ANSELL LTD
Form 20-F
December 08, 2006
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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 30 June 2006**

**OR**

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

**For the transition period from _____ to _____**

**Commission file number 0-15850**

# Ansell Limited

**(Australian Company Number 004 085 330)**

**(Exact name of Registrant as specified in its charter)**

**Victoria, Australia**

**(Jurisdiction of incorporation or organisation)**

**Level 3, 678 Victoria Street, Richmond, Victoria, 3121, Australia**

**(Address of principal executive offices)**

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**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 |
|---|---|
| None | None |

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

**Ordinary Shares**

**American Depositary Shares***

* Evidenced by American Depositary Receipts ( ADRs ), each American Depositary Share representing four (4) Ordinary Shares. The ADR program was terminated effective 5 June 2006, and all Ordinary Shares underlying the ADRs were sold by the Depositary on 11 August 2006.

**Securities registered or to be registered 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.

Ordinary Shares 151,782,512 (at 30 June 2006)**

** This figure includes 316,348 shares represented by the 79,087 American Depositary Shares outstanding on 30 June 2006.

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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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

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

Indicate by check mark which financial statement item the registrant has elected to follow. ¨ Item 17 x 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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**PART I**

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Not Applicable

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**PART I**

**Item 2 : Offer Statistics and Expected Timetable**

Not Applicable

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**PART I**

**Item 3 : Key Information**

**3A Selected Financial Data**

Effective 1 July 2004 Ansell Limited has adopted Australian equivalents to International Financial Reporting Standards ( AIFRS ) and as such the financial statements also comply with International Financial Reporting Standards ( IFRS ) and interpretations adopted by the International Accounting Standards Board. As allowed by the US Securities and Exchange Commission ( SEC ) rules in relation to first time adoption of IFRS, only one year of comparative financial statements has been included. For an explanation of how the transition to AIFRS has affected the financial statements see Note 33 to the Consolidated Financial Statements.

The following selected financial data in accordance with AIFRS for the two year period ended 30 June 2006 has been derived from the Consolidated Financial Statements. The selected financial data in accordance with US generally accepted accounting principles ( US GAAP ) has been derived from Ansell Limited s financial statements including the Consolidated Financial Statements. This information should be read in conjunction with and is qualified in its entirety by reference to the Consolidated Financial Statements and accompanying notes.

The preparation of the financial statements in accordance with AIFRS results in a number of differences to US GAAP. For discussion of the major differences and a reconciliation of the material differences between AIFRS and US GAAP as they relate to Ansell Limited for the 2 years ended 30 June 2006, see Notes 34 and 35 to the Consolidated Financial Statements.

| | For Years Ended 30 June | | | | |
|---|---|---|---|---|---|
| **In millions of A$, except per share & per ADS amounts** | **2006** | **2005** | **2004** | **2003** | **2002** |
| **Statement of Financial Performance Data** | | | | | |
| ***Amounts prepared in accordance with AIFRS :*** | | | | | |
| Sales revenue | 1,138 | 1,081 | | | |
| Profit/(loss) before income tax | 127 | 56 | | | |
| Income tax expense | 8 | | | | |
| Outside equity interest after tax | 3 | 2 | | | |
| Net profit/(loss) after income tax | 116 | 54 | | | |
| ***Amounts prepared in accordance with US GAAP :*** [1] | | | | | |
| Sales revenue from continuing operations | 1,138 | 1,081 | 1,113 | 1,294 | 1,414 |
| Income/(loss) from continuing operations | 116 | 130 | 83 | 69 | (126) |
| Net income/(loss) | 116 | 130 | 90 | 51 | (172) |
| **Share Information** | | | | | |
| ***Amounts prepared in accordance with AIFRS :*** | | | | | |
| Number of shares on issue (millions) | 152 | 160 | | | |
| Basic Earnings per share ($ s) | 0.73 | 0.33 | | | |
| Basic Earnings per ADS ($ s) | 2.92 | 1.32 | | | |
| Dividends provided for or paid | 30 | 24 | | | |
| Dividends per ordinary share ($ s) | 0.19 | 0.14 | | | |
| Dividends per ADS ($ s) | 0.76 | 0.56 | | | |
| Dividends per ADS US$ [2] | 0.57 | 0.42 | | | |
| ***Amounts prepared in accordance with US GAAP :*** [1] | | | | | |
| Basic Earnings per share continuing operations [3] ($ s) | 0.73 | 0.78 | 0.46 | 0.37 | (0.67) |
| Basic Earnings per ADS continuing operations ($ s) | 2.92 | 3.12 | 1.84 | 1.48 | (2.68) |
| Basic Earnings per share net income/(loss) ($ s) | 0.73 | 0.79 | 0.50 | 0.27 | (0.92) |
| Basic Earnings per ADS net income/(loss) ($ s) | 2.92 | 3.12 | 2.00 | 1.12 | (3.68) |
| **Statement of Financial Position Data (at year end)** | | | | | |
| ***Amounts prepared in accordance with AIFRS :*** | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Current assets | 738 | 612 | | | |
| Total assets | 1,308 | 1,241 | | | |
| Current liabilities | 318 | 222 | | | |
| Non-current liabilities | 336 | 396 | | | |
| Shareholders equity | 654 | 623 | | | |
| ***Amounts prepared in accordance with US GAAP :*** [(1)] | | | | | |
| Current assets | 738 | 612 | 749 | 761 | 821 |
| Total assets | 1,479 | 1,411 | 1,591 | 1,615 | 1,844 |
| Current liabilities | 319 | 223 | 405 | 367 | 389 |
| Long term debt | 276 | 331 | 236 | 320 | 517 |
| Shareholders equity | 818 | 799 | 880 | 864 | 874 |

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**PART I**

**Item 3 : Key Information**

**3A SELECTED FINANCIAL DATA** (continued)

(1) The principle differences between AIFRS and US GAAP for each of the 2 years ended 30 June 2006, are explained in Notes 34 and 35 to the Consolidated Financial Statements.
(2) US$ amount of A$ dividends translated at the Noon Buying Rate on the respective A$ dividend payment dates, which represents approximately the actual US$ dividend paid to holders of American Depositary Shares (ADSs) by the Depositary.
(3) Diluted earnings per share are not materially different to basic earnings per share due to the limited number of dilutive securities.

**EXCHANGE RATES**

Ansell Limited publishes its consolidated financial statements in Australian dollars (A$ or $). Unless specified or the context otherwise requires, references to US$ or US dollars are to United States dollars and references to $ or A$ are to Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified exchange rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate ) on specified dates.

The rate of exchange of A$1.00 to US$ based on the noon buying rate 31 October 2006 was 0.7740.

The following table sets forth, for the periods and dates indicated, information concerning the rates of exchange of A$1.00 to US$ based on the noon buying rate.

**For the last six months**

| US$ per A$1.00 | High | Low |
|---|---|---|
| October 2006 | 0.7740 | 0.7424 |
| September 2006 | 0.7709 | 0.7463 |
| August 2006 | 0.7677 | 0.7574 |
| July 2006 | 0.7674 | 0.7416 |
| June 2006 | 0.7516 | 0.7290 |
| May 2006 | 0.7754 | 0.7517 |

**For the last five fiscal years**

| US$ per A$1.00 | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Average Rate [1] | 0.7505 | 0.7610 | 0.7016 | 0.5865 | 0.5221 |

(1) The average of the noon buying rate on the last business day of each calendar month during the period.

Fluctuations in the A$/US$ exchange rate will affect the US$ equivalent of the A$ price of the ordinary shares on the Australian Stock Exchange Limited, and as a result, are likely to affect the market price of Ansell Limited s ADSs in the United States. Such fluctuations would also affect the US$ amounts received by holders of ADSs on conversion by the Depositary of cash dividends paid in A$ on the ordinary shares underlying the ADSs.

Ansell Limited purchases forward exchange contracts to cover exchange rate risks on certain import/export transactions. The Company believes it has reduced substantially its exposure to movements in exchange rates with respect to these transactions. The Company remains exposed, however, to fluctuations in exchange rates to the extent that the results of operations of its foreign subsidiaries are denominated in currencies

other than Australian dollars and are translated for each relevant financial period into Australian dollars at the average exchange rate for the period.

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**PART I**

**Item 3 : Key Information**

**3B Capitalisation and Indebtedness**

Not Required

**3C Reasons for the Offer and use of Proceeds**

Not Required

**3D Risk Factors**

The following list of risks and uncertainties may not be exhaustive. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial may also harm Ansell s business, results of operations and financial condition.

**Since a substantial portion of Ansell s costs and net sales are incurred and realised in currencies other than Australian dollars, fluctuations in currency exchange rates could have a material effect on the results of operations.**

Due to the worldwide locations of Ansell s manufacturing facilities, a substantial portion of costs are incurred in currencies other than Australian dollars, primarily the U.S. dollar and currencies of various Southeast Asian countries. In fiscal years 2005 and 2006 all Ansell s manufacturing costs were denominated in currencies other than Australian dollars.

Similarly, due to the worldwide presence of Ansell s customer base, a substantial portion of net sales is realised in various currencies other than Australian dollars, primarily U.S. dollars, Euros and to a lesser extent British pounds, Canadian dollars and several other currencies. Net sales are largely denominated in currencies other than Australian dollars for each of fiscal years as follows: 2005 approximately 93% and 2006 approximately 94%. Net sales and costs are not aligned in certain regions, which limits natural currency hedges.

We expect that a large part of Ansell s costs and sales will continue to be in non-Australian currencies. As a result, fluctuations in currency exchange rates, particularly of the U.S. dollar, various Southeast Asian currencies and the Euro, relative to the Australian dollar could have a material positive or negative effect on the results of operations.

Ansell s board of directors reviews and approves the currency and hedging strategies. These strategies should reduce but not eliminate the risks of currency exchange rate fluctuations and will result in transaction costs associated with hedging transactions.

**The public market for Ansell Limited s shares may fluctuate.**

The market price of Ansell Limited s shares could fluctuate significantly in response to various factors, including:

- actual or anticipated variations in semi-annual operating results, including currency translation,
- announcements of technological innovations or new services or products by Ansell or Ansell s competitors,
- the operating and stock price performance of other comparable companies,
- changes in financial estimates by securities analysts,

changes in Ansell s expected capital needs, and

announcements relating to strategic relationships, mergers or consolidations by Ansell or its competitors.

The stock markets have experienced extreme price and volume fluctuations that have affected the market prices of equity securities. These fluctuations have often been unrelated or disproportionate to operating performance. These broad market factors may materially affect the trading price of Ansell Limited s shares. General economic, political and market conditions, like recessions and interest rate fluctuations, may also have an adverse effect on the market price of Ansell Limited s shares.

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**PART I**

**Item 3 : Key Information**

**3D Risk Factors** (continued)

**Ansell s manufacturing operations are based, and revenues originate, in many different countries and are, therefore, subject to instability and fluctuation in political, diplomatic and economic conditions, including changes in policies regarding taxation.**

In fiscal year 2006, approximately 90% of Ansell s manufacturing operations, measured in terms of cost of production, and approximately 60% of Ansell s net sales were outside the United States. As a company with worldwide presence, we are subject to economic, political and diplomatic factors in countries where we operate that could adversely affect the financial results, restrict Ansell s ability to expand or limit current operations.

Ansell s plants outside the United States are located in Malaysia, Thailand, Sri Lanka, India, Mexico, and the United Kingdom. As a result, we can be directly affected by political and economic conditions, to the extent that they impact exports of product from manufacturing plants that exist in those countries. Any political or economic instability, a significant increase in the rate of corporate taxation, a discontinuance or reduction in export tax rebates or any other change in a country s policies regarding foreign ownership of manufacturing facilities could adversely affect the results of operations. We expect that non-U.S. production costs will continue to represent the major portion of such costs.

We also expect that we will be subject to the risks of conducting business internationally, including foreign currency exchange rate fluctuations, unexpected changes in regulatory requirements, tariffs and other barriers. The results of operations may be adversely affected by these factors.

**Several of Ansell Limited s subsidiaries, and the Company in some instances, are defendants in product liability lawsuits related to products manufactured and sold by subsidiaries. Although we cannot quantify Ansell s exposure in these cases, we are incurring and expect to incur additional expenses in defending these. Some of those expenses, as well as judgements that could be entered against us, are not covered by insurance.**

Ansell, and other companies in its industry are defendants in a number of product liability lawsuits alleging fault for allergic reactions to natural rubber latex gloves experienced by some users. The lawsuits allege among other things, that the defendants were negligent in the design and manufacture of the gloves and failed to adequately warn users of the possibility of allergic reactions to latex products. As of the date of this Annual Report, Ansell was a defendant along with other manufacturers and distributors of latex gloves in 7 product liability cases filed in the United States on behalf of individuals alleging wrongful death, personal injuries and lost wages as a result of their exposure to natural rubber latex gloves; down from 9 and 8 latex allergy lawsuits pending against Ansell at 30 June 2005 and 30 June 2006 respectively.

In a number of additional cases, distributors of latex gloves that have also been named as defendants are pursuing cross-claims and third-party claims against several manufacturers of natural rubber latex gloves, including Ansell, in an effort to recover their costs related to the latex litigation. As of 30 June 2006, Ansell was a defendant in 26 lawsuits involving distributor indemnity claims, and as of the date of this Annual Report, 16 of these lawsuits remained. In one such case, Owens & Minor, Inc., et al. v. Ansell Healthcare Products Inc., et al., Case No. 00-C-0099A-102, Bowie County, Texas, on 27 August, 2004, the trial court entered a judgment against Ansell and another defendant, Becton Dickinson and Company in the amount of US$351,728. Ansell is appealing that decision.

In another case, Gilberti v. Touro Infirmary, et al., Case No. 2000-9920, Civil District Court for the Parish of New Orleans, Ansell received a jury verdict in its favor on the individual plaintiff s liability claim. After the verdict, the hospital employer of the plaintiff pursued a claim for indemnity against Ansell. On 10 November, 2004, the trial court entered judgment against Ansell on the hospital employer s indemnity claim in the amount of US$828,935. Ansell appealed that decision. The Louisiana Fourth Circuit Court of Appeals affirmed the trial court s finding that Ansell had a duty to indemnify the hospital but found that the trial court erred in not determining whether the hospital spent sums defending its own negligence. On 13 October 2006 the Louisiana Supreme Court affirmed and remanded the case to the trial court for a recalculation of damages.

It is not possible at this time to quantify the potential financial impact of the remaining cases on Ansell.

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**PART I**

**Item 3 : Key Information**

**3D Risk Factors** (continued)

**Ansell is subject to regulation by governments around the world, and if these regulations are not complied with, existing and future operations may be curtailed, and Ansell could be subject to liability.**

The design, development, manufacturing, marketing and labelling of Ansell s products are subject to regulation by governmental authorities in the United States, Europe and other countries, including the Food and Drug Administration and the European Committee for Standardisation, known as the FDA and CEN, respectively. The regulatory process can result in modification or withdrawal of existing products and a substantial delay in the introduction of new products. Also, it is possible that regulatory approval may not be obtained for a new product.

Failure to comply with applicable regulatory requirements can result in actions that could adversely affect Ansell s business and financial performance.

**Ansell is heavily dependent upon the rubber crop and the availability of latex concentrate, and a material disruption in the regular supply of rubber for latex concentrate or increases in the price of latex concentrate could negatively affect the results of operations.**

Ansell accounted for approximately 3.5% of worldwide liquid natural latex consumption in fiscal 2006.

Ansell s ability to produce natural latex products is heavily dependent upon the regular availability of raw rubber harvested by independent growers in Southeast Asia and processed into latex concentrate. A material disruption in the regular supply of rubber for latex concentrate due to weather or other natural phenomena, labour or transportation stoppages or shortages, political unrest or otherwise, would cause adverse effects to Ansell s business, financial condition and results of operations. In addition, rubber is a commodity traded on world commodities exchanges and is subject to price fluctuations driven by changing market conditions.

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**PART I**

**Item 4 : Information on the Company**

**Overview**

The fiscal year of Ansell Limited ( Ansell Limited , the Company or Group , which, unless the context otherwise requires, includes Ansell Limited and its consolidated subsidiaries) ends on 30 June. The fiscal year ended 30 June 2006 is referred to herein as 2005-2006 or fiscal year 2006 and other fiscal years are referred to in a similar manner.

This Annual Report contains forward looking statements (within the meaning of the Securities Exchange Act of 1934, as amended) and information that is based on management s beliefs as well as assumptions made by and information currently available to management. When used in this Annual Report the words anticipate, estimate, believe, expect, potential, should and similar expressions are intended to identi forward looking statements. These forward looking statements necessarily make numerous assumptions with respect to the Company s operations, potential exposure, industry performance, general business, economic and regulatory conditions, access to markets and materials and other matters, all of which are inherently subject to significant uncertainties and contingencies and many of which are beyond the Company s control. Should one or more of these risks or uncertainties materialise or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, planned for, estimated, expected or projected. The Company believes that a number of important factors could cause the Company s actual results to differ from those that may have been or may be projected in forward looking statements made by or on behalf of the Company from time to time. These factors include the economic situation in those areas of the world where the Company has substantial operations, customers or consumers, foreign currency exchange rates, the success of the Company s business strategies including cost cutting and consolidations, the ability of the Company to take advantage of growth opportunities through acquisitions, the positioning of business segments, future production output capacity, litigation, environmental risks, and risks of derivative instruments. See also Risk Factors in Item 3 of this Annual Report. The forward looking statements in this Annual Report are contained principally under Item 5 Operating and Financial Review and Prospects.

**4A History and Development of the Company**

Ansell Limited s business originated in 1893 as a branch of Dunlop of the United Kingdom ( Dunlop UK ) conducting an Australian bicycle tire business. The Company was incorporated under the *Corporations Act of Australia* (the Corporations Act ) on 16 August 1920 in Victoria, Australia under the name of Dunlop Rubber Company of Australia Limited, at which time it acquired the rights in Australia to the trademark and tradename Dunlop and the right to use certain technology of Dunlop UK.

Until the 1960s the Company was engaged primarily in the manufacture of rubber based products. During the 1960s and the 1970s, the Company undertook a geographic and product diversification program, including the addition of clothing and footwear businesses (which were the foundation for the Pacific Brands Group) and the establishment of manufacturing facilities in Malaysia, New Zealand and the Philippines.

In 1980, the Company merged with another Australian industrial company, Olympic Consolidated Industries Limited ( Olympic ), which was engaged in the tire, polyurethane foam, cable and polystyrene businesses. Both the Company and Olympic had substantial tire manufacturing operations in an industry with over capacity, and the merger led to significant consolidation. After the merger, the Company operated under the name Dunlop Olympic Limited until 1986, when it changed its name to Pacific Dunlop Limited.

In 1984, the Company acquired the New Zealand businesses of Canzac Cables Ltd and Dunlop New Zealand Ltd., with their cables, tire manufacturing and retailing, industrial products and sporting goods operations fitting in well with the Company s operations in Australia.

During the course of the 1980s, the Company further expanded its operations in Australia and internationally through acquisitions, increased international marketing activity and the construction of new manufacturing facilities, particularly in Asia and North America. The Company also completed a series of joint ventures which complemented and strengthened its prior activities, the most significant of which was the combination of its Australian and New Zealand tire manufacturing and retailing activities with those of The Goodyear Tire and Rubber Company in March 1987.

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**PART I**

**Item 4 : Information on the Company**

**4A History and Development of the Company** (continued)

In addition, during the 1980s, the Company significantly expanded its battery operations through the acquisition of the battery operations of Chloride Group Plc in the United States, Australia and New Zealand and the acquisition of GNB Technologies Inc., a United States battery manufacturer.

During 1988 1989, the Company acquired certain health and medical businesses, which led to the creation of the Medical Group. The Company also acquired during 1988 1989 the automotive parts distribution businesses of Repco Limited in Australia. Shortly thereafter, the Company acquired the Edmont industrial glove business ( Edmont ) and in 1995 acquired the Perry medical gloves business.

These two acquisitions significantly increased the size of the Ansell Healthcare business. Sales of businesses during 1995-1996 included adidas, a number of businesses in the Industrial Foam and Fibre Group and the public float of Cochlear Ltd. In 1996 1997 Loscam Ltd and the Telectronics business of the Medical Group were sold and Ansell Healthcare acquired the Golden Needles Knitting business.

On 29 November 1996, the Telectronics implantable medical device business was sold for US$135 million ($166 million net proceeds) to St Jude Medical, Inc. of the United States. Responsibility for products manufactured prior to the sale of the business (including the Accufix Pacing Leads Litigation) was not assumed by the purchaser.

During the 1998 fiscal year the Olex Communications division of the Cables and Engineered Products Group was sold for $23 million. GNB Environmental Services Inc. (ESI), a subsidiary of GNB was also sold in that year.

The Australian, New Zealand and Sri Lankan cable businesses were sold on 2 June 1999. Proceeds from the sale, including certain property sales of the Cables Group, amounted to $300 million. The sale generated a breakeven result after providing for appropriate write-downs for the Chinese and Indonesian facilities, which were sold during the 2000 fiscal year. During that year the Company also purchased the Medical Glove business of Johnson & Johnson for US$86 million and announced the intention to sell its Electrical Distribution business and GNB Technologies Group.

The sales of the Electrical Distribution business and GNB Technologies Group were finalised during the 2001 fiscal year for $343 million and US$333 million respectively. Other key events that occurred during the 2001 fiscal year were:

- resolution of the outstanding Accufix Pacing Leads class action litigation in the United States within the previously provided provisions,
- the strengthening of Ansell Healthcare s global leadership and competitiveness in barrier protection products by continuing the integration of the Johnson & Johnson medical gloves business, fully commissioning the new Thailand condom plant and commencing a major manufacturing and marketing restructure,
- the acquisition and integration by Pacific Brands of Clarks Shoes and the Sara Lee Apparel business in Australasia and Fiji,
- the closure of South Pacific Tyres heavy truck tire plant and the realignment of the marketing function along consumer and commercial lines,
- effective 1 August 2000, the Novare joint venture between the Company and Andersen Consulting (now Accenture) for the provision of business support services and information technology solutions to companies across the manufacturing, distribution and retail industries in Australia and New Zealand formally commenced operation.

In addition to the above, during 2001 the Company also commenced a restructuring of its activities including the sale of the Pacific Automotive and Pacific Brands businesses, the acquisition of Accenture s 50% interest in the Novare joint venture and an agreement with the Goodyear Tire and Rubber Company of the United States governing the restructure of the South Pacific Tyres Joint Venture.

During the 2002 fiscal year the sales of the Pacific Automotive and Pacific Brands businesses were finalised for $251.5 million and $730 million respectively. The agreement with the Goodyear Tire and Rubber Company of the United States was also completed. This agreement included reducing manufacturing facilities from five to two and franchising a number of company owned stores.

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**PART I**

**Item 4 : Information on the Company**

**4A History and Development of the Company** (continued)

As part of the agreement, an option in favour of the Company was executed (exercisable between August 2005 and August 2006) enabling the Company to put the South Pacific Tyres business to Goodyear. If the option is not exercised, Goodyear has a call option exercisable in the following six months. Under these agreements the Company is not required to contribute any further cash to the partnership.

As a result of this agreement, the Company effective 1 July 2001, discontinued its past practice of including 50% of the result of South Pacific Tyres (after elimination of intercompany items) in its statements of income prepared under Australian GAAP. The Company s interest in the South Pacific Tyres Partnership is carried as an investment.

