

ASBESTOS INJURIES COMPENSATION FUND LIMITED

ACN 117 363 461

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR FROM 1 APRIL 2007 TO 31 MARCH 2008

ASBESTOS INJURIES COMPENSATION FUND LIMITED

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This financial report covers the accounts of Asbestos Injuries Compensation Fund Limited. The financial report is presented in Australian currency.

Asbestos Injuries Compensation Fund Limited is domiciled in Australia. Its registered office is:

Level 7
233 Castlereagh Street
Sydney NSW 2000

and its principal place of business is:

Level 7
233 Castlereagh Street
Sydney NSW 2000

A description of the nature of the company's operations and its principal activities is included in the directors' report on pages 1 to 6. The directors' report and the brief biography of each of the directors and the Company Secretary that appears on pages 7 and 8 do not form part of this financial report.

The financial report was authorised for issue by the directors of the company on 26 June 2008. The company has the power to amend and reissue the financial report.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' REPORT

This is the second report of the directors of Asbestos Injuries Compensation Fund Limited (AICFL). AICFL was incorporated on 4 January 2006. This report covers the period from 1 April 2007 to 31 March 2008.

The report covers the operations of the company, which are principally to act as trustee of the Asbestos Injuries Compensation Fund (AICF Trust).

Directors

James Hardie Industries NV (JHINV) may appoint three directors, one of whom is the Chairman of AICFL. The NSW Government may appoint two directors of AICFL. As at the date of this report, the Directors of AICFL are:

Peter Baker (Chairman)	JHINV appointee
Joanne Marchione	JHINV appointee
Dennis Loduwick	JHINV appointee
Leigh Sanderson	New South Wales Government appointee
David Bowen	New South Wales Government appointee

The Company Secretary is Marcin Firek, an employee of the JHINV Group. A brief biography of each of the directors and the Company Secretary appears on pages 7 and 8.

Changes to the Board during the course of the year were as follows:

- Guy Jarvi resigned from the Board on 30 May 2007.
- Dennis Loduwick was nominated by JHINV and appointed to the Board on 30 May 2007.

Attendance at Meetings: 1 April 2007 to 31 March 2008

	Board Meetings	
	Total Held during Office	Number Attended
P Baker	5	5
D Bowen	5	5
G Jarvi	0	0
D Loduwick	5	5
J Marchione	5	5
L Sanderson	5	5

ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' REPORT

Corporate Governance Principles

The AICFL Board has adopted a set of Governance Protocols for its operations and deliberations. The Protocols acknowledge the rights of directors to take into account the interests of their Appointors as follows:

Clause 3.4(b) of the AICFL Constitution provides:

"A Director is not precluded from voting or otherwise acting in his or her capacity as a Director as a result of any conflict of interest arising from the fact that the Director is an employee, consultant or officer of an Appointor, or in the case of a Director appointed by the NSW Government, a public servant."

Further, clause 6.11 of the AICFL Constitution provides:

(a) Subject always to a Director's obligations under the Trust Deed, the Constitution, statute or otherwise at law, a Director may take into account the views of that Director's Appointor and may act on the wishes of that Appointor in performing any of his or her duties or exercising any power, right or discretion as a Director in relation to the Company.

(b) A Director may provide that Director's Appointor with copies of all documents, Board Papers and other material which come into the possession of the Director in that capacity and may disclose to and discuss with the Appointor all information to which the Director becomes privy in that capacity.

Principal Activities

AICFL is a company limited by guarantee, the principal activities being to act as trustee of the AICF Trust, which comprises the Charitable Fund and the Discretionary Fund. The company conducted no activities on its own account during the course of the year under review. All activities were undertaken by the company as trustee of the AICF Trust.

AICF Trust

The Charitable Fund was established to implement the agreement reached between JHINV, James Hardie 117 Pty Ltd (the Performing Subsidiary), AICFL and the New South Wales Government whereby JHINV would commit to funding the AICF Trust, via the Performing Subsidiary, in accordance with the terms and conditions set out in an agreement dated 1 December 2005. The AICF Trust was expanded with the addition of the Discretionary Fund under the Amended and Restated Final Funding Agreement (FFA), between the same parties to the earlier agreement. The FFA is dated 21 November 2006 and is available at www.ir.jameshardie.com.au.

