0.9903
N Rigby	17-Dec-01[6]	$ 5.0586	20,003	20,003	$ 8,467	20,003	(20,003)	1.8914	-	-	-	0.4233
	3-Dec-02[6]	$ 6.4490	27,000	27,000	$ 17,499	27,000	(27,000)	1.1510	-	-	-	0.6481
	5-Dec-03[6]	$ 7.0500	33,000	33,000	$ 34,419	33,000	-	-	-	-	33,000	1.0430
	14-Dec-04[6]	$ 5.9900	180,000	180,000	$ 183,276	180,000	(180,000)	1.6900	-	-	-	1.0182
	1-Dec-05[6]	$ 8.9000	190,000	190,000	$ 386,137	190,000	-	-	-	-	190,000	2.0323
	21-Nov-06[6]	$ 8.4000	158,500	158,500	$ 291,069	158,500	-	-	-	-	158,500	1.8364
	10-Dec-07[6]	$ 6.3800	277,778	277,778	$ 275,084	277,778	(277,778)	1.3000	-	-	-	0.9903

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(b) Restricted Stock Units

Name	Grant Date	Holding at 1 April 2011	Granted	Total Value at Grant[1] (US$)	Vested	Lapsed	Holding at 31 March 2012	Weighted Average Fair Value per right[4]
Senior Executives								
L Gries	15-Sep-08[8]	558,708	558,708	$ 1,592,318	(558,708)	-	-	$ 2.8500
	29-May-09[9]	487,446	487,446	$ 1,640,256	(487,446)	-	-	$ 3.3650
	15-Sep-09[8]	234,900	234,900	$ 1,176,849	-	-	234,900	$ 5.0100
	11-Dec-09[8]	81,746	81,746	$ 564,865	-	-	81,746	$ 6.9100
	7-Jun-10[9]	360,267	360,267	$ 2,142,760	-	-	360,267	$ 5.9477
	15-Sep-10[8]	577,255	577,255	$ 2,595,627	-	-	577,255	$ 4.4965
	7-Jun-11[9]	-	45,687	$ 279,901	-	-	45,687	$ 6.1265
	15-Sep-11[8]	-	606,852	$ 2,500,291	-	-	606,852	$ 4.1201
J Blasko	-	-	-	-	-	-	-	-
R Chenu	15-Sep-08[8]	108,637	108,637	$ 309,615	(108,637)	-	-	$ 2.8500
	29-May-09[9]	94,781	94,781	$ 318,938	(94,781)	-	-	$ 3.3650
	15-Sep-09[8]	45,675	45,675	$ 228,832	-	-	45,675	$ 5.0100
	11-Dec-09[8]	15,895	15,895	$ 109,834	-	-	15,895	$ 6.9100
	7-Jun-10[9]	70,052	70,052	$ 416,648	-	-	70,052	$ 5.9477
	15-Sep-10[8]	72,157	72,157	$ 324,454	-	-	72,157	$ 4.4965
	7-Jun-11[9]	-	5,711	$ 34,988	-	-	5,711	$ 6.1265
	15-Sep-11[8]	-	68,516	$ 282,293	-	-	68,516	$ 4.1201
M Fisher	17-Dec-08[8]	116,948	116,948	$ 268,980	(116,948)		-	$ 2.3000
	29-May-09[9]	77,548	77,548	$ 260,949	(77,548)		-	$ 3.3650
	15-Sep-09[8]	39,150	39,150	$ 196,142			39,150	$ 5.0100
	11-Dec-09[8]	13,624	13,624	$ 94,142			13,624	$ 6.9100
	7-Jun-10[9]	60,044	60,044	$ 357,124			60,044	$ 5.9477
	15-Sep-10[8]	67,003	67,003	$ 301,279			67,003	$ 4.4965
	7-Jun-11[9]	-	5,303	$ 32,489			5,303	$ 6.1265
	15-Sep-11[8]	-	68,516	$ 282,293			68,516	$ 4.1201
N Rigby	17-Dec-08[8]	116,948	116,948	$ 268,980	(116,948)		-	$ 2.3000
	29-May-09[9]	77,548	77,548	$ 260,949	(77,548)		-	$ 3.3650
	15-Sep-09[8]	39,150	39,150	$ 196,142			39,150	$ 5.0100
	11-Dec-09[8]	13,624	13,624	$ 94,142			13,624	$ 6.9100
	7-Jun-10[9]	60,044	60,044	$ 357,124			60,044	$ 5.9477
	15-Sep-10[8]	72,157	72,157	$ 324,454			72,157	$ 4.4965
	7-Jun-11[9]	-	5,711	$ 34,988			5,711	$ 6.1265
	15-Sep-11[8]	-	78,304	$ 322,620			78,304	$ 4.1201

1 Total Value at Grant = Weighted Average Fair Value per right multiplied by number of rights granted.

2 Value at Exercise/right = Market Value of a share of the Company s stock price at Exercise less the Exercise price per right.

3 Value at Lapse/right = Fair Market Value of a share of the Company s stock at Lapse less the Exercise price per right.

[4] Weighted Average Fair Value per right is estimated on the date of grant using the Black-Scholes option-pricing model or Monte Carlo option pricing method, depending on the plan the options were issued under.

[5] Options granted under the 2005 Managing Board Transitional Stock Option Plan.

[6] Options granted under the 2001 JHI SE Equity Incentive Plan.

[7] Options granted under James Hardie Industries Long-Term Incentive Plan 2006 (LTIP).

[8] Relative TSR RSUs granted under the LTIP.

[9] Hybrid RSUs (formerly Executive Incentive Plan RSUs) granted under LTIP.

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(c) Scorecard LTI

Name	Grant Date	Holding at 1 April 2011	Granted	Vested	Lapsed	Holding at 31 March 2012
Senior Executives						
L Gries	21-Jun-09	483,294	483,294	-	-	483,294
	29-Jun-10	442,424	442,424	-	-	442,424
	7-Jun-11	-	455,239	-	-	455,239
J Blasko	-	-	-	-	-	-
R Chenu	21-Jun-09	93,974	93,974	-	-	93,974
	29-Jun-10	55,303	55,303	-	-	55,303
	7-Jun-11	-	51,398	-	-	51,398
M Fisher	21-Jun-09	80,549	80,549	-	-	80,549
	29-Jun-10	51,353	51,353	-	-	51,353
	7-Jun-11	-	51,398	-	-	51,398
N Rigby	21-Jun-09	80,549	80,549	-	-	80,549
	29-Jun-10	55,303	55,303	-	-	55,303
	7-Jun-11	-	58,740	-	-	58,740

5.3 Relevant Interests in JHI SE for Senior Executives

The Company s LTI plans and stock ownership guidelines (described below) provide a strong level of alignment between senior executives and shareholders. Changes in relevant interests of senior executives in JHI SE securities between 1 April 2011 and 31 March 2012 are set out below:

	CUFS at 1 April 2011	CUFS at 31 March 2012	Options at 1 April 2011	Options at 31 March 2012	RSUs at 1 April 2011	RSUs at 31 March 2012
L Gries	298,543	689,922	2,328,000	1,850,600	2,300,322	1,906,707
R Chenu	55,990	152,420	352,000	328,000	407,197	278,006
J Blasko	-	-	-	-	-	-
M Fisher	96,519	158,964	1,012,278	848,278	374,317	253,640
N Rigby	73,792	265,102	886,281	381,500	379,471	268,990

5.4 Stock Ownership Guidelines

The Remuneration Committee believes that senior executives should hold James Hardie stock to further align their interests with those of the Company s shareholders. The Company has adopted stock ownership guidelines for the CEO, CFO and remaining senior executives, respectively, which require them to accumulate holdings of 3 times, 1.5 times and 1 times their base salary in the Company over a period of five years from 1 April 2009.

Until the stock ownership guidelines have been met, a senior executive is required to retain at least 75% of shares obtained under the Company s long-term equity incentive plans, through the exercising of options or vesting of the RSUs (net of taxes and other costs). The CEO and two other senior executives exceeded their respective stock ownership guidelines during fiscal year 2011. However, even after the stock ownership guidelines have been met, senior executives are required to retain at least 25% of shares issued under the Company s long-term equity incentive plans through the exercise of options or vesting of RSUs (net of taxes and other costs). Details of the Company s policy regarding employees hedging James Hardie shares or grants under various equity incentive plans are set out on page 72 of the Corporate Governance Report within this annual report.

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5.5 Loans

The Company did not grant loans to senior executives during fiscal year 2012. There are no loans outstanding to senior executives.

6. EMPLOYMENT CONTRACTS

Remuneration and other terms of employment for the CEO, CFO and senior executives are formalised in employment contracts. The main elements of these contracts are set out below.

6.1 CEO s Employment Contract

Details of the terms of the CEO s employment contract are as follows:

Components	Details
Length of contract	Indefinite. The CEO is an at-will employee.
Base salary	US$950,000 for fiscal year 2012 and 2013. Salary reviewed annually by the Board and there will be no base salary increase for fiscal year 2013.
Short-term incentive	Annual STI target is 125% of annual base salary for fiscal year 2012 and 2013. The quantum of STI target is reviewed annually by the Board in May. The Remuneration Committee recommends the Company s and CEO s performance objectives, and the performance against these objectives, to the Board for approval. The CEO s short-term incentive is calculated under the EIP and the IP Plan.
Long-term incentive	On the approval of shareholders, a LTI incentive will be granted each year. The recommended value of LTI to be granted will be appropriate for this level of executive in the US. For fiscal year 2012 and 2013, the LTI target is unchanged at US$3.1 million.
Defined Contribution Plan	The CEO may participate in the US 401(k) defined contribution plan up to the annual US Internal Revenue Service (IRS) limit. The Company will match the CEO s contributions into the plan up to the annual IRS limit.
Resignation	The CEO may cease employment with the Company by providing written notice. If the CEO retires with the approval of the Board then his unvested RSUs and awards will not be forfeited and will be held until the next test date.
Termination by James Hardie	The Company may terminate the CEO s employment for cause or not for cause. If the Company terminates the CEO s employment, not for cause, or the CEO terminates his employment for good reason the Company will pay the following: (a) amount equivalent to 1.5 times the CEO s annual base salary at the time of termination; and (b) amount equivalent to 1.5 times the CEO s average STI actually paid in up to the previous three fiscal years as CEO; and (c) continuation of health and medical benefits at the Company s expense for the duration of the consulting agreement referenced below; and
Post-termination Consulting	

The Company will request the CEO, and the CEO will agree, to consult to the Company upon termination for a minimum of two years, as long as the CEO maintains the Company s non-compete and confidentiality agreements and executes a release of claims following the effective date of termination. Under the consulting agreement, the CEO will receive the annual base salary and annual target incentive in exchange for this consulting and non-compete.

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Under the terms of equity incentive grants made to the CEO under the LTIP, the CEO s outstanding options will not expire during any post-termination consulting period. In addition, in the event of an agreed separation or agreed retirement, his unvested restricted stock units and awards will not be automatically forfeited. This arrangement is a standard arrangement for US executives and the Board considers that it is an appropriate restraint for Mr Gries given his intimate involvement in developing the Company s fibre cement business in the United States over the past 21 years.

Until the Company moved our corporate domicile to Ireland, the CEO was on international assignment in The Netherlands. During the time of his international assignment, his employment contract provided for the Company to cover the extra personal tax burden imposed by residency in The Netherlands (tax equalisation) and the cost of filing income tax returns in The Netherlands.

The CEO also receives the Other benefits described in the summary of employment agreements for the senior executives (described below).

6.2 CFO s Employment Contract

Details of the CFO s employment contract are as follows:

Components	**Details**
Length of contract	Fixed period concluding 5 October 2012.
Base salary	A$900,279 for fiscal year 2012. Salary reviewed annually by the Board and there will be no A$ base salary increase for fiscal year 2013.
Short-term incentive	Annual STI target is 33% of annual base salary as set out in the CFO s employment contract, based on personal goals. The CFO does not participate in the Executive Incentive Program for his short-term incentive.
Long-term incentive	The CFO will receive a LTI incentive with performance hurdles each year. The value of LTI to be granted will be equivalent to at least US$350,000.
Superannuation	The CFO is entitled to superannuation contributions equal to 9% of his base salary. The contribution to the CFO s superannuation fund will be the maximum contribution currently allowed by law, with the balance paid to the CFO in cash.
Resignation or Termination of role	The Company or CFO may cease the CFO s employment with the Company by providing three months notice in writing.
Redundancy or diminution of role	If the position of CFO is determined to be redundant or subject to a material diminution in status, duties or responsibility, the Company or the CFO may terminate the CFO s employment. The Company will pay the CFO a severance payment equal to the greater of 12 months pay or the remaining proportion of the term of the contract.
International Assignment	Additional benefits due to international assignment: housing allowance, goods and services allowance, moving and storage. The Company covers the extra personal tax burden imposed by residency in The United States and, prior to that, The Netherlands (tax equalisation) and the cost of filing income tax returns.

The CFO also receives the Other benefits described in the summary of employment agreements for the senior executives (described below).

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6.3 Other senior executives employment contracts

Details of employment contracts for senior executives are as follows:

Components	Details
Length of contract	Indefinite.
Base salary	Base salary is subject to Remuneration Committee approval and reviewed annually in May.
Short-term incentive	An annual STI target is set at a percentage of the senior executive s salary. The STI target is between 45% and 65% and reviewed annually.
Long-term incentive	Senior executives will receive a LTI incentive with performance hurdles each year. The value of LTI to be granted will be approved by the Remuneration Committee.
Defined Contribution Plan	US senior executives may participate in the US 401(k) defined contribution plan up to the annual IRS limit. The Company will match the senior executive s contributions into the plan up to the annual IRS limit.
Resignation	The senior executive may cease employment with the Company by providing 30 days written notice.
Termination by James Hardie	The Company may terminate the senior executive s employment for cause or not for cause. Other than the post-termination consulting arrangement discussed below for a termination without cause or a resignation for good reason, no other termination payments are payable, except as required under the terms of the applicable STI or LTI plans.
Post-termination Consulting	Depending on the senior executive s individual contract, and the reasons for termination, the Company may request the senior executive, and the senior executive will agree, to consult to the Company for two years upon termination, as long as they sign and comply with 1) a consulting agreement, which will require them to maintain non-compete and confidentiality obligations to the Company, and 2) a release of claims in a form acceptable to the Company. In exchange for the consulting agreement, the Company shall pay the senior executive s annual base salary as of the termination date for each year of consulting.
Other	**Health, Welfare and Vacation Benefits:** Eligible to receive all health, welfare and vacation benefits offered to all US employees and also eligible to participate in the Company s Executive Health and Wellness program. **Business Expenses:** Senior executives are entitled to receive reimbursement for all reasonable and necessary travel and other business expenses incurred or paid in connection with the performance of services under their employment. **Automobile:** The Company will either lease an automobile for business and personal use by the senior executive, or, in the alternative, the executive will be entitled to an automobile lease allowance not to exceed US$750 per month. **Financial Planning:** The Company will reimburse senior executives for financial planning expenses incurred by the senior executive (including preparation of tax returns) up to a specified sum.

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7. KEY TERMS OF EQUITY GRANTS

7.1 Outstanding Equity Grants

2001 JHI SE Equity Incentive Plan (Options)	Annual option grants made in December 2002, 2003, 2004 and 2005, November 2007 and December 2007. Off-cycle grants made to new employees in March 2007.
Offered to	General management, not Managing Board directors[1] (all awards were granted while JHI SE was domiciled in The Netherlands).
Vesting schedule	All of the options are fully vested and exercisable.
Expiration date	10th anniversary of each grant.
2001 JHI SE Equity Incentive Plan (RSUs)	Annual grants made in December 2009, 2010 and 2011. RSUs replaced options as the Company s grant vehicle in 2008.
Offered to	Senior employees other than senior executives.
Vesting schedule	25% of RSUs vest on the 1st anniversary of the grant, 25% vest on the 2nd anniversary date and 50% vest on the 3rd anniversary date.
Expiration date	RSUs convert to shares on vesting on a one-for-one basis.
James Hardie Industries Long Term Incentive Plan 2006 (LTIP)	
Option Grants	Options granted on 29 August 2007. The grant was divided into two tranches: Return on Capital Employed (which we refer to as ROCE) and TSR.
Offered to	Managing Board directors.
Performance period	Three years to five years from the grant date.
Retesting	Yes, for the TSR tranche only, on the last Business Day of each six-month period following the 3rd Anniversary and before the 5th Anniversary.
Exercise period	Until ten years from the grant date.
Performance condition	*For the ROCE tranche*: ROCE performance against the following global peer group of building materials companies in US, Europe and Australia specialising in building materials: Boral Limited, Valspar Corporation, Hanson plc, Rinker Group Limited (2006 grant only), Weyerhaeuser, Lafarge SA, CSR Limited, Cemex SA de CV, Nichiha Corp, Fletcher Building Limited, Martin Marietta Materials Inc, Saint Gobain, Eagle Materials Inc, Texas Industries, Wienerberger AG, Lousiana-Pacific Corporation, Florida Rock Industries Inc, CRH plc, USG Corporation, Vulcan Materials Co and The Siam Cement Plc. *For the TSR tranche*: TSR performance against a peer group of comparable companies in the S&P/ASX 100 at the time of grant excluding financial institutions, insurance companies, property trusts, oil and gas producers and mining companies, and adjusted to account for additions and deletions to S&P/ASX 100 during the relevant period.
Vesting criteria	*For the ROCE tranche*: 0% vesting if ROCE below 60th percentile of peer group. 50% vesting if ROCE at 60th percentile of peer group. Between the 60th and 85th percentiles, vesting on a straight line basis. 100% vesting if ROCE is at 85th percentile of peer group.

	For the TSR tranche: 0% vesting if TSR below 50th percentile of peer group. 50% vesting if TSR at 50th percentile of peer group. Between 50th and 75th percentiles, vesting on a straight line basis. 100% vesting if TSR is at 75th percentile of peer group.
Vesting to date	To date, the ROCE tranche options vested 100% and the TSR tranche options have vested 56%. No options have been exercised.
James Hardie Industries Long Term Incentive Plan 2006. **(Relative TSR RSUs)** **(RSUs)**	Relative TSR RSUs granted December 2009 and September 2010 and 2011.
Offered to	Senior executives and Managing Board directors[1].
Performance period	Three years to five years from the grant date.
Retesting	Yes, on the last Business Day of each six month period following three years from grant date and before five years from grant date.
Exercise period	Until five years from the grant date.
Performance condition	TSR performance hurdle compared to the following peer group of companies: Acuity Brands, Inc., Eagle Materials, Inc, Headwaters, Inc, Lennox International, Inc, Louisiana-Pacific Corp., Martin Marietta Materials, Inc, Masco Corporation, MDU Resources Group, Inc, Mueller Water Products, Inc, NCI Building Systems, Inc, Owens Corning, Quanex Building Products Corp., Sherwin Williams, Simpson Manufacturing Co., Texas Industries, Inc, Trex, USG, Valmont Industries, Valspar Corporation, Vulcan Materials and Watsco, Inc. For 2010 onwards, the TSR performance hurdle peer group companies also include American Woodmark Corp, Apogee Enterprises, Inc, Amstrong World Enterprises, Inc, Fortune Brands, Inc, Interface, Inc, Mohawk Industries, Inc and PGT Inc.
Vesting criteria	0% vesting if TSR below 50th percentile of peer group. 33% vesting if TSR at 50th percentile of peer group. Between 50th and 75th percentile, vesting is on a straight line basis. 100% vesting if TSR is at 75th percentile of peer group.
RSU exercise price	Not applicable.
Expiration date	RSUs convert to shares on vesting on a one-for-one basis.