Also effective 31 August 2001 the Company took full ownership of the Novare joint venture by acquiring Accenture s 50% interest for $19.3 million.

In April 2002 the Company changed its name from Pacific Dunlop Limited to Ansell Limited and reduced the number of ordinary shares and exercisable options on issue by means of a 1 for 5 share consolidation.

During the 2003 fiscal year, the Company completed most of the remaining corporate and restructuring activities associated with its former structure.

Also during fiscal 2003 the Company launched the first phase of Operation Full Potential, a three year program designed to significantly enhance Ansell s operating performance. The first phase concentrated on business growth and development initiatives and provided capabilities and resources to address business challenges that emerged during the year.

The Company also progressed its Occupational Value Proposition (OVP), an exciting and radically different approach begun at Ford Motor Company in 2001, to move Ansell from products to solutions by developing our expertise in guiding customers in hand injury reduction techniques using our products and know-how. During fiscal 2003 the Company progressed OVP from concept through to trials completed successfully in potential customers production facilities.

During the 2004 fiscal year, the Company moved into the second phase of Operation Full Potential resulting in the activities, capabilities and program structure being integrated into the respective business segments.

Also during fiscal 2004 Ansell continued its successful push to help customers change the way they manage their hand protection costs to focus on the total value of hand protection rather than the more traditional concentration on glove procurement cost. This approach lead to a number of significant glove contracts during the year.

The Company also adopted the globally recognised Six Sigma operational excellence methodology during the 2004 fiscal year. This methodology focuses on improving customer satisfaction and delivering on customer expectations by reducing variations in products and processes.

Fiscal 2005 saw the Company complete the Operation Full Potential program. The Company also introduced a disciplined process for and focus on new product development Stage-Gate. Stage-Gate employs best practices for customer-linked idea generation, product development and program management and provides a common international database with the ability to monitor progress in a variety of areas, including marketing, research and development, regulatory and legal.

On 16 December 2005 the Company announced that it had reached agreement with Goodyear as to the terms of its exit from the South Pacific Tyres business. Pursuant to the agreed terms, Goodyear purchased Ansell s interest in South Pacific Tyres, effective 25 January 2006, for $53 million resulting in a $5 million non-cash write-down. In addition a loan outstanding from Ansell to South Pacific Tyres was repaid in full, which with accrued interest, totalled $69.2 million.

On 31 March 2006 the Company acquired 75% of a leading Chinese condom marketing business, Wuhan Jissbon Sanitary Products, for $25.1 million. The Company also established an Occupational glove trading subsidiary in China.

On 4 May 2006 the Company announced its intention to voluntarily delist from the NASDAQ National Market and to terminate its American Depositary Receipt program, with both to take effect as of the close of trading on 5 June 2006.

The Company s registered head office is located at 678 Victoria Street Richmond, Victoria, Australia. Its telephone number is (61 3) 9270 7270 and fax number is (61 3) 9270-7300. Further information can be found by viewing the Company s website *www.ansell.com*. However, such information is not part of this Annual Report.

Refer to Item 5.B for information on the Company s principal capital expenditures and divestitures since the beginning of the last two financial years.

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**PART I**

**Item 4 : Information on the Company**

**4B Business Overview**

**Organization**

Although the Company continues to be listed on the Australian Stock Exchange and maintains its registered head office in Australia, its operational head office is located in Red Bank, New Jersey, USA. The Company s Chief Executive Officer, Chief Financial Officer and most of the senior management team are based in New Jersey.

Ansell provides essential healthcare barrier protection against injury, infection and contamination for millions of people at work, in medical situations, in the home and in special environments, such as food preparations and microelectronics.

The following table sets forth certain information with respect to Ansell Healthcare for the periods and dates indicated.

| | For Years Ended 30 June | |
|---|---|---|
| **$ in millions (except for number of employees)** | **2006** | **2005** |
| Sales | 1,138 | 1,081 |
| Operating Profit before tax | 127 | 56 |
| Gross Assets | 1,308 | 1,241 |
| Number of employees | 11,317 | 11,059 |

Ansell operates in three broad market segments: Professional Healthcare (surgeons and examination gloves); Occupational Healthcare (industrial hand protection); and Consumer Healthcare (condoms and household gloves). The Company is organized across three geographic regions the Americas, Europe and Asia Pacific supported by a shared operations/supply chain, a Science and Technology group and global marketing teams. 47 percent of Ansell s sales in fiscal year 2006 were in the Americas, with a further 37 percent in the Europe, Middle East and Africa region and the balance in Asia Pacific. Refer to Item 5.A. for additional information on the breakdown of total revenues by category of activity and geographic market.

Medical gloves are marketed principally under the umbrella brands of Ansell and Ansell Perry and specific product brands include Gammex, Conform, Encore, Nutex, MicrOptic, X-AM, Synsation, Dermaclean, Dermaprene, Nitratouch, Maxxus, Neutralon, Ultralon, Micro Touch Ultra and Micro Touch Plus.

Ansell Healthcare believes it is one of the world s largest manufacturers and marketers of synthetic dipped and sewn industrial gloves, which are principally branded Ansell Edmont. Specific product brands include Ansell, Nitrilite, TNT, Solvex, Hycron, Hyknit, Golden Needles and HyFlex.

Condom brands include Lifestyles, Mates, Mannix, Contempo, Primex, Chekmate and Kama Sutra.

Refer to Item 5.C for additional information on new product development.

Ansell Healthcare s products produced in-house, are predominantly made by dipping a former (unlined or with a textile liner) into natural or synthetic latex using very similar manufacturing processes and polymer dipping technology. (The major exception is uncoated knitted gloves). Ansell Healthcare believes that the expertise it has developed in proprietary latex process and engineering technology enables it to produce high quality natural and synthetic latex gloves and condoms at a relatively low cost and that to a significant degree, it has a flexible supply and logistics infrastructure that allows it to take advantage of changes in market demand.

The Operations and Supply Chain group support product flows to the markets through 15 global production facilities located in Asia, North America and the UK. Almost 71% of the product sourced is manufactured at these facilities with the balance outsourced under strict quality and performance specifications.

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**PART I**

**Item 4 : Information on the Company**

**4B Business Overview** (continued)

**Ansell Healthcare (continued)**

Each of Ansell s products faces competition from a variety of sources, including international and local producers. Major international competitors include SSL International PLC, the world leader in condoms; Regent Medical Limited, which produces medical surgical gloves; Allegiance (a Division of Cardinal Healthcare), which manufacturers and distributes medical examination and surgical gloves; MAPA, (a subsidiary of the French TOTAL group) which produces household and light industrial gloves and condoms; Kimberley Clark Corporation, a U.S. company that manufacturers and markets disposable latex, synthetic gloves and light industrial gloves; Sempermed (a Division of Austria s Semperit), which produces disposable medical gloves; and Church & Dwight, which is a major US based producer of condoms.

Ansell Healthcare s operations are not impacted by seasonal factors.

**Discontinued Operations**

Since the mid 1990 s the Company has pursued a policy of divesting major businesses to enable greater focus on the Ansell Healthcare operations. The divestments were largely completed by the end of fiscal 2002. The disposal of the remaining non core operation, being the non-controlling investment in the South Pacific Tyres (SPT) business, was completed during the year (refer Item 4A).

**Raw Materials**

Raw materials are a significant manufacturing cost for many of Ansell Healthcare s products, the most significant being latex. Latex prices can be volatile and are dependent upon world supply and demand and currency movements.

Ansell Limited attempts to obtain raw materials from the most economical and reliable sources wherever situated, with regard to world supply, prices and commodity markets. The Company has multiple suppliers for its major raw materials to minimise the risks associated with sole suppliers. No material shortages are anticipated in any of Ansell Healthcare s operations. The Company attempts to pass on to its customers raw material price fluctuations. Careful monitoring and management of raw material costs is carried on throughout its business segments.

**Regulation and Environmental Matters**

**Government Regulation**

The products Ansell manufactures are subject to regulations of varying degrees in each of the countries in which they are marketed. These regulations have been particularly advanced in the United States by the Safe Medical Devices Act of 1990 and in Europe, with the completion of the work required by the Single European Act of 1986 and its on-going implementation. In addition, harmonisation of regulatory requirements and reciprocity of testing procedures and data, on an international basis, has led to the adoption of an international quality management system standard, which is being implemented progressively by various regulatory authorities including the FDA and the Commission of the European Union.

Changes in existing requirements or adoption of new requirements could adversely affect Ansell Healthcare s ability to comply with regulatory requirements. Failure to comply with regulatory requirements could have a material adverse effect on the business, financial condition and results of operations.

**United States**

In the United States, products offered through Ansell s Professional Healthcare and Personal Healthcare segments are regulated as medical devices under the Federal Food, Drug and Cosmetic Act (the FDC Act) by the FDA. We believe that all of the Company s products regulated by the FDC Act are in compliance in all material respects with the relevant sections of the FDC Act and the advice and guidance provided by the FDA. However, the application of complex standards to the detailed operation of our business always creates areas of uncertainty, and we cannot guarantee that the FDA will not question our practices. Medical device manufacturers are subject to periodic inspections and audits by the FDA

for compliance with the FDA s current Quality System Regulation, which specifies good manufacturing practices (known as QSR/GMP requirements) for medical devices. The FDA has a number of compliance and enforcement procedures when deviations from QSR/GMP requirements are observed during such inspections. Which procedures are used depends upon the seriousness of the observations as well as the compliance history of the facility inspected and the company owning it.

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**PART I**

**Item 4 : Information on the Company**

**4B Business Overview** (continued)

**Regulation and Environmental Matters** (continued)

As a general matter, the FDA often seeks to resolve observed QSR/GMP deficiencies on a voluntary basis without resorting to formal administrative enforcement action. In many cases, the FDA and the affected company enter into an agreement whereby the company retains one or more recognised, expert consultants to assist the company in achieving substantial compliance with the relevant QSR/GMP requirements and to certify that such efforts have been successful. When observed QSR/GMP deficiencies cannot be resolved through voluntary action and in a timely manner, the FDA has the option of initiating further enforcement action, including warning letters, import alerts, product bans, field corrections, seizures, recalls, injunctions, civil penalties, fines based on the equitable remedy of disgorgement, adverse publicity issued by the FDA and criminal prosecutions.

Each manufacturing operation of Ansell Healthcare has a Quality Assurance/Quality Control (QA/QC) department with its own budget. Also, we operate in a total quality environment where all participants in the manufacturing process are responsible for quality. It is the responsibility of the QA/QC department along with manufacturing to maintain the quality systems and records.

The FDA has periodically inspected most of Ansell Healthcare s condom and medical glove manufacturing facilities and has made observations on how manufacturing operations could be improved. In upgrading manufacturing facilities to address the FDA s observations and evolving technology and to otherwise comply with QSR/GMP requirements, we have and will continue to expend time, monies and efforts in the areas of product and quality control.

The FDA currently requires manufacturers intending to market a new medical examination glove, surgical glove or condom or to modify significantly a previously cleared medical examination glove, surgical glove or condom or the labelling of one of these products to obtain prior clearance. Although we typically have not experienced delays in obtaining clearance for new medical examination glove, surgical glove or condom products, there can be no assurance that we will not experience such delays for future products. An adverse determination by the FDA or a request for additional data or information could have the effect of delaying or precluding clearance and, at the same time, could materially delay or block the commencement of marketing new medical examination glove, surgical glove or condom products.

The FDA examines medical examination gloves, surgical gloves and condoms that are imported into the United States by randomly testing some but not all shipments for defects. If a shipment of any of these products is found to be defective, the manufacturing facility that produced the defective product will be subject to a Level 1 import alert. Under Level 1, no further shipments will be cleared for import unless tested and shown not to be defective.

A facility will be removed from Level 1 if five consecutive shipments are tested and shown not to be defective. The facility can then import shipments without prior testing but subject to possible FDA testing on a random basis. If a second shipment is found to be defective during testing while on Level 1 or in random FDA testing during the 24 months after removal from Level 1, the manufacturing facility will be placed on Level 2 import alert. On Level 2, no further shipments will be cleared for import unless tested and shown not to be defective.

A facility will be removed from Level 2 if ten consecutive shipments are tested and shown not to be defective. The facility can then import shipments without prior testing but subject to possible FDA testing on a random basis. If a second shipment is found to be defective during testing while on Level 2 or in random FDA testing during the 24 months after removal from Level 2, the manufacturing facility may be placed on Level 3 import alert. A facility on Level 3 cannot import further shipments even if they have been tested and shown not to be defective.

A facility can be removed from Level 3 only by showing the FDA that the facility complies with QSR/GMP requirements based on an acceptable FDA inspection or a certification by the facility based on an independent audit by a qualified third party. After this, the facility will be placed on Level 1 detention and must seek removal from that status as described above.

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**PART I**

**Item 4 : Information on the Company**

**4B Business Overview** (continued)

**Regulation and Environmental Matters** (continued)

**United States** (continued)

Ansell s condom manufacturing facility in Surat Thani, Thailand is currently in the probationary period following Level 1 detention beginning in August 2005. Two of Ansell s outsource suppliers of examination gloves, Latexx Manufacturing Sdn. Bhd. and Perusahaan Getah Asas Sdn. Bhd., recently experienced glove failures and were therefore placed on automatic Level 1 detention. Both suppliers have been officially removed from Level 1 detention, and are now in the 24 month probationary period.

Labelling and promotional material for medical examination gloves, surgical gloves, and condoms are regulated by the FDA under the FDC Act and violations are subject to enforcement action as described above. Advertising for medical examination gloves, surgical gloves, and condoms is regulated by the Federal Trade Commission (FTC) under the Federal Trade Commission Act and violations are subject to enforcement action by the FTC including orders prohibiting objectionable claims, civil monetary penalties, monetary consumer redress, and orders requiring corrective advertising. We believe that the labelling and advertising of all Ansell products complies in all material respects with FDA and FTC requirements.

**Europe**

Condoms and medical gloves are regulated by Directive 93/42/EEC of the European Commission on medical devices that came into effect on 1 January 1995 and became a mandatory requirement for sales in Europe in June 1998. This directive regulates the sale of all medical devices throughout the European Union and the European Economic Area (which comprises the fifteen states of the European Union plus Iceland, Norway and Liechtenstein). Ansell Healthcare s condoms and medical gloves are in compliance with the requirements of this directive and all relevant standards (including rules for the affixing and use of CE conformity marking set forth by Directive 93/465/EEC of the European Commission) allowing these products to carry the CE mark and to be sold in all European countries except, with respect to condoms, France, without further approval. Pursuant to Article 8 of Directive 93/42/EEC, France requires testing of condoms in addition to the requirement necessary to obtain a CE mark.

Ansell Heathcare Europe identified the need in September 2006 to exercise a product recall on examination gloves manufactured for Ansell by outsourcing partner Perusahaan Getah Asas.

**Other Government Regulation**

Whether or not FDA clearance is obtained for a new product, approval or clearance of a product by regulatory authorities in foreign countries may be required prior to the commencement of sales of the product in such countries. The requirements governing product approvals or clearances vary widely from country to country, and the time required for approval may be longer or shorter than that required for FDA approval. There are also several local country quality marks that, although not required, are essential to sales in various countries.

Occupational gloves are governed under the directive for personal protective equipment, Directive 89/686/EEC. Ansell Healthcare s occupational gloves are in compliance with the requirements of this directive and all relevant standards (including rules for the affixing and use of CE conformity marking set forth by Directive 93/465/EEC of the European Commission) allowing these products to carry the CE mark and to be sold in all European countries without further approval.

Ansell Healthcare is also required to comply with regulations governing packaging waste, including Directive 94/62/EEC, which requires that certain percentages of waste material must be reused or recycled in every European Union country. The required percentage will increase over the next few years. Ansell Healthcare must also show compliance with Directive 46/95/EEC, which regulates the privacy of personal data on customers and individuals submitting complaints.

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**PART I**

**Item 4 : Information on the Company**

**4B Business Overview** (continued)

**Regulation and Environmental Matters** (continued)

**Other Government Regulation** (continued)

Additionally, Ansell Healthcare operates plants in the United Kingdom, Malaysia, Sri Lanka, Thailand, Mexico and India. The occupational, health and safety laws and regulations vary dramatically within these countries. Ansell Healthcare s policy is to operate a more stringent Ansell-wide approach to occupational health and safety regardless of these prescribed regulations and to ensure that an internationally acceptable work environment is provided for employees. We coordinate an international occupational health and safety program through Ansell Healthcare s Global Safety, Health and Environment Director. All plants are required to report on all occupational health and safety issues on a monthly basis to senior management.

**4C Organisational Structure**

Note 32 to the Financial Statements included in Item 18 contains a listing of the Company s subsidiaries, their countries of incorporation and the Company s proportion of ownership interest in each.

**4D Property, Plant and Equipment**

Set out below is a breakdown by geographic location of the Company s manufacturing facilities (with distribution facilities attached to manufacturing facilities not counted separately), as at 30 June 2006.

| Geographic Region | Products Produced | No. of Manufacturing Facilities |
|---|---|---|
| United States | Industrial gloves | 3 |
| Malaysia | Household, surgical and examination gloves | 3 |
| United Kingdom | Industrial gloves | 1 |
| Thailand | Household, surgical and examination gloves and condoms | 2 |
| Mexico | Industrial gloves | 2 |
| Sri Lanka | Industrial, surgical and examination gloves | 1 |
| India | Industrial and surgical gloves and condoms | 3 |
| **Total** | | **15** |

The Company s material leased properties are as set forth below:

| Country | City | Floor Space (Sq ft) | Use |
|---|---|---|---|
| **Premises/Property:** | | | |
| Australia | Richmond | 29,750 | Corporate |
| England | Tamworth | 26,000 | Manufacturing, Warehousing |
| England | Surbiton | 9,000 | Marketing |
| England | Newark | 12,000 | Marketing |
| Germany | Munich | 7,000 | Marketing |
| France | Paris | 27,000 | Marketing |
| Belgium | Brussels | 22,000 | Marketing |
| Belgium | Aalst | 56,000 | Warehousing |

| | | | |
|---|---|---|---|
| USA | Red Bank | 45,877 | Marketing, Corporate |
| USA | Dothan | 82,000 | Manufacturing, Warehousing |
| Mexico | Juarez | 219,000 | Manufacturing |
| **Property Only:** | | | |
| Sri Lanka | Colombo | 1,080,000 | Manufacturing |

The Company believes that its facilities are suitable and adequate for its present needs and are in good operating condition. Ansell Limited has in place insurance covering casualty and certain other risks to which its worldwide facilities and operations may be subject. Generally, the current insurance policies do not cover political risks.

Pursuant to Company policy, the Company s principal capital intensive and strategic manufacturing and distribution facilities are owned. Those facilities that are not owned are generally leased by the Company for periods varying from 1 to 10 years, and comprise certain warehouse/distribution centres and sales and administration office accommodation. The Company does not believe its business is dependent on any single facility. Refer to Note 13 to the Consolidated Financial Statements for details of the carrying value of the Group s property, plant and equipment.

No major encumbrances on material tangible fixed assets or environmental issues exist that may affect the Company s utilisation of the assets.

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**PART I**

**Item 4A : Unresolved Staff Comments**

None.

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**PART I**

**Item 5 : Operating and Financial Review and Prospects**

**5A Operating Results**

The following discussion and analysis is based upon or derived from the Consolidated Financial Statements included in this Annual Report, which are prepared in accordance with AIFRS. As noted in Item 3A the Company has included only one year of comparative financial information throughout this report as permitted under SEC rules in relation to first time adoption of IFRS.

Notes 34 and 35 to the Consolidated Financial Statements contain a discussion of the major differences between AIFRS and U.S. GAAP and the reconciliation to U.S. GAAP.

The following tables set forth the contributions of each business group to sales revenue and operating profit of the Company for the fiscal years ended 30 June 2005 and 2006:

**Operating Revenue By Business Group [1]**

**(excluding unallocated)**

| | For Years ended 30 June | | |
|---|---|---|---|
| **$ In millions** | **2006** | **% change** | **2005** |
| Occupational Healthcare | 569 | 4.4% | 545 |
| Professional Healthcare | 387 | 5.2% | 368 |
| Consumer Healthcare | 182 | 8.3% | 168 |
| Total Healthcare | 1,138 | 5.3% | 1,081 |
| **Total Operating Revenue** | **1,138** | **5.3%** | **1,081** |

(1) The sales figures in this table exclude intergroup sales. There were no significant intergroup sales during any of these three fiscal years.

**Operating Profit Before Tax [1]**

| | For Years Ended 30 June | | |
|---|---|---|---|
| **$ in millions** | **2006** | **% change** | **2005** |
| Occupational Healthcare | 81 | | 81 |
| Professional Healthcare | 39 | (11.4)% | 44 |
| Consumer Healthcare | 24 | (17.2)% | 29 |
| Unallocated Items and Eliminations [2] | (11) | | (88) |
| Net Interest, including borrowing costs | (6) | | (10) |
| **Total Operating Profit Before Tax** | **127** | **126.8%** | **56** |

(1) The operating profit figures in this table exclude unrealised operating profit on inventory which has been purchased by one business group from another.

(2) Fiscal year ended 30 June 2006 includes $5.5 million write-down of the investment in the South Pacific Tyres partnership (30 June 2005 $80.0 million).

**SALES REVENUE BY GEOGRAPHIC MARKET**

The following table sets forth the Company s sales revenue by geographic market for the fiscal years ended 30 June 2005 and 2006. The revenue has been classified by location of the customer and excludes intergroup sales.

| | For Years Ended 30 June | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Australia, New Zealand and Southeast Asia | 178 | 163 |
| North, Central and South America | 539 | 518 |
| Europe, Middle East and Africa | 421 | 400 |
| **Total** | **1,138** | **1,081** |

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**PART I**

**Item 5 : Operating and Financial Review and Prospects**

**5A Operating Results** (continued)

**Results of Operations**

**Consolidated**

Ansell Limited recorded a profit after tax to shareholders of $116.1 million for the year ended 30 June 2006, compared to a profit of $54.4 million in 2004/2005. These results include $5.5 million and $80.0 million write-downs of the investment in South Pacific Tyres (SPT) in 2005/2006 and 2004/2005 respectively. This investment was sold during fiscal 2006 resulting in the afore-mentioned loss of $5.5 million. Unlike under AIFRS where the Company had previously discontinued equity accounting for the investment in SPT, equity accounting had been consistently applied under US GAAP to the date of sale. As a result, from a US GAAP perspective, the write-downs under AIFRS in fiscal years 2006 and 2005 were reversed and the result of the sale was calculated based on the carrying value of the investment under US GAAP. The net impact of this on the US GAAP result was to increase the result reported under AIFRS by $82.1 million in fiscal 2005 and by $7.1 million in fiscal 2006.

**Operating Revenue**

Total revenue in 2005/2006 was $1,152.3 million compared with $1,093.4 million in 2004/2005. Sales revenue in 2005/2006 from Healthcare businesses (Occupational, Professional and Consumer) was $1,138.2 million, up 5.3% on the $1,081.1 million in the previous year.