The AICF Trust comprises the Charitable Fund and the Discretionary Fund. The former James Hardie companies (Amaca Pty Limited, Amaba Pty Limited and ABN 60 Pty Limited - the Liable Entities) are owned by AICFL as trustee of the Charitable Fund. The Charitable Fund, the Discretionary Fund and the Liable Entities are referred to as the AICF Group for the purposes of this report.

The Liable Entities are subject to the *James Hardie Former Subsidiaries (Winding up and Administration) Act 2005* (NSW) (the Winding up Act) which places them in a form of statutory-based winding up and administration. This regime ensures the continued existence of the Liable Entities even if they are insolvent, and prohibits them from paying any liabilities except for "payable liabilities" as defined in the Winding up Act – primarily limited to asbestos personal injury or death claims arising from exposure to asbestos in Australia and where the claim is made in Australia.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' REPORT

Review of Operations

AICFL, in its capacity as trustee of the Charitable Fund, acquired all shares of Amaca Pty Limited, Amaba Pty Limited and ABN 60 Pty Limited on 9 February 2007. The current directors of the Liable Entities are as follows:

ABN 60 Pty Limited:	Peter Baker (Chairman), Guy Jarvi
Amaca Pty Limited:	Peter Baker (Chairman), Guy Jarvi, Joanne Marchione
Amaba Pty Limited:	Peter Baker (Chairman), Guy Jarvi, Joanne Marchione

On the same date (9 February 2007), following the satisfaction of a number of conditions precedent, the FFA came into effect, and the initial payment of \$184.3 million was received by the Charitable Fund from the Performing Subsidiary.

Following the transfer of the shares of the Liable Entities to the Charitable Fund, and the receipt of the initial funding from the Performing Subsidiary, AICFL commenced its operations as trustee of the AICF Trust. Part of the assets of Amaca Pty Limited was the business unit known as Amaca Claims Service (ACS). AICFL initially utilised the staff and other resources of ACS to conduct the AICFL operations. During the course of the year under review, ACS staff were employed by AICFL, and other resources were acquired by or transferred to the AICF Trust to facilitate the ongoing operations of the AICF Group. A formal Claims Management Agreement was entered into between AICFL as Trustee and each of the Liable Entities.

In this way –

- Claims for compensation and damages that are made against Amaca Pty Ltd and Amaba Pty Ltd continue to be managed, as required;
- Any claims for compensation and damages that are made against ABN 60 Pty Ltd will be managed by AICFL, as required;
- Insurance and other recoveries to which the Liable Entities are entitled continue to be pursued; and
- Payable Liabilities are paid in accordance with the provisions of the FFA and the Winding up Act.

Review of Results

At the start of the year under review, the Charitable Fund had placed \$149,806,851.44 with an external funds manager. During the course of the year, AICFL utilised \$40 million of these funds for the payment of Payable Liabilities. In addition, the net income of the AICF Trust, amounting to \$10,087,063.33 was earned by the Discretionary Fund. The Trustee exercised its discretion and applied the whole of this amount for the benefit of Amaca Pty Ltd, in accordance with the terms of the AICF Amended and Restated Trust Deed.

Funds held in two managed funds were subject to positive and negative movement in unit values during the course of the year. No funds were withdrawn from these managed funds during the course of the year, and at the end of the year the capital losses were unrealised. The movement in the capital value of the two managed funds was as follows:

Opening Balance (as at 1 April 2007)	\$89,806,851.44
Closing Balance (as at 31 March 2008)	\$84,674,027.53
Movement in value of funds	-\$5,132,823.91

Funds held by the Charitable Fund at the conclusion of the financial year amounted to \$123,442,001.95.

The Board of AICFL, as Trustee of the Charitable Fund, regularly reviews the nature and performance of the AICF Trust investments. In March 2008, the Board determined that it would be appropriate to maintain the investment in the two managed funds subject to movement in unit value, for the medium term.