[1] The Managing Board was dissolved on 17 June 2010 following completion of JHI SE s re-domicile to Ireland.

James Hardie Industries Long Term Incentive Plan 2006 **(Hybrid RSUs)** **(Previously referred to as Executive Incentive RSUs)**	Hybrid RSUs granted June 2010, 2011 and 2012.
Offered to	Senior executives and Managing Board directors.
Option Exercise Price	Nil.

Vesting schedule	A proportion will vest on the 2nd anniversary of the grant depending on the Board s exercise of negative discretion to allow each senior executive between 0% and 100% of the RSUs to vest.
Expiration date	RSUs convert to shares on vesting on a one-for-one basis.

James Hardie Industries Long Term Incentive Plan 2006	Cash-settled Awards granted June 2009, 2010, 2011 and 2012.
Scorecard LTI	
(Cash)	
Offered to	Senior executives.
Option Exercise Price	Nil.
Performance period	Three years from the grant date.
Payment schedule	A cash payment based on the Company s share price at the end of the performance period multiplied by the number of shares that could have been acquired at the start of the performance period and the senior executive s Scorecard rating. A proportion of the payment will be payable on the 3rd anniversary of the grant depending on each senior executive s Scorecard rating between 0 and 100.
Expiration date	Three years from the grant date.

7.2 Equity grants which vested or lapsed in fiscal year 2012

The following equity grants vested or lapsed in fiscal year 2012. Further details of each grant are set out above in section 7.1.

2001 JHI SE Equity Incentive Plan (Options)	Annual option grant made in December 2001.
Expiration date	Lapsed on 10th anniversary of grant.
2001 JHI SE Equity Incentive Plan	Annual grant made in December 2008.
(RSUs)	
Expiration date	Fully vested on 3rd anniversary of grant.
James Hardie Industries Long Term Incentive Plan 2006 (LTIP)	Options granted on 21 November 2006. Grants were divided into two tranches: Return on Capital Employed (which we refer to as ROCE) and TSR.
Option Grants	
Expiration date	The ROCE tranche options vested 100% and the TSR options vested at 60% and both can be exercised until the 10th anniversary of grant. The remaining TSR tranche options lapsed following the 5th anniversary of grant.
James Hardie Industries Long Term Incentive Plan 2006	Relative TSR RSUs granted September and December 2008**.**
(Relative TSR RSUs)	
(RSUs)	
Expiration date	Fully vested on first test on 3rd anniversary of grant.
James Hardie Industries Long Term Incentive Plan 2006	Hybrid RSUs granted June 2009.
Hybrid RSUs	
(RSUs)	
Offered to	Senior executives and Managing Board directors[1].
Option Exercise Price	Nil.
Vesting schedule (2009 grant only)	100% vest on the 2nd anniversary of the grant.
Expiration date	The RSUs vested and converted into shares granted on a one-for-one basis.

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8. REMUNERATION FOR NON-EXECUTIVE DIRECTORS

Fees paid to non-executive directors are determined by the Board, with the advice of the Remuneration Committee s independent external remuneration advisers, within the maximum total amount approved by shareholders from time to time. The current maximum aggregate fee pool of US$1.5 million per annum was approved by shareholders in 2006. The Company is proposing to seek shareholder approval at the 2012 AGM to increase the maximum aggregate fee pool by US$500,000 to US$2.0 million per annum. No additional Board fees are paid to executive Board directors.

8.1 Remuneration Structure

Non-executive directors are paid a base fee for service on the Board. Additional fees are paid to the person occupying the positions of Chairman, Deputy Chairman and Board Committee Chairman and one of the directors who serves on a number of the Company s subsidiary boards. All directors fees are paid in cash.

During fiscal year 2012, the Remuneration Committee reviewed nonexecutive directors fees, using market data and taking into consideration the level of fees paid to chairmen and directors of companies with similar size, complexity of operations and responsibilities, and workload requirements. As a result of the review, the Remuneration Committee recommended increasing non-executive director fees, excluding fees paid to Committee Chairs, by 4% effective 1 April 2012. The fees paid in fiscal year 2012, and payable in fiscal year 2013 are:

	FY12	**FY13**
Position	**(US$)**	**(US$)**
Chairman	$330,750	$343,980
Deputy Chairman	$192,938	$200,655
Board member	$143,325	$149,058
Audit Committee Chair	$20,000	$20,000
Rem/N&GC Committee Chair	$10,000	$10,000
Non-executive member of subsidiary boards	Euro 22,000	Euro 23,000

As the focus of the Board is on the long-term direction and well-being of James Hardie, there is no direct link between non-executive directors remuneration and the short-term results of the Company.

8.2 Board Accumulation Policy

Non-executive directors are expected to accumulate a minimum of 1.5 times (and two times for the Chairman) their total base remuneration (excluding Board Committee fees) in JHI SE shares (either personally, in the name of their spouse, or through a personal superannuation or pension plan) over a reasonable time following their appointment. The Remuneration Committee monitors non-executive directors progress against this policy on a periodic basis.

8.3 Director Retirement Benefits

The Company does not provide any benefits for our non-executive Board directors upon termination of employment.

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8.4 Total Remuneration for Non-Executive Directors for the Years Ended 31 March 2012 and 31 March 2011

The table below sets out the remuneration for those directors who served on the Board during the fiscal years ended 31 March 2012 and 31 March 2011:

(US dollars) Name	Primary Directors Fees[1]	Other Benefits[2]	Total
M Hammes			
Fiscal Year 2012	**$ 330,750**	**$ 34,457**	**$ 365,207**
Fiscal Year 2011	316,500	6,065	322,565
D McGauchie			
Fiscal Year 2012	**202,938**	**-**	**202,938**
Fiscal Year 2011	193,750	1,659	195,409
B Anderson			
Fiscal Year 2012	**163,325**	**-**	**163,325**
Fiscal Year 2011	159,500	1,005	160,505
D Dilger			
Fiscal Year 2012	**172,524**	**13,964**	**186,488**
Fiscal Year 2011	154,019	2,431	156,450
D Harrison			
Fiscal Year 2012	**153,325**	**2,238**	**155,563**
Fiscal Year 2011	146,500	1,456	147,956
A Littley[3]			
Fiscal Year 2012	**13,387**	**-**	**13,387**
Fiscal Year 2011	-	-	-
J Osborne			
Fiscal Year 2012	**143,325**	**-**	**143,325**
Fiscal Year 2011	138,000	2,483	140,483
R van der Meer			
Fiscal Year 2012	**143,325**	**-**	**143,325**
Fiscal Year 2011	136,500	1,264	137,764
Total Compensation for Non-Executive Directors			
Fiscal Year 2012	**$ 1,322,899**	**$ 50,659**	**$ 1,373,558**
Fiscal Year 2011	$ 1,244,769	$ 16,363	$ 1,261,132

1 Amount includes base, Chairman, Deputy Chairman, Committee Chairman and service as a non-executive member of certain subsidiary boards.
2 Other Benefits includes the cost of non-executive directors fiscal compliance in The Netherlands and other costs connected with Board-related events.
3 Joined the Board on 27 February 2012.

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8.5 Non-Executive Directors Interests in JHI SE

Non-executive directors relevant interests in JHI SE securities at 1 April 2011 and 31 March 2012 were:

	Number of Shares/CUFS at 1 April 2011	Number of Shares/CUFS at 31 March 2012
M Hammes[1]	32,847	32,847
D McGauchie[2]	20,372	20,372
B Anderson	7,635	7,635
D Dilger[3]	25,000	25,000
D Harrison[4]	12,384	12,384
A Littley[5]	N/A	-
J Osborne	2,551	2,551
R van der Meer	17,290	17,290

1 9,000 shares/CUFS held as ADRs.
2 6,000 shares held for the McGauchie Superannuation Fund for which Mr McGauchie is a trustee and beneficiary.
3 25,000 shares held for the David Dilger Approved Retirement Fund for which Mr Dilger is a beneficiary.
4 10,000 shares held as ADRs.
5 Joined the Board on 27 February 2012.

CORPORATE GOVERNANCE

These Corporate Governance Principles describe the corporate governance arrangements that have been followed by James Hardie from the commencement of the fiscal year 2012 and contain an overview of our corporate governance framework. These Corporate Governance Principles were approved by the Nominating and Governance Committee and the Board in May 2012.

These Corporate Governance Principles, as well as our Articles of Association, Board and Board Committee charters and key Company policies, as updated from time to time, are available from the Investor Relations area of our website (www.jameshardie.com) or by requesting a printed copy from the company secretary at the Company s head office at 2nd Floor, Europa House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland.

Corporate Governance at James Hardie

Overview

James Hardie operates under the regulatory requirements of numerous jurisdictions and organisations, including the ASX, ASIC, the NYSE, the SEC, the Irish Takeover Panel and various other rulemaking bodies.

James Hardie s corporate governance framework is reviewed regularly and updated as appropriate to reflect what we believe is in our and our stakeholders interests, changes in law and current best practices.

Our corporate governance framework incorporates processes and policies designed to provide the Board with appropriate assurance about the operations and governance of the Company and thereby protect shareholder value. Further details of these processes and policies are set out in this report.

Board Structure

The responsibilities of our Board and Board Committees are formalised in our Articles of Association and our Board Committee charters, respectively. The Board has also reserved certain matters to itself.

Board of Directors

The Board comprises eight non-executive directors and the CEO. The Board must have no less than three and not more than twelve directors, with the precise number to be determined by the Board.

Board directors may be elected by our shareholders at general meetings or by the Board if there is a vacancy. The Board and our shareholders have the right to nominate candidates for the Board. Board directors may be dismissed by our shareholders at a general meeting.

Irish law provides that the Board is responsible for the management and operation of James Hardie. The Board can, and has, delegated authority to the CEO to manage the corporation within specified authority levels. The Board has also reserved certain matters to itself, including:

- appointing, removing and assessing the performance and remuneration of the CEO and CFO;
- succession planning for the Board and senior management and defining the Company s management structure and responsibilities;
- approving the overall strategy for the Company, including the business plan and annual operating and capital expenditure budgets;

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- convening and monitoring the operation of shareholder meetings and approving matters to be submitted to shareholders for their consideration;
- approving annual and periodic reports, results announcements and related media releases, and notices of shareholder meetings;
- approving the dividend policy and interim dividends and making recommendations to shareholders regarding the annual dividend;
- reviewing the authority levels of the CEO and management;
- approving the remuneration framework for the Company;
- overseeing corporate governance matters for the Company;
- approving corporate-level Company policies;
- considering management s recommendations on various matters which are above the authority levels delegated to the CEO or management; and
- any other matter which the Board considers ought to be approved by the Board.

The full list of those matters reserved to the Board are formalised in our Board reserved powers charter, which is available on our website (www.jameshardie.com, then select Investor Relations, then Corporate Governance, then Board Powers).

In discharging its duties, the Board aims to take into account the interests of James Hardie, its enterprise (including the interests of its employees), shareholders, other stakeholders and other parties involved in or with James Hardie.

Operation of the Board

Board Meetings

The Board meets at least five times a year or whenever the Chairman or three or more members have requested a meeting.

Meetings are generally held at the Company s offices in Ireland. At each physical meeting, the Board meets in executive session without management present for at least part of the meeting. The Board may also delegate some of its powers to a sub-committee of the Board or pass resolutions by written consent.

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The number of Board and Board Committee meetings held, and each director s attendance during fiscal year 2012, is set out below:

NAME	BOARD		AUDIT		REMUNERATION		NOMINATING & GOVERNANCE	
	H	A	H	A	H	A	H	A
M Hammes	5	5	6	6	6	6	7	7
B Anderson	5	5	6	6	6	6	-	-
D Dilger	5	5	6	6	6	6	-	-
D Harrison	5	5	6	6	6	6	-	-
A Littley	1	1	1	1	-	-	-	-
D McGauchie	5	5	-	-	6	6	7	7
J Osborne	5	5	-	-	-	-	7	7
R Van der Meer	5	5	-	-	-	-	7	7
L Gries	5	5	-	-	-	-	-	-

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.

Director Qualifications

Directors have skills, qualifications, experience and expertise which assist the Board in fulfilling its responsibilities and assist the Company in creating shareholder value. The skills, qualifications, experience and relevant expertise of each director, and his or her term of appointment, are summarised in the Board of Directors biography section and also appear in the Investor Relations area of our website (www.jameshardie.com).

Directors must be able to devote a sufficient amount of time to prepare for, and effectively participate in, Board and Board Committee meetings. The Nominating and Governance Committee reviews the other commitments of Board directors each year.

Succession Planning

The Board, together with the Nominating and Governance Committee, has developed, and periodically reviews with the CEO, management succession plans, policies and procedures for our CEO and other senior executives.

The Board and Nominating and Governance Committee have also spent significant time over the past years reviewing the composition of the Board and overseeing a search for an additional director, which culminated with the appointment of Alison Littley to the Board in February 2012.

As part of this review, the Board and Nominating and Governance Committee considered the desired profile of the Board, including the right number, mix of skills, qualifications, experience, expertise, diversity and geographic location of its directors, to maximise the effectiveness of the Board.

Retirement and Tenure Policy

The Company does not have a retirement and tenure policy. The length of tenure of individual Board directors is considered as part of the Board s decision-making process when considering whether a director should be recommended by the Board for re-election.

Board Evaluation

The Nominating and Governance Committee supervises the director evaluation process and makes recommendations to the Board. During fiscal year 2012, a purpose-designed survey was used by directors to self-assess the operation of the Board and each Board Committee, and the results were reviewed and discussed by the Nominating and Governance Committee and the Board.

The Chairman discussed with each Board director, and the Deputy Chairman discussed with the Chairman, his performance and contribution to the effectiveness of the Board. The Nominating and Governance Committee and the Board annually discuss the performance of the CEO and the CEO s direct reports, and the Chairman provides feedback to the CEO. The CEO uses the feedback as part of an annual review of his direct reports.

Director Re-election

The Board s overriding desire is to maximise its effectiveness by appointing the best candidates for vacancies and closely reviewing the performance of directors subject to re-election.

No director (other than the CEO) shall hold office for a continuous period of more than three years, or past the end of the third AGM) following his or her appointment, whichever is longer, without submitting him or herself for re-election. A person appointed to the Board must submit him or herself for re-election at the next AGM.

Directors are not automatically nominated for re-election at the end of their term. Nomination for re-election is based on their individual performance and the Company s needs. The Nominating and Governance Committee and the Board discuss the performance of each director due to stand for re-election at the next AGM before deciding whether to recommend their re-election.

Because the Company is a European SE company, the CEO is required to stand for re-election every six years as long as he remains as the CEO.

Independence

The Company requires the majority of directors on the Board and Board Committees, as well as the Chairman of the Board and Board Committees, to be independent, unless a greater number is required to be independent under the rules and regulations of the ASX, the NYSE or any other applicable regulatory body.

Each year the Board, with the assistance of the Nominating and Governance Committee, assesses each Board director and his or her responses to a lengthy questionnaire on matters relevant to his or her independence according to the rules and regulations of Irish law, the NYSE and SEC as well as the Corporate Governance Council Principles and Recommendations published by the ASX Corporate Governance Council (the Principles and Recommendations). Following this assessment, the Board has determined that each Board director is independent.

All directors are expected to bring their independent views and judgment to the Board and Board Committees and must declare any potential or actual conflicts of interest. The Board has not set materiality thresholds for assessing independence and considers all relationships on a case-by-case basis, considering the materiality of each potential or actual conflict of interest and the rules and regulations of the applicable exchange or regulatory body.

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The Board considered the following specific matters prior to determining that each director was independent:

Brian Anderson is a director of Pulte Homes, a home builder in the United States. Pulte Homes does not buy any James Hardie products directly from the Company, although it does buy James Hardie products through the Company s customers. Pulte Homes receives a rebate from the Company or the Company s suppliers in respect of some of its purchases in accordance with a rebate program applicable to similar home builders.

David Dilger is a director of a number of James Hardie s subsidiaries and receives directors fees for such service approved by the Board of James Hardie Industries SE. As such, pursuant to Exchange Act Rule 10A-3(b), Mr. Dilger s service qualifies as an exemption from the listing standards for Audit Committees and is not subject to the disclosure requirements of Exchange Act Rule 10A-3(d).

Any transactions mentioned above are conducted on an arms-length basis and in accordance with normal terms and conditions and are not material to any of the companies listed above or to James Hardie. The rebate program existed and was disclosed to the Board before Mr Anderson became a director. It is not considered that Mr Anderson had any influence over these transactions.

Induction

The Company has an induction program for new directors, which was reviewed during the past fiscal year. The program includes an overview of the Company s governance arrangements and directors duties in Ireland, the United States and Australia, plant and market tours to impart relevant industry knowledge, briefings on the Company s risk management and control framework, financial results and key risks and issues, and meeting other Board directors, the CEO and members of management. New directors are also provided with comprehensive orientation materials including relevant corporate documents and policies.

Board Continuing Development

The Company operates within a challenging industry and geographical spread and a complex regulatory framework. The Company regularly schedules time at physical Board meetings to develop the Board s understanding of the Company s operations and regulatory environment, including updates on topical developments from management and external experts. An annual plant and market tour forms an important part of the Board s continuing development.

Letter of Appointment

Each incoming Board director receives a letter of appointment setting out the key terms and conditions of his or her appointment and the Company s expectations of them in that role. We do not provide any benefits for our non-executive Board directors upon termination of appointment.

Chairman

The Board appoints one of its members as the Chairman. The Chairman must be an independent, non-executive director. The Chairman appoints the Deputy Chairman. The Chairman co-ordinates the Board s duties and responsibilities and acts as the main contact with the CEO.

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The Chairman:

- provides leadership to the Board;
- chairs Board and shareholder meetings;
- facilitates Board discussion;
- monitors, evaluates and assesses the performance of the Company s Board and Board Committees; and
- is a member of and attends meetings of all Board Committees.