**Operating Profit before Tax**

Ansell Limited recorded an operating profit before tax of $126.6 million for the current year, compared to a profit of $56.4 million for 2004/2005. Excluding the impact of the above-mentioned write-downs of the investment in SPT, operating profit fell from $136.4 million in 2004/2005 to $132.1 million in 2005/2006. The impact of a 73% increase in natural rubber latex in fiscal 2006 (based on the Malaysian ringitt price per wet kg), much of which occurred in the second half, could not be recouped with price increases, manufacturing productivity and overhead cost controls. Financing costs, net of interest revenue, reduced from $9.6 million in 2004/2005 to $5.9 million in 2005/2006 due to reduced net interest bearing debt levels (interest bearing liabilities less cash at bank and short term deposits) .

**Income Tax Expense**

Income tax expense for the year was $7.9 million compared to the previous year s $0.2 million. The amount reported in both year s benefited from the recognition of previously unbooked tax losses in respect of the Group s US operations totalling $7.5 million in 2005/2006 and $21.2 million in 2004/2005.

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**PART I**

**Item 5 : Operating and Financial Review and Prospects**

**5A Operating Results** (continued)

**Ansell Healthcare**

**Year Ended June 2006 v June 2005**

Ansell Healthcare s sales of $1,138.2 million were up on the previous year s $1,081.1, however operating profit of $144.2 million was down 6.6% from $153.7 million as increases in raw material costs, in particular an unprecedented escalation in natural rubber latex prices, put substantial downward pressure on margins.

**Occupational Healthcare**

Sales of $569.2 million were up 4.3% on the prior year s sales of $545.7 million while operating profit for both years was $81.3 million. Operating profit margin fell from 14.9% to 14.3%.

This segment accounted for approximately 50% of Ansell Healthcare s total revenues and 56% of operating profit.

After a slow first half of the year, sales in the second half improved strongly to achieve an overall 4.3% increase on the previous year.

The HyFlex™ range continued to grow strongly with new variants introduced and sales volumes up 17% over 2005. The new AlphaTEC™ grip technology glove also had an excellent first six months since its launch, with strong demand from the petrochemical industry.

The Virtex™ nitrile glove was launched for use in oily applications. Virtex™ is the first glove from Ansell to incorporate our unique patent pending Aqadri™ Ansell Moisture Management Technology™,

Ansell s leading position in the occupational glove market provides leverage scale that facilitates the use of innovative approaches in identifying and developing new products to satisfy customer requirements. In the USA, the Company works closely with a Distributor Advisory Council, a group that includes representatives of Ansell s major industrial distributors. This arrangement provides Ansell with valuable commercial insights and the opportunity to understand, first-hand, the needs of the customer and the nature of solutions that are required.

The Americas and EMEA (Europe, Middle East and Africa) regions continued to gain new business from the Ansell value proposition sales program called Guardian℠, which utilizes Ansell s highly reputed hand protection and safety auditing software tool, SafetyNet™.

Good gains were made in the Americas region in expanding business with existing customers, and new channel opportunities in the construction and do-it-yourself sectors were identified and are being pursued. In the EMEA region, a retail group was established to capitalize on new opportunities in the automotive service parts, and agriculture and viticulture markets.

Other new product introductions and continued penetration of the emerging markets, particularly Russia, Poland, the Czech Republic, Hungary, Ukraine and Mexico, also contributed to increased revenues.

The establishment of the new Occupational Healthcare business in Shanghai has the Company well positioned as commercial/industrial production continues to grow steadily in China, and tighter regulations and improved safety standards emerge for workers.

The maintenance of operating profit at 2005 levels is considered a good result given increased cost pressures on synthetic materials and natural rubber latex, and changes in product mix.

The key strategies for this business segment are:

To continue to leverage the concept of hand injury solutions through the expansion of the Guardian[SM] program.

The introduction of further new products, concentrating on Ansell s ergonomic technology advantage.

A continued and aggressive push into new channels and markets, with the opportunity for fully incremental sales.

Continued emphasis on lower manufacturing and product sourcing costs.

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**PART I**

**Item 5 : Operating and Financial Review and Prospects**

**5A Operating Results** (continued)

**Professional Healthcare**

Sales of $387.4 million were 5.4% higher than the prior period sales of $367.7 million while operating profit of $38.9 million was 10.2% lower than prior period operating profit of $43.3 million. Operating profit margin decreased from 11.8% to 10.0%.

This segment accounted for approximately 34% of Ansell Healthcare s revenue and 27% of operating profit.

Good results across all three regions drove the increase in sales however gross margins were affected significantly because of the difficulty in achieving price increases in this extremely competitive sector to recover higher latex costs.

Synthetic surgical glove sales continued to grow, and were up 10% on the previous year. The synthetic surgical glove range was expanded with the introduction of the new DermaPrene® PI glove, which is made from polyisoprene.

Examination glove sales increased 14%, including a 19% increase in synthetic glove sales. Latex cost pressures, however, led to lower margins in the examination glove segment. Some supply contracts in the USA were deliberately relinquished to preserve margins.

The strategies for the Professional Healthcare segment are:

- Strive to recover latex cost increases through appropriate pricing.
- The introduction of further new products, including synthetics, to upgrade the current range.
- Market share recovery in the USA surgical glove sector.
- Outsourcing rather than investing internally in new production capacity for commodity products.

**Consumer Healthcare**

Sales of $181.6 million were up 8.3% on the previous year s sales of $167.7 million, while operating profit of $24.0 million was lower by 17.5%. Operating profit margin decreased from 17.4% to 13.2%.

This segment accounted for approximately 16% of Ansell Healthcare s revenues and 17% of operating profit.

The sales increase for the year was assisted by a strong second half in retail condom sales particularly in the major markets of France and the UK. Increased promotional expenditure in the intensely competitive USA retail market and higher latex costs contributed to a reduction in margins. Operating profit was also affected as a result of the Surat Thani plant being placed on detention by the US Food and Drug Administration in respect of condoms shipped to the USA. The detention, which lasted five months, was lifted in January 2006.

The Company renewed its agreement with Freudenberg Household Products (FHP), our global household glove marketing partner/distributor, for a further five years and in doing so, fortified our business growth foundation, particularly in vital continental European markets where FHP enjoys a strong market share in the major grocery trade.

The performance of the Suretex business, which provides condoms on a private label basis to retailers and to government/global health institutions was strong.

The expansion in China through the acquisition of 75% of Jissbon provides Ansell with a leading share position in the Chinese condom market and a basis to expand more broadly within China.

The Consumer Healthcare strategy has as its focus:

Recovering market share for condoms in the USA retail market.

New products, new packaging, and brand and line extensions.

Utilization of manufacturing capacity to supply condoms into the public sector and private label channels.

Expansion into new geographic regions and leveraging the Company s brand strength globally.

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**Item 5 : Operating and Financial Review and Prospects**

**5B Liquidity and Capital Resources**

The Company operates internationally and in many different economic climates but inflation has not had a material effect on the Company s results of operations. The Company does not have material subsidiaries in any economies that have been subject to hyperinflation.

The Company operates a Central Treasury from its office in Melbourne, Australia. The Central Treasury manages Ansell s external debt, invests excess cash held centrally and acts to hedge foreign exchange exposures worldwide. The Company has small bank borrowings outside Australia and cash is generated in operating subsidiaries around the world in a number of currencies. Where possible excess funds are accumulated at the Central Treasury.

Cash and deposits at 30 June 2006 were $318.0 million compared with $227.3 million at June 2005 and included restricted deposits of $6.6 million ($8.4 million at 30 June 2005) which have been set aside to cover the provisions established to address any remaining liability of members of the Group to claims arising with respect to the Accufix Pacing Lead.

The Company believes its working capital is sufficient for the Company s present requirements.

**Net cash from operating activities**

Net cash provided by operating activities for 2005/2006 was $131.7 million compared to $152.8 million in 2004/2005.

Payments in respect of the Accufix Pacing Leads litigation and settlement totalled $2.0 million compared with $3.9 million in 2004/2005. Payments under operating leases for the year totalled $21.0 million compared with $21.5 million in 2004/2005.

**Net cash used in investing activities**

Net cash provided by investing activities was $80.2 million compared to $12.7 million used in investing activities in 2004/2005. The sale of the investment in SPT during the year resulted in proceeds of $53.0 million and a loan to SPT of $66.8 million was also repaid.

Capital expenditure for the year was $16.5 million, compared to $14.1 million in 2004/2005. Capital expenditure commitments of $2.4 million in respect of plant and equipment existed as at 30 June 2006. The following table presents a summary of capital expenditure by Business Segment for the past two years:

| | For Years Ended 30 June | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Occupational Healthcare | 7 | 5 |
| Professional Healthcare | 8 | 6 |
| Consumer Healthcare | 2 | 3 |
| **Total** | **17** | **14** |

**Net cash used in financing activities**

Net cash used in financing activities was $142.1 million, compared with $217.0 million in 2004/2005. Net repayments of borrowings totalled $5.9 million during the year following repayments of $26.4 million in the previous year. An on-market buy-back, a minimum holding buy-back and the buy-back of shares to satisfy the vesting of options and Performance Share Right resulted in an outflow of $103.1 million during the year following an off-market buy- back totalling $156.1 million in 2004/2005.

Net debt (i.e. borrowings less cash) decreased during the year from $146.6 million in 2004/2005 to $79.1 million at the end of 2005/2006. Net Debt to Equity decreased from 23.5% to 12.1% and Net Liabilities to Equity decreased from 63.9% to 52.4%.

The Company s long term debt has been rated by the U.S. credit rating agencies Standard & Poor s Rating Group and Moody s Investors Service Inc. since 1988-89. The Company s current ratings are as follows:

| | Long Term | Outlook | Short Term |
|---|---|---|---|
| Moody s | Baa3 | Stable | P3 |
| Standard & Poor s | BB+ | Stable | |

Moody s upgraded their rating of the Company on 4 September 2006 from Ba1, Positive, Not Prime to the above ratings..

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**PART I**

**Item 5 : Operating and Financial Review and Prospects**

**5B Liquidity and Capital Resources (continued)**

The Company s borrowing portfolio at 30 June 2006 had an average maturity of 866 days (previous year 1,174 days), with approximately 82% at fixed interest rates and 18% at floating rates. The average cost of debt for the year was 5.03%, up slightly on the previous year s 4.94%.

Net financing costs for the year were $5.9 million compared to the previous year s $9.6 million. The reduced costs resulted from the continued reduction in net debt.

The Group established a US$250 million revolving credit bank facility on 30 April 2004 of which US$200 million had a five year term and US$50 million had a 364 day term. In April 2005, US$150 million of the US$200 million was extended to 30 April 2010 and US$50 million to 30 April 2012. The US$50 million 364 day facility was initially extended to 30 April 2006 and has subsequently been extended to 30 April 2007. This facility can be accessed by the parent company and certain USA subsidiaries. US$195 million of the term facilities had been drawn down at 30 June 2006 (compared to US$175 million at 30 June 2005) leaving an unused balance available for immediate use of US$55 million. There are a number of financial covenants attaching to this facility including restrictions on the level of borrowings of non guarantor subsidiaries, ensuring the assets of the guarantor subsidiaries are in excess of a specified percentage of total group assets and ensuring certain financial ratios are maintained. If any breaches of these covenants occur all monies outstanding under the facility become immediately due and payable. As at 30 June 2006, the Company was in compliance with all covenants. The interest rate for this facility is determined based on market rates at the time amounts are drawn down.

**Currency Restrictions**

The Company operates in a number of countries such as China, India, Sri Lanka and Malaysia where Central Banks have imposed currency restrictions. These restrictions do not affect the daily operations of the relevant subsidiaries and to date have not restricted the flow of capital, interest or dividends. The Company anticipates that these restrictions will not have a material adverse affect on its operations.

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**5C Research and Development**

Ansell Healthcare spends approximately 1.1% of sales on research and development. Product and process innovation are essential to continuing profitable growth, and approximately 12% of total sales currently come from products developed in the previous three years.

The Company s commitment to innovation and new product development was further enhanced with the establishment of Ansell Healthcare s Science and Technology Centre in Shah Alam, Malaysia, outside of Kuala Lumpur. Eleven members of the total 70-member technical staff hold PhDs, while another 16 hold masters degrees in the fields of chemistry, chemical engineering, materials science and fibre technologies. Ansell also has a smaller fibre-technology centre in Pendleton, South Carolina, that is affiliated with Clemson University s Center for Advanced Fibers & Films Technologies. Starting in April 2004, Ansell has also established small application engineering groups in five (5) of its plants to focus on technology transfer as it applies to new product & process development. These satellite centres are located in Surat Thani, Thailand; Redditch, UK; Colombo, Sri Lanka; and Bermudez and Salvarcar in Mexico.

While Science and Technology was heavily involved in advancing process-related technologies for improved quality and cost-savings, the group also delivered a range of new products to the market during the past year. New products that generate, or will likely generate, significant sales are HyFlex 11-801 Grey, HyFlex polyurethane cut resistant, AlphaTec® oil grip as well as a new synthetic polyisoprene surgical glove.

We maintain relationships with several medical and materials research institutions, such as the University of Sydney (Australia) and Clemson University. Ansell also supports ongoing research at the University of Tampere in Finland. Ansell Healthcare s sponsored research includes the identification and isolation of natural rubber latex proteins, linked to latex allergies in some people, as well as more accurate testing methods. We use the results of this research to improve the product quality and we encourage the researchers to publish their findings in the scientific journals as part of the AnsellCares® program. The output from the AnsellCares® program has paved the way for a greater understanding of these complex issues and, through publication and dissemination, has allowed us to reduce the allergen content of Ansell Healthcare s products. It has also provided clinicians with guidelines on how to better manage latex-sensitive healthcare workers and patients, and to reduce the risk of sensitisation for future generations. The AnsellCares® program includes accredited continuing medical education programs, video presentations, technical bulletins, newsletters, and periodic lectures and seminars.

**5D Trend Information**

Please refer to Item 4B Business Overview and Item 5A Operating Results.

**5E Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

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**Item 5 : Operating and Financial Review and Prospects**

**5F Contractual Obligations**

| | Payments due by period in $ millions | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| Long-Term Debt Obligations | 275.9 | | 162.3 | 86.6 | 27.0 |
| Interest on Debt Obligations [1] | 47.8 | 17.6 | 22.3 | 6.6 | 1.3 |
| Operating Lease Obligations | 41.4 | 10.5 | 13.9 | 10.7 | 6.3 |
| Purchase Obligations | 2.4 | 2.4 | | | |
| Defined Benefit Plan Contributions [2] | 1.7 | 1.7 | | | |
| Other Long-Term Liabilities | 60.5 | | 13.0 | 12.3 | 35.2 |
| Total as at 30 June 2006 | 429.7 | 32.2 | 211.5 | 116.2 | 69.8 |

(1) These amounts are the Company s best estimates based on current conditions however may vary due to potential variations in the mix of the debt portfolio between fixed and floating interest rates.

(2) The Company is not in possession of and does not believe that it can reasonably estimate amounts that it will be required to contribute to its defined benefit plans beyond the next twelve months. However the Company does not anticipate that such amounts will be material on an annual basis.

Refer to Note 24 to the Consolidated Financial Statements contained within Item 18 for detailed information in respect of the derivative financial instruments used by the Company such as foreign exchange and interest rate swaps and the Company s exposure to interest rate risk.

Amounts due under foreign currency contracts in respect of contracted obligations are included within Current Liabilities on the Balance Sheet.

**5G Safe Harbour**

Not applicable

**5H Critical Accounting Policies**

The preparation of the Company s consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported turnover and costs during the reported period. On an ongoing basis, our management evaluates its estimates and judgements in relation to assets, liabilities, contingent liabilities, turnover and costs. Management bases its estimates and judgements on historical experience and on other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Our management has identified the following critical accounting policies. Other accounting policies are included in Note 1 to the Consolidated Financial Statements contained in Item 18.

***Long-Lived Assets Valuation***

Fixed assets, goodwill and brand names are assessed to ensure carrying values do not exceed estimated recoverable amounts. The carrying value of each long-lived asset is reviewed annually to evaluate whether the carrying amount is recoverable. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based upon the amount by which the asset carrying amount exceeds

the higher of net realisable value and value in use. Value in use is generally determined by discounting expected future cash flows using a risk-adjusted discount rate. Future cash flows are estimated based on production and sales plans, commodity prices (considering current and historical prices, price tends and related factors), operating costs, and planned capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

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**PART I**

**Item 5 : Operating and Financial Review and Prospects**

**5H Critical Accounting Policies** (continued)

***Taxation***

Full provision is made for deferred taxation on all timing differences which have arisen but not reversed at the balance sheet date, except as follows:

- tax payable on the future remittance of the past earnings of subsidiaries, associates and joint ventures is provided only to the extent that dividends have been accrued as receivable or a binding agreement to distribute all past earnings exists;

- deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions or purchased fixed assets which have subsequently been revalued unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised; and

- deferred tax assets are recognised only to the extent that it is probable that they will be recovered. The Company uses a three year projection period when assessing the recoverability of tax losses relating to its USA operations. If a different projection period was utilised or actual results varied significantly from projections this could have a material impact on the level of tax losses recognised.

***Inventory Valuation***

The Company uses certain estimates and judgements to properly value inventory. In general, the Company s inventories are recorded at the lower of actual cost, manufactured cost or market value. The Company has an ongoing process of evaluating inventories for obsolescence and excess quantities. Inventories that are considered obsolete are written down to an estimated net sales value where such value is below cost.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6A Directors and Senior Management**

The business of Ansell Limited is managed by a Board of Directors of such number of not fewer than four and not more than eight as the Directors determine. At the date of this report there are six Directors in office, of whom Mrs M. Peterson was appointed a Non-executive Director in August 2006. There are no family relationships (within the meaning of Item 6 of Form 20-F) between any director or executive officer and any other director or executive officer.

As of 30 June 2006 the Directors of Ansell Limited were as follows:

| Name | Age | Position | Year of Initial Appointment | Expiration of Current Term [1] |
|---|---|---|---|---|
| Peter L. Barnes | 62 | Chairman | 2001 | 2007 |
| Glenn L. L. Barnes | 59 | Director | 2005 | 2008 |
| Ronald J. S. Bell | 56 | Director | 2005 | 2008 |
| L. Dale Crandall | 64 | Director | 2002 | 2008 |
| Herbert J. Elliott [2] | 67 | Director | 2001 | 2007 |
| Douglas D. Tough | 56 | Chief Executive Officer | 2004 | |

(1) Other than the Chief Executive Officer, the directors are subject to re-election at the Annual General Meeting next following their appointment and retirement by rotation every three years. At least one third of the Company s Directors (those who have served the longest since last being re-elected) retire each year and may offer themselves for re-election by the shareholders.

(2) Mr Elliott retired from the Board on 18 October 2006.

As of 30 June 2006 the Executive Officers [1] who were not Directors were:

| Name | Position | Year of Initial Appointment | Commenced employment with Ansell Limited |
|---|---|---|---|
| Phil Corke | Senior Vice President, Human Resources & Communications | 1998 | 1998 |
| Werner Heintz | Senior Vice President & Regional Director Europe, Middle East and Africa | 2001 | 1999 |
| Rustom Jilla | Senior Vice President & Chief Financial Officer | 2002 | 2002 |
| Neil O Donnell | Senior Vice President & Regional Director Asia Pacific | 2001 | 1988 |
| William Reed | Senior Vice President & Regional Director Americas | 2001 | 1989 |
| William G Reilly, Jr. | Senior Vice President & General Counsel | 2000 | 2000 |

(1) Executive Officers serve at the discretion of the Board of Directors.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6A Directors and Senior Management** (continued)

The following is a brief biography of each of the Directors and Executive Officers of Ansell Limited as at 30 June 2006 and as at the date of this report:

**Peter L Barnes, B.Com, (Hons.) MBA (Melb)**

Appointed Non-executive Director in October 2001 and Chairman in August 2005. Chairman of the Nomination, Remuneration and Evaluation Committee.

Peter Barnes is a Director of News Corporation and Metcash Limited and is Chairman of Samuel Smith & Son Pty Limited.

Peter Barnes brings to the Board experience in finance, marketing and general management in the international arena. His background includes a long career with Philip Morris International Inc. where he held several senior management positions in Australia and overseas, including Managing Director, Lindeman Holdings Ltd, and President, Asia Region, based in Hong Kong.

The Board considers Peter Barnes to be an independent Director.

Resident Australia. Age 63

**Douglas D Tough, MBA, BBA**

Managing Director and Chief Executive Officer since 1 July 2004.

Prior to joining Ansell, Doug Tough spent 17 years with Cadbury Schweppes plc in a number of international and domestic leadership roles, including President and Chief Executive Officer of its largest division worldwide, Dr Pepper/Seven Up, North America. Mr Tough has also had 12 years experience with Procter & Gamble in various sales and marketing assignments. He holds an MBA from the University of Western Ontario, Canada, and a BBA from the University of Kentucky, USA.

As an Executive Director, Douglas Tough is not independent.

Resident USA. Age 57

**Glenn L L Barnes, B.Ag. Sci (Melb), CPM, FAMI, FAIM, FAICD, FAIBF, FRSA**

Appointed Non-executive Director in September 2005. Member of the Audit Committee.

Glenn Barnes is Chairman of Baycorp Advantage Limited and a Director of Lion Nathan Limited. He also serves as Chairman, Director and council member of a number of not-for-profit and private interest companies, including the Reach Foundation and the Australian Institute of Company Directors. He was previously a Non-executive Director of Banksia Wines Limited, Repco Corporation Limited, National Foods Limited and a Council member of Monash University.

Glenn Barnes commenced his management career with Unilever Limited and was involved in fast moving consumer goods, banking and financial services for over 30 years in Australia and internationally, including UK, USA, Republic of Ireland, Japan and China. Since retiring from executive roles in 2002, Mr Barnes has focused on governance and consulting.

The Board considers Glenn Barnes to be an independent Director.

Resident Australia. Age 59

**Ronald J S Bell BA (Strathclyde)**

Appointed Non-executive Director in August 2005. Member of the Nomination, Remuneration and Evaluation Committee.

Mr Bell is a Director of Gallaher Group Plc, Northern Foods Plc and Edrington Group and is Chairman of the Milk Link Co-Operative.

Mr Bell is an experienced international consumer industry executive with a background of over 30 years in highly competitive global branded products. He is a former President of Kraft Foods, Europe and served as Executive Vice President of Kraft Foods Inc. Mr Bell brings to the Board broad general management and marketing skills particularly in the European and North American markets.

The Board considers Ronald Bell to be an independent Director.

Resident U.K. Age 56

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6A Directors and Senior Management** (continued)

**L. Dale Crandall, MBA UC Berkeley, CPA**

Appointed Non-executive Director in November 2002. Chairman of the Audit Committee.

Mr Crandall is a Director of Union Bank of California, Covad Communications Group, BEA Systems Inc., Coventry Health Care Inc. and UGS Corp. He is also a Trustee of Dodge & Cox Mutual Funds.

Mr Crandall has a background in accounting and finance and is a former Group Managing Partner for Southern California for Price Waterhouse. He was formerly President and Chief Operating Officer of Kaiser Foundation Health Plan and Hospitals in the USA.

The Board considers Dale Crandall to be an independent Director.

Resident USA. Age 65

**Herbert J Elliott, AC, MBE, MA (CANTAB)**

Appointed Non-executive Director in February 2001. Member of the Audit and Nomination, Remuneration and Evaluation Committees until October 2006.

Mr Elliott was appointed Deputy Chairman of Fortescue Metals Group Limited in May 2005, having served as a Director of that company since October 2003. He is also Chairman of the Telstra Foundation Limited.