In accordance with chapter 9 of the FFA, JHINV and the Performing Subsidiary calculated the amount payable in respect of the Annual Payment falling due on 1 July 2007. During the financial year to 31 March 2007, the JHINV free cash flow was a negative amount, which resulted in the amount payable under the FFA also being a negative amount. In these circumstances, no payment was made by the Performing Subsidiary to the Trustee on the 2007 Payment Date. (The amount paid in the previous financial year was the Initial Funding of \$184.3 million, which was paid by the Performing Subsidiary to AICFL as Trustee on 9 February 2007.)

ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' REPORT

The AICF Group reflects in its consolidated accounts the current and non-current asbestos related disease liabilities of the Liable Entities. The total liability, net of insurance recoveries, including an appropriate prudential margin for Australian accounting purposes, was valued by the approved actuary at \$1,925.6 million as at 31 March 2008 (\$1,788.8 million as at 31 March 2007).

AICFL, as trustee of the AICF Trust, is the beneficiary of the undertakings of the Performing Subsidiary as set out in the FFA. These undertakings provide for the funding of the asbestos related disease liabilities of the Liable Entities for a period of 40 years or more. Accordingly, the AICF consolidated accounts provide for a Non Current Asset (receivable) of \$1,797.1 million as at 31 March 2008 (\$1,600.8 million as at 31 March 2007).

Section 24 of the Winding up Act authorises AICFL as Trustee to direct a Liable Entity to enter into arrangements with other Liable Entities for the pooling of funds of the Liable Entities and for the allocation of the pooled funds to payment of Payable Liabilities of any one or more of those Liable Entities. During the course of the year, the Trustee gave directions to Amaba Pty Ltd and ABN 60 Pty Ltd to pool funds with those of Amaca Pty Ltd, so that the funds could be utilised for the payment of the Payable Liabilities of Amaca Pty Ltd. A total of \$8,880,000 was pooled under and in accordance with the Trustee's directions under section 24. No funds were pooled during the prior reporting period.

During the financial year the AICF Group made payments of \$69.2 million to compensation claimants, suppliers and employees (payments during the period 9 February 2007 to 31 March 2007 amounted to \$14.5 million). These payments were made from both the remaining assets of the Liable Entities and from the AICF Trust.

A detailed review of the number of claims lodged against the Liable Entities during the 12 months to 31 March 2008, and payments in respect of those claims, is set out in the annual actuarial report by KPMG Actuaries Pty Ltd available on the James Hardie website at www.ir.jameshardie.com.au. This report sets out the estimated asbestos liability of the AICF Group calculated on a central estimate basis.

ASIC

One of the Liable Entities, ABN 60 Pty Ltd, is a defendant in proceedings commenced on 14 February 2007 by the Australian Securities and Investments Commission (ASIC). Other defendants are JHINV and a number of former directors and executives of the James Hardie Group. ABN 60 Pty Ltd has advised ASIC, the Supreme Court of New South Wales and the other parties to the proceedings that it:

- (a) does not intend to play an active part in the proceedings to oppose the Commission's application for the declarations of contravention claimed;
- (b) does not consent to the making of those declarations of the contravention, and has filed a defence putting the claims against it in issue; and
- (c) reserves the right to make submissions to the Court in relation to other issues which may affect it.

The proceedings are expected to commence hearings in September 2008.

Remuneration

As specified in the AICFL Constitution, a Director who is an employee of the JHINV Group or who is a public servant is not entitled to be paid any fee or remuneration for holding office as a Director of AICFL. Accordingly, no directors' fees are paid to Directors of AICFL.

The CEO's remuneration, including any annual bonus, is approved by the company's Board and is designed to provide market-competitive total compensation.

Significant Changes in the State of Affairs

There were no significant changes to the state of affairs of AICFL during the financial year to 31 March 2008.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' REPORT

Matters Subsequent to the Financial Year

AICFL arranged for the Approved Actuary, KPMG Actuaries Pty Ltd, to undertake the annual actuarial review of the asbestos related disease liabilities of the Liable Entities as at 31 March 2008. This report was provided to JHINV and the New South Wales Government on 22 May 2008.