The Chairman may not be the Chairman of the Audit Committee. The current Chairman is Mr Hammes and the current Deputy Chairman is Mr McGauchie.

Remuneration

A detailed description of the Company s remuneration policies for directors and executives, and the link to performance, is set out in the Remuneration Report above.

Indemnification

The Company s Articles of Association provide for indemnification of any person who is (or keep indemnified any person who was) a Board director, the company secretary, or an employee or any other person deemed by the Board to be an agent of the Company, who suffers any loss as a result of any action in discharge of their duties, provided they acted in good faith in carrying out their duties. This indemnification will generally not be available if the person seeking indemnification acted with gross negligence or willful misconduct in performing their duties.

The Company and some of its subsidiaries have provided Deeds of Access, Insurance and Indemnity to Board directors and senior executives who are officers or directors of the Company or its subsidiaries.

Evaluation of Management

At least once a year, the CEO, the Remuneration Committee and the Board review the performance of each member of the GMT against performance measures approved by the Remuneration Committee and the Board. The CEO uses this feedback to assist in the annual review of members of the GMT. This process was followed during the fiscal year.

Information for the Board

Board directors receive timely and necessary information to allow them to fulfill their duties, including access to senior executives if required. The Nominating and Governance Committee periodically reviews the format, timeliness and content of information provided to the Board.

In discharging their duties, Board directors are provided with direct access to senior executives and outside advisors and auditors. The Board, Board Committees and individual directors may all seek independent professional advice at the Company s expense for the proper performance of their duties.

The Board has regular discussions with the CEO regarding the Company s strategy and performance, including two sessions each year where Board members formally review the Company s strategy and

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progress. The Board and each Board Committee have also scheduled an annual calendar of topics to be covered to assist them to properly discharge all of their responsibilities.

Board directors receive a copy of all Board Committee papers for physical meetings and may attend any Board Committee meeting, whether or not they are members of the Board Committee. Board directors also receive the minutes which record each Board Committee s deliberations and findings, as well as oral reports from each Board Committee Chairman.

Delegation to the CEO

The Board has delegated to the CEO the power to manage the business of the Company to achieve the mission statement and corporate goals approved by the Board from time to time. This delegation is subject to a specified monetary cap for a range of matters, above which Board approval is required.

Board Committees

The committees of the Board comprise the Audit Committee, the Nominating and Governance Committee and the Remuneration Committee. The Board Committee charters are available from the Investor Relations area of our website (www.jameshardie.com, then select Investor Relations, then Corporate Governance, then Board Committees). The Board may also delegate some of its powers or specific decisions to ad hoc committees from time to time.

Each Board Committee meets at least quarterly and has scheduled an annual calendar of meeting and discussion topics to assist it to properly discharge all of its responsibilities.

Audit Committee

The Audit Committee oversees the adequacy and effectiveness of the Company s accounting and financial policies and controls. The key aspects of the terms of reference followed by our Audit Committee are set out in this report. The Audit Committee meets at least quarterly in a separate executive session with the external auditor and internal auditor, respectively.

Currently, the members of the Audit Committee are Mr Anderson (Chairman), Mr Dilger, Mr Hammes, Mr Harrison and Ms Littley.

All members of the Audit Committee must be financially literate and must have sufficient business, industry and financial expertise to act effectively as members of the Audit Committee. At least one member of the Audit Committee shall be an audit committee financial expert as determined by the Nominating and Governance Committee and the Board in accordance with the SEC rules. These may be the same person. The Nominating and Governance Committee and the Board have determined that Mr Anderson, Mr Harrison and Mr Dilger are audit committee financial experts and that all three individuals are independent.

The Audit Committee provides advice and assistance to the Board in fulfilling its responsibilities and, amongst other matters:

- overseeing the Company s financial reporting process and reports on the results of its activities to the Board;

- reviewing with management and the external auditor the Company s annual and quarterly financial statements and reports to shareholders;

- discussing earnings releases as well as information and earnings guidance provided to analysts;
- reviewing and assessing the Company s risk management policies and procedures;
- having general oversight of the appointment and provision of all external audit services to the Company, the remuneration paid to the external auditor, and the performance of the Company s internal audit function;
- reviewing the adequacy and effectiveness of the Company s internal compliance and control procedures;
- reviewing the Company s compliance with legal and regulatory requirements; and
- establishing procedures for complaints regarding accounting, internal accounting controls and auditing matters, including any complaints from whistleblowers.

Conflicts of interest

The Audit Committee oversees the Company s Code of Business Conduct and Ethics policy and other business-related conflict of interest issues as they arise.

Reporting

The Audit Committee will inform the Board of any general issues that arise with respect to the quality or integrity of the Company s financial statements, the Company s compliance with legal or regulatory requirements, the Company s risk management systems, the performance and independence of the external auditor, or the performance of the internal audit function.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for:

- identifying and recommending to the Board individuals qualified to become Board directors;
- overseeing the evaluation of the Board and senior management;
- assessing the independence of each Board director;
- reviewing the conduct of the AGM; and
- performing a leadership role in shaping the Company s corporate governance policies.

The current members of the Nominating and Governance Committee are Mr McGauchie (Chairman), Mr Hammes, Mr Osborne and Mr van der Meer.

Remuneration Committee

The Remuneration Committee oversees the Company s overall remuneration structure, policies and programs; assesses whether the Company s remuneration structure establishes appropriate incentives for management and employees; and approves any significant changes in the Company s remuneration structure, policies and programs. It also:

- administers and makes recommendations on the Company s incentive compensation and equity-based remuneration plans;
- reviews the remuneration of Board directors;
- reviews the remuneration framework for the Company; and
- makes recommendations to the Board on the Company s recruitment, retention and termination policies and procedures for senior management.

Members of the Remuneration Committee must qualify as non-employee directors for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), and outside directors for purposes of Section 162(m) of the US Internal Revenue Code.

Further details on the role of the Remuneration Committee are disclosed in the Remuneration Report above.

The current members of the Remuneration Committee are Mr Harrison (Chairman), Mr Anderson, Mr Dilger, Mr Hammes and Mr McGauchie.

Policies and Processes

As noted at the start of this report, we have a number of policies that address key aspects of our corporate governance. These include:

- Code of Business Conduct and Ethics;
- Complaints/Ethics Hotline;
- Continuous Disclosure and Market Communication; and
- Insider Trading.

Copies of all these policies are available in the Investor Relations area of our website (www.jameshardie.com).

Code of Business Conduct and Ethics

We seek to maintain high standards of integrity and we are committed to ensuring that James Hardie conducts its business in accordance with high standards of ethical behaviour. We require our employees to comply with the spirit and the letter of all laws and other statutory requirements governing the conduct of James Hardie s activities in each country in which we operate. Our Code of Business Conduct and Ethics applies to all of our employees and directors. The Code of Business Conduct and Ethics covers many aspects of Company policy that govern compliance with legal and other responsibilities to stakeholders. All directors and Company employees worldwide are reminded annually of the existence of the Code and asked to confirm that they have read it. The Audit Committee reviewed the Code of Business Conduct and Ethics policy during the fiscal year 2012.

We have not granted any waivers from the provisions of our Code of Business Conduct and Ethics during fiscal year 2012.

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Complaints/Ethics Hotline

Our Code of Business Conduct and Ethics policy provides employees with advice about who they should contact if they have information or questions regarding violations of the policy. James Hardie has a telephone Ethics Hotline operated by an independent external provider which allows employees to report anonymously any concerns. All Company employees worldwide are reminded annually of the existence of the Ethics Hotline.

All complaints, whether to the Ethics Hotline or otherwise, are initially reported directly to the General Counsel and Director of Internal Audit (except in cases where the complaint refers to one of them). The most serious complaints are referred immediately to the Chairmen of the Audit Committee and Board. Less serious complaints are reported to the Audit Committee on a quarterly basis.

Interested parties who have a concern about James Hardie s conduct, including accounting, internal accounting controls or audit matters, may communicate directly with the Company s Chairman (or Presiding Director for NYSE purposes), Deputy Chairman, Board directors as a group, the Chairman of the Audit Committee or Audit Committee members. These communications may be confidential or anonymous, and may be submitted in writing to the company secretary at the Company s head office at 2nd Floor, Europa House, Harcourt Centre, Harcourt Street, Dublin 2, Ireland or submitted by phone at Telephone +353 (0)1 411 6924. All concerns will be forwarded to the appropriate Board directors for their review and will be simultaneously reviewed and addressed by our General Counsel in the same way that other concerns are addressed. Our Code of Business Conduct and Ethics policy, which is described above, prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve a concern about integrity.

Continuous Disclosure and Market Communication

We strive to comply with all relevant disclosure laws and listing rules in Australia (ASX and ASIC) and the United States (SEC and NYSE).

Our Continuous Disclosure and Market Communication Policy aims to ensure timely communications so that investors can readily:

- understand James Hardie s strategy and assess the quality of its management;
- examine James Hardie s financial position and the strength of its growth prospects; and
- receive any news or information that might reasonably be expected to materially affect the price or market for James Hardie securities.

The CEO is responsible for ensuring the Company complies with our continuous disclosure obligations. A Disclosure Committee comprised of the CEO, CFO, General Counsel and the Vice President Investor and Media Relations is responsible for all decisions regarding our market disclosure obligations outside of the Company s normal financial reporting calendar. For our quarterly and annual results releases, the CEO and CFO are supported by the Financial Statements Disclosure Committee, which provides assurance regarding our compliance with reporting processes and controls. The CEO, CFO and General Counsel discuss with the Audit Committee any issues arising out of meetings of the Financial Statements Disclosure Committee that affect the quarterly and annual results releases before they are approved by the Board. The Audit Committee reviewed the Company s disclosure practices under the Continuous Disclosure and Market Communication policy during fiscal year 2012.

Insider Trading

All Company employees and directors are subject to our Insider Trading Policy. Company employees and directors may only buy or sell the Company s securities within four weeks beginning two days after the announcement of quarterly or full year results, or another period designated by the Board for this purpose, provided they are not in possession of material non-public price sensitive information. There are additional restrictions on trading for designated senior employees and directors, including a requirement that they receive prior clearance from the Company s compliance officer before trading or pledging their shares by taking out a margin loan over them, and a general prohibition on hedging or selling any shares or options for short-swing profit. Company employees who are not designated employees may hedge vested options or shares, provided they notify the Company. There is a general prohibition on hedging unvested shares, options or RSUs.

The Board recognises that it is the individual responsibility of each James Hardie director and employee to ensure he or she complies with the spirit and the letter of insider trading laws and that notification to the compliance officer in no way implies approval of any transaction.

The Audit Committee reviewed the Company s share trading approval practices under the Insider Trading policy and revised the policy during fiscal year 2012.

Risk Management

Overall Responsibility

The Audit Committee and the Board reviewed our risk management processes during the fiscal year.

The Audit Committee has oversight of the Company s risk management policies, procedures and controls. The Audit Committee reviews, monitors and discusses these matters with the CEO, CFO, General Counsel and Director of Internal Audit. The Audit Committee, CEO, CFO and General Counsel report periodically to the Board on the Company s risk management policies, processes and controls.

The Audit Committee is supported in its oversight role by the policies put in place by management to oversee and manage material business risks, as well as the roles played by the Corporate, US and Asia Pacific Risk Management Committees, as described below, and internal and external audit functions. The internal and external audit functions are separate from and independent of each other and each has a direct reporting line to the Audit Committee.

At a management level, the GMT (comprised of the CEO, CFO, General Counsel, Executive General Manager USA, Executive General Manager International and the Vice President of Investor and Media Relations in fiscal year 2012) is the primary management forum for risk assessment and management within the Company.

Objective

The Company considers that a sound framework of risk management policies, procedures and controls produces a system of risk oversight, risk management and internal control that is fundamental to good corporate governance and creation of shareholder value. The objective of the Company s risk management policies, procedures and controls is to ensure that:

- our risk management systems are effective;
- our principal strategic, operational and financial risks are identified;

- effective systems are in place to monitor and manage risks; and
- reporting systems, internal controls and arrangements for monitoring compliance with laws and regulations are adequate.

Risk management does not involve avoiding all risks. The Company s risk management policies seek to strike a balance between ensuring that the Company continues to generate financial returns while simultaneously managing risks appropriately by setting appropriate strategies and objectives.

Policies for Management of Material Business Risks

Management has put in place a number of key policies, processes and independent controls to provide assurance as to the integrity of our systems of internal control and risk management. In addition to the measures described elsewhere in this report, the more significant policies, processes or controls adopted by the Company for oversight and management of material business risks are:

- quarterly meetings of the corporate, US and Asia Pacific Risk Management Committees to assess the key strategic, operations, reporting and compliance risks facing the Company, the level of risk and the processes implemented to manage each of these key risks over the upcoming twelve months;
- quarterly reporting to the GMT, Audit Committee, and annual reporting to the Board, of the Risk Management Committees assessment regarding the key strategic, operations, reporting and compliance risks facing the Company;
- a program for the Audit Committee to review in detail each year all items identified by the Risk Management Committees as high level risks;
- meetings of the Financial Statements Disclosure Committee to review all quarterly and annual financial statements and results;
- a planning process involving the preparation of three-year strategic plans and a rolling twelve month forecast;
- annual budgeting and monthly reporting to monitor performance;
- an internal audit department with a reporting line direct to the Chairman of the Audit Committee;
- regular monitoring of the Company s liquidity and status of finance facilities;
- maintaining an appropriate insurance program;
- maintaining policies and procedures in relation to treasury operations, including the use of financial derivatives;
- issuing and revising standards and procedures in relation to environmental and health and safety matters;

a commitment to talent development, to ensure that the Company is developing sufficient employees to execute its business goals;

implementing and maintaining training programs in relation to legal issues such as trade practices/antitrust, trade secrecy, foreign corrupt practices and anti-bribery, employment law matters and intellectual property protection;

issuing procedures requiring significant capital and recurring expenditure to be approved at the appropriate levels; and

documenting detailed accounting policies, procedures and guidance for the group in a single group finance manual.

A summary of policies, processes and controls that address key aspects of our corporate governance is available in the Investor Relations area of our website (www.jameshardie.com).

During the fiscal year, the Audit Committee and, through it, the Board received a number of reports on the operation and effectiveness of the policies, processes and controls described in this section. This included a review of the Company s current compliance programs and disclosure controls and processes, how they compare with best practices and the steps proposed by management to continue cultivating the Company s risk management culture.

Risk Management Committee

The Risk Management Committee is divided into three separate committees, one for Corporate, one for the US business and one for the non-US business. This structure allows each committee to focus on individual risks in greater detail. Each Committee comprises a cross-functional group of employees and reviews and monitors the risks facing the Company in their area of responsibility. The Risk Committees are coordinated by the Director of Internal Audit and report on a quarterly basis to the GMT. The Risk Committees also provide quarterly reports to the Audit Committee on the procedures in place for identifying, monitoring, managing and reporting on the principal strategic, operational, financial and legal risks facing the Company.

Internal Audit

The Director of Internal Audit heads the internal audit department. The Internal Audit charter sets out the independence of the internal audit department, its scope of work, responsibilities and audit plan. The internal audit department s work-plan is approved annually by the Audit Committee. The Director of Internal Audit reports to the Chairman of the Audit Committee and meets quarterly with the Audit Committee and Board in executive sessions.

External Audit

The external auditor reviews each quarterly and half-year consolidated financial statements and audits the full year consolidated financial statements. The external auditor attends each meeting of the Audit Committee, including an executive session where only members of the Audit Committee and Board directors are present. The Audit Committee has approved policies to ensure that all non-audit services performed by the external auditor, including the amount of fees payable for those services, receive prior approval. The Audit Committee also reviews the remuneration paid to the external auditor and makes recommendations to the Board regarding the maximum compensation to be paid to the external auditor.

The Audit Committee reviews and approves management representations made to the external auditor as part of the audit of the full year results.

Financial Statements Disclosure Committee

The Financial Statements Disclosure Committee is a management committee comprising senior finance, accounting, compliance, legal, tax, treasury and investor relations executives in the Company, which meets with the CEO, CFO and General Counsel prior to the Board s consideration of any quarterly or annual results. The Financial Statements Disclosure Committee is a forum for the CEO, CFO and General Counsel to discuss, and, on the basis of those discussions, report to the Audit Committee, about a range of risk management procedures, policies and controls, covering the draft results materials, business unit financial performance and the current status of legal, tax, treasury, accounting, compliance, internal audit, complaints and disclosure control matters.

CEO and CFO Certification of Financial Reports

Under SEC rules and the Company s internal control arrangements, our CEO and CFO provide certain certifications with respect to our full year financial statements, disclosure controls and procedures and internal controls over financial reporting. These certifications are more comprehensive and detailed than those required under the Australian Corporations Act and are considered appropriate given that the Company s financial reports are prepared in accordance with US GAAP.

The Board in turn receives quarterly assurance from the Financial Statements Disclosure Committee relating to the Company s disclosure controls and procedures and internal controls over financial reporting. This assurance is supported by written quarterly and annual sub-certifications from the general managers and Finance Directors of each business unit and the Corporate Controller, with annual certifications from the GMT.

Internal Controls and SOX 404

Each fiscal year, the members of the GMT, and key members of the Company s business and corporate functions, complete an internal control certificate that seeks to confirm that adequate internal controls are in place and are operating effectively, and evaluate any failings and weaknesses.

Management s Annual Report on Internal Control Over Financial Reporting

Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. In designing and evaluating our disclosure controls and procedures, our management recognises that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and are subject to certain limitations, including the exercise of judgment by individuals, the difficulty in identifying unlikely future events, and the difficulty in eliminating misconduct completely. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, our disclosure controls and procedures were effective at a reasonable assurance level as of 31 March 2012, to ensure the information required to be disclosed in the reports that we file or submit under the Exchange Act were recorded, processed, summarised and reported within the time periods specified in the rules and forms of the SEC and that such information was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures.

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Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We assessed the effectiveness of our internal control over financial reporting as of 31 March 2012. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in *Internal Control Integrated Framework*. Based on our assessment using those criteria, we concluded that our internal control over financial reporting was effective as of 31 March 2012.

The effectiveness of our internal control over financial reporting as of 31 March 2012 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report below.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of James Hardie Industries SE:

We have audited James Hardie Industries SE s internal control over financial reporting as of 31 March 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). James Hardie Industries SE s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, James Hardie Industries SE maintained, in all material respects, effective internal control over financial reporting as of 31 March 2012 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of James Hardie Industries SE as of 31 March 2012 and 2011, and the related consolidated statements of operations, changes in shareholders equity (deficit), and cash flows for each of the three years in the period ended 31 March 2012, and our report dated 21 May 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Irvine, California

21 May 2012

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Limitations of Control Systems

Our management does not expect that our internal risk management and control systems will prevent or detect all error and all fraud. No matter how well it is designed and operated, a control system can provide only reasonable, not absolute, assurance that the control system s objectives will be met.