Mr Elliott has experience in marketing and general management, including an appointment as President and Chief Executive of North America for Puma, the sporting goods company.

The Board considers Herb Elliott to be an independent Director.

Resident Australia. Age 68

**Marissa Peterson, MBA (HARVARD), B.SC (MECH)**

Appointed Non-executive Director on 22 August 2006.

Marissa Peterson is a Director of Supervalu Inc and Lucille Packard Children s Hospital in California, and serves on the Board of Trustees of Kettering University. She was formerly a Director of Covisint Inc. and a member of both the Industry Executive Advisory Council, of Stanford University s Alliance for Innovative Manufacturing, and the US National Center for Women & Information Technology Executive Council.

Mrs Peterson retired from executive roles in mid 2006, having spent the previous 18 years with Sun Microsystems in senior executive positions. She has extensive experience in supply chain management, manufacturing, supplier management and procurement, logistics and distribution, and services.

The Board considers Marissa Peterson to be an independent Director.

Resident USA. Age 44

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6A Directors and Senior Management** (continued)

**Executive Officers who are not directors**

**Phil Corke**

**Senior Vice President Human Resources and Communications**

Phil Corke has been with Ansell since 1998 when he was appointed Senior Vice President of Human Resources. Prior to joining Ansell, he held senior human resources positions with Alpharma Inc., Textran Inc. and the Bristol-Myers group in the United Kingdom and the United States.

**Werner Heintz**

**Senior Vice President and Regional Director Europe, Middle East and Africa**

Mr Heintz joined Ansell in 1999 as Managing Director Ansell Protective Products Europe, Middle East and Africa. In February 2001 he assumed the position of Regional Director Europe, Middle East and Africa. Prior to joining Ansell, he was the European Marketing Director for Nynas, a leading producer and distributor of bitumen and specialty oils.

**Rustom Jilla**

**Senior Vice President and Chief Financial Officer**

Mr Jilla joined Ansell Limited in 2002. Mr Jilla has extensive experience in financial roles with global companies and prior to joining Ansell was Vice President Financial Operations of Perkin Elmer Inc. This followed a successful career with BOC Group Plc from 1988-2000, in the United States and New Zealand, in planning, product management and finance culminating in the role of Vice President Finance, BOC Edwards Americas.

**Neil O Donnell**

**Senior Vice President and Regional Director Asia Pacific.**

Neil O Donnell has been with Ansell since 1988 and has held a number of senior marketing roles in Australia and in the Asia Pacific region. He has been the Regional Director for the Asia Pacific region since February 2001, working to build markets throughout Asia, following a period where he ran the domestic Australian marketing operations. Prior to joining Ansell Mr. O Donnell spent most of his career with Duracell Australia, the last eight years as CEO.

**William Reed**

**Senior Vice President and Regional Director Americas**

Mr Reed has been with Ansell since 1989 following the acquisition of the Edmont Industrial glove business from Becton Dickinson and Co. He has been Senior Vice President and Regional Director of the Americas since February 2001. He was Executive Vice President and Regional Director of the Occupational Healthcare Division for the Americas from 1996 and was previously Americas Regional Director for the Consumer Division. Prior to 1993, he was Regional Director of Europe, based in Brussels.

**William G. Reilly, Jr.**

**Senior Vice President and General Counsel**

Mr Reilly has been with Ansell since 2000 when he was appointed Senior Vice President & General Counsel. Prior to joining Ansell, Mr Reilly was Associate General Counsel of C.R. Bard Inc. from 1990 to 2000. Prior to Bard, Mr Reilly held increasingly responsible positions as senior counsel with The Hertz Corporation, McKesson Corporation, Dresser Industries and GAF Corporation.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION**

The aggregate amount of remuneration paid or accrued by the Company on a worldwide basis during 2005-2006 as compensation to its Directors and its executive officers named below as a group was $9,566,919.

In accordance with the provisions of Australian law, amounts notionally attributed to pension and retirement benefits are deemed to be remuneration and such amounts are included in the total amount set out in the preceding paragraph.

**Non-executive Directors Remuneration**

**Directors Fees**

Non-executive Directors fees, including committee fees, are set by the Board within the maximum annual aggregate amount of $750,000, which was approved by shareholders in 1989. The fees paid to Directors are set at levels which reflect both the responsibilities of, and the time commitments required from each Director to discharge their duties. In order to maintain their independence and impartiality, the remuneration of the Non-executive Directors is not linked to the performance of the Company. In setting fee levels, the Nomination, Remuneration and Evaluation Committee, which makes recommendations to the Board, takes into account:

- the Company s existing remuneration policies;
- fees paid by relevant comparable companies;
- independent advice from remuneration consultants and other external advisers;
- the time commitment expected of Directors and the risks connected with discharging the duties attaching to the role of Director; and
- the level of remuneration necessary to attract and retain suitable Directors.

The Board periodically reviews its approach to Non-executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance. The Board conducted such a review during the 2006 financial year and concluded that no adjustment to current fee levels was required in respect of the coming financial year.

The current Board fee payable to Non-executive Directors is $82,500 per annum. Committee fees are set at 10% of the Board fee. The Board Chair fee is set at 2.5 times the Board fee, while the fees for the Chair of the Audit and Nomination, Remuneration and Evaluation Committees are set at 2 times and 1.25 times the Committee fee, respectively.

Superannuation contributions are also made on behalf of the Non-executive Directors at a rate of 9%, which satisfies the Company s statutory superannuation obligations.

In accordance with rule 35 of the Constitution, Non-executive Directors are permitted to be paid additional fees for special duties or exertions. Such fees are not included in the aggregate remuneration cap approved by shareholders. No such fees were paid during the year. Directors are also entitled to be reimbursed for all business related expenses, including travel, as may be incurred in the discharge of their duties.

Shareholders at the Company s 2006 Annual General Meeting approved an increase to $900,000 in the maximum aggregate fees that may be paid to Non-executive Directors. The Board does not currently intend to increase Non-executive Directors annual fees, however, it wishes to have the flexibility to increase the size of the Board and to adjust fees in line with market practice as appropriate in future years.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION** (continued)

**Non-executive Directors Share Plan**

In recognising that ownership of Company shares aligns Directors interests with those of shareholders, the Company operates a Non-executive Directors Share Plan. Under the terms of the Plan, a copy of which is available on the Company s website at *www.ansell.com*, Non-executive Directors are required to reinvest a minimum of 10% of their gross annual fees in acquiring shares in the Company until their shareholding is equal to at least one year s fees. The Plan rules permit Non-executive Directors to elect to apply up to 100% of their fees towards acquiring shares. These shares, which are purchased quarterly on the ASX at prevailing market prices, are registered in the name of the Director, but are subject to a restriction on dealing until the Director ceases to hold office.

The Non-executive Directors Share Plan is not a performance-based share plan, nor is it intended as an incentive component of Non-executive Director remuneration.

**Retirement Benefits**

Consistent with best practice, the Company does not pay Non-executive Directors retirement benefits in addition to statutorily prescribed superannuation contributions.

Details of Non-executive Directors remuneration for the 2006 financial year are set out in the following table.

| | Fees | Non-Monetary Benefits | Superannuation Contributions [1] | Total |
|---|---|---|---|---|
| | A$ | A$ | A$ | A$ |
| **NON EXECUTIVE DIRECTORS** | | | | |
| P L Barnes | 206,879 | | 18,707 | 225,586 |
| G L L Barnes | 77,715 | | | 77,715 |
| R J S Bell | 85,736 | | 2,928 | 88,664 |
| L D Crandall | 98,145 | | 8,833 | 106,978 |
| H J Elliott | 97,538 | 11,774 | 8,778 | 118,090 |
| M J McConnell [2] | 32,827 | | 2,954 | 35,781 |
| E D Tweddell [3] | 21,484 | | 1,934 | 23,418 |

(1) Contributions are made on a notional basis upon the advice of the Trustee, as the Company s superannuation fund is currently in surplus.
(2) Ceased as a Director on 17 November 2005.
(3) Ceased as a Director on 4 August 2005.

**Executive Director and senior executive remuneration**

The remuneration policy applicable to senior executives and the Company Secretary during the 2006 financial year had the objectives of:

(a) aligning management rewards with the creation of value for shareholders thereby establishing a common interest between executives and shareholders;

(b) supporting the short- and long-term objectives of the Company as set out in the strategic business plans endorsed by the Board; and

(c) achieving a balance between fixed and performance-related components of remuneration that reflects market conditions at each job and seniority level.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION** (continued)

The current approach to executive remuneration was introduced in 2002. At that time, the Board of the restructured Ansell Limited announced specific objectives for the following three years. Having undertaken to deliver strong and consistent growth in earnings before interest, tax and amortisation of the Ansell Healthcare business (Segment EBITA), the Board implemented executive remuneration strategies that were designed to motivate executives to ensure the Company s success in achieving the annual EBITA targets that had been set.

**Fixed Remuneration**

The remuneration packages of senior executives (including the CEO) comprise both a fixed component and a performance-related component. In general, between 50% and 70% of the total remuneration packages for the CEO and senior management is performance related.

The fixed component, which is expressed in local currency, is set at the mid point of the market rate for a comparable role by reference to appropriate benchmark information and having regard to an individual s responsibilities, performance, qualifications, experience and location. Executive management salaries are also benchmarked against global salary and grade data supplied by Watson Wyatt, and internal equity is monitored using a global broad band grading system.

Fixed remuneration includes contributions to superannuation and pension plans in accordance with relevant legislation or as contractually required.

**At-Risk Remuneration**

**Annual cash incentive**

The annual short-term incentive program (STI) is a cash-based plan that involves linking specific targets with the opportunity to earn incentives based on a percentage of fixed salary. In relation to members of the senior executive team, this generally comprises an amount equal to between 30% and 45% (75% for the CEO) of their fixed annual remuneration for target performance and up to an amount equal to between 60% and 90% (150% for the CEO) of their fixed annual remuneration for performance that is well in excess of target performance.

Performance measures for 2006 were based on annual growth in sales revenue (Sales) and Segment EBITA, or for some executives with more direct responsibility for overall corporate performance, Profit Attributable, weighted equally. The Board considered these performance measures to be appropriate and aligned to the Company s objectives of delivering profitable growth and improving shareholder return, particularly given the commitments made to shareholders in 2002 in respect of Segment EBITA growth objectives. In addition, executives have a clear line of sight to the targets and are able to affect results through their actions.

The hurdles for the STI in the 2006 financial year were set so that achievement of the internal business plan Sales and Segment EBITA (or Profit Attributable) objectives would result in 100% of the award being earned. Additional incentive payments were available for performance exceeding target objectives. Incentives would start to be earned at 50% of the target level once performance measures exceeded a Sales threshold that was set at the median between the 2005 actual results and the 2006 target.

Performance against these objectives was determined, and incentives paid, following the completion of the audit of the 2006 financial accounts. The performance measures attaching to the STI were satisfied well beyond the target level in the case of Sales growth, were slightly above target in the case of Profit Attributable, and fell short of target in the case of Segment EBITA.

**Long-term incentive**

The Company s long-term incentive (LTI) arrangements are designed to link executive reward with creation of shareholder value through the grant of equity securities subject to performance conditions which underpin sustainable growth in shareholder value.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION** (continued)

Participation in the Company s LTI arrangements is only offered to executives who are able or have the potential to influence shareholder value. Key Management Personnel are offered a grant under the Plan which is designed to be the equivalent of approximately 30% of their total remuneration (on an annualised basis). Other executives are offered grants representing a lower proportion of their total remuneration.

The Stock Incentive Plan (Plan) that operated until the end of the 2006 financial year provided for senior executives to be granted:

- performance share rights (PSRs); and
- in the case of the CEO and CFO, options.

Executives who participate in the Plan were granted PSRs that vest in three annual tranches, subject to the satisfaction of performance conditions applicable to each tranche as set by the Board. PSRs vest immediately upon satisfaction of the performance conditions for the relevant performance period. One fully-paid ordinary share is allocated to the holder of a PSR automatically upon that PSR vesting, at no cost to the executive.

The CEO and CFO were granted options under the Plan upon joining the Company. The options were granted at no cost and vest upon satisfaction of the relevant performance conditions. The relevant exercise price, which is based on the average of the Company s closing share price on the five days preceding the date of grant, is $7.40 for the options granted to the CEO and $6.97 for the options granted to the CFO. Vested options may not be exercised until 12 months after the date of vesting.

Any options that do not vest in a financial year will lapse. PSRs that do not vest in a financial year will be added to the PSRs otherwise available in the next vesting year and tested against the performance condition applicable to that subsequent year. Any PSRs that have not vested within three years of being granted may not be carried forward, and will lapse.

Participants are entitled to vote their shares and to receive any dividend, bonus issue, return of capital or other distribution made in respect of the shares they are allocated upon vesting of PSRs and exercise of options.

In general, executives are permitted to sell shares on vesting of PSRs to the extent necessary to meet any taxation liabilities arising from the grant or vesting, plus 50% of the balance. The remainder of the shares from that vested tranche may not be sold within 12 months of their allotment.

**Performance measures applicable to the 2006 financial year**

For each tranche of PSRs and options that were to be tested against performance targets for the 2006 financial year, the performance measures comprised Sales growth and earnings per share (EPS) targets (excluding the effect, if any, of the sale of the Company s investment in South Pacific Tyres), weighted equally.

Vesting in respect of the Sales growth component would occur to the extent of 50% once Sales had reached a threshold of US$828.1 million, increasing to 100% vesting on achievement of a target of US$844.1 million. Vesting of the EPS component would occur to the extent of 50% once a threshold of US$0.532 per share had been achieved, increasing to 100% vesting on achievement of the target of US$0.568.

The Board selected these performance measures on the basis that Sales growth is essential for the generation of improved earnings, and EPS growth, in addition to being a relevant indicator of increases in shareholder value, is one that provides suitable line of sight to encourage executive performance.

Both the Sales and EPS targets for the 2006 financial year were exceeded, resulting in 100% of the relevant long-term incentives vesting.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION** (continued)

**Service Agreements**

The remuneration and other terms of employment for the CEO and Key Management Personnel are covered in formal agreements or letters of offer. Each of these agreements makes provision for base salary, performance-related cash incentives (as disclosed above), other benefits, and participation, where eligible, in the Company s LTI arrangements (as described above).

The base salary and incentive components of remuneration for the CEO and Key Management Personnel are reviewed and determined annually by the Nomination, Remuneration and Evaluation Committee.

The employment agreements entered into with the CEO and Key Management Personnel do not specify a fixed term of employment. Details of the applicable notice periods and payments on termination as provided under the agreements are summarised below.

**Chief Executive Officer**

The CEO, D Tough, is employed under the terms of an Employment Agreement that provides for termination payments to be made in certain circumstances. In particular, the Company may terminate his employment within the first three years of service upon giving 18 months notice or payment in lieu, and at any time thereafter upon giving 12 months notice or payment in lieu. As at the date of this Report, Mr Tough has been employed by the Company for two years and three months. In certain circumstances, such as a substantial diminution of responsibility, the Company may be deemed to have terminated his employment and would be liable to make a termination payment equivalent to 18 months base salary and the average of his short term incentive earned prior to the termination of his employment.

In general, the CEO must give the Company at least six months notice of resignation.

Upon termination of employment for any reason, the CEO is prohibited from engaging in any activity that would compete with the Company for a period of 18 months if he terminates his employment within the first three years, and 12 months thereafter, in order to protect the Company s business interests.

**Key Management Personnel**

Each of P Corke, R Jilla, W Reed, and W Reilly, all of whom are USA-based, are assumed to be employed at will . These executives are, in general, eligible for payments upon termination (other than for gross misconduct) equal to 12 months base salary plus certain other benefits. These executives would typically be expected to give the Company four weeks notice of resignation. In certain circumstances, such as a diminution of responsibility, the Company may be deemed to have terminated Mr Jilla s appointment and would be liable to make a termination payment equivalent to 12 months base salary and his target annual incentive for the relevant year.

W Heintz is a Europe-based executive and in the event of his termination without cause, he would receive severance calculated by taking into account a range of factors, such as: notice period in months, seniority in fractions of years, age in years and fractions of years, total annual remuneration, total bonus received in the year prior to termination, and the value of non-monetary benefits.

N O Donnell is an Australian-based executive whose employment is governed by the terms of an employment agreement and the policies of the Company in Australia. The Company is required to give Mr O Donnell at least one month s notice for termination without cause, in which case he would receive a payment equivalent to 12 months total remuneration package at the date of termination, plus all outstanding statutory entitlements.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION** (continued)

Details of the remuneration paid to the Managing Director and Senior Executives, being those with the most authority during the 2006 financial year, are set out in the following table.

**MANAGING DIRECTOR AND SENIOR EXECUTIVES[1] OF THE COMPANY AND THE GROUP**

| | Fixed Salary | Annual Cash Incentive [2] | Non-Salary Benefits [3] | Superannuation Contributions [4] | Options/Rights [5] | Total |
|---|---|---|---|---|---|---|
| | A$ | A$ | A$ | A$ | A$ | A$ |
| D Tough [6] Group Managing Director and Chief Executive Officer | 984,164 | 1,059,949 | 189,936 | 229,062 | 637,804 | 3,100,915 |
| P Corke [6] | 332,906 | 214,854 | 58,925 | 71,861 | 199,427 | 877,973 |
| W Heintz [7] | 532,222 | 233,649 | 61,092 | 150,718 | 219,561 | 1,197,242 |
| R Jilla [6] | 489,971 | 316,266 | 50,305 | 107,635 | 462,249 | 1,426,426 |
| N O Donnell | 212,000 | 91,201 | 33,967 | 42,400 | 126,855 | 506,423 |
| W Reed [6] | 366,167 | 75,074 | 139,087 | 92,115 | 216,290 | 888,733 |
| W Reilly [6] | 352,688 | 227,746 | 37,459 | 75,655 | 199,427 | 892,975 |

(1) The Executives included in this disclosure are those executives having, during the year, the greatest authority for managing the Group. Other personnel who have not had such authority may have received remuneration at a level in excess of that shown for some of the executives named above.

(2) The maximum value of grants made under the STI during the year is the value as set out in this table. The minimum value of the STI, if performance targets had not been satisfied, would have been nil.

(3) Includes the cost to the Company of cash benefits such as motor vehicle and travel allowances, telephone expenses, cost of living and relocation allowances and executive insurance.

(4) Includes contributions to USA benefit or non-qualified pension plans or European pension plan, or notional contributions to an Australian superannuation fund, as applicable.

(5) Includes a proportion of the fair value of options or PSRs granted or outstanding during the year. The fair value is determined as at grant and is progressively allocated over the vesting period for these securities. The amount included as remuneration is not related to, nor indicative of, the benefit (if any) that individual executives may ultimately realise should the options or PSRs vest.

The fair value of options or PSRs is calculated at the date of the grant using binomial tree techniques. The fair values and the factors and assumptions used in determining the fair values of the tranches of options and PSRs applicable for the 2005 financial year are as follows:

| Instrument | Number Issued | Grant Date | Expiry Date | Fair Value per Option/PSR | Exercise Price | Share Price on Grant Date | Risk Free Interest Rate | Dividend Yield |
|---|---|---|---|---|---|---|---|---|
| Options | 525,000 | 30/6/2004 | 30/6/2014 | $ 2.35 - $2.38 | $ 7.40 | $ 7.74 | 6.1% | 2.0% |
| PSRs | 515,000 | 18/12/2003 | 30/6/2006 | $ 5.89 - $6.12 | N/A | $ 6.19 | N/A | 2.0% |
| PSRs | 150,000 | 30/6/2004 | 30/6/2007 | $ 6.94 - $7.22 | N/A | $ 7.74 | N/A | 2.0% |
| PSRs | 391,000 | 8/8/2004 | 30/6/2007 | $ 7.34 - $7.64 | N/A | $ 7.78 | N/A | 2.0% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| PSRs | 500,000 | 16/8/2005 | 30/6/2008 | $ 9.45 - $9.83 | N/A | $ 10.00 | N/A | 2.0% |

An estimated volatility factor of up to 20% has been applied in the above valuations in respect of options and is based on an analysis of historical share price data.

(6) US-based Executives paid in US$. The average exchange rate for the 2006 financial year is US$0.7505 = A$1.00.
(7) Europe-based Executive paid in . The average exchange rate for the 2006 financial year is 0.5881 = A$1.00.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6B COMPENSATION** (continued)

**Discontinued Executive and Employee Share Plans**

The Company (when it was Pacific Dunlop Limited) historically operated two share plans for employees and Directors.

- the Pacific Dunlop Executive Share Plan ( Executive Plan ) - discontinued in 1996, and
- the Pacific Dunlop Employee Share Plan ( Employee Plan ) discontinued in 1994.

Shares issued under the Executive Plan to selected employees ( Executives ) were paid up to 5 cents and were subject to restrictions for a period. While partly paid, the shares are not transferable, carry no voting rights and no entitlement to dividends (but are entitled to participate in bonus or rights issues as if fully paid). The price payable for shares issued under the Executive Plan varies according to the event giving rise to a call being made. Once restrictions cease, the price payable upon a call being made will be the lesser of $10.00 ($2.50 for issues prior to 13 September 1991) or the last sale price of the Company s ordinary shares on Australian Stock Exchange Limited.

The number of Executive Plan Shares outstanding at 30 June 2006 was 290,800 and as of 31 October 2006 was 271,300 shares. During the fiscal year, the amounts outstanding on 87,000 existing Executive Plan Shares were fully paid. From the end of the fiscal year through 31 October 2006, the amounts outstanding on an additional 19,500 Executive Plan Shares were fully paid.

Under Australian law, the Company is not required to disclose and does not otherwise disclose the number of Executive Plan Shares held by each executive officer individually, unless such executive officer is also a Director. There were no Executive Plan Shares held by Directors of Ansell Limited as of 30 June 2006.

In addition to the Executive Plan, the Company maintained an Employee Plan under which 122,516 fully paid Ordinary Shares were held as of 30 June 2006. The Employee Plan permitted eligible employees to acquire a number of shares in the Company. The shares were issued at market value payable as to 50 cents per share by the employee, the balance financed by an interest free loan from the Company (provided that no loans will be made in contravention of applicable law, including Section 13(k) of the Securities Exchange Act of 1934) repayable, at latest, on cessation of employment. The US GAAP compensation cost component of this plan is zero for all years presented.

The shares are not transferable while a loan remains outstanding, but carry voting rights and entitlement to dividends (although dividends are applied in reduction of the loan).

During the 2005-2006 fiscal year, the loan liability of members in respect of 13,098 fully paid ordinary shares was discharged. Subsequent to the end of the fiscal year the loan liability in respect of all Employee Plan shares outstanding as at 30 June 2006 was discharged.

The Company s accounting policy in respect of the Employee Plan is to recognise the paid-up capital upon allotment and the receivable created by the loan to employees to acquire the shares. In respect of the Executive Plan, no amount is recognised upon issue, apart from the capital paid-up on the shares, as the amount of the call payable is not known at the time of issue. Once a call has been made upon the shares and paid, the Company recognises the increase in paid-up capital. A loss of $9,884 pre tax in respect of the Employee Share Plan was recognised for the year 2005-2006, compared to a loss of $13,801 pre tax for the year 2004-2005.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6C Board Practices**

In accordance with the Company s Constitution and the Corporations Act, the Company operates through its Board of Directors and management.