On 5 May 2008 the AICFL Board of Directors decided in principle to appoint Ernst & Young as auditors of the company and the AICF Group, following the appointment of this firm as external auditors of JHINV. Prior to any such appointment, AICFL is required under the FFA to seek the consent of JHINV and of the NSW Government. AICFL has been notified that both JHINV and the NSW Government consent to the appointment, and steps are being taken to finalise the appointment.

On 18 June 2008 JHINV announced that the Australian Taxation Office (ATO) had commenced proceedings seeking the reinstatement of James Hardie Australia Finance Pty Limited (JHAF) following an audit of certain Australian income tax returns lodged by the group for the year ended 31 March 2002. The announcement stated that JHINV is considering its position with respect to the ATO proceedings, the merits of the ATO's tax claim and its position with respect to any obligations of JHAF to the ATO given its prior winding up. The Trustee notes that the outcome of this matter may have an impact in the future on the free cash flow of JHINV, and hence may have an impact on a future payment by the Performing Subsidiary to the AICF Trust. The Trustee also notes that there will be no impact on the 2008 Annual Payment to the AICF Trust.

Future Developments

AICFL will continue to manage the Charitable Fund and the Discretionary Fund in accordance with the terms of the FFA, the AICF Amended and Restated Trust Deed and the Winding up Act.

There is ongoing uncertainty as to the number of claims for compensation and damages that will be made against the Liable Entities and the level of compensation which the Liable Entities will be required to meet. These uncertainties are described in more detail in the annual actuarial report prepared by KPMG Actuaries Pty Ltd available on the James Hardie website at www.ir.jameshardie.com.au.

The annual funding of the AICF Trust is also subject to the Free Cash Flow cap as prescribed by the FFA. Where the Free Cash Flow cap applies, the annual funding of the AICF Trust may be reduced. A determination of the amount of annual funding, based on JHINV's net operating cash flow for each 12 month period ending 31 March, is made in June of each year. On 24 June 2008, the Performing Subsidiary (James Hardie 117 Pty Ltd) gave Notice indicating the Annual Payment to the AICF Trust for 2008 would be \$114,707,038.

Auditors

The accounts are audited by an independent registered public accounting firm -- PricewaterhouseCoopers. PricewaterhouseCoopers has provided the company with a declaration of their independence at page 9.

Insurance and Indemnification of Directors and Officers

During the financial year, AICFL purchased insurance against liabilities that may be incurred by directors and officers of the company, and directors and officers of the Liable Entities, in defending civil or criminal proceedings that may be brought against them in their capacity as directors or officers of the companies, and any other payments arising from liabilities incurred by the directors or officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors or officers or the improper use by the directors or officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the companies.

AICFL's Constitution and deeds of access, insurance and indemnity provided to the AICFL's directors, Chief Executive Officer and the company secretary provide that AICFL shall generally indemnify any director or officer who suffers any loss as a result of any action in connection with their service to AICFL, provided they acted in good faith in carrying out their duties and in a manner reasonably believed to be in AICFL's best interest. This indemnification generally will not be available if the person seeking indemnification acted with gross negligence or wilful misconduct in the performance of their duties to AICFL.

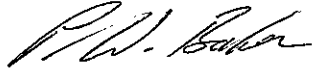
ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' REPORT

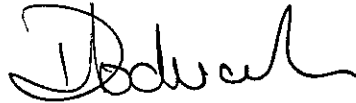
Dividends

AICFL is a company limited by guarantee not having a share capital, and does not pay dividends.

This report is made in accordance with a resolution of directors.



Peter W Baker
Chairman



Dennis Loduwick
Director

Sydney, 26 June 2008

ASBESTOS INJURIES COMPENSATION FUND LIMITED

Brief Biographies of the Current Directors and Company Secretary of AICFL

Peter Baker

Chairman

Age 57

Peter Baker became Chairman of the Asbestos Injuries Compensation Fund Limited (trustee of the AICF Trust) in January 2006.

Mr Baker joined James Hardie in October 2004 and was made Executive Vice President Australia in September 2005 and Executive Vice President Asia Pacific in February 2008. He has been involved in various aspects of the resolution of James Hardie's asbestos compensation matters and his current role includes managing James Hardie Industries' activities in the Asia Pacific region (Australia, New Zealand and the Philippines).