The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Shareholders Participation

Listing Information

James Hardie securities trade as CUFS on the ASX and as American Depositary Shares (ADS) on the NYSE.

Annual General Meeting

The 2011 AGM was held in Ireland and simultaneously broadcast to a meeting in Sydney, Australia. The 2012 AGM will be held in Ireland, and shareholders not present in Ireland who wish to participate in the meeting, including asking questions, can do so via a video webcast or teleconference of the meeting. Further details are set out in the 2012 AGM Notice of Meeting.

Each shareholder (other than an ADS holder) has the right to:

- attend the AGM either in person or by proxy;
- speak at the AGM; and
- exercise voting rights, including at the AGM subject to their instructions on the Voting Instruction Form.

While ADS holders cannot vote directly, ADS holders can direct the voting of their underlying shares through the ADS depositary.

The external auditor attends the AGM and is available to answer questions.

Communication

We are committed to communicating effectively with our shareholders through a program that includes:

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- making management briefings and presentations accessible via a live webcast and/or teleconference following the release of quarterly and annual results;

- audio webcasts of other management briefings and webcasts of the annual shareholder meeting;

- a comprehensive Investor Relations website that displays all Company announcements and notices (promptly after they have been cleared by the ASX), major management and investor road show presentations;

- site visits and briefings on strategy for investment analysts;

- an email alert service to advise shareholders and other interested parties of announcements and other events; and

- equality of access for shareholders and investment analysts to briefings, presentations and meetings and equality of media access to the Company, on a reasonable basis.

Investor Website

We have a dedicated section on corporate governance as part of the Investor Relations area of our website (www.jameshardie.com). Information on this section of the website is progressively updated and expanded to ensure it presents the most up-to-date information on our corporate governance structure. Except where stated, the contents of the website are not incorporated into this annual report.

Compliance with Corporate Governance Requirements

ASX Principles and Recommendations

Listed Australian companies are encouraged to comply with the Principles and Recommendations. Except where otherwise stated, the Company has complied with the Principles and Recommendations for the entire period described in this annual report.

For the benefit of Australian holders, the Investor Relations area of our website (www.jameshardie.com) contains more detail about the ways in which we comply with the Principles and Recommendations.

Diversity

One of the key areas of focus for the Board is talent management and development, to ensure that the Company has the capability to adequately enable its anticipated growth as part of its core business strategy. Management has put in place a number of different programs to achieve this objective.

The Company s overriding desire is to maximise the effectiveness of the Board and workforce by appointing the best candidate for each role. The Board does not believe that achievement of this objective requires a formal, publicly stated diversity policy, gender diversity targets or reporting of the gender percentages at various levels of the organization (including to the exclusion of other indicators of diversity) and for this reason does not comply with Principle 3 and supporting recommendations of the ASX Corporate Governance Principles and Recommendations.

James Hardie s Board and senior management reflect a wide range of geographic representation, skills, qualifications, expertise, background and racial and gender diversity. All of these factors were taken into account in the recent search to appoint an additional director to our Board. With operations

in North America, Australia, New Zealand, Asia and Europe, the Board expects that achievement of the Company s core business strategy will involve continued development of a diverse workforce.

NYSE Corporate Governance Rules

In accordance with the NYSE corporate governance standards, listed companies that are foreign private issuers (which includes James Hardie) are permitted to follow home-country practice in lieu of the provisions of the corporate governance rules contained in Section 303A of the Listed Company Manual, except that foreign private issuers are required to comply with Section 303A.06, Section 303A.11 and Section 303A.12(b) and (c), each of which is discussed below.

Section 303A.06 requires that all listed companies have an Audit Committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

Section 303A.11 provides that listed foreign private issuers must disclose any significant ways in which their corporate governance practices differ from those followed by US companies under the NYSE listing standards.

Section 303A.12(b) provides that each listed company s CEO must promptly notify the NYSE in writing after any executive officer of the listed company becomes aware of any material non-compliance with any applicable provisions of Section 303A. Section 303A.12(c) provides that each listed company must submit an executed written affirmation annually to the NYSE about its compliance with the NYSE s corporate governance listing standards and an interim written affirmation to the NYSE as and when required by the interim written affirmation form specified by the NYSE.

James Hardie presently complies with the mandatory NYSE listing standards and many of the non-compulsory standards including, for example, the requirement that a majority of our directors meet the independence requirements of the NYSE. In accordance with Section 303A.11, we disclose in this report any significant ways in which our corporate governance practices differ from those followed by US companies under the NYSE listing standards.

Two ways in which our corporate governance practices differ significantly from those followed by US domestic companies under NYSE listing standards should be noted:

In the US, an audit committee of a public company is required to be directly responsible for appointing the company s independent registered public accounting firm. Under Irish law, the independent registered public accounting firm is appointed by the shareholders where there is a new appointment. Otherwise, the appointment is deemed to continue unless the firm retires, is asked to retire or is unable to perform their duties; and

NYSE rules require each issuer to have an audit committee, a compensation committee (equivalent to a remuneration committee) and a nominating committee composed entirely of independent directors. As a foreign private issuer, we do not have to comply with this requirement. In our case, the Board Committee charters reflect Australian and Irish practices, in that we have a majority of independent directors on these committees, unless a higher number is mandatory. Notwithstanding this difference, our Board has determined that all of the current members of our Audit Committee, Remuneration Committee and Nominating and Governance Committee presently qualify as independent in accordance with the rules and regulations of the SEC and the NYSE.

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Takeover Rules and Control Over the Company

James Hardie is subject to Irish takeover laws. The Irish Takeover Rules are built on several General Principles which are set out below. Also, the takeover threshold is set at 30%, meaning that a person (or persons acting in concert) who acquire more than 30% of voting rights must make a mandatory cash bid for all of the shares in the Company:

All holders of the securities of an offeree of the same class must be afforded equivalent treatment; moreover, if a person acquires control of a company, the other holders of securities must be protected.

The holders of the securities of an offeree must have sufficient time and information to enable them to reach a properly informed decision on the offer; where it advises the holders of securities, the board of the offeree must give its views on the effects of implementation of the offer on employment, considerations of employment and the locations of the offeree s places of business.

The board of an offeree must act in the interest of the Company as a whole and must not deny the holders of securities the opportunity to decide on the merits of the offer.

False markets must not be created in the securities of the offeree, of the offeror or of any other company concerned by the offer in such a way that the rise or fall of the prices of the securities becomes artificial and the normal functioning of the markets is distorted.

An offeror must announce an offer only after ensuring that he or she can pay in full any cash consideration, if such is offered, and after taking all reasonable measures to secure the implementation of any other type of consideration.

An offeree must not be hindered in the conduct of its affairs for longer than is reasonable by any offer for its securities.

A substantial acquisition of securities (whether such acquisition is to be effected by one transaction or a series of transactions) shall take place only at an acceptable speed and shall be subject to adequate and timely disclosure.

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SECTION 2.

READING THIS REPORT

Forward-Looking Statements

This annual report contains forward-looking statements. We may from time to time make forward-looking statements in our periodic reports filed with or furnished to the SEC, on Forms 20-F and 6-K, in our annual reports to shareholders, in offering circulars, invitation memoranda and prospectuses, in media releases and other written materials and in oral statements made by our officers, directors or employees to analysts, institutional investors, existing and potential lenders, representatives of the media and others. Statements that are not historical facts are forward-looking statements and such forward looking statements are statements made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include:

- statements about our future performance;
- projections of our results of operations or financial condition;
- statements regarding our plans, objectives or goals, including those relating to strategies, initiatives, competition, acquisitions, dispositions and/or our products;
- expectations concerning the costs associated with the suspension or closure of operations at any of our plants and future plans with respect to any such plants;
- expectations that our credit facilities will be extended or renewed;
- expectations concerning dividend payments and share buy-backs;
- statements concerning our corporate and tax domiciles and structures and potential changes to them, including potential tax charges;
- statements regarding tax liabilities and related audits, reviews and proceedings;
- statements as to the possible consequences of proceedings brought against us and certain of our former directors and officers by ASIC;
- expectations about the timing and amount of contributions to AICF, a special purpose fund for the compensation of proven Australian asbestos-related personal injury and death claims;

expectations concerning indemnification obligations;

statements about product or environmental liabilities; and

statements about economic conditions, such as economic or housing recovery, the levels of new home construction and home renovations, unemployment levels, changes in consumer income, changes or stability in housing values, the availability of mortgages and other financing, mortgage and other interest rates, housing affordability and supply, the levels of foreclosures and home resales, currency exchange rates, and builder and consumer confidence.

Words such as believe, anticipate, plan, expect, intend, target, estimate, project, predict, forecast, guideline, aim, will, and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Readers are cautioned not to place undue reliance on these forward-looking statements and all such forward-looking statements are qualified in their entirety by reference to the following cautionary statements.

Forward-looking statements are based on our current expectations, estimates and assumptions and because forward-looking statements address future results, events and conditions, they, by their very nature, involve inherent risks and uncertainties, many of which are unforeseeable and beyond our control. Such known and unknown risks, uncertainties and other factors may cause our actual results, performance or other achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. These factors, some of which are discussed under Risk Factors in Section 3, include, but are not limited to: all matters relating to or arising out of the prior manufacture of products that contained asbestos by current and former James Hardie subsidiaries; required contributions to AICF, any shortfall in AICF and the effect of currency exchange rate movements on the amount recorded in our financial statements as an asbestos liability; governmental loan facility to AICF; compliance with and changes in tax laws and treatments; competition and product pricing in the markets in which we operate; the consequences of product failures or defects; exposure to environmental, asbestos, putative consumer class action or other legal proceedings; general economic and market conditions; the supply and cost of raw materials; possible increases in competition and the potential that competitors could copy our products; reliance on a small number of customers; a customer s inability to pay; compliance with and changes in environmental and health and safety laws; risks of conducting business internationally; compliance with and changes in laws and regulations; the effect of the transfer of our corporate domicile from The Netherlands to Ireland to become an Irish SE including employee relations, changes in corporate governance and potential tax benefits; currency exchange risks; dependence on customer preference and the concentration of our customer base on large format retail customers, distributors and dealers; dependence on residential and commercial construction markets; the effect of adverse changes in climate or weather patterns; possible inability to renew credit facilities on terms favourable to us, or at all; acquisition or sale of businesses and business segments; changes in our key management personnel; inherent limitations on internal controls; use of accounting estimates; and all other risks identified in our reports filed with Australian, Irish and US securities agencies and exchanges (as appropriate). We caution you that the foregoing list of factors is not exhaustive and that other risks and uncertainties may cause actual results to differ materially from those in forward-looking statements. Forward-looking statements speak only as of the date they are made and are statements of our current expectations concerning future results, events and conditions.

Currency of presentation, exchange rates and certain definitions

The term fiscal year refers to our fiscal year ended 31 March of such year; the term dollars, US$ or $ refers to US dollars; the term A$ refers Australian dollars; and the term NZ$ refers to New Zealand dollars. Unless otherwise stated, all amounts in A$ have been converted into US$ at the 31 March 2012 exchange rate of A$0.9614 to US$1.0000.

MANAGEMENT S DISCUSSION AND ANALYSIS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and Notes to consolidated financial statements in this annual report.

Overview

We intend this discussion to provide information that will assist in understanding our 31 March 2012 consolidated financial statements, the changes in significant items in those consolidated financial statements from year to year, and the primary reasons for those changes and the factors and trends which are anticipated to have a material effect on our financial condition and results of operations in future periods. This discussion includes information about our critical accounting estimates and how these estimates affect our consolidated financial statements, and information about the consolidated financial results of each business segment to provide a better understanding of how each segment and its results affect our financial condition and results of operations as a whole.

Our consolidated financial statements are prepared in accordance with US GAAP. Our discussion in this section includes several non-GAAP measures to provide additional information concerning our performance. We believe that these non-GAAP measures enhance an investor s overall understanding of our financial performance by being more reflective of our core operational activities and to be more comparable with our financial results over various periods. In addition, we use non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. Non-GAAP financial measures include:

Operating income excluding asbestos, asset impairments and ASIC expenses

Effective tax rate excluding asbestos, asset impairments and tax adjustments

Net income excluding asbestos, ASIC expenses, asset impairments and tax adjustments

We have reconciled these non-GAAP financial measures to the most directly comparable US GAAP financial measure for fiscal years 2012 and 2011 in the Definitions section below at the end of our Results of Operations discussion. These non-GAAP financial measures are not prepared in accordance with US GAAP; therefore, the information is not necessarily comparable to other companies financial information and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with US GAAP.

Our pre-tax results for fiscal years 2012 and 2011 were affected by unfavourable asbestos adjustments of US$15.8 million and US$85.8 million, respectively; AICF Selling, General and Administrative (SG&A) expenses of US$2.8 million and US$2.2 million, respectively; asset impairments of US$14.3 million and nil, respectively; ASIC expenses of US$1.1 million in fiscal year 2012 and an ASIC recovery of US$8.7 million in fiscal year 2011. Information regarding our asbestos-related matters, asset impairments and ASIC matters can be found in this discussion and Notes 11, 7 and 13, respectively, in our consolidated financial statements.

The Company and the Building Product Markets

Based on net sales, we believe we are the largest manufacturer of fibre cement products and systems for internal and external building construction applications in the United States, Australia, New Zealand, and the Philippines. Our current primary geographic markets include the United States, Australia, New Zealand, the Philippines, Europe and Canada. Through significant research and development expenditure, we develop key product and production process technologies that we patent or hold as trade secrets. We believe that these technologies give us a competitive advantage.

Our fibre cement products are used in a number of markets, including new residential construction (single and multi-family housing), manufactured housing (mobile and pre-fabricated homes), repair and remodeling and a variety of commercial and industrial applications (stores, warehouses, offices, hotels,

motels, schools, libraries, museums, dormitories, hospitals, detention facilities, religious buildings and gymnasiums). We manufacture numerous types of fibre cement products with a variety of patterned profiles and surface finishes for a range of applications, including external siding and soffit lining, internal linings, facades, fencing and floor and tile underlayments.

Our products are primarily sold in the residential housing markets. Residential construction levels fluctuate based on new home construction activity and the repair and renovation of existing homes. These levels of activity are affected by many factors, including home mortgage interest rates, the availability of financing to homeowners to purchase a new home or make improvements to their existing homes, inflation rates, unemployment levels, existing home sales, the average age and the size of housing inventory, consumer home repair and renovation spending, gross domestic product growth and consumer confidence levels. A number of these factors continued to be generally unfavourable during fiscal year 2012

Our earnings are seasonal and typically follow activity levels in the building and construction industry. In the United States, the calendar quarters ending December and March reflect reduced levels of building activity depending on weather conditions. In Australia and New Zealand, the calendar quarter ending March is usually affected by a slowdown due to summer holidays. In the Philippines, construction activity diminishes during the wet season from June to September and during the last half of December due to a slowdown in business activity over the holiday period. Also, general industry patterns can be affected by weather, economic conditions, industrial disputes and other factors.

Fiscal Year 2012 Key Results

Total net sales increased 6% to US$1,237.5 million in fiscal year 2012. Operating income increased to US$155.5 million in fiscal year 2012 from US$104.7 million in fiscal year 2011, primarily due to lower unfavourable asbestos adjustments in fiscal year 2012 when compared to fiscal year 2011, partially offset by an impairment charge recognised in fiscal year 2012. Operating income in fiscal years 2012 and 2011 was adversely affected by unfavourable asbestos adjustments of US$15.8 million and US$85.8 million, respectively, AICF SG&A expenses of US$2.8 million and US$2.2 million, respectively, and an impairment charge of US$14.3 million in fiscal year 2012. Operating income excluding asbestos, asset impairments and ASIC expenses increased 3% to US$189.5 million in fiscal year 2012 from US$184.0 million in fiscal year 2011.

Net income excluding asbestos, asset impairments, ASIC expenses and tax adjustments increased 20% to US$140.4 million in fiscal year 2012 from US$116.7 million in fiscal year 2011. Including asbestos, asset impairments, ASIC expenses and tax adjustments, net income improved from a loss of US$347.0 million in fiscal year 2011 to income of US$604.3 million in fiscal year 2012. In fiscal year 2012, tax adjustments include an income tax benefit of US$485.2 million due to RCI Pty Ltd s (which we refer to as RCI) successful appeal of the Australian Taxation Office s (ATO) 1999 disputed amended tax assessment. In fiscal year 2011, tax adjustments included a charge of US$345.2 million related to the dismissal of RCI s appeal of the 1999 disputed amended tax assessment, which did not result in a cash outflow for the fiscal year ended 31 March 2011. Also included in tax adjustments for fiscal year 2011 was a charge of US$32.6 million related to our corporate structure simplification announced on 17 May 2011.

Our largest market is North America. During fiscal year 2012, USA and Europe Fibre Cement net sales contributed approximately 70% of total net sales, and operating income from this segment was the primary contributor to the total Company results. Net sales for our USA and Europe Fibre Cement business increased 6% due to higher sales volume, partially offset by a lower average net sales price.

Operating income from our USA and Europe Fibre Cement segment excluding asset impairments increased 1% in fiscal year 2012 from fiscal year 2011 primarily due to higher sales volume and improved

plant performance, partially offset by higher fixed manufacturing and organisational costs, higher freight cost and a lower average net sales price.

During fiscal year 2012, Asia Pacific net sales contributed approximately 30% of total net sales. Net sales increased 6% due to favourable currency exchange rates movements in the Asia Pacific business currencies.

We do not believe that general inflation has had a significant impact on our results of operations for the fiscal years ended 31 March 2012, 2011 and 2010.

Critical Accounting Estimates

The accounting policies affecting our financial condition and results of operations are more fully described in Note 2 to our consolidated financial statements. Certain of our accounting policies require the application of judgment by management in selecting appropriate assumptions for calculating financial estimates, which inherently contain some degree of uncertainty. Management bases its estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported carrying value of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing our consolidated financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

Accounting for Contingencies

We account for loss contingencies arising from contingent obligations when the obligations are probable and the amounts are reasonably estimable. As facts concerning contingencies become known, we reassess our situation and make appropriate adjustments to the consolidated financial statements.

Accounting for the AFFA

Prior to 31 March 2007, our consolidated financial statements included an asbestos provision based on the Original Final Funding Agreement governing our anticipated future payments to AICF as announced on 1 December 2005 (which we refer to as the Original FFA).

In February 2007, the AFFA was approved to provide long-term funding to AICF, a special purpose fund that provides compensation for Australian asbestos-related personal injury and death claims for which certain former subsidiaries of the James Hardie Group, including ABN 60, Amaca and Amaba are found liable.