The Board, which has authority for ultimate oversight of the Company, works under a set of well-established corporate governance policies and Charters. These policies are publicly available on the Company s website, *www.ansell.com*. The Board regularly reviews and updates these policies and Charters to ensure that they remain in accordance with best practice. The Board is aware of, and has had regard to, developments in Australia and overseas in relation to corporate governance best practice .

**Composition of the Board**

Maintaining a balance of experience and skills is an important factor in Board composition. The Board s policy is that there should be a majority of independent, Non-executive Directors. This is a requirement embodied in the Company s Constitution and the Board Charter, ensuring that all Board discussions or decisions have the benefit of predominantly outside views and experience, and that the majority of Directors are free from interests and influences that may create a conflict with their duty to the Company.

The requirement under the Constitution is for at least twice as many Non-executive Directors as Executive Directors. As an additional safeguard in preserving independence, there should be a separation of the roles of the Chairman and the Chief Executive Officer, and the Chairman should be an independent Non-executive Director.

The Board has adopted the definition of independence set out in the IFSA Blue Book (December 2002).* The Board has developed guidelines to determine materiality thresholds for the purposes of that definition. Broadly speaking, these guidelines seek to determine whether the Director is generally free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director s ability to act in the best interests of the Company.

The Company currently has seven Directors, one of whom is an Executive Director (the Chief Executive Officer who is also the Managing Director). All of the Non-executive Directors, including the Chairman, are considered to be independent .

**Board Review**

The Board periodically conducts a formal review of its performance using a comprehensive and structured self-assessment approach based on the individual input and responses of Directors. The reviews include:

- assessment and consideration of the effectiveness and composition of the Board;
- an assessment of the performance of the Chief Executive Officer by the Non-executive Directors; and
- assessing whether corporate governance principles are appropriate and reflect good practice .

Since the date of the last Report, the Board has conducted an assessment of its performance as outlined above and has also formally assessed the performance of the Chief Executive Officer.

**Board Election Process**

New Directors are nominated by the Board, as described below, and then stand for election at the next Annual General Meeting in order to be confirmed in office. Criteria for selection of new Non-executive Directors include a candidate s personal qualities, professional and business

experience, and availability and time to commit to all aspects of the Board s program. All Directors other than the Managing Director are required to seek re-election at least once in every three years on a rotating basis. The performance of Directors seeking re-election is considered by the Board to enable it to make a recommendation to shareholders in relation to the Directors re-election.

*Corporate Governance, A Guide for Fund Managers and Corporations Blue Book*, Investment and Financial Services Association, December 2002 (copy available at *www.ifsa.com.au*).

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6C BOARD PRACTICES** (continued)

**Appointment Terms**

New Directors are provided with a letter of appointment setting out the terms of their appointment, including their powers, rights and obligations. In order to ensure that the composition of the Board will change over time, the Board has a general policy that Non-executive Directors should not serve for a period exceeding 12 years, and that the Chairman should not serve in that role for more than 10 years.

However, the Board does not consider this length of tenure would necessarily compromise independence or interfere in a material way with a Director s ability to act in the best interests of the Company. Should the situation arise, the Board would make an assessment regarding an individual Director s ongoing service having regard for the length of service of all members of the Board and the mix of experience, skills and knowledge of the Board.

In order to ensure that Directors are able to fully discharge their duties to the Company, all Directors must consult with the Chairman of the Board and advise the Nomination, Remuneration and Evaluation Committee prior to accepting a position as a non-executive director of another company.

**Operation of the Board**

The Board has ultimate responsibility for setting policy regarding the business and affairs of the Company and its subsidiaries for the benefit of the shareholders and other stakeholders, and is accountable to shareholders for the performance of the Group.

The following table summarises the Board s main responsibilities and functions, which have been grouped into the following three areas:

- strategy, planning and monitoring;
- shareholder communication and compliance; and
- risk management and internal controls.

| | **Strategy, planning and monitoring** | **Shareholder communication and compliance** | **Risk management and internal controls** |
|---|---|---|---|
| **Approving...** | corporate strategies, budgets, plans and policies | procedures to ensure compliance with applicable laws, regulations, accounting standards, ethical standards and business practices | the Company s risk management framework and internal compliance and controls systems |
| | appointment of the Chief Executive Officer and other members of the senior management team | shareholder communication strategies | |

| | | | |
|---|---|---|---|
| | the remuneration package of the Chief Executive Officer | | |
| | the remuneration policy applicable to the senior executives of the Group | | |
| | the remuneration policy applicable to Non-executive Directors | | |
| **Reviewing and monitoring...** | implementation of corporate strategies, budgets, plans and policies | implementation of compliance procedures | implementation of risk management framework and internal compliance and controls systems |
| | financial and business results (including the audit process) in order to understand the financial position of the Group | timeliness and accuracy of information provided to shareholders and the financial market | the Company s wider risk management profile |
| | | | internal processes for determining, monitoring and assessing key risk areas |
| **Evaluating...** | performance against corporate strategies, budgets, plans and policies | the effectiveness of reporting procedures and mechanisms | the process for assessing the effectiveness of risk management practices |
| | the performance of the Chief Executive Officer and other members of the senior management team | whether adequate, accurate and timely information is provided to shareholders and the financial market | |

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6C BOARD PRACTICES** (continued)

**Board Committees**

The Board has established two standing Committees, being the:

Audit Committee; and

Nomination, Remuneration and Evaluation Committee.

Each Committee operates under a specific Charter, which is reviewed periodically by the Board. The Board also delegates specific functions to ad hoc Committees of Directors on an as needs basis. The powers delegated to these Committees are set out in Board resolutions. Further details regarding the two standing Committees are set out in the table below:

| | **Audit Committee** | **Nomination, Remuneration and Evaluation Committee** |
|---|---|---|
| **Members** | L D Crandall (Chair from 9 August 2005) | P L Barnes (Chair from 9 August 2005) |
| | G L L Barnes (from 17 November 2005) | Dr E D Tweddell (Chair and member until 4 August 2005) |
| | P L Barnes (Chair and member until 8 August 2005) | R J S Bell (from 9 August 2005) |
| | H J Elliott (until 18 October 2006) | M J McConnell (until 5 September 2005) |
| | | H J Elliott (from 5 September 2005 until 18 October 2006) |
| **Composition** | **Committee members are required to:** | **The Committee is required to:** |
| | be independent, Non-executive Directors (minimum of three required) | comprise a majority of independent, Non-executive Directors (minimum of three required) |
| | be financially literate | |

| | | |
|---|---|---|
| | possess sufficient financial expertise and knowledge of the industry in which Ansell operates | |
| **Functions** | **Reviewing:** | **Reviewing:** |
| | financial statements | the structure and performance of the Board, the Committees and individual Directors (and to recommend changes where required) |
| | adequacy of financial controls | |
| | | **Establishing:** |
| | annual audit arrangements (internal and external) | |
| | activities of internal and external auditors | policies and criteria for Non-executive Director selection, and identifying suitable candidates for appointment |
| | independence and remuneration of external auditor | **Advising Board on:** |
| | processes for identifying, managing and reporting business risk | succession planning |
| | | remuneration of Chief Executive Officer |
| | **Advising Board on:** | |
| | appointment, removal and remuneration of external auditor | senior executive remuneration policy (including incentive plans, equity awards, retirement payments and service contracts) |
| | independence of external auditor | |
| | financial reporting controls and systems, including their adequacy | |
| | national and international Accounting Standards | |

| | | |
|---|---|---|
| | applicable Company policies, regulatory and statutory requirements | |
| **Attendance** | Details regarding attendance at Committee meetings during the year are set out below | Details regarding attendance at Committee meetings during the year are set out below |
| **Consultation** | Company officers and the principal external audit partner attend Committee meetings to provide reports and/or guidance | As required, the Committee may engage independent professional advisers to:<br><br>assist in identifying high-calibre Directors and executives<br><br>advise on whether the Company s employment policies and practices, including terms and conditions, are competitive and consistent with those offered by comparable companies<br><br>The Committee may also request information from management where appropriate |

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6c BOARD PRACTICES** (continued)

**Attendance at Board and Board Committee Meetings during the year ended 30 June 2006**

| | Board | | Audit | | Nomination, Remuneration and Evaluation | |
|---|---|---|---|---|---|---|
| | **Held** | **Attended** | **Held** | **Attended** | **Held** | **Attended** |
| P L Barnes | 8 | 8 | 1 | 1 | 7 | 7 |
| G L L Barnes | 7 | 7 | 3 | 3 | | |
| R J S Bell | 8 | 8 | | | 7 | 6 |
| L D Crandall | 8 | 8 | 4 | 4 | | |
| H J Elliott | 8 | 7 | 4 | 4 | 7 | 6 |
| M J McConnell | 3 | 3 | | | 1 | 1 |
| D D Tough | 8 | 8 | | | | |

Held Indicates the number of meetings held while each Director was a member of the Board or Committee. Attended Indicates the number of meetings attended during the period that each Director was a member of the Board or Committee.

In carrying out its duties, the Board meets formally at least six times a year, with additional meetings held as required to address specific issues. Directors also participate in meetings of various Board Committees, which assist the full Board in examining particular areas or issues.

The Board delegates management of the Company s resources to the executive team under the leadership of the Chief Executive Officer, to deliver the strategic direction and achieve the goals determined by the Board. Any powers not specifically reserved for the Board have been delegated to the executive team.

The Board is free to alter the matters reserved for its decision, subject to the limitations imposed by the Company s Constitution and the law.

**Governance Policies Applicable to the Board**

**Dealing in Shares**

Subject to the restriction that persons may not deal in any securities when they are in possession of price-sensitive information, Directors and employees generally may only buy or sell Ansell shares in the period immediately following any price-sensitive announcements, including the half-year and full year results and the Annual General Meeting. At other times, Directors dealing in Ansell shares must obtain prior approval from the Chairman.

**Conflict of Interest**

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are brought to the attention of each Director, the Company has developed protocols, consistent with obligations imposed by the Corporations Act and the Listing Rules, to require each Director to disclose any contracts, offices held, interests in transactions, contracts and other directorships which may involve any potential conflict. Appropriate procedures have been adopted to ensure that, where the possibility of a material conflict arises, relevant information is not provided to the Director, and the Director does not participate in discussion on the particular issue or vote in respect of the matter at the meeting where the matter is considered.

**External Advice**

Any Director can seek independent professional advice at the Company s expense in the furtherance of his or her duties, subject to prior discussion with the Chairman. If this occurs, the Chairman must notify the other Directors of the approach, with any resulting advice received to

be generally circulated to all Directors.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6C BOARD PRACTICES** (continued)

**Induction and Ongoing Education**

New Directors participate in an induction program which covers the operation of the Board and its Committees, and the Company s financial, strategic, operational and risk management positions.

Directors also participate in management presentations and analysis to ensure that they are kept up-to-date with developments in the industry, and to enable them to discharge their duties.

It is the Company s practice for Directors to visit some of the Company s facilities in each year. During the 2006 financial year, Board meetings were held in conjunction with visits to the Group s operating head office in Red Bank, New Jersey, and its European regional headquarters in Brussels. Some Directors also visited a number of the Company s manufacturing locations in South-east Asia and Mexico.

**Governance Policies of General Application throughout Ansell**

**Code of Conduct**

The Company is committed to upholding the highest legal, moral and ethical standards in all of its corporate activities and has adopted a Code of Conduct consisting of both a Statement of Guiding Principles and Policies on Business Conduct, which aim to strengthen its ethical climate and provide basic guidelines for situations in which ethical issues arise. The Code of Conduct is available on the Company s website, *www.ansell.com*.

The Code of Conduct applies to Directors, executives, management and employees, sets high standards for ethical behaviour and business practice beyond complying with the law, and is based on guiding principles whereby the Company:

- strives to uphold high ethical standards in all corporate activities;
- is committed to competing lawfully, fairly and ethically in the marketplace, consistent with its aim of providing quality products to its customers;
- is committed to pursuing sound growth and earnings goals, by operating in the best interests of the Company and shareholders;
- strives to treat all employees and applicants with fairness, honesty and respect;
- expects all employees to work together for the common good and to avoid placing themselves in a position that is in conflict with the interests of the Company;
- is committed to good corporate citizenship and participating actively in and improving the communities in which the Company does business; and

expects all employees to conduct themselves in accordance with the guiding principles.

It is the Company s policy to comply with the letter and spirit of all applicable laws and no Director, officer, executive or manager has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company. Assistance is available to clarify whether particular laws apply and how they may be interpreted.

The Code of Conduct also sets out the Company s policies in respect of ethical issues such as conflicts of interest, social accountability and fair dealing.

The Company s ethical practices and procedures are reviewed regularly, and processes are in place to promote and communicate these policies within the Company. Employees and Directors are required to participate in compliance training programs to ensure that they remain up to date regarding relevant legal and industry developments, as well as ethical practices. During the year computer-based courses, including courses relating to financial integrity, competition and antitrust, respect and responsibility, e-compliance and intellectual property, were implemented across the organisation globally.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6C BOARD PRACTICES** (continued)

**External Audit**

It is Board policy that the lead external audit partner and review partner are each rotated periodically. The Board has adopted a policy in relation to the provision of non-audit services by the Company s external auditor that is based on the principle that work that may detract from the external auditor s independence and impartiality, or be perceived as doing so, should not be carried out by the external auditor.

**Risk Management**

Ansell places a high priority on risk identification and management throughout all its operations and has processes in place to review their adequacy.

The Company s risk management practices include:

- a comprehensive risk control program that includes property protection and health, safety and environmental audits using underwriters, self-audits, and engineering and professional advisers; and
- a process to identify and measure business risk.

**Division of Risk Management Functions and Responsibilities**

| | |
|---|---|
| **Board** | approving risk management framework and internal compliance systems |
| | reviewing the Company s wider risk profile |
| | overseeing implementation of risk management policies, procedures and systems |
| **Audit Committee** | liaising with, and reviewing activities of internal and external audit functions |
| | reviewing adequacy of financial controls |
| | monitoring relevant legal and regulatory requirements |
| **CEO/CFO** | assessing whether risk management procedures and systems are operating efficiently and effectively in all material aspects |

providing sign-off to Board regarding the Company s risk management framework (including internal compliance and control systems)

**Internal Audit** reviewing effectiveness of the Company s risk management framework (including internal compliance and control systems)

reporting to the Audit Committee regarding operation of risk management procedures and systems

**Management** identification and management of risks (including financial, operational, reputational and compliance risks)

implementing policies, procedures and systems adopted by the Board

providing internal sign-offs regarding risk management procedures and systems

**Management Assurance**

In accordance with the Company s system of internal sign-offs, the Chief Executive Officer and Chief Financial Officer have provided assurances to the Board that, having made appropriate enquiries, they have formed the opinion that:

the financial records of the Company and its subsidiaries are maintained in accordance with the Corporations Act;

the Financial Report for the year ended 30 June 2006 has been prepared in accordance with the relevant Accounting Standards and gives a true and fair view, in all material respects, of the financial position and performance of the Company and its subsidiaries; and

the assurance given above is based on a sound system of risk management and internal compliance and control which, in all material respects, is:

consistent with the policies adopted by the Board; and

operating effectively and efficiently.

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6C BOARD PRACTICES (CONTINUED)**

**Disclosure to Investors**

The Company has implemented procedures to ensure that it provides relevant and timely information to its shareholders and to the broader investment community, in accordance with its obligations under the ASX continuous disclosure regime.

In addition to the Company s obligations to disclose information to the ASX and to distribute information to shareholders, the Company publishes annual and half-year reports, media releases, and other investor relations publications on its website.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and discussion of the Group s strategy and goals. The external auditor attends the Annual General Meeting to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor s report.

**6D EMPLOYEES**

As of 30 June 2006 Ansell Limited employed 11,317 full time equivalent employees (11,059 as at 30 June 2005) .

Approximately 16% of the total workforce of Ansell, who are predominantly located outside of Australia, belong to trade unions, while the length of the union contracts is typically 3 years. Management believes it has good relations with its unions.

The following is an analysis of the Group s employees by geographic location (information regarding activities undertaken by employees is not available):

| Location | 2006 | 2005 |
|---|---|---|
| **Americas** | | |
| USA (including Mexico) | 1,893 | 1,844 |
| Canada | 46 | 49 |
| **Asia Pacific** | | |
| Australia | 72 | 93 |
| India | 1,498 | 1,442 |
| Malaysia | 3,412 | 3,426 |
| Sri Lanka | 1,867 | 1,863 |
| Thailand | 2,019 | 1,962 |
| Rest of Asia | 79 | 6 |
| **Europe, Middle East and Africa** | | |
| Belgium | 145 | 145 |
| United Kingdom | 175 | 133 |
| France | 13 | 47 |
| Rest of Europe, Middle East and Africa | 98 | 49 |
| **Total** | **11,317** | **11,059** |

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6E Share Ownership**

The relevant interests of each of those Directors in the share capital of the Company as at the date of this Report, as notified to the Australian Stock Exchange Limited pursuant to the Listing Rules and section 205G of the Corporations Act, were:

| | 1 | 2 | 3 |
|---|---|---|---|
| P L Barnes | 15,079 | | |
| G L L Barnes | 8,881 | | |
| R J S Bell | 969 | | |
| L D Crandall | 10,105 | | |
| H J Elliott | 10,974 | | |
| M T Peterson | 5,088 | | |
| D D Tough | 64,981 | 427,191 | 74,550 |

1. Beneficially held in own name, or in the name of a trust, nominee company or private company.
2. Beneficial Executive Share Options. Options were granted on 11 May 2004, have an exercise price of $7.40 and an expiry date of 30 June 2014. Tranche 1 has a fair value of $2.35, Tranche 2 $2.36 and Tranche 3 $2.38. No options were exercised during the year.
3. Performance Share Rights (PSRs) The award of a PSR by the Company entitles Mr Tough to receive one fully paid ordinary share in the Company at the end of a Performance Period. The number of PSR s that vest will be contingent on the degree to which performance measures and, as appropriate, service conditions established at the time of the grant are met. Grants of PSR s to Mr Tough comprise three equal tranches, each tranche subject to performance hurdles for vesting to occur.

No director holds more than one percent of the Company s ordinary shares beneficially or of record.

**Non-executive Directors Share Plan**

Details of securities acquired on behalf of Non-executive Directors pursuant to the Ansell Non-executive Directors Share Plan during the financial year are set out below:

| Director | Number of shares acquired |
|---|---|
| Mr P L Barnes | 1,906 |
| Mr G L L Barnes | 658 |
| Mr R J S Bell | 746 |
| Mr L D Crandall | 899 |
| Mr H J Elliott | 899 |
| Mr M J McConnell | 960 |

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**PART I**

**Item 6: Directors, Senior Management and Employees**

**6E SHARE OWNERSHIP** (continued)

**Executives Share Ownership**

The relevant interests of senior executives in the share capital of the Company as at the date of this Report, were:

| | 1 | 2 | 3 |
|---|---|---|---|
| Mr P. Corke | 35,445 | - | 23,334 |
| Mr W. Heintz | 40,000 | - | 25,001 |
| Mr R. Jilla | 76,000 | 240,000 | 53,334 |
| Mr N. O Donnell | 15,667 | | 14,000 |
| Mr W. Reed | 34,343 | - | 25,001 |
| Mr W. Reilly | 48,253 | - | 23,334 |

1. Beneficially held in own name, or in the name of a trust, nominee company or private company.
2. Beneficial Executive Share Options. Options were granted on 23 September 2002, have an exercise price of $6.97 and an expiry date of 23 September 2012. Tranches 1 & 2 have a fair value of $2.66 and Tranche 3 has a fair value of $2.70. During the year 60,000 options were exercised.
3. Performance Share Rights (PSR s). The award of a PSR by the Company entitles the participant to receive one fully paid ordinary share in the Company at the end of a Performance Period. The number of PSR s that vest will be contingent on the degree to which performance measures and, as appropriate, service conditions established at the time of the grant are met. Grants of PSR s to each executive comprise three equal tranches, each tranche subject to performance hurdles for vesting to occur.

The shareholdings of each Executive Officer represents less than 1% of the Company s ordinary shares on issue.

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**PART I**

**Item 7: Major Shareholders and Related Party Transactions**

**7A Major Shareholders**

To the best of its knowledge, Ansell Limited is not directly, or indirectly, controlled by any corporation, by any foreign government or by any other natural or legal person(s) severally or jointly. Ansell Limited does not know of any arrangement, the operation of which may result in a change of control of Ansell Limited.

The names of substantial shareholders in the Company and the number of fully paid ordinary shares in which each has an interest as at 30 September 2006 are as follows:

| | No. of Fully Paid Shares | % of Issued Capital |
|---|---|---|
| Perpetual Investments | 19,356,606 | 12.84% |
| Maple Brown Abbott | 16,936,503 | 11.23% |
| Perennial Group | 10,078,596 | 6.68% |
| Investors Mutual | 8,290,012 | 5.50% |

None of the Company s substantial shareholders has voting rights that differ from those granted to Ansell Limited s ordinary shareholders by the Company s Constitution.

Voting rights as governed by the Constitution of the Company provide that each ordinary shareholder present in person or by proxy at a meeting shall have:

(a) on a show of hands, one vote only;

(b) on a poll, one vote for every fully paid ordinary share held.

On 5 June 2006 Ansell terminated its American Depositary Receipt (ADR) program. All Ordinary Shares underlying the ADRs were sold by the depositary, JP Morgan Chase Bank, N.A. as at 11 August 2006. As at 30 June 2006, 79,087 ADS (equivalent to 316,348 Ordinary Shares, which represents approximately 0.2% of the Ordinary Shares then outstanding) were outstanding and held by 112 registered holders with addresses in the United States.

**7B Related Party Transactions**

Refer to Notes 30 and 32 to the Financial Statements included in Item 18 for additional details of Related Party Transactions.

**7C Interests of Experts and Counsel**

Not Applicable

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**PART I**

**Item 8 : Financial Information**

**8A Consolidated Statements and other Financial Information**

The Consolidated Financial Statements are included herein as Item 18.

Refer to Note 23 to the Consolidated Financial Statements for details of legal proceedings.

The Company has no fixed policy on dividend distribution. The payment of dividends is at the discretion of the Board.

**8B Significant Changes**

There have been no significant events subsequent to the end of the financial year.