Mr Baker is an experienced corporate executive who has held a number of senior positions in Australian public and private companies, including the MIA Group, the Tenix Group and TNT Ltd. In a number of these senior roles he was responsible for formulating corporate strategy, new market expansions in Australia and overseas and mergers and acquisitions.

He has a Bachelor of Science with first class honours from the University of Leicester, UK; a Master of Science in Operational Research with distinction from the London School of Economics, UK; an MBA from the University of Chicago, USA; and is a Fellow of the Australian Institute of Company Directors.

David Bowen

Director

Age 51

David Bowen was appointed by the NSW Government as a Director of the Company on 31 January 2007.

Mr Bowen is the CEO of the Motor Accidents Authority of NSW (MAA), and of the Lifetime Care and Support Authority (LTCSA).

Mr Bowen is a lawyer who has worked in the public service since 1982. His areas of interest and practice include administrative law, civil law and professional regulation. Prior to joining the MAA in 1998 he was Director of the Legislation and Policy Division in the Attorney General's Department.

Mr Bowen is a member of the Boards and Advisory Councils to the MAA and the LTCSA. He is a member of the Advisory Committee to the Rehabilitation Studies Unit at the University of Sydney, a member of the Board of the Injury Risk Management Research Centre at the University of NSW, and a member of the HHH Creditor's Committee.

Dennis Loduwick

Director

Age 45

Dennis Loduwick was appointed a Director of the Company on 30 May 2007.

Mr Loduwick joined James Hardie in November 2006 as Finance Director-Asia Pacific. In this role he is responsible for the Finance & IT functions across the Australian, New Zealand & Philippines businesses.

Prior to James Hardie, he has held a number of senior finance roles with Campbells/Arnotts, Kellogg's & Kimberly-Clark Australia.

He has a Bachelor of Economics majoring in Accounting and an MBA from the Macquarie Graduate School of Management.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

Brief Biographies of the Current Directors and Company Secretary of AICFL (CONTD)

Joanne Marchione

Director

Age 40

Joanne Marchione was appointed a Director of the Company on 14 February 2006.

Ms Marchione joined James Hardie in June 1995 and is currently the Senior Legal Counsel for the Asia Pacific business. Ms Marchione has advised on and project managed significant commercial transactions involving James Hardie. She currently manages significant litigation and has extensive experience in mediations and negotiations. She has developed and implemented legal compliance programs and continues to oversee legal compliance. She also managed the James Hardie's property portfolio.

She has a Bachelor of Laws and Bachelor of Economics (major in Accounting) from Macquarie University. Prior to joining James Hardie she worked at Phillips Fox solicitors and was also the associate to the Chief Judge of the Land and Environment Court.

Leigh Sanderson

Director

Age 36

Leigh Sanderson was appointed by the NSW Government as a Director of the Company on 31 January 2007.

Ms Sanderson is the Deputy Director General (General Counsel) of the NSW Department of Premier and Cabinet, with responsibility for legal, Cabinet and regulatory reform areas. As Deputy Director-General of The Cabinet Office, Ms Sanderson represented the NSW Government in the negotiation of the Final Funding Agreement with James Hardie Industries N.V. Together with the Director-General of the Attorney General's Department, she has conducted two reviews of legal and administrative costs in dust diseases compensation claims.

Ms Sanderson has a Bachelor of Economics (Social Sciences), a Bachelor of Laws (Hons 1) and a Master of Laws from Sydney University, and a Master of Arts (Egyptology) from Macquarie University, Sydney. Before joining The Cabinet Office in 1999, she was a solicitor at Freehills.

Marcin Firek

Company Secretary

Age 34

Marcin Firek became secretary of AICFL in February 2007.

Mr Firek joined James Hardie in December 2006 and is the Australian resident company secretary of the Australian entities in the Group.

Prior to James Hardie, he worked as a corporate and securities lawyer and held various positions with Insurance Australia Group Limited and Minter Ellison.