The amount of the asbestos liability reflects the terms of the AFFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of projected future cash flows prepared by KPMG Actuarial Pty Limited (KPMG Actuarial). Based on their assumptions, KPMG Actuarial arrived at a range of possible total cash flows and proposed a central estimate which is intended to reflect an expected outcome. The Company views the central estimate as the best estimate for recording the asbestos liability in the Company s financial statements. The asbestos liability includes these cash flows as undiscounted and uninflated, on the basis that it is inappropriate to discount or inflate future cash flows when the timing and amounts of such cash flows is not fixed or readily determinable.

The asbestos liability also includes an allowance for the future operating costs of AICF.

In estimating the potential financial exposure, KPMG Actuarial has made a number of assumptions. These include an estimate of the total number of claims by disease type which are reasonably estimated to be asserted through 2074, the typical average cost of a claim settlement (which is sensitive to, among other factors, the industry in which the plaintiff claims exposure, the alleged disease type and the jurisdiction in which the action is being brought), the legal costs incurred in the litigation of such claims, the proportion of claims for which liability is repudiated, the rate of receipt of claims, the settlement strategy in dealing with outstanding claims, the timing of settlements of future claims and the long-term rate of inflation of claim awards and legal costs.

Due to inherent uncertainties in the legal and medical environment, the number and timing of future claim notifications and settlements, the recoverability of claims against insurance contracts, and estimates of future trends in average claim awards, as well as the extent to which the above-named entities will contribute to the overall settlements, the actual amount of liability could differ materially from that which is currently projected and could result in significant debits or credits to the consolidated balance sheet and statement of operations.

An updated actuarial assessment is performed as of 31 March each year. Any changes in the estimate will be reflected as a charge or credit to the consolidated statements of operations for the year then ended. Material adverse changes to the actuarial estimate would have an adverse effect on our business, results of operations and financial condition.

Sales Rebates and Discounts

We record estimated reductions to sales for customer rebates and discounts including volume, promotional, cash and other rebates and discounts. Rebates and discounts are recorded based on management s best estimate when products are sold. The estimates are based on historical experience for similar programs and products. Management reviews these rebates and discounts on an ongoing basis and the related accruals are adjusted, if necessary, as additional information becomes available.

Accounts Receivable

We evaluate the collectability of accounts receivable on an ongoing basis based on historical bad debts, customer credit-worthiness, current economic trends and changes in our customer payment activity. An allowance for doubtful accounts is provided for known and estimated bad debts. Although credit losses have historically been within our expectations, we cannot guarantee that we will continue to experience the same credit loss rates that we have in the past. Because our accounts receivable are concentrated in a relatively small number of customers, a significant change in the liquidity or financial position of any of these customers could impact their ability to make payments and result in the need for additional allowances which would decrease our net sales.

Inventory

Inventories are recorded at the lower of cost or market. In order to determine market, management regularly reviews inventory quantities on hand and evaluates significant items to determine whether they are excess, slow-moving or obsolete. The estimated value of excess, slow-moving and obsolete inventory is recorded as a reduction to inventory and an expense in cost of sales in the period it is identified. This estimate requires management to make judgments about the future demand for inventory, and is therefore at risk to change from period to period. If our estimate for the future demand for inventory is greater than actual demand and we fail to reduce manufacturing output accordingly, we could be required to record additional inventory reserves, which would have a negative impact on our gross profit.

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Accrued Warranty Reserve

We have offered, and continue to offer, various warranties on our products, including a 30-year limited warranty on certain of our fibre cement siding products in the United States. Because our fibre cement products have only been used in North America since the early 1990s, there is a risk that these products will not perform in accordance with our expectations over an extended period of time. A typical warranty program requires that we replace defective products within a specified time period from the date of sale. We record an estimate for future warranty-related costs based on an analysis by us, which includes the historical relationship of warranty costs to installed product. Based on this analysis and other factors, we adjust the amount of our warranty provisions as necessary. Although our warranty costs have historically been within calculated estimates, if our experience is significantly different from our estimates, it could result in the need for additional reserves.

Accounting for Income Tax

We recognise deferred tax assets and deferred tax liabilities for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which we expect the differences to reverse. We record a valuation allowance to reduce the deferred tax assets to the amount that we are more likely than not to realise. We must assess whether, and to what extent, we can recover our deferred tax assets. If full or partial recovery is unlikely, we must increase our income tax expense by recording a valuation allowance against the portion of deferred tax assets that we cannot recover. We believe that we will recover all of the deferred tax assets recorded (net of valuation allowance) on our consolidated balance sheet at 31 March 2012. However, if facts later indicate that we will be unable to recover all or a portion of our net deferred tax assets, our income tax expense would increase in the period in which we determine that recovery is unlikely.

We evaluate our uncertain tax positions in accordance with the guidance for accounting for uncertainty in income taxes. We believe that our reserve for uncertain tax positions, including related interest, is adequate. Due to our size and the nature of our business, we are subject to ongoing reviews by taxing jurisdictions on various tax matters, including challenges to various positions we assert on our income tax returns. The amounts ultimately paid upon resolution of these matters could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. Positions taken by an entity in its income tax returns must satisfy a more-likely-than-not recognition threshold, assuming that the positions will be examined by taxing authorities with full knowledge of all relevant information, in order for the positions to be recognised in the consolidated financial statements. Each quarter we evaluate the income tax positions taken, or expected to be taken, to determine whether these positions meet the more-likely-than-not threshold. We are required to make subjective judgments and assumptions regarding our income tax exposures and must consider a variety of factors, including the current tax statutes and the current status of audits performed by tax authorities in each tax jurisdiction. To the extent an uncertain tax position is resolved for an amount that varies from the recorded estimated liability, our income tax expense in a given financial statement period could be materially affected.

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Results of Operations

Year Ended 31 March 2012 Compared to Year Ended 31 March 2011

The following table shows our selected financial and operating data for continuing operations for fiscal years 2012 and 2011, expressed in millions of US dollars, unless otherwise stated.

	Fiscal Years Ended 31 March		
	2012	**2011**	**Favourable (Unfavourable) Change**
Net sales:			
USA and Europe Fibre Cement	$ 862.0	$ 814.0	6 %
Asia Pacific Fibre Cement	375.5	353.0	6
Total net sales	1,237.5	1,167.0	6
Cost of goods sold	(830.5)	(775.1)	(7)
Gross profit	407.0	391.9	4
Selling, general and administrative expenses	(191.0)	(173.4)	(10)
Research and development expenses	(30.4)	(28.0)	(9)
Impairment charge	(14.3)		
Asbestos adjustments	(15.8)	(85.8)	82
Operating income	155.5	104.7	49
Net interest expense	(7.4)	(4.4)	(68)
Other income (expense)	3.0	(3.7)	
Income before income taxes	151.1	96.6	56
Income tax benefit (expense)	453.2	(443.6)	
Net income (loss)	$ 604.3	$ (347.0)	
Volume (mmsf):			
USA and Europe Fibre Cement	1,331.8	1,248.0	7
Asia Pacific Fibre Cement	392.3	407.8	(4)
Average net sale price per unit (per msf):			
USA and Europe Fibre Cement	US$647	US$ 652	(1)
Asia Pacific Fibre Cement	A$916	A$ 916	%

Net sales. Total net sales increased 6% from US$1,167.0 million in fiscal year 2011 to US$1,237.5 million in fiscal year 2012. The increase in total net sales reflected higher sales volume from the USA and Europe Fibre Cement segment, partially offset by a lower average net sales price. Revenue was also favourably impacted by an appreciation of the Asia Pacific currencies against the US dollar, compared to fiscal year 2011.

USA and Europe Fibre Cement net sales. Net sales increased 6% from US$814.0 million in fiscal year 2011 to US$862.0 million in fiscal year 2012 due to higher sales volume, partially offset by a lower average net sales price.

Sales volume increased 7% from 1,248.0 million square feet in fiscal year 2011 to 1,331.8 million square feet in fiscal year 2012 due to increased fibre cement category share and strong primary demand growth in the northern markets.

The average net sales price decreased 1% from US$652 per thousand square feet in fiscal year 2011 to US$647 per thousand square feet in fiscal year 2012.

According to the US Census Bureau, single family housing starts, which are one of the key drivers of the Company s performance, were relatively flat at 445,600 for fiscal year 2012, compared to 444,000 in fiscal year 2011.

USA and Europe Fibre Cement operating income excluding asset impairment charges increased 1% due to higher sales volume, partially offset by higher fixed manufacturing and organisational costs and a lower average net sales price.

The average NBSK pulp price was 3% lower at US$952 per ton, compared to fiscal year 2011. NBSK pulp prices reached a peak of US$1,035 per ton in June 2011.

Despite ongoing challenges in the housing market, including tight credit conditions, elevated unemployment rates and a shadow inventory of foreclosed homes, the full year reflected a more stable market environment and consistent operating results when compared with the prior year. Although some industry data suggests increased interest among potential homebuyers, builder confidence remains at low levels and caution remains due to the many challenges that continue to inhibit a sustainable recovery in the overall housing market and broader US economy.

Asia Pacific Fibre Cement net sales. Net sales increased 6% from US$353.0 million in fiscal year 2011 to US$375.5 million in fiscal year 2012. Favourable exchange rate movements in the value of the Asia Pacific business currencies compared to the US dollar resulted in a 10% increase in US dollar net sales. In Australian dollars, net sales decreased 4% compared to fiscal year 2011 due to lower sales volume and unfavourable geographic mix, partially offset by price increases.

According to Australian Bureau of Statistics data, the total number of new dwellings approvals for fiscal year 2012 (on an original basis) decreased 11% when compared to fiscal year 2011. The reduction in new dwellings approved reflects weaker consumer confidence and a slowing of the broader Australian economy.

Notwithstanding the softening operating environment, the Australian business gained both market and category share in fiscal year 2012.

The New Zealand business sales volumes in fiscal year 2012 were lower than fiscal year 2011 and the New Zealand housing market remains very subdued.

The Philippines business results in fiscal year 2012 reflected modest gains in sales volumes compared to fiscal year 2011.

Gross profit. Gross profit increased 4% from US$391.9 million in fiscal year 2011 to US$407.0 million in fiscal year 2012. The gross profit margin decreased 0.7 percentage points from 33.6% to 32.9%.

USA and Europe Fibre Cement gross profit increased 3% compared to the prior year, of which 7% was due to higher sales volume and 4% due to improved plant performance, partially offset by 3% due to a lower average net sales price, 3% due to freight costs and 2% due to higher fixed costs. The gross profit margin of the USA and Europe Fibre Cement business decreased by 0.7 percentage points.

Asia Pacific Fibre Cement gross profit increased 6% compared to fiscal year 2011. Favourable currency exchange rate movements in the Asia Pacific business currencies compared to the US dollar resulted in a 10% increase in US dollar gross profit. In Australian dollars, Asia Pacific Fibre Cement gross profit decreased 4% compared to fiscal year 2011, primarily driven by a 4% reduction in sales volume compared to fiscal year 2011. The gross profit margin of the Asia Pacific Fibre Cement business decreased by 0.1 percentage points.

Selling, general and administrative (SG&A) expenses. SG&A expenses increased 10%, from US$173.4 million in fiscal year 2011 to US$191.0 million in fiscal year 2012, primarily due to higher employment costs in the USA and Europe Fibre Cement segment and the inclusion of recoveries from third parties of US$10.3 million in fiscal year 2011 related to the costs of the ASIC proceedings for certain of the ten former officers and directors, as further explained below. As a percentage of sales, SG&A expenses increased 0.5 percentage points to 15.4%. As a percentage of sales, SG&A expenses excluding the recovery of ASIC costs in the prior corresponding period decreased 0.3 percentage points to 15.4%.

SG&A expenses in fiscal year 2012 included non-claims handling related operating expenses of AICF of US$2.8 million, compared to US$2.2 million in fiscal year 2011.

ASIC Proceedings

Legal costs incurred in the ASIC proceedings in fiscal year 2012 were US$1.1 million. The Company s cumulative net costs in relation to the ASIC proceedings from their commencement in February 2007 to 31 March 2012 have totalled US$15.5 million, net of third party recoveries.

Losses and expenses arising from the ASIC proceedings could have a material adverse effect on the Company s financial position, liquidity, results of operations and cash flows. It is the Company s policy to expense legal costs as incurred.

Readers are referred to Note 13 of the Company s 31 March 2012 Consolidated Financial Statements and Section 3, Legal Proceedings for further information about the ASIC proceedings.

Research and development expenses. Research and development expenses include costs associated with research projects that are designed to benefit all business units. These costs are recorded in the Research and Development segment rather than attributed to individual business units. These costs were 11% higher for fiscal year 2012 at US$18.8 million compared to fiscal year 2011.

Other research and development costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs were 5% higher for fiscal year 2012 at US$11.6 million, compared to fiscal year 2011.

Impairment charge. The Company recorded an asset impairment charge of US$14.3 million in fiscal year 2012 related to machinery and equipment in the USA and Europe Fibre Cement segment.

Asbestos adjustments. The Company s asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the AFFA that was signed with the New South Wales (NSW) Government in November 2006 and approved by the Company s security holders in February 2007.

The discounted central estimate of the asbestos liability has increased from A$1.478 billion at 31 March 2011 to A$1.580 billion at 31 March 2012. The increase in the discounted central estimate of A$102 million is primarily due to lower discount rates, partially offset by a reduction in the projected future number of claims to be reported for a number of disease types.

The asbestos-related assets and liabilities are denominated in Australian dollars. Therefore, the reported value of these asbestos-related assets and liabilities in the Company s Consolidated Balance Sheet in US dollars is subject to adjustment, with a corresponding effect on the Company s Consolidated Statement of Operations, depending on the closing exchange rate between the two currencies at the balance sheet date.

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During fiscal year 2012, the Australian dollar depreciated against the US dollar by 1%, compared to a 13% appreciation in fiscal year 2011.

The Company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2012. The asbestos adjustments for fiscal years ended 31 March 2012 and 2011 are as follows:

	Fiscal Years Ended 31 March	
	2012	**2011**
(Millions of US dollars)		
Change in estimates	$ (9.6)	$ 21.5
Effect of foreign exchange movements	(6.2)	(107.3)
Asbestos adjustments	$ (15.8)	$ (85.8)

Claims Data

The number of new claims filed in fiscal year 2012 of 456 is lower than new claims of 494 reported in fiscal year 2011, and below actuarial expectations for fiscal year 2012.

The number of settled claims in fiscal year 2012 of 428 is lower than claims settled of 459 in fiscal year 2011.

The average claim settlement in fiscal year 2012 of A$219,000 is A$15,000 higher than fiscal year 2011. Average claim sizes are in line with actuarial expectations for fiscal year 2012.

Asbestos claims paid of A$99.1 million for fiscal year 2012 are lower than the actuarial expectation of A$108.4 million due to lower settlement activity and lower-than-expected claims received.

All figures provided in this Claims Data section are gross of insurance and other recoveries. Readers are referred to Note 11 of the Company s 31 March 2012 Consolidated Financial Statements for further information on asbestos adjustments.

AICF Loan Facility

On 17 February 2012, AICF made an initial drawdown of A$29.7 million (being US$32.0 million translated at the prevailing spot exchange rate at 17 February 2012) under the secured standby loan facility and related agreements (the Facility) with The State of New South Wales, Australia. The initial drawing is reflected on the consolidated balance sheet within Current portion of long-term debt Asbestos at 31 March 2012.

On 2 April 2012, the Company made an early contribution of US$138.7 million to AICF, which enabled AICF to fully repay all amounts outstanding under the Facility on 3 April 2012.

Because the Company consolidates AICF due to the Company s pecuniary and contractual interests in AICF as a result of the funding arrangements outlined in the AFFA, any drawings, repayments or payments of accrued interest by AICF under the Facility impact the Company s consolidated financial position, results of operations and cash flows.

Any drawings, repayments, or payments of accrued interest under the Facility by AICF do not impact the Company s free cash flow, as defined in the AFFA, on which annual contributions remitted by the Company to AICF are based. James Hardie Industries SE and its wholly-owned subsidiaries are not a party to, guarantor of, or security provider in respect of the Facility.

Readers are referred to Note 11 of the Company s 31 March 2012 Consolidated Financial Statements for further information.

Operating income. Operating income increased 49% to US$155.5 million in fiscal year 2012, compared to US$104.7 million in fiscal year 2011. Operating income in fiscal year 2012 included net unfavourable asbestos adjustments of US$15.8 million, AICF SG&A expenses of US$2.8 million, ASIC expenses of US$1.1 million and asset impairments of US$14.3 million. In fiscal year 2011, operating income included net unfavourable asbestos adjustments of US$85.8 million, AICF SG&A expenses of US$2.2 million and a net benefit related to ASIC proceedings of US$8.7 million.

USA and Europe Fibre Cement operating income excluding asset impairments increased 1% from US$160.3 million in fiscal year 2011 to US$162.7 million in fiscal year 2012. The increase in operating income was positively impacted by higher sales volume and improved plant performance, partially offset by higher fixed manufacturing and organisational costs, higher freight costs and a lower average net sales price. The USA and Europe Fibre Cement operating income margin excluding asset impairments was 0.8 percentage points lower at 18.9%.

Asia Pacific Fibre Cement operating income increased 1% from US$79.4 million in fiscal year 2011 to US$80.3 million in fiscal year 2012. In Australian dollars, Asia Pacific Fibre Cement operating income decreased 9% due to due to lower sales volume, unfavourable geographic mix and higher labour costs, partially offset by price increases. The Asia Pacific Fibre Cement operating income margin was 1.1 percentage points lower at 21.4%.

General corporate costs. General corporate costs increased 26% from US$26.9 million in fiscal year 2011 to US$33.9 million in fiscal year 2012.

ASIC expenses moved from a net benefit of US$8.7 million in the prior year to an expense of US$1.1 million. General corporate costs in fiscal year 2011 were materially impacted by US$10.3 million recovered from third parties in respect of prior period ASIC expenses. General corporate costs in fiscal year 2011 also reflected domicile change related costs of US$1.8 million.

General corporate costs excluding ASIC expenses and domicile change related costs decreased from US$33.8 million in fiscal year 2011 to US$32.8 million in fiscal year 2012.

Net interest expense. Net interest expense increased from US$4.4 million in fiscal year 2011 to US$7.4 million in fiscal year 2012. Net interest expense in fiscal year 2012 included interest and borrowing costs relating to the Company s external credit facilities of US$3.7 million and a realised loss of US$7.5 million on interest rate swaps, partially offset by AICF interest income of US$3.3 million and other interest income of US$0.5 million. Net interest expense in fiscal year 2011 included a realised loss of US$3.9 million on interest rate swaps and interest and borrowing costs relating to the Company s external credit facilities of US$5.0 million, partially offset by AICF interest income of US$4.3 million.