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**PART I**

**Item 9: The Offer and Listing**

**9A Offer and Listing Details**

The following table sets out for the periods indicated ($A) the highest and lowest market quotation for the Ordinary Shares reported on the Daily Official List of The Australian Stock Exchange Limited and (US$) the highest and lowest bid prices for ADSs quoted on the NASDAQ National Market System (up until 5 June 2006 when the Company delisted from NASDAQ).

| | $A | | US$ | |
|---|---|---|---|---|
| | Ordinary Shares | | Per ADS[1] | |
| Period | High | Low | High | Low |
| **Last 5 Financial Years** | | | | |
| Fiscal Year 2006 | 11.950 | 9.300 | 35.500 | 29.450 |
| Fiscal Year 2005 | 10.450 | 7.580 | 33.000 | 21.711 |
| Fiscal Year 2004 | 7.900 | 5.840 | 22.810 | 15.500 |
| Fiscal Year 2003 | 7.690 | 4.960 | 17.900 | 12.100 |
| Fiscal Year 2002 | 7.010 | 3.400 | 15.310 | 6.550 |
| **By Quarter 2006-2007** | | | | |
| First Quarter | 11.800 | 8.150 | NA | NA |
| **By Quarter 2005-2006** | | | | |
| First Quarter | 11.350 | 9.740 | 34.081 | 29.900 |
| Second Quarter | 11.590 | 10.050 | 34.700 | 29.740 |
| Third Quarter | 11.900 | 10.320 | 35.000 | 31.500 |
| Fourth Quarter | 11.950 | 9.300 | 35.500 | 29.450 |
| **By Quarter 2004-2005** | | | | |
| First Quarter | 8.840 | 7.580 | 25.700 | 21.711 |
| Second Quarter | 9.300 | 8.740 | 28.880 | 25.510 |
| Third Quarter | 10.450 | 8.860 | 33.000 | 26.810 |
| Fourth Quarter | 10.270 | 9.000 | 32.180 | 27.150 |
| **Last 6 Months** | | | | |
| October 2006 | 11.800 | 10.560 | NA | NA |
| September 2006 | 10.620 | 9.290 | NA | NA |
| August 2006 | 9.420 | 8.340 | NA | NA |
| July 2006 | 9.750 | 8.150 | NA | NA |
| June 2006 | 9.890 | 9.300 | NA | NA |
| May 2006 | 11.480 | 9.790 | 35.500 | 30.340 |

(1) Each ADS represents four Ordinary Shares.

The total market capitalisation of Ansell Limited at 30 June 2006 was $1,467 million. The total market capitalisation of Ansell Limited at 31 October 2006, was $1,659 million and the closing price for Ansell Limited ordinary shares on the ASX on that date was $11.09.

**9B Plan of Distribution**

Not Applicable

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**PART I**

**Item 9: The Offer and Listing**

**9C Markets**

The principal trading market for Ansell Limited s Ordinary Shares ( Ordinary Shares ), is the Australian Stock Exchange Limited (ASX). The Ordinary Shares are also listed on the London Stock Exchange and the Stock Exchange of New Zealand. The Company s American Depositary Shares ( ADSs ), represented by American Depositary Receipts ( ADRs ) issued by Morgan Guaranty Trust Company of New York, as Depositary (the Depositary ), program was terminated effective 5 June 2006, and all Ordinary Shares underlying the ADRs were sold by the Depositary on 11 August 2006.. The stock market operated by the ASX is the principal stock exchange in Australia. The exchange operates by way of the Stock Exchange Automated Trading System (SEATS) which is a fully computerised system.

Trading on SEATS takes place each business day between the hours of 10:00am and 4:00pm, Australian Eastern Standard Time or Australian Eastern Summer Time. At 4:05pm each day, the ASX subsequently matches any buy and sell orders in the system, which are at the same price. The prices of all listed shares are continuously quoted while the market is open and the system prioritises the orders first by price and second by placement in the system.

Exchange participants can cross stock between buying and selling orders, at the buy or sell quote provided those quotes are no more than one marketable bid apart and can cross outside this range in amounts of A$1 million or more. Transactions on the ASX are settled on the third business day following the trade date.

**9D Selling Shareholders**

Not Applicable

**9E Dilution**

Not Applicable

**9F Expenses of the Issue**

Not Applicable

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**PART I**

**Item 10: Additional Information**

**10A Share Capital**

Not Applicable

**10B Constitution**

The Company adopted its current Constitution on 12 April 2002. The Constitution was most recently amended at the Company s 2005 Annual General Meeting on 17 November 2005. Set out below is a summary of the Constitution s key provisions.

Under Australian company law, a company is permitted, but not required, to have an objects clause or statement of purposes in its Constitution. The Company s constitution does not contain an objects clause. Pursuant to the provisions of the Corporations Act 2001, (Cth), (the Corporations Act ) the Company has the legal capacity of an individual and all of the powers of a body corporate.

Rule 38(b) of the Company s Constitution permits the Directors to exercise all the powers of the Company, at their discretion, including:

(a) to raise or borrow money;

(b) to charge any of the Company s property or business or any amount unpaid on its shares; and

(c) to issue debentures or give any other security for a debt, liability or obligation of the Company or of any other person.

These borrowing powers, as with any provision of the Constitution, can be amended by the shareholders of the Company passing a special resolution at a general meeting.

Rule 5.1 permits the Company to issue shares and grant options for shares on such terms and with such rights and restrictions as decided by the Directors. The Company may also issue preference shares (including convertible redeemable preference shares) in accordance with the procedure set out in rule 5.2 of the Constitution.

The Constitution contains provisions consistent with ASX Listing Rules, which permit the Company to divest holdings of less than a marketable parcel (i.e. holdings which are worth less than $A500).

Rule 53(d) provides that, subject to any rights or restrictions attached to any shares or class of shares, the profits of the Company are divisible amongst the holders of ordinary shares (being the only class of shares currently on issue) in proportion to the capital paid up, or credited as paid, upon the shares held by them respectively.

Rule 32 provides that the maximum number of Directors is 8 and the minimum number is 4. There is no age limit prescribed in the Company s Constitution for Directors. Rule 33 provides that all Directors of the Company, other than the Managing Director, are required to seek re-election at least once in every three years on a rotating basis.

Rule 37(f) of the Company s Constitution permits a Director who has an interest in a matter that is being considered at a meeting of Directors to, despite that interest, vote, be present and be counted in a quorum at the meeting, unless prohibited by the Corporations Act. The Corporations Act prohibits a Director of the Company from being present at a meeting of Directors during consideration of, or voting upon, a matter in which that Director has a material personal interest. This does not apply to voting on Directors compensation. However, the total aggregate remuneration payable to the Non-executive Directors may not exceed the maximum amount approved by shareholders at a general meeting from time to time pursuant to rule 35(a) of the Company s Constitution.

Rule 60 of the Constitution provides Directors with a right to access Company documents consistent with existing rights under the Corporations Act. Rule 61 of the Constitution provides for the provision of an indemnity and the maintenance of insurance in favour of certain Directors and officers of the Company and its related bodies corporate to the levels required by the Corporations Act.

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**PART I**

**Item 10: Additional Information**

**10B CONSTITUTION (CONTINUED)**

As previously indicated, rule 53 provides for each share to participate in those of the Company s profits the Board determines to distribute in proportion to the amount paid up on those shares, subject to any right or restriction attaching to a share or class of shares. In the event of liquidation, rule 59 permits the liquidator, with the sanction of a special resolution to divide among shareholders the whole or any part of the Company s property and decide how the division is to be carried out as between the members or different classes of members.

Rule 58 provides that where the assets available upon a winding up are insufficient to repay all of the capital paid on shares, the losses will be borne by shareholders in proportion to the capital paid or that ought to have been paid on the shares at the commencement of the winding up. If surplus assets remain upon a winding up after having repaid the whole of the capital paid up, the excess is to be distributed amongst shareholders in proportion to the capital paid or that ought to have been paid on the shares at the commencement of the winding up.

There are no redemption or sinking fund provisions in the Constitution. However, as noted above, rule 5.2 permits the Company to issue preference shares which could include a right or obligation to be redeemed. Any amount of the issue price of a share that remains unpaid may, subject to any rights or restrictions attaching to a share, be called for payment by the Board pursuant to rule 10. However, once the full amount of the issue price of a share has been paid, a shareholder is not liable to contribute any further capital to the Company in respect of that share. The Company s Constitution does not contain any provision discriminating against any existing or prospective shareholder as a result of such shareholder owning a substantial number of shares. The rights attaching to a class of shares may only be altered if shareholder approval is obtained in accordance with the procedure set out in rule 9 of the Constitution.

The provisions of the Constitution dealing with general meetings and proxies reflect the requirements in relation to the matters imposed by the Corporations Act. The Company is required by the Corporations Act to hold an annual general meeting at least once in each calendar year. In addition, the Corporations Act and rule 23 provide that the Directors (including any single Director) may at any time convene a general meeting of shareholders and the Directors must convene a general meeting upon the requisition of at least 100 shareholders or the holders of 5% of the votes that may be cast at the meeting. The Constitution does not impose any conditions upon the admission of shareholders to a general meeting, however, rule 25(a) permits the chair of a general meeting to take any action he or she considers appropriate for the safety of persons attending the meeting and the orderly conduct of the meeting and may refuse a person admission to, or require a person to leave and remain out of, the meeting if the person is disruptive.

In accordance with Australian law, rule 26(b) of the Company s Constitution provides that the quorum requirement is met at a general shareholder meeting if five or more shareholders entitled to vote on a resolution at the meeting are present.

Rule 30(a) provides, subject to any rights or restrictions attached to any shares or class of shares, that every shareholder present at a meeting has one vote on a show of hands and each share, on a poll is:

(a) if fully paid entitled to one vote;

(b) if partly paid entitled to a fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable (excluding amounts credited).

The Constitution contains no limitations on the rights to own securities. In the event of a partial or proportional takeover bid being made for shares in the Company, rule 70 requires that a resolution to approve the takeover scheme be passed at a general meeting of shareholders before any registration of a transfer giving effect to the proportional takeover can be made. The Constitution contains no by-law provisions governing the ownership threshold above which shareholder ownership must be disclosed.

In addition to the information contained above, the Corporations Act:

(a) provides a code that regulates takeovers (changes in control) of Australian companies that applies, in general, where a shareholder becomes entitled to 20% or more of the issued shares of a company; and

(b) provides for disclosure of share ownership once a person and his or her associates become entitled to 5% or more of the issued shares in a company.

The Foreign Acquisition and Takeovers Act 1975 (Cth) regulates the acquisition of interests in Australian companies by foreign nationals in excess of 15% of the issued shares of a company. There are no conditions imposed under the Constitution governing changes in capital that are more stringent than required by Australian company law.

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**PART I**

**Item 10: Additional Information**

**10C Material Contracts**

In January 2006, as part of the sale to The Goodyear Tire & Rubber Company (Goodyear) of the Company s interest in South Pacific Tyres, the Company entered into a Trade Marks Agreement (TMA) with Goodyear. The TMA brought about the assignment and licensing of various trade marks as part of the sale, for consideration of $46 million. The TMA also imposes ongoing obligations on both parties regulating the use of common trade marks for which the Company and Goodyear now both hold registrations in relation to different goods or services.

In February 2006, the Company entered into an agreement to acquire a 75% interest in the Wuhan Jissbon Sanitary Products Company Ltd for US$18 million. The acquisition was settled in March 2006. Under the terms of the agreement, Ansell has an option to purchase the remaining 25% of the Jissbon business.

There have been no other material contracts entered into by the Company over the last two years.

**10D Exchange Controls**

Except for restrictions on foreign exchange transactions with ministers and senior officials of the Government of Zimbabwe, the former Iraqi regime and the supporters of the former Milosevic regime, the Reserve Bank of Australia ( RBA ) does not inhibit the import and export of funds, and no permission is required by Ansell Limited for the movement of funds in and out of Australia. Under Part 4 of the *Charter of the United Nations Act 1945* and the *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002* (Cth) ( Regulations ), anybody holding financial or other assets of persons or entities listed as terrorists by either the Minister of Foreign Affairs in the Commonwealth Gazette or on the website of the Committee established by Resolution 1267 (1999) of the Security Council of the United Nations, is prohibited from dealing with those assets. It is also a criminal offence to make assets available to such persons or entities. The *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003* (Cth) imposes a freeze on the financial resources of the previous government of Iraq, Saddam Hussein, other senior officials of his regime, and their immediate families. Accordingly, at the present time, remittance of any dividends, interest or other payment by Ansell Limited to non-resident holders of Ansell Limited s securities in the United States is not restricted by exchange controls or other limitations, unless the non-resident holder is a person or entity listed by the Minister or on the Committee website under the Regulations.

Ansell Limited has 151,659,996 Ordinary Shares (excluding Employee Plan Shares, as defined in Compensation of Directors and Executive Officers ) on issue as at 30 June 2006. Non-residents of Australia may freely hold and vote Ordinary Shares, subject to compliance with the Foreign Acquisitions and Takeovers Act 1975 of Australia (the Foreign Takeovers Act ). Takeovers of Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the Foreign Takeovers Act. Technically, the statute applies to any acquisition of 15% or more of the outstanding shares of an Australian company that has total assets valued $5 million or more ($3 million or more if greater than 50% of the assets of the company are in the form of rural land) or any acquisition which results in one foreign person or group of associated foreign persons controlling 15% or more of total voting power. In addition, the statute applies to any acquisition by non-associated foreign persons resulting in foreign persons controlling, in the aggregate, 40% or more of total voting power or ownership.

Since the Australian government s Economic Statement of February 1992, the policy of the body which reviews foreign investment (the Foreign Investment Review Board) is that only acquisitions of shares in companies which have assets in excess of $50 million or where the acquisition proposal values the business at over $50 million, will require approval. Pursuant to the recent Free Trade Agreement between Australia and the US, an increased threshold for notification and approval of $800 million applies for US investors, except for investments in prescribed sensitive sectors, including the media, telecommunications, transport, and the supply or training of humans resources. The Corporations Act also regulates acquisitions giving rise to ownership of substantial amounts of a company s shares.

The Corporations Act prohibits any person (including a corporation), whether foreign or not, from acquiring a relevant interest in voting shares in a company if, after the acquisition, that person s or any other person s voting power in the company increases from 20% or below to more than 20%, or increases from a starting point that is above 20% and below 90%.

A person is considered to have voting power in respect of a share under the Corporations Act if the person or an associate (as defined in the Corporations Act) is the holder of the share, or has, or is deemed under the Corporations Act to have, power (whether direct or indirect and whether legally enforceable or not and irrespective

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**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (CONTINUED)**

of certain restrictions and restraints on such powers and other matters and things as specified in the Corporations Act):

(1) to exercise, or to control the exercise of, the right to vote attached to that share; or

(2) to dispose of, or to control the exercise of a power to dispose of, that share.

This prohibition is subject to certain exceptions which must be strictly complied with to be applicable. Some of the more significant exceptions are as follows:

Section 611, item 1 of the Corporations Act permits a person to acquire more than 20% of the voting shares of a company under a formal takeover bid, being an offer to the shareholders of the target company to acquire their shares. The takeover bid may be an off-market bid or a market bid; and

under Section 611, item 9 of the Corporations Act, a person who is already entitled to at least 19% of the voting shares is permitted to increase their voting power by not more than 3% in any period of six months.

Dividends paid to holders of Ordinary Shares who are non-residents of Australia are subject to certain Australian withholding tax requirements. See Taxation-Australian Taxation.

Dividends paid to United States Holders (as defined below) are also subject to United States federal income tax requirements, although those paid to non-United States Holders generally are not.

**AMERICAN DEPOSITARY RECEIPTS**

On 5 June 2006 the Company terminated its American Depositary Receipt (ADR) program. All Ordinary Shares underlying the ADRs were sold by the Depositary, J P Morgan Chase Bank, N.A. on 11 August 2006.

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**PART I**

**Item 10: Additional Information**

**10E Australian Taxation**

The following discussion outlines certain Australian tax considerations relevant to United States persons who are holders of Ordinary Shares. However, the discussion is by no means exhaustive of all possible Australian income tax considerations.

The analysis below is based upon existing Australian tax law and established interpretations of that law as at the date of this report and is subject to change in Australian law, as well as any further changes to the double taxation convention between the United States and Australia ( the Treaty ), as amended by the protocol to the Treaty signed by the parties on September 27, 2001 (the Protocol to the Treaty ), occurring after that date.

Holders of Ordinary Shares are advised to consult their own tax advisors as to the Australian tax consequences of their ownership of the Ordinary Shares.

**Taxation of Distributions**

Under the Treaty, dividends paid to a shareholder of Ansell Limited who is a resident of the United States within the meaning of the Treaty, may be subject to Australian withholding tax at a rate not exceeding 15% of the gross dividend. The Protocol to the Treaty provides that the dividend withholding tax rate may be decreased to 5% for US corporate shareholders directly holding 10% or more of the voting power in Ansell Limited.

As withholding tax is a final tax, no other Australian tax is payable on the dividend. This withholding tax limitation does not apply to a shareholder whose holding is effectively connected with a permanent establishment in Australia or through which the shareholder carries on business in Australia, or in the case of a shareholder who performs independent personal services in Australia, with a fixed base situated in Australia.

Dividends paid to a non-resident of Australia will not be subject to Australian dividend withholding tax to the extent that the dividends have been franked. The concept of franking reflects that the underlying profits from which the dividends have been sourced are subject to Australian corporate income tax. No other Australian tax is payable on a fully franked dividend.

The Australian dividend withholding tax exemption was expanded with effect from 1 July 2005, with the introduction of the Conduit Foreign Income ( CFI ) measures, which replaced the former Foreign Dividend Account rules. The impact of the CFI measures are two fold. First, the categories of foreign income earned by an Australian corporation which can be on-distributed to foreign resident shareholders free of Australian tax have been broadened. Secondly, the measures provide a mechanism to ensure that Australian tax is not paid where an unfranked distribution declared to be CFI flows through Australian corporations. Accordingly, dividends paid by Ansell Limited to foreign resident shareholders are not subject to dividend withholding tax, and are not assessable income, to the extent that Ansell Limited declares such dividends to be CFI.

Broadly, CFI comprises foreign income earned by or through Ansell Limited that is non-assessable non exempt income which includes exempt non-portfolio foreign dividends. Dividends paid by Ansell Limited on or after 14 December 2005 (the date the CFI measures received Royal Assent) can be declared to be CFI.

Dividends received by a United States citizen who is resident in Australia, or a United States corporation that is resident in Australia, will be treated as assessable income for Australian income tax purposes. If the dividends are wholly or partly franked, the additional amount representing the franking credits is also included in assessable income, with a tax offset being available equal to the franking credits. The tax offset acts to reduce the tax liability on the dividend income. In order to be entitled to claim the tax offset in relation to the franked dividend amount, the recipient of the dividend must be a qualified person. Broadly, to be a qualified person, two tests must be satisfied namely the holding period rule and the related payments rule.

In broad terms, if shareholders are not required to make a related payment in respect of dividends and have held the Shares at risk for at least 45 days (excluding the dates of acquisition and disposal), they would generally be able to claim a tax offset for the amount of any franking credits attaching to the dividend.

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**PART I**

**Item 10: Additional Information**

**10E AUSTRALIAN TAXATION** (continued)

Ansell Limited will provide all shareholders with a dividend notice which specifies the franked and unfranked amount of each dividend, and the amount (if any) of dividend withholding tax deducted and to the extent to which non-resident withholding tax is not payable because the dividend is declared to be CFI.

The Protocol to the Treaty has amended the existing convention in a number of ways and with respect to dividends they may continue to be taxable in both countries, but with changed limits on the tax that the source country may charge some types of residents of the other country who are beneficially entitled to the income. The Protocol has effect in Australia from 1 July 2003 in respect of withholding tax on dividends, royalties and interest, and from the year of income beginning on or after 1 July 2004 in respect of Australian tax applicable to other income, profits or gains.

During the year Ansell Limited paid a final unfranked dividend for the year ended 30 June 2005 of 10 cents per share on 18 October 2005 and an interim unfranked dividend for the year ended 30 June 2006 of 9 cents per share on 7 April 2006. A final unfranked dividend for the year ended 30 June 2006 of 12 cents per share was paid on 5 October 2006.

**TAXATION OF FUTURE SHARE DISPOSALS**

A United States citizen who is resident in Australia, or a United States corporation that is resident in Australia may be liable to pay Australian income tax in respect of the profit or capital gain (if any) made upon disposal of Ordinary Shares.

No income or other tax is payable in Australia on any profit arising from the disposal of Ordinary Shares held by persons not resident in Australia except in the following circumstances.

**Shares Held on Revenue Account**

Australian tax may arise if the Ordinary Shares are trading stock of the holder, or if an ordinary incident of the holder s business represents the sale of securities for a profit, and, in either case, the profit is attributable to sources in Australia.

To the extent an amount would be included in a non-Australian tax resident holder s assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the holder would not be subject to double tax on any part of the gain.

Non-Australian tax resident holders who are assessable under the ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian tax residents, which start at a marginal rate of 29% for individuals. Some relief from Australian income tax may be available to such non-Australian tax resident holders under the Treaty.

**Shares held on Capital Account**

Australian tax may arise if the sale is subject to Australian capital gains tax. Any gain arising upon disposal by a non-resident of Ordinary Shares may be subject to Australian capital gains tax if the asset has the necessary connection with Australia. The Ordinary Shares will be taken to have the necessary connection with Australia if at any time during the period of 5 years preceding the disposal (of Ordinary Shares acquired after 19 September 1985) the non-resident (together with associates, if any) owns or owned 10% or more of the issued capital of Ansell Limited.

According to Australian income tax law, a taxpayer makes a capital gain if the capital proceeds they receive on the disposal of shares exceed the cost base of those Shares. If the capital proceeds received on disposal are less than the reduced cost base, the taxpayer makes a capital loss. The cost base and reduced cost base of any Share is generally the amount paid to acquire the share plus any incidental costs incurred (e.g. brokerage fees). Cost base adjustments may be required (and capital gains may arise) should a distribution representing a return of capital or certain other non-assessable amounts be paid.

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**PART I**

**Item 10: Additional Information**

**10E AUSTRALIAN TAXATION** (continued)

Where a taxpayer makes a capital gain, they must include the net capital gain in their Australian taxable income (in the income year in which the disposal occurred). The net capital gain is calculated as the current year capital gain less any current year or prior year unused Australian capital losses. Current or prior year Australian revenue losses may also be offset against net capital gains. Capital losses cannot be offset against other Australian sourced taxable income.

Australian capital gains tax is generally imposed at a taxpayer s normal rate of tax, which starts at a marginal tax rate of 29% for non-Australian tax resident individuals.

A further reduction in the amount included in the taxpayer s taxable income in respect of a net capital gain may apply for certain shareholders if the Shares had been held for 12 months or more. For individuals (whether the Shares were held by the individual directly or indirectly through a trust) the rate of discount is 50%. Capital losses must be applied to calculate a net capital gain before applying the discount capital gains tax provisions.

**Treaty**

These two exceptions are also subject to the operation of the Treaty between Australia and the United States, which may affect Australia s right to tax non-residents of Australia who hold Ordinary Shares. Owners of Ordinary Shares are advised to consult their own tax advisors as to the tax consequences of the operation of the Treaty.

**Dual Residency**

If a shareholder were a resident of both Australia and another country under those countries domestic taxation laws, that shareholder may be subject to tax as an Australian resident. Owners of Ordinary Shares should obtain specialist taxation advice in these circumstances.

**International Tax Reform**

For completeness, as part of Australia s reform of international tax arrangements, the Australian Government announced in the Federal Budget in May 2005 that the capital gains tax provisions are to be amended to provide capital gains tax relief for non-resident inbound investors. The proposed reform provides capital gains tax relief for non-residents disposing of share interests in Australian entities. The amendments will not extend to the disposal of shares in Australian companies where the value of such an interest is wholly or principally attributable to Australian real property. The change will apply to the disposal of assets occurring on or after the date of Royal Assent of the amending legislation. Draft legislation was introduced into the Australian Parliament in June 2006 and to date it has not received Royal Assent.