He has a Bachelor of Economics majoring in Management Accounting and Bachelor of Laws from Macquarie University.

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Auditor's Independence Declaration

As lead auditor for the audit of Asbestos Injuries Compensation Fund Limited for the year ended 31 March 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Asbestos Injuries Compensation Fund Limited and the entities it controlled during the period.



DN Kelly
Partner
PricewaterhouseCoopers

Sydney
26 June 2008

ASBESTOS INJURIES COMPENSATION FUND LIMITED

**INCOME STATEMENT FOR THE YEAR ENDED
31 MARCH 2008**

	2008	15 month period ending 31 March 2007
	\$	\$
Revenue	Nil	Nil
Other expenses	Nil	Nil
Profit before income tax	<u>Nil</u>	<u>Nil</u>
Income tax expense	<u>Nil</u>	<u>Nil</u>
Profit for the period	<u>Nil</u>	<u>Nil</u>

The accompanying notes form an integral part of these financial statements.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

**BALANCE SHEET
AS AT 31 MARCH 2008**

	2008	2007
	\$	\$
ASSETS		
TOTAL CURRENT ASSETS	Nil	Nil
TOTAL NON-CURRENT ASSETS	Nil	Nil
TOTAL ASSETS	<u>Nil</u>	<u>Nil</u>
LIABILITIES		
TOTAL CURRENT LIABILITIES	Nil	Nil
TOTAL NON CURRENT LIABILITIES	Nil	Nil
TOTAL LIABILITIES	<u>Nil</u>	<u>Nil</u>
NET ASSETS	<u>Nil</u>	<u>Nil</u>
SHAREHOLDER FUNDS		
Issued capital	Nil	Nil
Retained earnings	Nil	Nil
TOTAL SHAREHOLDER FUNDS	<u>Nil</u>	<u>Nil</u>

The accompanying notes form an integral part of these financial statements.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

	Issued Share Capital Ordinary Shares (Note 1) \$	Retained Earnings \$	Total \$
Balance at 4 January 2006	-	-	-
Profit for the period	-	-	-
Balance at 31 March 2007	-	-	-
Profit for the period	-	-	-
Balance at 31 March 2008	-	-	-

The accompanying notes form an integral part of these financial statements.

ASBESTOS INJURIES COMPENSATION FUND LIMITED
ACN 117 363 461

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	2008 \$	15 month period ended 31 March 2007 \$
Net increase / (decrease) in cash from activities	Nil	Nil
Cash at beginning of financial period	Nil	Nil
Cash at end of financial period	<u>Nil</u>	<u>Nil</u>

The company acts as trustee for Asbestos Injuries Compensation Fund (Charitable Fund and Discretionary Fund) and did not trade during the period. The company has a bank account but there were no cash transactions during the period.

The accompanying notes form an integral part of these financial statements.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report that has been prepared to meet the requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity.

Asbestos Injuries Compensation Fund Limited is a company limited by guarantee, incorporated and domiciled in Australia.

Basis of Preparation

The report has been prepared in accordance with the requirements of the Corporations Act 2001 and the following applicable Australian Accounting Standards and Urgent Issues Group Interpretations:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 1031:	Materiality
AASB 1048:	Interpretation and Application of Standards

No other Accounting Standards, Urgent Issues Group Interpretations or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical cost.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Members' Guarantee

The company is limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$10 each to the property of the company.

Comparative Figures

Asbestos Injuries Compensation Fund Limited was incorporated on 4 January 2006. The first financial report covered the period from 4 January 2006 to 31 March 2007. Comparative information shown in the financial statements is for the period 4 January 2006 to 31 March 2007.

ASBESTOS INJURIES COMPENSATION FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS THE YEAR ENDED 31 MARCH 2008

NOTE 2: TRUST LIABILITIES AND RIGHT OF INDEMNITY

The company acts solely as trustee of Asbestos Injuries Compensation Fund (Charitable Fund and Discretionary Fund) and liabilities have been incurred on behalf of those trusts in the company's capacity as corporate trustee.