Other income (expense). Other income (expense) increased from an expense of US$3.7 million in fiscal year 2011 to income of US$3.0 million in fiscal year 2012. Movements in other income (expense) are solely due to changes in the fair value accounting of interest rate swap contracts, which were favourably impacted by an increase in medium term US dollar interest rates.

Income tax benefit (expense). Income tax benefit (expense) moved from an expense of US$443.6 million in fiscal year 2011 to an income tax benefit of US$453.2 million in fiscal year 2012, as further explained below.

The Company s effective tax rate on earnings excluding asbestos, asset impairments and tax adjustments was 22.9% in fiscal year 2012, compared to 31.1% in fiscal year 2011, due to a higher

proportion of taxable earnings in jurisdictions with lower statutory income tax rates. The Company s geographic mix of earnings and expenses is also affected by fluctuations in foreign currency exchange rates of the US dollar to relevant local jurisdiction currencies.

Tax Adjustments. The Company recorded net favourable tax adjustments of US$486.9 million in fiscal year 2012, compared to net unfavourable tax adjustments of US$380.7 million in fiscal year 2011.

Fiscal year 2012 tax adjustments include a net benefit of US$485.2 million relating to the 1999 disputed amended tax assessment with the ATO, due to the High Court of Australia s refusal to grant special leave for the ATO to appeal the Full Federal Court of Australia s decision in favour of RCI Pty Ltd, as discussed below. Tax adjustments also reflect adjustments in the value of provisions for uncertain tax positions and net tax benefits that the Company anticipates will eventually become unavailable.

Tax adjustments in fiscal year 2011 reflected a US$32.6 million tax charge arising from the Company s corporate structure simplification and adjustments in the value of provisions for uncertain tax positions. In addition, income tax for fiscal year 2011 reflected income tax expense for the 1999 disputed amended assessment with the ATO following the dismissal of an appeal by RCI in the Federal Court of Australia on 1 September 2010.

Net income (loss). Net income was US$604.3 million in fiscal year 2012, compared to a loss of US$347.0 million in fiscal year 2011. Net income excluding asbestos, asset impairments, ASIC expenses and tax adjustments increased 20% from US$116.7 million in fiscal year 2011 to US$140.4 million in fiscal year 2012.

Year Ended 31 March 2011 Compared to Year Ended 31 March 2010

The following table shows our selected financial and operating data for continuing operations for fiscal years 2011 and 2010, expressed in millions of US dollars, unless otherwise stated.

	Fiscal Years Ended 31 March		
	2011	**2010**	**Favourable (Unfavourable) Change**
Net sales:			
USA and Europe Fibre Cement	$ 814.0	$ 828.1	(2)%
Asia Pacific Fibre Cement	353.0	296.5	19
Total net sales	1,167.0	1,124.6	4
Cost of goods sold	(775.1)	(708.5)	(9)
Gross profit	391.9	416.1	(6)
Selling, general and administrative expenses	(173.4)	(185.8)	7
Research and development expenses	(28.0)	(27.1)	(3)
Asbestos adjustments	(85.8)	(224.2)	62
Operating income (loss)	104.7	(21.0)	
Net interest expense	(4.4)	(4.0)	(10)
Other (expense) income	(3.7)	6.3	
Income (loss) before income taxes	96.6	(18.7)	
Income tax expense	(443.6)	(66.2)	
Net loss	$ (347.0)	$ (84.9)	
Volume (mmsf):			
USA and Europe Fibre Cement	1,248.0	1,303.7	(4)
Asia Pacific Fibre Cement	407.8	389.6	5

Average net sale price per unit (per msf):					
USA and Europe Fibre Cement	US$	652	US$	635	3
Asia Pacific Fibre Cement	A$	916	A$	894	2 %

Net sales. Total net sales increased 4% from US$1,124.6 million in fiscal year 2010 to US$1,167.0 million in fiscal year 2011. Net sales in fiscal year 2011 was favourably impacted by an increase in the average net sales price and an appreciation of the Asia Pacific currencies against the US dollar.

USA and Europe Fibre Cement net sales. Net sales decreased 2% from US$828.1 million in fiscal year 2010 to US$814.0 million in fiscal year 2011 due to lower sales volume, partially offset by a higher average net sales price.

Sales volume decreased 4% from 1,303.7 million square feet in fiscal year 2010 to 1,248.0 million square feet in fiscal year 2011, primarily due to weaker demand for our products in the US caused by the prolonged weakness in housing construction activity. The average net sales price increased 3% from US$635 per thousand square feet in fiscal year 2010 to US$652 per thousand square feet in fiscal year 2011 as a result of a price increase and a favourable shift in product mix.

USA and Europe Fibre Cement fiscal year 2011 operating income was 23% below prior year due to an increase in input costs (primarily pulp and freight), lower sales volume, unfavourable cost absorption driven by lower production volume and higher labour cost per unit manufactured, and unfavourable manufacturing performance, partially offset by a higher average net sales price and a reduction in SG&A expenses. USA and Europe Fibre Cement operating income was favourably impacted by the European business, which delivered a strong result as both sales volume and average net sales price increased in fiscal year 2011 compared to fiscal year 2010.

According to the US Census Bureau, single family housing starts, which are a key driver of our performance, were 446,400 in fiscal year 2011, 7.3% below fiscal year 2010.

For fiscal year 2011, the average Northern Bleached Softwood Kraft (NBSK) pulp price was US$978 per ton, up 30.4% compared to US$750 per ton for fiscal year 2010. Input costs are expected to remain high with NBSK pulp prices forecast to remain at or above US$1,000 per ton. In April 2011, the average NBSK pulp price rose to US$1,020 per ton from US$990 per ton in March 2011.

Similarly, freight costs in the US were higher for fiscal year 2011 compared to fiscal year 2010 with the majority of the increase impacting the fourth quarter result. Freight costs rose due to higher truck rates attributed to flatbed truck supply constraints (as the broader US economy recovers), higher fuel costs and product mix shifts.

Notwithstanding improved affordability, increasing levels of household formation and falling inventories of new and existing houses for sale, a recovery in the sector continues to be inhibited by a combination of factors such as relatively low levels of consumer confidence, limited access to credit for prospective home buyers, falling housing values and the continued supply of foreclosed properties.

Asia Pacific Fibre Cement net sales. Net sales increased 19% from US$296.5 million in fiscal year 2010 to US$353.0 million in fiscal year 2011. The higher value of the Asia Pacific business currencies against the US dollar accounted for 12% of this increase. The underlying Australian dollar business results accounted for the remaining 7% increase, as both sales volume and average net sales price increased.

Asia Pacific Fibre Cement sales volume was up 5% in fiscal year 2011 compared to fiscal year 2010 as a strong sales effort across the region and particularly in Australia delivered improved results. When combined with the sustained growth in primary demand for fibre cement and market share gains, these factors helped to offset a moderation in market conditions in the second half of fiscal year 2011.

In Australia, increases in mortgage interest rates, along with wet weather along the eastern seaboard and the end of the government social housing construction initiative, had a dampening effect upon the

Australian residential housing construction market in the fourth quarter. According to the Australian Bureau of Statistics (ABS), total dwellings approved increased 3% compared to fiscal year 2010, with detached houses down 10%.

In Australia, the Scyon branded product range continued to build momentum over the course of fiscal year 2011. In New Zealand, the business faced continued challenges as business and consumer confidence fell during fiscal year 2011 and subsequently the construction of residential houses fell to historically low levels. The business has also had to contend with increased competition from imported products. In the Philippines, sales volume decreased slightly in fiscal year 2011 compared to fiscal year 2010. Improved sales of differentiated products and relatively strong underlying market conditions during fiscal year 2011 were partially offset by a mechanical failure during the second quarter.

Gross profit. Gross profit decreased 6% from US$416.1 million in fiscal year 2010 to US$391.9 million in fiscal year 2011. The gross profit margin decreased 3.4 percentage points from 37.0% in fiscal year 2010 to 33.6 % in fiscal year 2011.

USA and Europe Fibre Cement gross profit decreased 16% compared to fiscal year 2010, of which 9% was due to an increase in input costs (primarily pulp and freight), 6% due to lower sales volume and 6% due to unfavourable cost absorption and higher labour cost per unit manufactured driven primarily by lower production volume, partially offset by a 5% benefit from an increase in average net sales price. The gross profit margin of the USA and Europe Fibre Cement business decreased by 5.6 percentage points.

Asia Pacific Fibre Cement gross profit increased 30% compared to fiscal year 2010, of which 13% resulted from favourable currency exchange rate movements in the Asia Pacific business currencies compared to the US dollar. In Australian dollars, gross profit increased 17%, of which 9% was due to an increase in average net sales price, 5% due to higher sales volume, 4% due to improved manufacturing performance and 3% due to lower fixed unit cost of manufacturing as fixed costs were spread over higher production volume, partially offset by a 3% detriment due to increased pulp costs and 1% detriment due to a mechanical failure in the Philippines facility that occurred during the second quarter of fiscal year 2011. The gross profit margin of the Asia Pacific Fibre Cement business increased by 2.8 percentage points.

Selling, general and administrative (SG&A) expenses. SG&A expenses decreased 7%, from US$185.8 million in fiscal year 2010 to US$173.4 million in fiscal year 2011. The decrease was primarily due to recoveries from third parties of US$10.3 million related to the costs of bringing and defending appeals for certain of the ten former officers and directors involved in the ASIC proceedings, partially offset by higher SG&A expenses in the Asia Pacific Fibre Cement segment. As a percentage of sales, SG&A expenses declined 1.6 percentage points to 14.9%. Further information on general corporate costs is included below.

ASIC Proceedings

For the year ended 31 March 2011, we incurred legal costs related to the ASIC proceedings of US$1.6 million. Our cumulative net costs in relation to the ASIC proceedings from their commencement in February 2007 to 31 March 2011 have totalled US$14.4 million.

During the second quarter of fiscal year 2011, we entered into agreements with third parties and subsequently received payment for US$10.3 million related to the costs of the ASIC proceedings for certain of the ten former officers and directors. This resulted in a net benefit of US$8.7 million in fiscal year 2011, compared to an expense of US$3.4 million in fiscal year 2010. ASIC recoveries are included as a component of SG&A expense for the year ended 31 March 2011.

See Note 13 to our consolidated financial statements for further information on the ASIC Proceedings.

Research and development expenses. Research and development expenses include costs associated with core research projects that are designed to benefit all business units. These costs are recorded in the Research and Development segment rather than being attributed to individual business units. These costs were 8% higher for fiscal year 2011 at US$16.9 million compared to fiscal year 2010.

Other research and development costs associated with commercialisation projects in business units are included in the business unit segment results. In total, these costs were 3% lower for the fiscal year 2011 at US$11.1 million compared to fiscal year 2010.

Asbestos adjustments. The Company s asbestos adjustments are derived from an estimate of future Australian asbestos-related liabilities in accordance with the AFFA that was signed with the New South Wales (NSW) Government in November 2006 and approved by the Company s security holders in February 2007.

The discounted central estimate of the asbestos liability has decreased from A$1.537 billion at 31 March 2010 to A$1.478 billion at 31 March 2011. The reduction in the discounted central estimate of A$59 million is primarily due to a reduction in the projected future number of claims to be reported for a number of disease types.

The asbestos-related assets and liabilities are denominated in Australian dollars. Therefore the reported value of these asbestos-related assets and liabilities in our Consolidated Balance Sheets in US dollars is subject to adjustment, with a corresponding effect on our Consolidated Statement of Operations, depending on the closing exchange rate between the two currencies at the balance sheet date.

For fiscal year 2011, the Australian dollar appreciated against the US dollar by 13%, compared to a 33% appreciation in fiscal year 2010.

The Company receives an updated actuarial estimate as of 31 March each year. The last actuarial assessment was performed as of 31 March 2011. The asbestos adjustments for the fiscal years ended 31 March 2011 and 2010 are as follows:

	Fiscal Years Ended 31 March	
	2011	**2010**
(Millions of US dollars)		
Change in estimates	$ 21.5	$ (3.3)
Effect of foreign exchange movements	(107.3)	(220.9)
Asbestos adjustments	$ (85.8)	$ (224.2)

Claims Data

The number of new claims filed in fiscal year 2011 of 494 is lower than new claims of 535 reported for fiscal year 2010, and below actuarial expectations for the fiscal year 2011.

The number of settled claims in fiscal year 2011 of 459 is lower than claims settled of 540 for the fiscal year 2010.

The average claim settlement of A$204,000 for fiscal year 2011 is A$13,000 higher than fiscal year 2010 but below the actuarial expectations for fiscal year 2011.

Asbestos claims paid of A$100.6 million for fiscal year 2011 were lower than the actuarial expectation of A$117.0 million. The lower-than-expected expenditure was due to lower settlement activity and lower-than-expected claim settlement sizes.

All figures provided in this Claims Data section are gross of insurance and other recoveries. See Note 11 to our consolidated financial statements for further information on asbestos adjustments.

Operating income (loss). Operating income moved from a loss of US$21.0 million in fiscal year 2010 to income of US$104.7 million in fiscal year 2011. Fiscal year 2011 operating income includes net unfavourable asbestos adjustments of US$85.8 million, AICF SG&A expenses of US$2.2 million and a net benefit related to the ASIC proceedings of US$8.7 million. In fiscal year 2010, operating loss included net unfavourable asbestos adjustments of US$224.2 million, AICF SG&A expense of US$2.1 million and ASIC expenses of US$3.4 million.

USA and Europe Fibre Cement operating income fell 23% from US$208.5 million in fiscal year 2010 to US$160.3 million in fiscal year 2011. The decrease was primarily due to an increase in input costs (primarily pulp and freight), lower sales volume, unfavourable cost absorption driven by lower production volume and higher labour cost per unit manufactured, and unfavourable manufacturing performance, partially offset by a higher average net sales price and a reduction in SG&A expenses. The USA and Europe Fibre Cement operating income margin was 5.5 percentage points lower at 19.7%.

Asia Pacific Fibre Cement operating income increased 35% from US$58.7 million in fiscal year 2010 to US$79.4 million in fiscal year 2011, of which 13% was attributed to appreciation of the Asia Pacific business currencies compared to the US dollar. In Australian dollars, Asia Pacific Fibre Cement operating income increased 22% primarily due to an increase in average net sales price, higher sales volume, lower fixed unit cost of manufacturing as fixed costs were spread over higher production volume and improved manufacturing performance, partially offset by higher input costs (primarily pulp) and a mechanical failure in the Philippines facility that temporarily halted production during the second quarter of fiscal year 2011. The Asia Pacific Fibre Cement operating income margin was 2.7 percentage points higher at 22.5%.

General corporate costs. General corporate costs decreased 37% from US$42.9 million in fiscal year 2010 to US$26.9 million in fiscal year 2011. General corporate costs in fiscal year 2011 have been materially impacted by US$10.3 million recovered from third parties in respect of prior period ASIC expenses.

ASIC expenses moved from an expense of US$3.4 million in fiscal year 2010 to a benefit of US$8.7 million in fiscal year 2011.

General corporate costs excluding ASIC expenses and domicile change related costs for fiscal year 2011 increased from US$30.4 million in fiscal year 2010 to US$33.8 million in fiscal year 2011 primarily due to a US$7.6 million non-recurring write-back of a legal provision recognised in fiscal year 2010.

Net interest expense. Net interest expense increased from US$4.0 million in fiscal year 2010 to US$4.4 million in fiscal year 2011. Net interest expense in fiscal year 2011 includes a realised loss of US$3.9 million on interest rate swaps and interest and borrowing costs relating to our external credit facilities of US$5.0 million, partially offset by AICF interest income of US$4.3 million. Net interest expense for fiscal year 2010 includes a realised loss on interest rate swaps of US$2.5 million and interest and borrowing costs relating to our external credit facilities of US$2.2 million, partially offset by AICF interest income of US$3.3 million.

Other (expense) income. Other expense moved from income of US$6.3 million in fiscal year 2010 to an expense of US$3.7 million in fiscal year 2011. This movement is primarily due to an unrealised loss resulting from a change in the fair value of interest rate swap contracts of US$3.8 million in fiscal year 2011, compared to an unrealised loss of US$0.4 million in fiscal year 2010. In addition, a realised gain of US$6.7 million was recognised in fiscal year 2010, which resulted from the sale of restricted short-term investments held by AICF that did not recur in fiscal year 2011.

Income tax. Income tax expense increased from US$66.2 million in fiscal year 2010 to US$443.6 million in fiscal year 2011, as further explained below. Our effective tax rate on earnings excluding asbestos and tax adjustments was 31.1% in fiscal year 2011, compared to 34.4% in fiscal year 2010. The change in effective tax rate excluding asbestos and tax adjustments compared to fiscal year 2010 is attributable to changes in the geographic mix of earnings and expenses, and reductions in non-tax deductible expenses.

We recorded unfavourable tax adjustments of US$380.7 million in fiscal year 2011 compared to favourable tax adjustments of US$2.9 million in fiscal year 2010. The tax adjustments in fiscal year 2011 reflect a US$32.6 million tax charge arising from our corporate structure simplification and a non-cash expense of US$345.2 million following the dismissal of RCI s appeal of the 1999 disputed amended tax assessment.

RCI strongly disputes the amended assessment and is pursuing an appeal of the Federal Court s judgment. RCI s appeal was heard from 16 May 2011 to 18 May 2011 before the Full Court of the Federal Court of Australia. Judgment has been reserved.

With effect from 1 September 2010, we have expensed payments of GIC to the ATO until RCI ultimately prevails on the matter or the remaining outstanding balance of the amended assessment is paid. See Note 14 to our consolidated financial statements for further information on the ATO Amended Assessment.

Net Loss. Net loss for fiscal year 2011 was US$347.0 million, compared to US$84.9 million for fiscal year 2010. Net income excluding asbestos, ASIC expenses and tax adjustments decreased 12% from US$133.0 million in fiscal year 2010 to US$116.7 million in fiscal year 2011.

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Definitions

Financial Measures — Australian equivalent terminology

Operating income and Operating income margin — is equivalent to EBIT and EBIT margin

Income before income taxes — is equivalent to operating profit

Net income — is equivalent to net operating profit

Non-GAAP Financial Information Derived from GAAP Measures

The following tables set forth the reconciliation of our non-GAAP financial measures included in our discussion above to the most directly comparable GAAP financial measure. These non-GAAP financial measures are not prepared in accordance with US GAAP; therefore, the information is not necessarily comparable to other companies' financial information and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with US GAAP.