**Other Taxes**

No Australian State or Federal estate duty or other inheritance taxes will be payable in respect of Ordinary Shares upon the death of the holder thereof, regardless of the holder s domicile. For capital gains purposes, the death of the holder will not produce a deemed disposal, except if the Ordinary Shares are bequeathed to a tax exempt entity or to a beneficiary who is not an Australian resident. In all other circumstances, the liability for tax on any gain is effectively transferred to the deceased s legal representatives or beneficiaries for payment following disposal of the Ordinary Shares by that person, subject to those matters referred to above. A deemed disposal or a disposal subsequently by the beneficiary will have the consequences set out above.

**STAMP DUTY**

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**PART I**

**Item 10: Additional Information**

**10E AUSTRALIAN TAXATION** (continued)

No stamp duty is payable on a transfer of Ordinary Shares, whilst the Ordinary Shares are quoted on the Australian Stock Exchange (ASX) or a recognised stock exchange. If the Ordinary Shares cease to be quoted on the ASX or a recognised exchange, any transfer of Ordinary Shares may be subject to stamp duty at the rate of 0.6% of the higher of the consideration paid or the unencumbered value of the shares at the time of such transfer. Stamp duty will need to be paid prior to the transfer of the Ordinary Shares being registered by Ansell Limited.

Acquisitions of interests in companies with shares quoted on the ASX or a recognised exchange are generally not subject to the land rich provisions (except in the case where the company is land rich in Western Australia (WA) and the acquisition gives rise to a 90% interest in the company. It is important to note that for the purposes of determining whether a 90% interest is held in WA, any previous acquisitions made, including those made by associates, will be aggregated with current acquisitions).

Stamp duty and/or land rich duty could arise in the event that there is a transfer of the Ordinary Shares after a time when they cease to be quoted (for example, under a temporary suspension or because of a compulsory acquisition).

**AUSTRALIAN FOREIGN SOURCE INCOME RULES**

Australia has a dual foreign tax credit/exemption system for relief from double taxation of dividends, whereby dividends received from foreign companies are either fully taxable in Australia, (with a credit available for both the foreign withholding tax paid and the income tax paid by the companies on their underlying profits) or exempt (with no foreign tax credit). Further, the taxation of the income of Ansell Limited s foreign subsidiaries may be affected by the provisions of Australia s Controlled Foreign Companies (CFC) legislation.

Under the Australian CFC provisions, income earned by foreign subsidiaries in certain specified countries, being comparably taxed countries would generally be exempt from Australian tax. However, certain forms of income earned by foreign subsidiaries in all other countries could be attributed to Ansell Limited and be subject to Australian tax on an accruals basis, with a foreign tax credit available for relief from double taxation. This accruals-based system does, however, provide exemptions for foreign subsidiaries, which are engaged predominantly in an active business.

All non-portfolio dividends (i.e. a dividend paid to a company where that company holds 10% or more of the voting power in the dividend paying company) and certain foreign branch profits received by Australian companies and CFCs are exempt from Australian tax. As such no credit is allowed for any foreign taxes paid.

International Tax Reform

As part of the international tax reform process, a number of measures have also been legislated dealing with reforming Australia s CFC measures. Specifically, Australian companies and their subsidiaries will be exempt from capital gains on the sale of non-portfolio interests in foreign companies which have underlying active business. The Australian Government also removed the obligation to attribute certain service income generated by related party CFCs.

The capital gains exemption applies from 1 April 2004 and applies to specified capital gains tax events relating to shares in foreign companies occurring after that date. The other CFC measure applies from 1 July 2004 and applies in relation to statutory accounting periods of CFCs beginning on or after that date.

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**PART I**

**Item 10: Additional Information**

**10F Dividends and Paying Agents**

Not Applicable.

**10G Statement by Experts**

Not Applicable.

**10H Documents on Display**

The documents referred to in this report can be inspected at the Company s Head Office at 678 Victoria Street, Richmond, Victoria, Australia.

**10I Subsidiary Information**

Not Applicable.

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**PART I**

**Item 11: Quantitative and Qualitative Disclosures about Market Risk**

**Derivative Financial Instruments**

The Company uses derivative financial instruments, principally foreign exchange and interest rate related, to reduce its exposure to movements in foreign exchange rate and interest rate movements.

The Company has adopted certain principles in relation to derivative financial instruments:

(i) it does not trade in a derivative that is not used in the hedging of an underlying business exposure of the Company;

(ii) derivatives acquired must be able to be recorded on the Company s treasury management systems, which contain extensive internal controls; and

(iii) the Company predominantly does not deal with counter-parties rated lower than A- by Standard and Poor s or A3 by Moody s Investors Service.

The Company follows the same credit policies, legal processes, monitoring of market and operational risks in the area of derivative financial instruments, as it does in relation to financial assets and liabilities on the Balance Sheet, where internal controls operate.

The Company is involved in a range of derivative financial instruments, which can be defined in the following broad categories:

***(i) Forward / Future Contracts***

These transactions enable the Company to buy or sell specific amounts of foreign exchange, financial instruments or commodities at an agreed rate/price at a specified future date. Maturities of these contracts are principally between six months and two years.

***(ii) Foreign Exchange Options***

This is a contract between two parties, which gives the buyer of a put or call option the right, but not the obligation, to transact at a specified exchange rate. The Company typically uses a combination of a bought and sold option, generally for zero cost, to hedge foreign currency receivable and payable cash flows out to one year.

***(iii) Swaps***

These agreements enable parties to swap interest rate (from or to a fixed or floating basis) or currency (from one currency to another currency) positions for a defined period of time. Maturities of the contracts are principally between two and five years.

**Derivative Financial Instruments Held or Issued for Purposes Other Than Trading**

Under AIFRS derivative financial instruments are recognised initially at fair value and subsequently remeasured to their fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to markets for similar instruments.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and continues to satisfy the requirement for hedge accounting, and if so, the nature of the item being hedged. The Company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

*Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains or losses that are recognised in the hedging reserve are transferred to the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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**PART I**

**Item 11 : Quantitative and Qualitative Disclosures about Market Risk**

**Derivative Financial Instruments** (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

*Derivatives that do not qualify for hedge accounting*

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

**Derivative Financial Instruments held or issued for trading purposes**

The Company does not trade in derivative financial instruments or hold them for speculative purposes.

**Future Transactions**

On a continuing basis, the Company monitors its future exposures and on some occasions hedges all or part of these exposures. The transactions that may be covered are future cash flows of overseas subsidiaries, and future foreign exchange requirements and interest rate positions.

These exposures are then monitored and may be modified from time to time. The foreign exchange hedge transactions rarely exceed 12 months duration and the Company hedges operational transactions expected to occur in this time frame.

The following table shows the Company s deferred gains and (losses), both realised and unrealised, that are held on the balance sheet at 30 June 2006 and 2005 respectively and the expected timing of recognition as revenue or expense:

| | Interest Rate | | Foreign Exchange | |
|---|---|---|---|---|
| **$ in millions** | **2006** | **2005** | **2006** | **2005** |
| **Realised Swaps Deferred** | | | | |
| 1 to 2 years | (0.2) | (0.3) | | |
| 2 to 5 years | (3.0) | (3.6) | | |
| **Unrealised Swaps Deferred** | | | | |
| Less than 1 year | (0.5) | | 0.9 | |

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**PART I**

**Item 11: Quantitative and Qualitative Disclosures about Market Risk**

**Derivative Financial Instruments** (continued)

**Interest Rate Risk**

The Company s exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

| $ in millions | Weighted Average Effective Interest Rate % | Floating | Fixed Interest repricing in: 1 year or less | 1 to 5 years [1] | Over 5 years | Non Interest Bearing | Total |
|---|---|---|---|---|---|---|---|
| **2006** | | | | | | | |
| **Interest earning financial assets** | | | | | | | |
| Cash on hand and at bank | 3.4% | 35.2 | 10.4 | | | 29.8 | 75.4 |
| Short-term and restricted deposits | 4.9% | 183.5 | 56.3 | | | 2.8 | 242.6 |
| **Interest bearing financial liabilities** | | | | | | | |
| Bank overdraft | 4.7% | (13.6) | | | | (1.4) | (15.0) |
| Bank and other loans | 5.3% | (78.2) | (33.3) | (236.7) | (27.0) | | (375.2) |
| Effect of interest rate swaps | (1.3)% | 12.2 | | (12.2) | | | |
| | | **139.1** | **33.4** | **(248.9)** | **(27.0)** | **31.2** | **(72.2)** |
| | **%** | | | | | | |
| **2005** | | | | | | | |
| **Interest bearing financial assets** | | | | | | | |
| Cash on hand and at bank | 1.6% | 19.2 | 6.5 | | | 43.7 | 69.4 |
| Short-term and restricted deposits | 4.5% | 48.8 | 105.4 | | | 3.7 | 157.9 |
| Receivables - other | 6.1% | 66.8 | | | | 44.8 | 111.6 |
| **Interest bearing financial liabilities** | | | | | | | |
| Bank overdraft | 4.5% | (0.3) | | | | (1.1) | (1.4) |
| Bank and other loans | 5.1% | (127.7) | (43.6) | (192.6) | | | (363.9) |
| Effect of interest rate swaps | (0.8)% | 38.0 | | (38.0) | | | |
| | | **44.8** | **68.3** | **(230.6)** | | **91.1** | **(26.4)** |

(1) Analysis of Fixed Rate Maturities 1 to 5 years

| | 1-2 yrs | 2-3 yrs | 3-4 yrs | 4-5 yrs | Total |
|---|---|---|---|---|---|
| **2006** | | | | | |
| Bank & Other Loans | (54.1) | (108.2) | (74.4) | | (236.7) |
| Effect of interest rate swaps | | | (12.2) | | (12.2) |
| | **(54.1)** | **(108.2)** | **(86.6)** | | **(248.9)** |

| | | | | |
|---|---|---|---|---|
| **2005** | | | | |
| Bank & Other Loans | (26.2) | (94.3) | (72.1) | (192.6) |
| Effect of interest rate swaps | (26.6) | | (12.2) | (38.8) |
| | **(52.8)** | **(94.3)** | **(84.3)** | **(230.6)** |

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**PART I**

**Item 11: Quantitative and Qualitative Disclosures about Market Risk**

**Derivative Financial Instruments** (continued)

**Credit Risk and Net Fair Value**

**Recognised Financial Instruments**

***(i) Credit Risk***

The credit risk on financial assets, excluding investments, of the Company which have been recognised on the Balance Sheet, is the carrying amount, net of any provision for impairment. The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counter parties in various countries.

The Company is not materially exposed to any individual overseas country or individual customer.

***(ii) Net Fair Value***

The Company considers that the carrying amount of recognised financial assets and financial liabilities approximates their net fair value.

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**PART I**

**Item 11 : Quantitative and Qualitative Disclosures about Market Risk**

**Derivative Financial Instruments** (continued)

**Credit Risk and Net Fair Value** (continued)

The following table displays:

***(i) Face Value:***

This is the contract s value upon which a market rate is applied to produce a gain or loss, which becomes the settlement value of the derivative financial instrument.

***(ii) Credit Risk:***

This is the maximum exposure to the Company in the event that all counterparties who have amounts outstanding to the Company under derivative financial instruments, fail to honour their side of the contracts. The Company s exposure is almost entirely to banks (see (v) below). Amounts owed by the Company under derivative financial instruments are not included.

***(iii) Net Fair Value:***

This is the amount at which the instrument could be extinguished between willing parties in a normal market in other than a liquidation or forced sale environment. The net amount owed by / (owing to) financial institutions under all derivative financial instruments would have been ($1.5) million (2005 - $2.8 million) if all contracts were closed out on 30 June 2006.

| | Face Value | | Credit Risk | | Net Fair Value | |
|---|---|---|---|---|---|---|
| **$ in millions** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **Foreign Exchange Contracts** | | | | | | |
| *Purchase/Sale Contracts:* | | | | | | |
| - U.S. dollars | 26.5 | 78.5 | 0.1 | 0.5 | | 0.4 |
| - Australian dollars | 87.8 | 5.0 | 0.1 | | | |
| - Euro | 39.6 | 20.7 | 0.1 | | (0.2) | (0.7) |
| - Other currencies | 8.7 | 5.3 | | | (0.2) | (0.1) |
| *Cross Currency Swaps:* | | | | | | |
| - U.S. dollars | 24.5 | 23.7 | 0.1 | 0.9 | 0.1 | (0.1) |
| **Foreign Exchange Options** | | | | | | |
| *Zero Cost Collar:* | | | | | | |
| - Euro/U.S. dollars | 124.8 | 99.3 | 0.8 | 2.6 | (1.2) | 3.1 |
| - U.S. dollars/Thai baht | 39.1 | 16.5 | 7.0 | 0.4 | (0.1) | |
| - Australian dollars/U.S. dollars | 27.0 | 6.0 | 0.5 | | 0.6 | |
| - Canadian dollars/U.S. dollars | 42.9 | 29.1 | 0.2 | 0.2 | (0.9) | (0.1) |
| - GBP/U.S. dollars | 2.2 | 0.9 | | | | |
| - U.S. dollars/Euro | | 6.6 | | | | |
| - U.S. dollars/Mexican peso | 19.7 | | 2.5 | | (0.1) | |
| **Interest Rate Contracts** | | | | | | |
| *Interest Rate Swaps:* | | | | | | |
| - U.S. dollars | 12.2 | 38.0 | 0.5 | 0.4 | 0.5 | 0.3 |
| **Total** | **455.0** | **329.6** | **11.9** | **5.0** | **(1.5)** | **2.8** |

From time to time in the ordinary course of business, the Company enters into forward exchange contracts to hedge a proportion of its purchase and sale commitments denominated in foreign currencies (principally US dollars). Hedge cover does not exceed 12 months.

***(iv) Market/Liquidity Risk:***

The Company seeks to reduce the risk of:

(a) being forced to exit derivative financial instrument positions at below their real worth; or

(b) finding it cannot exit the position at all, due to lack of liquidity in the market;

By:

(a) dealing only in liquid contracts dealt by many counterparties; and

(b) dealing only in large and highly liquid and stable international markets.

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**PART I**

**Item 11 : Quantitative and Qualitative Disclosures about Market Risk**

**Derivative Financial Instruments** (continued)

**Credit Risk and Net Fair Value** (continued)

***(v) Credit Risk by Maturity:***

The following table indicates the value of amounts owing by counterparties by maturity. Based on the policy of not having overnight exposures to an entity rated lower than A- by Standard & Poor s or A3 by Moody s Investors Service, it is felt the risk to the Company of the counterparty default loss is not material.

| | Foreign Exchange Related Contracts | | Interest Rate Contracts | | Foreign Exchange Options | | Total | |
|---|---|---|---|---|---|---|---|---|
| **$ in millions** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **Term** | | | | | | | | |
| 0 to 6 mths | 0.4 | 0.5 | | | 3.9 | 2.1 | 4.3 | 2.6 |
| 6 to 12 mths | | | | | 7.1 | 1.1 | 7.1 | 1.1 |
| 1 to 2 yrs | | 0.9 | | | | | | 0.9 |
| 2 to 5 yrs | | | 0.5 | 0.4 | | | 0.5 | 0.4 |
| **Total** | **0.4** | **1.4** | **0.5** | **0.4** | **11.0** | **3.2** | **11.9** | **5.0** |

***(vi) Historical Rate Rollovers:***

It is the Company s policy not to engage in historical rate rollovers except in circumstances where the maturity date falls on a bank holiday. In these instances, settlement occurs on the next trading day.

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**PART I**

**Item 12 : Description of Securities Other than Equity Securities**

Not Applicable

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**PART II**

**Item 13 : Defaults, Dividend Arrearages and Delinquencies**

Not Applicable

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**PART II**

**Item 14 : Material Modifications to the Rights of Security Holders**

Not Applicable

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**PART II**

**Item 15 : Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Disclosure controls and procedures are designed to ensure that the material financial and non-financial information required to be disclosed in the Form 20-F and filed with the Securities and Exchange Commission is recorded, processed, summarized and reported in a timely manner.

Based on this evaluation, the Company s management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company s disclosure controls and procedures were effective as of the end of the period covered by this report.

**Internal Controls**

There have been no changes in the Company s internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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**PART II**

**Item 16**

**16A Audit Committee Financial Expert**

The Company s Board of Directors has determined that Mr. L.D. Crandall, Chairman of the Company s Audit Committee, is a financial expert and is independent as that term is defined by NASDAQ.

**16B Code Of Ethics**

The Company has adopted a Code of Conduct which applies to Directors, executives, management and employees. The Code of Conduct is posted on the Company s website refer to Item 6C Board Practices for further details.

**16C Principal Accountant Fees and Services**

(a) Audit Fees

| | Consolidated | | The Company | |
|---|---|---|---|---|
| **Audit and Review of Financial Reports ($ in Thousands)** | **2006** | **2005** | **2005** | **2005** |
| Auditors of Ansell Limited and Australian entities KPMG | 1,108 | 1,050 | 1,108 | 1,050 |
| Other Member firms of KPMG | 1,614 | 1,564 | | |
| Total | 2,722 | 2,614 | 1,108 | 1,050 |

(b) Audit-Related Fees

| | Consolidated | | The Company | |
|---|---|---|---|---|
| **Other Audit and Assurance Services (including disposals and acquisitions) ($ in Thousands)** | **2006** | **2005** | **2005** | **2005** |
| Auditors of Ansell Limited and Australian entities KPMG | | 36 | | 36 |
| Other Member firms of KPMG [(1)] | 89 | 70 | | |
| Total | 89 | 106 | | 36 |

[(1)] Includes the audit of defined benefit pension plans in the USA and the audit of local statutory accounts of foreign subsidiaries.

(c) Tax Fees

| | Consolidated | | The Company | |
|---|---|---|---|---|
| **Taxation and Other Services ($ in Thousands)** | **2006** | **2005** | **2005** | **2005** |
| Auditors of Ansell Limited and Australian entities KPMG | 12 | 30 | 12 | 30 |
| Other Member firms of KPMG | 46 | 43 | | |
| Total | 58 | 73 | 12 | 30 |

Represents fees for tax compliance services in respect of statutory lodgements.

(d) All Other Fees

| ($ in Thousands) | Consolidated 2005 | Consolidated 2004 | The Company 2005 | The Company 2004 |
|---|---|---|---|---|
| Auditors of Ansell Limited and Australian entities KPMG | | | | |
| Other Member firms of KPMG | | | | |
| Total | | | | |

(e) The Audit Committee is required to approve in advance all audit and non-audit services provided by the Company s external auditors. Non-audit services that are perceived to be materially in conflict with the role of auditor, should not be provided by the external auditor. These services are expected to include investigations and consulting advice and subcontracting of operational activities normally undertaken by management and where the external auditor may ultimately be required to express an opinion on its own work.

(f) Not applicable.

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**PART II**

**Item 16**

**16D Exemptions from the Listing Standards for Audit Committees**

Not Applicable

**16E Purchases Of Equity Securities By The Issuer**

| Period | Total Number of Shares Purchased | Average Price Paid per Share $A | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| 1 July 31 July 2005 | 404,994(1) | 10.27 | 6,295 | NA |
| 1 August 31 August 2005 | 395,133(1) | 10.70 | 8,374 | NA |
| 1 September 30 September 2005 | 134,542(1) | 10.87 | Nil | NA |
| 1 October 31 October 2005 | Nil | NA | Nil | NA |
| 1 November 30 November 2005 | Nil | NA | Nil | NA |
| 1 December 31 December 2005 | Nil | NA | Nil | 100,000,000 |
| 1 January 31 January 2006 | Nil | NA | Nil | 100,000,000 |
| 1 February 28 February 2006 | 1,956,843 | 10.84 | 1,956,843 | 78,787,822 |
| 1 March 31 March 2006 | 3,633,505 | 10.84 | 3,633,505 | 39,400,628 |
| 1 April 30 April 2006 | 999,411 | 11.47 | 999,411 | 27,937,384 |
| 1 May 31 May 2006 | 1,222,161 | 10.84 | 1,222,161 | 14,689,159 |
| 1 June 30 June 2006 | 648,364 | 9.51 | 648,364 | 8,523,217 |
| 1 July 31 July 2006 | 478,834 | 8.26 | 478,834 | 4,568,048 |
| 1 August 31 August 2006 | 365,584 | 8.65 | 365,584 | Nil |

On 16 December 2005 the Board authorised an on-market buy-back program of up to $100 million under which 9,301,502 shares were bought back. This on-market buy-back program was completed on 11 August 2006. In addition 17,869 shares were bought back under two minimum holding buy-back offers.

(1) During the period 1 July 2005 to 30 September 2005, 920,000 shares were bought back to satisfy the exercising of 500,000 options and the vesting of 420,000 Performance Share Rights.

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**PART II**

**Item 17 : Financial Statements**

Not Applicable

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**Item 18 : Consolidated Financial Statements**

**INCOME STATEMENT**

of Ansell Limited and its Subsidiaries as at 30 June 2006

| | | Consolidated | |
|---|---|---|---|
| | | 2006 | 2005 |
| | Note | $m | $m |
| **Revenue** | | | |
| Total revenue | 2 | 1,152.3 | 1,093.4 |
| **Expenses** | | | |
| Cost of goods sold | | 716.2 | 650.1 |
| Selling, distribution and administration | | 284.0 | 285.0 |
| Other | 3(b) | 5.5 | 80.0 |
| Total expenses, excluding financing costs | | 1,005.7 | 1,015.1 |
| Financing costs | 3(a) | 20.0 | 21.9 |
| **Profit before income tax** | | **126.6** | **56.4** |
| Income tax | 6 | 7.9 | 0.2 |
| **Net profit** | | **118.7** | **56.2** |
| Minority interests in net profit | | 2.6 | 1.8 |
| **Net profit attributable to Ansell Limited shareholders** | | **116.1** | **54.4** |

Earnings per share is based on net profit attributable to Ansell Limited shareholders

| | | cents | cents |
|---|---|---|---|
| Basic earnings per share | 31 | 73.4 | 32.5 |
| Diluted earnings per share | 31 | 72.7 | 32.1 |

The above income statement should be read in conjunction with the accompanying notes.