Liabilities incurred on behalf of Asbestos Injuries Compensation Fund (Charitable Fund and Discretionary Fund) are not recognised in the financial report when it is not probable that the company will have to meet any of those trust liabilities from its own resources. When it is probable that the company will have to meet some trust liabilities, a liability for the Deficiency in Trust Right of Indemnity is brought to account. Details of the trust liabilities, the offsetting right of indemnity and any deficiency in the right of indemnity are disclosed by way of note to the financial statements.

Liabilities of Asbestos Injuries Compensation Fund (Charitable Fund and Discretionary Fund) recorded in the financial statements of the company were:

	2008		2007	
	Asbestos Injuries Compensation Fund – Charitable Fund \$	Asbestos Injuries Compensation Fund – Discretionary Fund \$	Asbestos Injuries Compensation Fund – Charitable Fund \$	Asbestos Injuries Compensation Fund – Discretionary Fund \$
CURRENT LIABILITIES				
Payables	293,309	296,765	133,430	1,426
Provisions	111,115	-	98,528	-
TOTAL CURRENT LIABILITIES	404,424	296,765	231,958	1,426
Provisions	17,239	-	10,756	-
TOTAL NON-CURRENT LIABILITIES	17,239	-	10,756	-
TOTAL LIABILITIES	421,663	296,765	242,714	1,426
Rights of indemnity for liabilities incurred by the company on behalf of the Asbestos Injuries Compensation Fund (Charitable Fund and Discretionary Fund) not recorded in the financial statements of the company were:	421,663	296,765	242,714	1,426

The above amounts exclude any amounts payable by the Charitable Fund and the Discretionary Fund to the Liable Entities.

The assets of the trusts, which lie behind the right of indemnity, are not directly available to meet any liabilities of the company acting in its own right. The assets of the trusts were sufficient to discharge all liabilities of the trusts at 31 March 2008.

ASBESTOS INJURIES COMPENSATION FUND LIMITED**NOTES TO THE FINANCIAL STATEMENTS THE YEAR ENDED 31 MARCH 2008****NOTE 3: AFTER BALANCE DATE EVENTS**

Apart from the following matters, no matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the result of those operations, or the state of affairs of the company in future financial periods.

Following the end of the financial year, Directors of the company resolved in principle to appoint Ernst & Young as auditors of the company. JHINV and the NSW Government have given their consent to the appointment, and arrangements are being made to complete the appointment.

On 18 June 2008 JHINV announced that the Australian Taxation Office (ATO) had commenced proceedings seeking the reinstatement of James Hardie Australia Finance Pty Limited (JHAF) following an audit of certain Australian income tax returns lodged by the group for the year ended 31 March 2002. The announcement stated that JHINV is considering its position with respect to the ATO proceedings, the merits of the ATO's tax claim and its position with respect to any obligations of JHAF to the ATO given its prior winding up. The Trustee notes that the outcome of this matter may have an impact in the future on the Free Cash Flow of JHINV, and hence may have an impact on a future payment by the Performing Subsidiary to the AICF Trust. The Trustee also notes that there will be no impact on the 2008 Annual Payment to the AICF Trust.

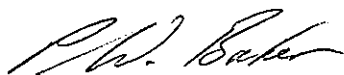
ASBESTOS INJURIES COMPENSATION FUND LIMITED

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes, as set out on pages 10 to 16 are in accordance with the requirements of the Corporations Act 2001, including:
 - (I) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (II) giving a true and fair view of the company's financial position as at 31 March 2008 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors



Peter W Baker
Chairman



Dennis Loduwick
Director

Dated this 26th day of June 2008

Sydney

Independent audit report to the members of Asbestos Injuries Compensation Fund Limited

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Asbestos Injuries Compensation Fund Limited (the company), which comprises the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which they were prepared.

**Independent audit report to the members of Asbestos Injuries Compensation Fund Limited
(continued)**

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

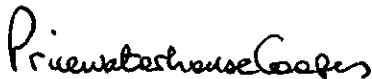
Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion the financial report of Asbestos Injuries Compensation Fund Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 March 2008 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the *Corporations Regulations 2001*.



PricewaterhouseCoopers



DN Kelly
Partner

Sydney
26 June 2008