Operating income excluding asbestos, asset impairments and ASIC expenses — operating income excluding asbestos, asset impairments and ASIC expenses is not measures of financial performance under US GAAP and should not be considered to be more meaningful than operating income. Management has included these financial measures to provide investors with an alternative method for assessing our operating results in a manner that is focussed on the performance of our ongoing operations and provide useful information regarding our financial condition and results of operations. Management uses these non-US GAAP measures for the same purposes.

	Fiscal Years Ended 31 March		
(Millions of US dollars)	**2012**	**2011**	**2010**
USA and Europe Fibre Cement	$ 162.7	$ 160.3	$ 208.5
Asia Pacific Fibre Cement	80.3	79.4	58.7
Research and Development	(20.7)	(20.1)	(19.0)
General Corporate:			
General corporate costs	(33.9)	(26.9)	(42.9)
Asbestos adjustments	(15.8)	(85.8)	(224.2)
Asset impairments	(14.3)		
AICF SG&A expenses	(2.8)	(2.2)	(2.1)
Total operating income (loss)	$ 155.5	$ 104.7	$ (21.0)
Excluding:			
Asbestos:			
Asbestos adjustments	15.8	85.8	224.2
AICF SG&A expenses	2.8	2.2	2.1
Asset impairments	14.3		
ASIC related expenses (recoveries)	1.1	(8.7)	3.4
Operating income excluding asbestos, asset impairments and ASIC expenses	$ 189.5	$ 184.0	$ 208.7

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Effective tax rate excluding asbestos, asset impairments and tax adjustments Effective tax rate excluding asbestos, asset impairments and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than effective tax rate. Management has included this financial measure to provide investors with an alternative method for assessing our operating results in a manner that is focussed on the performance of our ongoing operations. Management uses this non-US GAAP measure for the same purposes.

	Fiscal Years Ended 31 March		
(Millions of US dollars)	**2012**	**2011**	**2010**
Income (loss) before income taxes	$ 151.1	$ 96.6	$ (18.7)
Excluding:			
Asbestos:			
Asbestos adjustments	15.8	85.8	224.2
AICF SG&A expenses	2.8	2.2	2.1
AICF interest income	(3.3)	(4.3)	(3.3)
Gain on AICF investments			(6.7)
Asset impairments	14.3		
Income before income taxes excluding asbestos and asset impairments	$ 180.7	$ 180.3	$ 197.6
Income tax benefit (expense)	$ 453.2	$ (443.6)	$ (66.2)
Excluding:			
Asbestos:			
Tax (benefit) expense related to asbestos adjustments	(2.7)	6.9	1.1
Tax benefit related to asset impairments	(5.0)		
Tax adjustments[1]	(486.9)	380.7	(2.9)
Income tax expense excluding tax effect of asbestos adjustments, asset impairments and tax adjustments	$ (41.4)	$ (56.0)	$ (68.0)
Effective tax rate	299.9%	(459.2)%	354.0%
Effective tax rate excluding asbestos, asset impairments and tax adjustments	22.9%	31.1%	34.4%

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Net income excluding asbestos, asset impairments, ASIC expenses and tax adjustments Net income excluding asbestos, asset impairments, ASIC expenses and tax adjustments is not a measure of financial performance under US GAAP and should not be considered to be more meaningful than net income. Management has included this financial measure to provide investors with an alternative method for assessing our operating results in a manner that is focussed on the performance of our ongoing operations. Management uses this non-US GAAP measure for the same purposes.

	Fiscal Years Ended 31 March		
(Millions of US dollars)	**2012**	**2011**	**2010**
Net income (loss)	$ 604.3	$ (347.0)	$ (84.9)
Excluding:			
Asbestos:			
Asbestos adjustments	15.8	85.8	224.2
AICF SG&A expenses	2.8	2.2	2.1
AICF interest income	(3.3)	(4.3)	(3.3)
Gain on AICF investments			(6.7)
Tax (benefit) expense related to asbestos adjustments	(2.7)	6.9	1.1
Asset impairments	14.3		
ASIC related expenses (recoveries) net of tax	1.1	(7.6)	3.4
Tax benefit related to asset impairments	(5.0)		
Tax adjustments[1]	(486.9)	380.7	(2.9)
Net income excluding asbestos, asset impairments, ASIC expenses and tax adjustments	$ 140.4	$ 116.7	$ 133.0

1 Fiscal year 2012 includes a benefit of US485.2 million recognised upon RCI s successful appeal of the ATO s disputed 1999 amended assessment. Fiscal year 2011 includes a charge of US$345.2 million related to the dismissal of RCI s appeal of the 1999 disputed amended assessment and a charge of US$32.6 million arising from our corporate structure simplification announced on 17 May 2011.

Impact of Recent Accounting Pronouncements

In May 2011, FASB issued ASU No. 2011-04, which amends some fair value measurement principles and disclosure requirements. The new guidance states that the concepts of highest and best use and valuation premise are only relevant when measuring the fair value of non-financial assets and prohibits the grouping of financial instruments for purposes of determining their fair values when the unit of account is specified in other guidance. ASU No. 2011-04 is effective for the interim and annual periods beginning on or after 15 December 2011. The adoption of this ASU did not result in a material impact on our consolidated financial position, results of operations or cash flows.

In June 2011, the FASB issued ASU No. 2011-05, which requires that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. ASU No. 2011-05 is effective for fiscal years, and interim periods within those years, beginning after 15 December 2011. The adoption of this ASU is not expected to result in a material impact on our consolidated financial position, results of operations or cash flows.

In December 2011, the FASB issued ASU No. 2011-12, which defers the implementation of only those changes in ASU No. 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. All other requirements in ASU No. 2011-05 are not affected by this update, including the requirement to report comprehensive income either in a single continuous statement or in two separate but consecutive financial statements. The amendments in ASU No. 2011-12 are effective at the same time as the amendments in ASU No. 2011-05, being fiscal years, and interim periods within those years, beginning after 15 December 2011. The adoption of this ASU is not expected to result in a material impact on our consolidated financial position, results of operations or cash flows.

Liquidity and Capital Resources

Our treasury policy regarding our liquidity management, foreign exchange risk management, interest rate risk management and cash management is administered by our treasury department and is centralised in Ireland. This policy is reviewed annually and is designed to ensure that we have sufficient liquidity to support our business activities and meet future business requirements in the countries in which we operate. Counterparty limits are managed by our treasury department and based upon the counterparty credit rating; total exposure to any one counterparty is limited to specified amounts that are approved annually by the CFO.

We have historically met our working capital needs and capital expenditure requirements through a combination of cash flow from operations, credit facilities and other borrowings, proceeds from the sale of property, plant and equipment and proceeds from the redemption of investments. Seasonal fluctuations in working capital generally have not had a significant impact on our short-term or long-term liquidity. We anticipate that we will have sufficient funds to meet our planned working capital and other cash requirements for the next 12 months based on our existing cash balances and anticipated operating cash flows arising during the year. We anticipate that any additional cash requirements will be met from unutilised committed credit facilities and anticipated future net operating cash flow.

Excluding AICF s drawdown on its standby loan facility with the NSW Government (which the Company is not a party to, guarantor of or security provider in respect of AICF loan facility), we moved to a net cash position of US$265.4 million at 31 March 2012 compared to net debt of US$40.4 million at 31 March 2011.

As of 31 March 2012, we had credit facilities totaling US$280.0 million, of which no amounts were drawn. The credit facilities are all uncollateralised and consist of the following:

	At 31 March 2012		
Description	**Effective Interest Rate**	**Total Facility**	**Principal Drawn**
		(Millions of US dollars)	
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until September 2012		$ 50.0	$
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until December 2012		130.0	
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2013		50.0	
Term facilities, can be drawn in US$, variable interest rates based on LIBOR plus margin, can be repaid and redrawn until February 2014		50.0	
Total		$ 280.0	$

The weighted average interest rate on the Company s total debt was nil and 1.02% at 31 March 2012 and 2011, respectively.

On 28 March 2012, US$40.0 million of our unutilised credit facilities with a maturity of February 2013 were cancelled. We did not replace these credit facilities. Accordingly, at 31 March 2012, US$280.0 million was unutilised and available to us.

We draw on and repay amounts available under our term facilities throughout the financial year. During fiscal year 2012, we drew down US$160.0 million and repaid US$219.0 million of our term facilities. The weighted average remaining term of the total credit facilities of at 31 March 2012 was 0.9 years.

If the Company is unable to extend its remaining credit facilities, or is unable to renew its existing credit facilities on terms that are substantially similar to the ones it presently has, it may experience liquidity issues and may have to reduce its levels of planned capital expenditures, suspend share buy-back activities or dividend payments, or take other measures to conserve cash in order to meet its future cash flow requirements.

The Company has historically met its working capital needs and capital expenditure requirements from a combination of cash flow from operations, credit facilities and other borrowings and proceeds from the sale of property, plant and equipment. Seasonal fluctuations in working capital generally have not had a significant impact on its short-term or long-term liquidity.

The Company anticipates it will have sufficient funds to meet its planned working capital and other expected cash requirements for the next twelve months based on its existing cash balances and anticipated operating cash flows arising during the year. The Company anticipates that any additional cash requirements will be met from existing unutilised committed credit facilities and anticipated future net operating cash flow.

At 31 March 2012, the Company was in compliance with all restrictive debt covenants contained in its credit facility agreements. Under the most restrictive of these covenants, the Company (i) is required to maintain certain ratios of indebtedness to equity which do not exceed certain maximums, excluding assets, liabilities and other balance sheet items of AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, (ii) must maintain a minimum level of net worth, excluding assets, liabilities and other balance sheet items of AICF; for these purposes net worth means the sum of the par value (or value stated in the books of the James Hardie Group) of the capital stock (but excluding treasury stock and capital stock subscribed or unissued) of the James Hardie Group, the paid in capital and retained earnings of the James Hardie Group and the aggregate amount of provisions made by the James Hardie Group for asbestos-related liabilities, in each case, as such amounts would be shown in the consolidated balance sheet of the James Hardie Group if Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited were not consolidated with the James Hardie Group, (iii) must meet or exceed a minimum ratio of earnings before interest and taxes to net interest charges, excluding all income, expense and other profit and loss statement impacts of AICF, Amaba, Amaca, ABN 60 and Marlew Mining Pty Limited, and (iv) must ensure that no more than 35% of Free Cash Flow (as defined in the AFFA), in any given financial year (Annual Cash Flow Cap) is contributed to AICF on the payment dates under the AFFA in the next following financial year. The Annual Cash Flow Cap does not apply to payments of interest, if any, to AICF and is consistent with contractual obligations of the Performing Subsidiary and the Company under the AFFA.

ATO 1999 Disputed Amended Assessment

In March 2006, RCI Pty Ltd (RCI), a wholly-owned subsidiary of the Company, received an amended assessment from the ATO in respect of RCI s income tax return for the year ended 31 March 1999.

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The amended assessment issued to RCI was for a total of A$412.0 million. However, after subsequent remissions of general interest charges (GIC) by the ATO the total was changed to A$368.0 million, comprising primary tax after allowable credits, penalties, and GIC.

During fiscal year 2007 RCI agreed with the ATO that in accordance with the ATO Receivables Policy, RCI would pay 50% of the total amended assessment, being A$184.0 million (US$152.5 million), and provide a guarantee from James Hardie Industries SE (formerly James Hardie Industries NV) in favour of the ATO for the remaining unpaid 50% of the amended assessment, pending outcome of the appeal of the amended assessment. RCI also agreed to pay GIC accruing on the unpaid balance of the amended assessment in arrears on a quarterly basis.

On 30 May 2007, the ATO issued a Notice of Decision disallowing RCI s objection to the amended assessment (Objection Decision). On 11 July 2007, the Company filed an application appealing the Objection Decision with the Federal Court of Australia. The matter was heard before the Federal Court in September 2009. On 1 September 2010, the Federal Court of Australia dismissed RCI s appeal.

Prior to the Federal Court s decision on RCI s appeal, the Company believed it was more-likely-than-not that the tax position reported in RCI s tax return for the 1999 fiscal year would be upheld on appeal.

As a result of the Federal Court s decision, the Company re-assessed its tax position with respect to the amended assessment and concluded that the more-likely-than-not recognition threshold as prescribed by US GAAP was no longer met. Accordingly, with effect from 1 September 2010, the Company recognised an expense of US$345.2 million (A$388.0 million) on its consolidated statement of operations for the year ended 31 March 2011, which did not result in a cash outflow. In addition, the Company recognised an uncertain tax position of US$190.4 million (A$184.3 million) on its consolidated balance sheet at 31 March 2011 relating to the unpaid portion of the amended assessment.

RCI appealed the Federal Court s judgment to the Full Court of the Federal Court of Australia. RCI s appeal was heard in May 2011. On 22 August 2011, the Full Federal Court upheld RCI s appeal, ordered that RCI s objection be allowed in full and awarded RCI costs.

Following the decision of the Full Federal Court to uphold RCI s appeal, the Company undertook a review of RCI s tax position. Due to the continued uncertainty in relation to the ultimate outcome of the matter, the Company continued to reflect a liability on its consolidated balance sheet relating to the unpaid portion of the amended assessment, as discussed above.

Subsequently, on 19 September 2011, the ATO filed an application for special leave to appeal the Full Federal Court s decision to the High Court of Australia. On 10 February 2012, the High Court refused to grant special leave and dismissed the ATO s application. Accordingly, the matter was finalised in RCI s favour.

With all avenues of appeal exhausted and the matter effectively concluded, on 27 February 2012 the ATO issued a notice of amended assessment and paid a refund to RCI of A$248.0 million (US$265.8 million). This amount comprises cash that RCI remitted to the ATO during the appeal proceedings of A$184.3 million (US$197.5 million, translated at the prevailing spot exchange rate of US$1.0714/A$1.00 at 10 February 2012), representing 50% of the previous amended assessment, and general interest charges paid by RCI on the unpaid portion of the previous amended assessment of A$63.7 million (US$68.3 million).

On 7 March 2012, the ATO paid an additional refund to RCI of A$121.8 million (US$130.5 million), being the ATO s calculation of interest income on amounts taken to have been overpaid in respect of

the notice of amended assessment issued by the ATO on 27 February 2012. This additional receipt of funds brings the total refunded by the ATO in respect of the RCI notice of amended assessment to A$369.8 million (US$396.3 million).

During the fourth quarter ended 31 March 2012, the Company recognised an income tax benefit of A$452.9 million (US$485.2 million) within income tax expense, which includes amounts refunded by the ATO noted above and the reversal of the provision for the unpaid portion of the amended assessment, being A$184.3 million (US$197.5 million, translated at the prevailing spot exchange rate of US$1.0714/A$1.00 at 10 February 2012), partially offset by income taxes payable in respect of the reversal of general interest charges previously recognised as deductible, and interest on overpayment of tax, totalling A$101.2 million (US$108.6 million). The Company has determined that it is not required to recognise deferred taxes in association with undistributed profits of RCI.

Readers are referred to Note 14 of the Company s Consolidated Financial Statements for the year ended 31 March 2012 for further information.

ASIC Proceedings

During fiscal year 2012, legal costs incurred in the ASIC proceedings were US$1.1 million. The Company s cumulative net costs in relation to the ASIC proceedings from their commencement in February 2007 to 31 March 2012 have totalled US$15.5 million, net of third party recoveries.

Losses and expenses arising from the ASIC proceedings could have a material adverse effect on the Company s financial position, liquidity, results of operations and cash flows. It is the Company s policy to expense legal costs as incurred.

Readers are referred to Note 13 of the Company s 31 March 2012 Consolidated Financial Statements for further information about the ASIC proceedings.

Cash Flow Year Ended 31 March 2012 compared to Year ended 31 March 2011

Net operating cash flow increased US$240.0 million from US$147.2 million in fiscal year 2011 to US$387.2 million in fiscal year 2012. Net operating cash flow was favourably impacted by a cash refund of US$396.3 million from the ATO, reflecting RCI s successful appeal of a 1999 disputed amended tax assessment, partially offset by a contribution to AICF of US$51.5 million in July 2011 (compared to US$63.7 million in fiscal year 2011) and our early contribution to AICF of US$138.7 million on 2 April 2012, which was reflected as restricted cash at 31 March 2012.

Excluding the ATO cash refund and contributions to AICF, net operating cash flow decreased 14% from US$210.9 million in the prior year to US$181.1 million. Net operating cash flow was unfavourably impacted by a payment of withholding taxes of US$35.5 million arising from the Company s corporate structure simplification, as announced on 17 May 2011, of which US$32.6 million was recognised as an expense in the final quarter of fiscal year 2011, and settlements of interest rate swap contracts, which resulted in a realised loss of US$7.5 million. These unfavourable movements were partially offset by an unrelated tax refund of US$12.3 million.

Historically, we have generated cash from operations before accounting for unusual or discrete large cash outflows. Therefore, in periods when we do not incur any unusual or discrete large cash outflows, we expect that net operating cash flow will be the primary source of liquidity to fund business activities. In periods where cash flows from operations are insufficient to fund all business activities, we expect to rely more significantly on available credit facilities and other sources of working capital.

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Net cash used in investing activities increased from US$49.6 million in fiscal year 2011 to US$49.9 million in fiscal year 2012. The increase was due to the deposit of US$14.4 million related to the acquisition of the assets of a US business engaged in the pultrusion of fibreglass profiles, which was completed in the first quarter of fiscal year 2013. This increase was offset by a US$14.5 million decrease in our capital expenditures from US$50.3 million in fiscal year 2011 to US$35.8 million in fiscal year 2012.

Net cash used in financing activities decreased from US$89.7 million in fiscal year 2011 to US$84.4 million in fiscal year 2012 primarily due to repurchases of common stock of US$19.0 million and dividends paid of US$17.4 million in fiscal year 2012, which were both nil in fiscal year 2011. These decreases were partially offset by a reduction in our outstanding term facilities of US$59.0 million during fiscal year 2012 compared to reduction of US$95.0 million during fiscal year 2011.

Capital Requirements and Resources

Our capital requirements consist of expansion, renovation and maintenance of our production facilities and construction of new facilities. Our working capital requirements, consisting primarily of inventory and accounts receivable and payable, fluctuate seasonally during months of the year when overall construction and renovation activity volumes increase.

During the fiscal year ended 31 March 2012, we met our capital expenditure requirements through a combination of internal cash and funds from our credit facilities. We currently expect to spend between US$70 million and US$100 million in fiscal year 2012 for capital expenditures, including facility upgrades and expansions and equipment to enhance environmental compliance.

We anticipate that our cash flows from operations, net of estimated payments under the AFFA, will be sufficient to fund our planned capital expenditure and working capital requirements in the short-term. If we do not generate sufficient cash from operations to fund our planned capital expenditures and working capital requirements, we believe the cash and cash equivalents of US$265.4 million at 31 March 2012 and the cash that we anticipate will be available to us under credit facilities, will be sufficient to meet any cash shortfalls during at least the next 12 months.

Subject to the terms and conditions of the AFFA, we are required to fund AICF on an annual basis, depending on our net operating cash flow. The initial funding payment of A$184.3 million (US$145.0 million at the time of payment) was made to AICF in February 2007 and annual payments will be made each July, unless quarterly payments are elected by the Company. The amounts of these annual payments are dependent on several factors, including our free cash flow (as defined in the AFFA), actuarial estimations, actual claims paid, operating expenses of AICF and the annual cash flow cap. Further contributions of A$118.0 million (US$110.0 million) (including interest payments), A$72.8 million (US$63.7 million) and A$48.9 million (US$51.5 million) were made in fiscal years 2009, 2011 and 2012, respectively. Under the terms of the AFFA, we were not required to make a contribution to AICF in fiscal years 2008 and 2010. On 2 April 2012, we made an early contribution of US$138.7 million (A$132.3 million) to AICF. We expect to make a further contribution of US$45.4 million on 2 July 2012. Our obligation to make future contributions to AICF continues to be linked under the terms of the AFFA to our long-term financial success, especially our ability to generate net operating cash flow.

No dividends were paid to shareholders in fiscal year 2011. On 17 May 2011, we announced the adoption of a capital management policy to distribute between 20% and 30% of profits after tax (excluding asbestos adjustments, which are substantially of a non-cash nature in the short-term) in the form of ordinary dividends and to conduct a more active approach to capital management which was likely to see us buying back or issuing shares as our capital needs dictate, subject to the Board s review and declaration. In accordance with this policy, we also announced that we were seeking to

acquire up to 5% of our issued capital via an on-market share buyback during the twelve month period which ended on 21 May 2012. We acquired 3.4 million shares during fiscal year 2012 at an aggregate cost of US$19.0 million (A$19.1 million) at an average price paid per share of US$5.55 (A$5.59) under this previous share buyback program. As of 31 March 2012, all acquired shares were officially cancelled. See Section 3, Purchases of Equity Securities by the Issuer and Affiliated Purchasers for further details.

To facilitate the ability to access and distribute surplus cash flows and earnings of our operating subsidiaries more efficiently (including for the purpose of making periodic contributions to AICF), we commenced an internal reorganisation involving simplification of our corporate structure including some of the arrangements which were previously part of our Netherlands domicile. As part of this restructure, we incurred a tax charge of approximately US$32.6 million in fiscal year 2011, which was paid in fiscal year 2012. This charge did not impact our contribution to AICF in July 2011, although it is likely to reduce the contribution to AICF in July 2012 by approximately US$12.4 million in accordance with the terms of the AFFA. However, this amount was offset with the Company s early contribution to AICF of US$138.7 million on 2 April 2012, which was 35% of amounts received from the ATO.

On 21 May 2012, the Company announced a new share buyback program to acquire up to 5% of its issued capital over the subsequent 12 month period.

In fiscal year 2012, we paid an interim ordinary dividend to shareholders of US4.0 cents per security. The total amount of the dividend was US$17.4 million. On 21 May 2012, we announced an ordinary dividend of US38.0 cents per security. The dividend was declared in United States currency and will be paid on 23 July 2012, with a record date of 29 June 2012. When added to the interim ordinary dividend of US4.0 cents per security, paid from earnings in the first-half of fiscal year 2012, the full year dividend is US42.0 cents per security.

The full year dividend is at the upper end of the dividend payout ratio of 20% to 30% announced by the Company in May 2011. The Company intends to make further distributions to shareholders in the near term and to improve capital efficiency through a more appropriately leveraged balance sheet. This may be achieved, in part, with an increase in the dividend payout ratio.

We believe our business is affected by general economic conditions, such as level of employment, consumer confidence, consumer income, the availability of financing and interest rates in the United States and in other countries because these factors affect housing affordability and the level of housing values. Over the past several years, the ongoing sub-prime mortgage fallout, rising unemployment, increased foreclosures, high current inventory of unsold homes, tighter credit and volatile equity markets have materially adversely impacted our business. We expect that business derived from current US forecasts of new housing starts and renovation and remodel expenditures will result in our operations generating cash flow sufficient to fund the majority of our planned capital expenditures. It is possible that a slower recovery than expected in new housing starts in the United States or in other countries in which we manufacture and sell our products would negatively impact our growth and our current levels of revenue and profitability and therefore decrease our liquidity and ability to generate sufficient cash from operations to meet our capital requirements.

Pulp and cement are primary ingredients in our fibre cement formulation, which have been subject to price volatility, affecting our working capital requirements. In fiscal year 2012, the average NBSK pulp price was US$952 per ton, a decrease of 3% compared to fiscal year 2011. Although US dollar pulp prices have fallen from their highs, they are expected to remain at elevated levels compared to previous periods. To minimise additional working capital requirements caused by rising pulp prices, we have entered into various contracts that discount pulp prices in relation to pulp indices and purchase our pulp from several qualified suppliers in an attempt to mitigate price increases and supply interruptions.

Freight costs in the US increased in fiscal year 2012 and are expected to rise over the short to medium term reflecting supply constraints for trucks, as the broader economy improves and the cost of fuel remains high.

The collective impact of the foregoing factors, and other factors, including those identified in Forward-Looking Statements may materially adversely affect our ability to generate sufficient cash flows from operations to meet our short and longer-term capital requirements. We believe that we will be able to fund any cash shortfalls for at least the next 12 months with cash that we anticipate will be available under our credit facilities and that we will be able to maintain sufficient cash available under those facilities. Additionally, we may decide that it is necessary to suspend planned dividend payments and/or share buy-backs, scale back or postpone our expansion plans and/or take other measures to conserve cash to maintain sufficient capital resources over the short and longer-term.

Capital Expenditures

Our total capital expenditures for fiscal years 2012, 2011 and 2010 were US$35.8 million, US$50.3 million and US$50.5 million, respectively.

Significant capital expenditures in fiscal years 2012 and 2011 included expenditures related to: a new finishing capability on an existing product line; equipment to enhance environmental compliance at our plants; an upgrade to the US business supply chain management IT systems; and a new ColorPlus line at our Cleburne, Texas plant. Significant capital expenditures in fiscal year 2011 also included the addition of 12 foot XLD Trim capability at our Peru, Illinois plant.

Contractual Obligations

The following table summarises our contractual obligations at 31 March 2012:

		Payments Due During Fiscal Year Ending 31 March			
(Millions of US dollars)	**Total**	**2013**	**2014 to 2015**	**2016 to 2017**	**Beyond 5 Years**
Asbestos Liability[1]	$ 1,662.6	$ N/A	$ N/A	$ N/A	$ N/A
Long-Term Debt					
Estimated interest payments on Long-Term Debt[2]	3.1	1.9	1.2		
Long-Term Debt AICF loan facility[3]	30.9	30.9			
Estimated interest payments on Long-Term Debt AICF loan facility[4]					
Operating Leases	90.3	18.4	32.8	21.0	18.1
Purchase Obligations[5]	0.7	0.7			
Total	$ 1,787.6	$ 51.9	$ 34.0	$ 21.0	$ 18.1

1 The amount of the asbestos liability reflects the terms of the AFFA, which has been calculated by reference to (but is not exclusively based upon) the most recent actuarial estimate of the projected future asbestos-related cash flows prepared by KPMG Actuarial. The asbestos liability also includes an allowance for the future claims-handling costs of AICF. The table above does not include a breakdown of payments due each year as such amounts are not reasonably estimable. See Note 11 to our consolidated financial statements for further information regarding our future obligations under the AFFA.

2 Interest amounts are estimates based on gross debt remaining unchanged from the 31 March 2012 balance and interest rates remaining consistent with the rates at 31 March 2012. Interest paid includes interest in relation to our debt facilities, as

well as the net amount paid relating to interest rate swap agreements. The interest on our debt facilities is variable based on a market rate and includes margins agreed to with the various lending banks. The interest on our interest rate swaps is set at a fixed rate. There are several variables that can affect the amount of interest we may pay in future years, including: (i) new debt facilities with rates or margins different from historical rates; (ii) expiration of existing debt facilities resulting in a change in the average interest rate; (iii) fluctuations in the market interest rate; (iv) new interest rate swap agreements; and (v) expiration of existing interest rate swap agreements. We have not included estimated interest payments subsequent to fiscal year ending 31 March 2018 as such amounts are not reasonably estimable.

[3] On 3 April 2012, all amounts outstanding under AICF loan facility were fully repaid. JHI SE and its wholly-owned subsidiaries are not a party to, guarantor of, or security provided in respect of the AICF loan facility. However, because we consolidate AICF due to our pecuniary and contractual interest in AICF, any drawings, repayments or payments of accrued interest by AICF under the AICF loan facility impact our consolidated financial position, results of operations and cash flows.

[4] On 3 April 2012, all amounts outstanding under AICF loan facility were fully repaid. The Company is unable to reasonably estimate the timing and amount of future drawings, if any, on the AICF loan facility. Accordingly, future interest payments are deemed to be nil.

[5] Purchase Obligations are defined as agreements to purchase goods or services that are enforceable and legally-binding on us and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

See Notes 9, 11 and 13 to our consolidated financial statements for further information regarding long-term debt, long-term debt asbestos and operating leases, respectively.

Off-Balance Sheet Arrangements

As of 31 March 2012 and 2011, we did not have any material off-balance sheet arrangements.

Research and Development

For fiscal years 2012, 2011 and 2010, our expenses for research and development were US$30.4 million, US$28.0 million and US$27.1 million, respectively.

We view research and development as key to sustaining our existing market leadership position and expect to continue to allocate significant funding to this endeavor. Through our investment in process technology, we aim to keep reducing our capital and operating costs, and find new ways to make existing and new products.

Outlook

While some encouraging industry data points emerged during the final quarter of fiscal year 2012, we are planning for the market to be up only slightly over the prior year.

The rate of improvement in the US housing market continues to be inhibited by tight credit conditions, large but declining levels of excess inventory, high levels of unemployment, and uncertainty regarding house values.

In Australia, market conditions softened during the year, reflecting the continued deterioration in consumer confidence. Despite the Reserve Bank of Australia s recent reductions in official interest rates, market forecasters expect Australia s residential construction activity to continue to contract in the coming 12 months.

The New Zealand market continues to operate at subdued levels.

Additionally, while US dollar pulp prices have fallen from their highs, they remain at elevated levels and the business continues to contend with higher freight costs than in previous periods.

Changes in the asbestos liability to reflect changes in foreign exchange rates or updates of the actuarial estimate, ASIC proceeding matters, income tax related issues and other matters referred to in Forward Looking Statements, may have a material impact on our consolidated financial

statements.

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James Hardie Industries SE

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of

James Hardie Industries SE

We have audited the accompanying consolidated balance sheets of James Hardie Industries SE as of 31 March 2012 and 2011, and the related consolidated statements of operations, changes in shareholders equity (deficit), and cash flows for each of the three years in the period ended 31 March 2012. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of James Hardie Industries SE at 31 March 2012 and 2011, and the consolidated results of its operations and its cash flows for each of the three years in the period ended 31 March 2012 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), James Hardie Industries SE s internal control over financial reporting as of 31 March 2012, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 21 May 2012 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Irvine, California

21 May 2012

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James Hardie Industries SE

Consolidated Balance Sheets

	(Millions of US dollars)	
	31 March	**31 March**
	2012	**2011**
Assets		
Current assets:		
Cash and cash equivalents	$ **265.4**	$ 18.6
Restricted cash and cash equivalents	**140.4**	0.8
Restricted cash and cash equivalents - Asbestos	**59.0**	56.1
Restricted short-term investments - Asbestos	**6.0**	5.8
Accounts and other receivables, net of allowance for doubtful accounts of $2.3 million and $2.7 million as of 31 March 2012 and 31 March 2011, respectively	**137.7**	138.1
Inventories	**189.0**	161.5
Prepaid expenses and other current assets	**18.8**	31.6
Insurance receivable - Asbestos	**19.9**	13.7
Workers compensation - Asbestos	**0.5**	0.3
Deferred income taxes	**15.9**	21.1
Deferred income taxes - Asbestos	**23.0**	10.5
Total current assets	**875.6**	458.1
Restricted cash and cash equivalents	**3.5**	4.5
Property, plant and equipment, net	**665.5**	707.7
Insurance receivable - Asbestos	**208.6**	188.6
Workers compensation - Asbestos	**83.4**	90.4
Deferred income taxes	**11.1**	27.3
Deferred income taxes - Asbestos	**421.5**	451.4
Other assets	**40.8**	32.6
Total assets	$ **2,310.0**	$ 1,960.6
Liabilities and Shareholders Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	$ **92.6**	$ 106.4
Current portion of long-term debt - Asbestos	**30.9**	-
Accrued payroll and employee benefits	**45.4**	40.9
Accrued product warranties	**7.4**	6.1
Income taxes payable	**81.7**	3.9
Asbestos liability	**125.3**	111.1
Workers compensation - Asbestos	**0.5**	0.3
Other liabilities	**19.3**	53.8
Total current liabilities	**403.1**	322.5
Long-term debt	**-**	59.0
Deferred income taxes	**100.5**	108.1
Accrued product warranties	**19.6**	20.1
Asbestos liability	**1,537.3**	1,587.0
Workers compensation - Asbestos	**83.4**	90.4
Australian Taxation Office - amended assessment	**-**	190.4
Other liabilities	**39.7**	37.6

Total liabilities	**2,183.6**	2,415.1
Commitments and contingencies (Note 13)		
Shareholders equity (deficit):		
Common stock, Euro 0.59 par value, 2.0 billion shares authorised; 437,175,963 shares issued at 31 March 2012 and 436,386,587 shares issued at 31 March 2011	**224.0**	222.5
Additional paid-in capital	**67.6**	52.5
Accumulated deficit	**(214.6)**	(784.7)
Accumulated other comprehensive income	**49.4**	55.2
Total shareholders equity (deficit)	**126.4**	(454.5)
Total liabilities and shareholders equity (deficit)	**$ 2,310.0**	$ 1,960.6

The accompanying notes are an integral part of these consolidated financial statements.

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James Hardie Industries SE

Consolidated Statements of Operations

	Years Ended 31 March		
(Millions of US dollars, except per share data)	**2012**	2011	2010
Net sales	**$ 1,237.5**	$ 1,167.0	$ 1,124.6
Cost of goods sold	**(830.5)**	(775.1)	(708.5)
Gross profit	**407.0**	391.9	416.1
Selling, general and administrative expenses	**(191.0)**	(173.4)	(185.8)
Research and development expenses	**(30.4)**	(28.0)	(27.1)
Impairment charge	**(14.3)**	-	-
Asbestos adjustments	**(15.8)**	(85.8)	(224.2)
Operating income (loss)	**155.5**	104.7	(21.0)
Interest expense	**(11.2)**	(9.0)	(7.7)
Interest income	**3.8**	4.6	3.7
Other income (expense)	**3.0**	(3.7)	6.3
Income (loss) before income taxes	**151.1**	96.6	(18.7)
Income tax benefit (expense)	**453.2**	(443.6)	(66.2)
Net income (loss)	**$ 604.3**	$ (347.0)	$ (84.9)
Net income (loss) per share:			
Basic	**$ 1.39**	$ (0.80)	$ (0.20)
Diluted	**$ 1.38**	$ (0.80)	$ (0.20)
Weighted average common shares outstanding (Millions):			
Basic	**436.2**	435.6	433.1
Diluted	**437.9**	435.6	433.1

The accompanying notes are an integral part of these consolidated financial statements.

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James Hardie Industries SE

Consolidated Statements of Cash Flows

(Millions of US dollars)		Years Ended 31 March				
		2012		2011		2010
Cash Flows From Operating Activities						
Net income (loss)	**$**	**604.3**	$	(347.0)	$	(84.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities						
Depreciation and amortisation		**65.2**		62.9		61.7
Deferred income taxes		**11.3**		(21.9)		19.2
Pension cost		**-**		1.3		0.1
Stock-based compensation		**7.8**		9.1		7.7
Asbestos adjustments		**15.8**		85.8		224.2
Tax benefit from stock options exercised		**-**		(0.4)		(0.9)
Impairment charge		**14.3**		-		-
Changes in operating assets and liabilities:						
Restricted cash and cash equivalents		**(59.1)**		63.3		14.9
Restricted short-term investments		**(0.1)**		9.7		54.4
Payment to AICF		**(51.5)**		(63.7)		-
Accounts and other receivables		**2.2**		24.9		(30.1)
Inventories		**(26.7)**		(8.1)		(12.2)
Prepaid expenses and other assets		**19.2**		6.3		(48.1)
Insurance receivable - Asbestos		**25.0**		22.9		14.4
Accounts payable and accrued liabilities		**87.4**		(7.7)		35.4
Asbestos liability		**(106.3)**		(97.8)		(91.0)
Deposit with Australian Taxation Office		**-**		254.3		(29.3)
Australian Taxation Office - amended assessment		**(197.4)**		190.4		-
Other accrued liabilities		**(24.2)**		(37.1)		47.6
Net cash provided by operating activities	**$**	**387.2**	$	147.2	$	183.1
Cash Flows From Investing Activities						
Purchases of property, plant and equipment	**$**	**(35.8)**	$	(50.3)	$	(50.5)
Proceeds from sale of property, plant and equipment		**0.3**		0.7		-
Deposit on acquisition		**(14.4)**		-		-
Net cash used in investing activities	**$**	**(49.9)**	$	(49.6)	$	(50.5)
Cash Flows From Financing Activities						
Repayments of short-term borrowings	**$**	**-**	$	-	$	(93.3)
Proceeds from long-term borrowings		**160.0**		460.0		274.0
Repayments of long-term borrowings		**(219.0)**		(555.0)		(350.7)
Proceeds from issuance of shares		**11.0**		4.9		10.1
Tax benefit from stock options exercised		**-**		0.4		0.9
Common stock repurchased and retired		**(19.0)**		-		-
Dividends paid		**(17.4)**		-		-
Net cash used in financing activities	**$**	**(84.4)**	$	(89.7)	$	(159.0)
Effects of exchange rate changes on cash	**$**	**(6.1)**	$	(8.5)	$	3.2
Net increase (decrease) in cash and cash equivalents		**246.8**		(0.6)		(23.2)

Cash and cash equivalents at beginning of period	**18.6**	19.2	42.4
Cash and cash equivalents at end of period	**$ 265.4**	$ 18.6	$ 19.2
Components of Cash and Cash Equivalents			
Cash at bank and on hand	**$ 256.1**	$ 9.5	$ 13.1
Short-term deposits	**9.3**	9.1	6.1
Cash and cash equivalents at end of period	**$ 265.4**	$ 18.6	$ 19.2