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**Item 18 : Consolidated Financial Statements**

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**

of Ansell Limited and its Subsidiaries as at 30 June 2006

| | Consolidated | |
|---|---|---|
| | **2006 $m** | **2005 $m** |
| Actuarial gain/(loss) on defined benefit pension /post retirement health benefit plans | 7.7 | (7.7) |
| Net exchange difference on translation of financial statements of foreign operations | 26.0 | (44.5) |
| Transfer to profit for period on expiration of previously effective hedges | (2.7) | |
| Effective portion of changes in fair value of cash flow hedges outstanding at year end | (0.6) | |
| Net income/(loss) recognised directly in equity | 30.4 | (52.2) |
| Profit for the period | 118.7 | 56.2 |
| Total recognised income and expense for the period | 149.1 | 4.0 |
| Attributable to: | | |
| Members of Ansell Limited | 146.5 | 2.2 |
| Minority interests | 2.6 | 1.8 |
| Total recognised income and expense for the period | 149.1 | 4.0 |

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**Item 18 : Consolidated Financial Statements**

**BALANCE SHEET**

of Ansell Limited and its Subsidiaries as at 30 June 2006

| | | Consolidated | |
|---|---|---|---|
| | | 2006 | 2005 |
| | Note | $m | $m |
| **Current Assets** | | | |
| Cash on hand | 8 | 0.3 | 0.2 |
| Cash at bank and on deposit | 8 | 311.1 | 218.7 |
| Cash assets - restricted deposits | 8 | 6.6 | 8.4 |
| Trade and other receivables | 9 | 221.5 | 214.1 |
| Inventories | 10 | 186.0 | 157.3 |
| Other | 11 | 12.6 | 13.2 |
| **Total Current Assets** | | **738.1** | **611.9** |
| **Non-Current Assets** | | | |
| Trade and other receivables | 9 | 19.8 | 68.3 |
| Other financial assets | 12 | | 59.0 |
| Property, plant and equipment | 13 | 195.6 | 195.4 |
| Intangible assets | 14 | 299.8 | 268.8 |
| Deferred tax assets | 15 | 54.7 | 37.9 |
| **Total Non-Current Assets** | | **569.9** | **629.4** |
| **Total Assets** | | **1,308.0** | **1,241.3** |
| **Current Liabilities** | | | |
| Trade and other payables | 16 | 142.1 | 129.1 |
| Interest bearing liabilities | 17 | 114.3 | 34.3 |
| Provisions | 18 | 50.6 | 48.7 |
| Current tax liabilities | | 10.9 | 10.3 |
| **Total Current Liabilities** | | **317.9** | **222.4** |
| **Non-Current Liabilities** | | | |
| Trade and other payables | 16 | 0.7 | 0.8 |
| Interest bearing liabilities | 17 | 275.9 | 331.0 |
| Provisions | 18 | 20.8 | 20.2 |
| Retirement benefit obligations | 19 | 13.5 | 25.2 |
| Deferred tax liabilities | 20 | 25.5 | 18.3 |
| **Total Non-Current Liabilities** | | **336.4** | **395.5** |
| **Total Liabilities** | | **654.3** | **617.9** |
| **Net Assets** | | **653.7** | **623.4** |
| **Equity** | | | |

| | | | |
|---|---|---|---|
| Issued capital | 4 | 1,136.8 | 1,232.8 |
| Reserves | 5 | (5.2) | (34.7) |
| Accumulated losses | 5 | (491.9) | (583.8) |
| **Total equity attributable to Ansell Limited shareholders** | | **639.7** | **614.3** |
| Minority interests | | 14.0 | 9.1 |
| **Total Equity** | | **653.7** | **623.4** |

The above balance sheet should be read in conjunction with the accompanying notes.

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**Item 18 : Consolidated Financial Statements**

**Statement of Cash Flows**

of Ansell Limited and its Subsidiaries for the year ended 30 June 2006

| | | Consolidated | |
|---|---|---|---|
| | | 2006 | 2005 |
| | Note | $m | $m |
| **Cash Flows Related to Operating Activities** | | | |
| Receipts from customers | | 1,138.1 | 1,128.6 |
| Payments to suppliers and employees | | (990.0) | (959.7) |
| Net receipts from customers | | **148.1** | **168.9** |
| Income taxes paid | | (16.4) | (16.1) |
| **Net Cash Provided by Operating Activities** | 27(a) | **131.7** | **152.8** |
| **Cash Flows Related to Investing Activities** | | | |
| Payments for businesses, net of cash acquired | 28 | (24.0) | |
| Payments for property, plant and equipment | | (16.5) | (14.1) |
| Proceeds from sale of property, plant and equipment | | 0.9 | |
| Loans repaid | | 66.8 | |
| Proceeds from sale of other investments | | 53.0 | 1.4 |
| **Net Cash Provided by/(Used in) Investing Activities** | | **80.2** | **(12.7)** |
| **Cash Flows Related to Financing Activities** | | | |
| Proceeds from borrowings | | 28.4 | 145.1 |
| Repayments of borrowings | | (34.3) | (171.5) |
| Net repayments of borrowings | | (5.9) | (26.4) |
| Proceeds from issues of shares | | 4.1 | 5.0 |
| Payments for share buy-back | | (103.1) | (156.1) |
| Dividends paid | | (31.4) | (24.7) |
| Interest received | | 14.0 | 8.5 |
| Interest and financing costs paid | | (19.8) | (23.3) |
| **Net Cash Used in Financing Activities** | | **(142.1)** | **(217.0)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **69.8** | **(76.9)** |
| Cash and cash equivalents at the beginning of the financial year | | 225.9 | 314.8 |
| Effects of exchange rate changes on the balances of cash and cash equivalents held in foreign currencies at the beginning of the financial year | | 7.3 | (12.0) |
| **Cash and Cash Equivalents at the End of the Financial Year** | **27(b)** | **303.0** | **225.9** |

The above statement of cash flows should be read in conjunction with the accompanying notes.

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**Item 18 : Consolidated Financial Statements**

INDUSTRY AND REGIONAL SEGMENTS

of Ansell Limited and its Subsidiaries for the year ended 30 June 2006

| | Operating Revenue | | Operating Result | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $m | $m | $m | $m |
| **INDUSTRY** | | | | |
| **Ansell Healthcare** | | | | |
| Occupational Healthcare | 569.2 | 545.7 | 81.3 | 81.3 |
| Professional Healthcare | 387.4 | 367.7 | 38.9 | 43.3 |
| Consumer Healthcare | 181.6 | 167.7 | 24.0 | 29.1 |
| **Total Ansell Healthcare** | **1,138.2** | **1,081.1** | **144.2** | **153.7** |
| Corporate revenue/(costs) | 14.1 | 12.3 | (6.2) | (7.7) |
| **Operating EBIT** | | | **138.0** | **146.0** |
| Impairment loss on investment in South Pacific Tyres and sale costs | | | (5.5) | (80.0) |
| **Earnings before Net Interest and Tax (EBIT)** | | | **132.5** | **66.0** |
| Financing costs net of interest revenue | | | (5.9) | (9.6) |
| **Operating Profit before Tax** | | | **126.6** | **56.4** |
| Tax | | | (7.9) | (0.2) |
| Minority interests | | | (2.6) | (1.8) |
| **Total Consolidated** | **1,152.3** | **1,093.4** | **116.1** | **54.4** |
| **REGION** | | | | |
| Asia Pacific | 178.5 | 162.7 | 36.6 | 38.9 |
| Americas | 539.0 | 517.7 | 62.2 | 68.2 |
| Europe, Middle East and Africa | 420.7 | 400.7 | 45.4 | 46.6 |
| **Total Ansell Healthcare** | **1,138.2** | **1,081.1** | **144.2** | **153.7** |

| | Assets Employed | | Liabilities | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | $m | $m | $m | $m |
| **INDUSTRY** | | | | |
| **Ansell Healthcare** | | | | |
| Occupational Healthcare | 441.6 | 410.2 | 101.4 | 83.5 |
| Professional Healthcare | 346.1 | 325.1 | 66.2 | 62.6 |
| Consumer Healthcare | 144.3 | 101.6 | 24.4 | 21.1 |
| **Total Ansell Healthcare** | **932.0** | **836.9** | **192.0** | **167.2** |
| Corporate assets/liabilities | 58.0 | 177.1 | 462.3 | 450.7 |
| Cash | 318.0 | 227.3 | | |

| | | | | |
|---|---|---|---|---|
| **Total Consolidated** | **1,308.0** | **1,241.3** | **654.3** | **617.9** |
| | | | | |
| **REGION** | | | | |
| Asia Pacific | 251.1 | 230.4 | 69.3 | 60.0 |
| Americas | 216.6 | 196.8 | 75.7 | 73.6 |
| Europe, Middle East and Africa | 170.2 | 143.0 | 47.0 | 33.6 |
| Goodwill and brand names | 294.1 | 266.7 | | |
| | | | | |
| **Total Ansell Healthcare** | **932.0** | **836.9** | **192.0** | **167.2** |

The above industry segments report should be read in conjunction with the accompanying notes, including Note 26.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies**

**General**

Ansell Limited ( the Company ) and its subsidiaries (together referred to as the consolidated entity ) is a multinational healthcare solutions provider of barrier protection products against injury, infection and contamination. The consolidated entity s principal line of business, determined and reported on the basis of differing products and services, is the manufacture and supply of barrier protection products into the Occupational, Professional and Consumer healthcare markets.

The consolidated entity manufactures industrial gloves, medical gloves and consumer products including household gloves and condoms in the Asia Pacific region and the Americas, and markets these products globally.

**Statement of Compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ( AASB ) and the Corporations Act 2001. The financial reports of the consolidated entity and the Company also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

International Financial Reporting Standards ( IFRS ) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ( AIFRS ). This is the Company s and consolidated entity s first AIFRS financial report covered by AASB 1 *First-time adoption of Australian equivalents to International Financial Reporting Standards*. The consolidated entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Company and consolidated entity is provided in Note 33. This note includes reconciliations of equity and profit and loss for comparative periods reported under Australian GAAP ( previous AGAAP ) to those reported for those periods under AIFRSs.

**Basis of Accounting**

The financial report is presented in Australian dollars and on the historical cost basis except that assets and liabilities in respect of derivative financial instruments are stated at their fair value in the current year.

The consolidated entity has elected to early adopt the following accounting standards and amendments:

AASB 119 *Employee Benefits* (December 2004)

AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First- time Adoption of *Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial* Statements and AASB 124 Related Party Disclosures

AASB 2005-1 *Amendments to Australian Accounting Standards* (May 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement*

AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004)

AASB 2005-4 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 132 *Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004), AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*

AASB 2005-5 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (July 2004) and AASB 139 *Financial Instruments: Recognition and Measurement*

AASB 2005-6 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 3 *Business Combinations*

AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 21 *The Effects of Changes in Foreign Exchange Rates* ***(July 2004)***

UIG 4 *Determining whether an Arrangement contains a Lease*

UIG 8 *Scope of AASB 2*.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Basis of Accounting (continued)**

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

AASB 7 *Financial Instruments: Disclosure* (August 2005) replacing the presentation requirements of financial instruments in AASB 132 *Financial Instruments: Disclosure and Presentation*. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007

AASB 2005-9 *Amendments to Australian Accounting Standards* (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006

AASB 2005-10 *Amendments to Australian Accounting Standards* (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosures and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the Company and certain subsidiaries. However, the quantification of the potential impact is not known or reasonably estimable in the current financial year as an exercise to quantify the potential financial impact has not been undertaken by the Company and the consolidated entity to date.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors Report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

A summary of the significant accounting policies of the consolidated entity under AIFRS are disclosed below. The accounting policies have been applied consistently by all entities in the consolidated entity.

**Principles of Consolidation**

The financial statements of the consolidated entity include the financial statements of the Company being the parent entity, and its subsidiaries.

The financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at balance date and the results of all subsidiaries for the year then ended. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Results of subsidiaries are included in the income statement from the date on which control commences and continue to be included until the date control ceases to exist.

The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity of subsidiaries are shown separately in the income statement and balance sheet respectively.

**Foreign Currency**

**Transactions**

Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of each transaction. At balance date, amounts payable and receivable in foreign currencies are converted at the rates of exchange ruling at that date with any resultant gain or loss recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Foreign Currency (continued)**

**Translation**

The financial statements of overseas subsidiaries are maintained in their functional currencies and are converted to the consolidated entity s presentation currency as follows:

assets and liabilities are translated at the rate of exchange as at balance date:

income statements are translated at average exchange rates for the reporting period which approximate the rates ruling at the dates of the transactions;

all resultant exchange differences are recorded in the foreign currency translation reserve.

On consolidation, exchange differences arising from borrowings and any other currency instruments designated as hedges of investments in overseas subsidiaries, are transferred to the foreign currency translation reserve on a net of tax basis where applicable. When an overseas subsidiary is sold the cumulative amount recognised in the foreign currency translation reserve relating to the subsidiary is recognised in the income statement as part of the gain or loss on sale.

**Revenue Recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

**Sales Revenue**

Sales revenue comprises revenue earned (net of returns, discounts and allowances which are accrued at expected levels as sales occur) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

During the current year the consolidated entity changed the manner in which settlement discounts and certain co-operative advertising rebates are classified. Such amounts are now netted against sales revenue whereas in prior periods they were included within expenses. This has resulted in a reduction in reported sales revenue in the current year of $16.9 million with a corresponding reduction in expenses (2005 $15.1 million).

**Interest Income**

Interest income is recognised as it accrues.

**Financing Costs**

Financing costs include interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and other related charges.

**Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**Income Tax**

Income tax in the income statement for the periods presented comprises current and deferred tax adjusted for income tax over/under provided in previous years except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. The estimated liability for income tax outstanding in respect of the period s operations is included in the balance sheet as a current liability.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill and goodwill

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Income Tax (continued)**

not deductible for tax purposes, the initial recognition of assets or liabilities that are not part of a business combination and do not affect either accounting or taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or when the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

**Trade Debtors and Other Receivables**

***Accounting policy applicable for the year ending 30 June 2006***

Trade and other receivables are stated at their amortised cost less a provision for impairment losses. The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off to the income statement. A provision for impairment is established when there is sufficient evidence to indicate that not all amounts due will be collected.

***Accounting policy applicable for the year ending 30 June 2005***

Trade and other receivables are carried at invoice amount. The collectibility of debts is assessed at reporting date and specific provision is made for doubtful accounts.

**Inventories**

**Stock on Hand and Work in Progress**

Stock on hand and work in progress are consistently valued on the basis of the lower of cost and net realisable value. The methods generally adopted throughout the consolidated entity in determining costs are:

**Raw Materials and Other Stock**

Actual costs, determined on a first in, first out basis or standard costs approximating actual costs.

**Finished Goods and Work in Progress**

Manufactured inventories and work in progress are valued at standard costs which approximate actual costs and include an appropriate allocation of manufacturing overheads. Outsourced finished goods are valued at actual cost into store, determined on a first in, first out basis.

Obsolete and slow moving stocks are written down to net realisable value where such value is below cost. Net realisable value is determined on the basis of each inventory line s normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

**Investments**

**Associated Companies**

An associate is an entity over which the consolidated entity exercises significant influence, where the investment in that entity is material and has not been acquired with a view to disposal in the near future.

The consolidated entity has no investments that meet the criteria for recognition as an associated company.

**Property, Plant and Equipment**

**Acquisition**

Items of property, plant and equipment are initially recorded at cost and depreciated as set out below. The cost of property, plant and equipment constructed by the consolidated entity includes the cost of materials, direct labour and capitalised interest.

**Depreciation and Amortisation**

Depreciation and amortisation is calculated on a straight line basis so as to write off the net cost of each item of property, plant and equipment, excluding land, over its estimated useful life.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Property, Plant and Equipment (continued)**

**Depreciation and Amortisation (continued)**

The expected useful lives in the current and prior years are as follows:

| | |
|---|---|
| Freehold buildings of overseas controlled entities | - 20 to 40 years |
| Leasehold buildings | - Life of lease |
| Plant and equipment | - 3 to 10 years |

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

**Leases**

Operating lease payments are expensed as incurred on a straight line basis over the term of the lease.

**Intangible Assets**

**Goodwill and Brand Names**

Goodwill on acquisition is measured at cost being the excess of the cost of the acquisition over the fair value of the consolidated entity s share of the net identifiable assets acquired. Goodwill is not amortised. Brand names are initially recorded at cost based on independent valuation at acquisition date (which equates to fair value). Based on the nature of the major brand names acquired by the consolidated entity which are international brands that benefit from competitive advantages due to technology, innovation and product development, it is not possible to make an arbitrary assessment that these brand names have a finite useful life, quantifiable in terms of years. As such the consolidated entity believes that the lives of the brand names are unlimited at this point in time and no amortisation is provided against their carrying value.

Goodwill and brand names are reviewed annually, or more frequently if events or changes in circumstances indicate that their carrying values may be impaired and are carried at cost less accumulated impairment losses.

For the purposes of impairment testing, goodwill and brand names are allocated to cash generating units (which equate to the consolidated entity s reportable business units i.e. Occupational Healthcare, Professional Healthcare and Consumer Healthcare) upon acquisition. Acquired businesses can readily be allocated to one of the business units on the basis of products manufactured and/or marketed. Such manufacturing and marketing operations tend to cover more than one geographical region. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill and brand names relate. Where the recoverable amount of the cash generating unit is less than the carrying value, an impairment charge is recognised in the income statement.

**Development Costs**

Expenditure on research and development is written off in the period in which it is incurred, except for development expenditure on new products or substantially improved existing products which is capitalised only when future recoverability is reasonably assured. Amortisation of the capitalised expenditure commences in the half year period following the product s commercialisation and continues for a three year period. Capitalised costs are regularly reviewed and when the criterion for capitalisation is no longer met, such costs are written off.

**Recoverable Amount of Non-Current Assets Valued on the Cost Basis**

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. An impairment loss is recognised whenever the carrying amount of a non-current asset exceeds its recoverable amount. The impairment loss is recognised as an expense in the income statement in the reporting period in which it occurs.

The recoverable amount of a non-current asset is the higher of an asset s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses, other than those in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist. An impairment loss in respect of goodwill is not reversed.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Payables**

**Trade and Other Creditors**

Trade and other creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or the consolidated entity. Trade liabilities are normally settled on 60 day terms.

**Interest Bearing Liabilities**

***Accounting policy applicable for the year ending 30 June 2006***

Interest bearing liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition interest bearing liabilities are stated at amortised cost. Any difference between the cost and redemption value is recognised in the income statement over the period of the liability using the effective interest method.

***Accounting policy applicable for the year ending 30 June 2005***

Interest bearing liabilities are carried at their principal amounts, subject to set-off arrangements. Interest is charged as an expense as it accrues.

**Employee Entitlements**

**Wages, Salaries and Annual Leave**

Liabilities for employee entitlements to wages, salaries and annual leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees services provided up to the balance date calculated at undiscounted amounts based on expected wage and salary rates that will be paid when the obligation is settled and include related on-costs.

**Long Service Leave and Post Retirement Health Benefits**

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the Company and the consolidated entity resulting from employees services provided in the current and prior periods. Post retirement health benefits are subject to annual actuarial reviews.

The liability is calculated using estimated future increases in wage and salary rates including related on-costs, expected settlement dates based on turnover history and medical cost trends and is discounted using rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

**Retirement Benefit Obligations**

The Company and certain subsidiaries contribute to certain defined benefit and defined contribution superannuation plans maintained to provide superannuation benefits for employees. The defined benefit plans generally provide benefits based on salary in the period prior to retirement. The defined contribution plans receive contributions from the Company and subsidiaries and the consolidated entity s legal or constructive obligation is limited to these contributions.

A liability or asset in respect of each defined benefit superannuation plan is recognised in the balance sheet and is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value and the fair value of plan assets is deducted. The present value of the defined benefit is based on expected future payments calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

As a result of the early adoption of AASB 119 *Employee Benefits*, actuarial gains or losses are taken directly to accumulated losses.

Contributions to defined contribution plans are recognised as an expense as they become payable.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Employee Entitlements (continued)**

**Share-Based Payments**

The Company operates the Ansell Limited Stock Incentive Plan under which options and Performance Share Rights (PSRs) are granted to employees.

*Options granted before 7 November 2002 and vested before 1 July 2004*

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds allocated to issued capital.

*Options and PSRs granted before or after 7 November 2002 and vested after 1 July 2004*

The fair value of options and PSRs granted under the Ansell Limited Stock Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or PSRs.

The fair value at grant date is independently determined using binomial tree techniques that take into account the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or PSR. The fair value excludes the impact of any non-market vesting conditions with such conditions being factored into the assumptions about the number of options or PSRs that will vest. At each balance date the number of options and PSRs that are expected to vest is reviewed and the employee benefit expense for the period is adjusted accordingly.

Upon the exercising of options and vesting of PSRs, the related balance of the share-based payments reserve is transferred to issued capital.

**Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

A provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

**Rationalisation and restructuring**

Provisions for rationalisation and restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been publicly announced, or firm contracts related to the restructuring have been entered into. Costs related to ongoing activities are not provided for.

**Accufix pacing lead related expenses and insurance claims**

The consolidated entity provides for certain specifically identified or obligated costs when these amounts are reasonably determinable.

**Dividends**

A provision for dividends payable is recognised in the reporting period in which the dividends are declared.

**Derivatives**

***Accounting policy applicable for the year ending 30 June 2005***

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The consolidated entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. The following sets out how derivatives were accounted for under previous AGAAP.

The Company and consolidated entity use derivative financial instruments, principally foreign exchange and interest rate related, to reduce their exposure to movements in foreign exchange rates and interest rate movements.

When hedging an underlying interest rate exposure, with a derivative financial instrument, all gains and losses are accounted for on an accrual basis, thereby adjusting the underlying physical cost to the hedged rate over the life of the transaction. Gains or losses resulting from the termination of an interest rate swap contract where the underlying borrowing remains, are deferred on the balance sheet and then amortised over the life of the borrowing. Where the transaction is a single event, such as a foreign exchange exposure, the hedge gain or loss is taken to account on the actual exposure date.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Derivatives (continued)**

***Accounting policy applicable for the year ending 30 June 2005 (continued)***

Gains and losses on derivative financial instruments which hedge transactions are in the first instance deferred and later recognised in the income statement when the hedged transaction occurs. Such deferrals only occur where the future transaction remains assured. Where a transaction is modified or extinguished any associated derivative financial instrument is also modified or extinguished and any gain or loss that no longer relates to an actual exposure is immediately taken to the income statement.

***Adjustments on transition date: 1 July 2005***

The nature of the main adjustments to take account of the change in accounting policy to comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are taken to the income statement or a hedging reserve within equity. At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to accumulated losses or reserves, depending on whether the criteria for hedge accounting are satisfied at that date. The transition impact on the balance sheet is to increase the hedging reserve by $3.0 million, reduce accumulated losses by $0.2 million and increase hedge receivables (included within current trade and other receivables) by $3.2 million.

***Accounting policy applicable for the year ending 30 June 2006***

The Company and consolidated entity use derivative financial instruments, principally foreign exchange and interest rate related, to reduce their exposure to movements in foreign exchange rate and interest rate movements.

The consolidated entity has adopted certain principles in relation to derivative financial instruments:

- it does not trade in a derivative that is not used in the hedging of an underlying business exposure of the consolidated entity;
- derivatives acquired must be able to be recorded on the consolidated entity s treasury management systems, which contain extensive internal controls; and
- the consolidated entity predominantly does not deal with counter-parties rated lower than A- by Standard and Poor s or A3 by Moody s Investors Service.

The Company and consolidated entity follow the same credit policies, legal processes, monitoring of market and operational risks in the area of derivative financial instruments, as they do in relation to other financial assets and liabilities on the balance sheet, where internal controls operate.

On a continuing basis, the consolidated entity monitors its future exposures and on some occasions hedges all or part of these exposures. The transactions which may be covered are future net cash flows of overseas subsidiaries, future foreign exchange requirements and interest rate positions.

These exposures are then monitored and may be modified from time to time. The foreign exchange hedge transactions rarely exceed 12 months duration and hedge operational transactions the consolidated entity expects to occur in this time frame. From time to time minor mismatches occur in the forward book, however these mismatches are managed under strict guidelines, limits and internal controls with stop loss parameters. Interest rate derivative instruments can be for periods up to 7 years as the critical terms of the instruments are matched to the life of the borrowings.

Derivative financial instruments are recognised initially at fair value and subsequently remeasured to their fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to markets for similar instruments.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and continues to satisfy the requirement for hedge accounting, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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**Item 18 : Consolidated Financial Statements**

**1. Summary of Significant Accounting Policies (continued)**

**Derivatives (continued)**

***Accounting policy applicable for the year ending 30 June 2006 (continued)***

*Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains or losses that are recognised in the hedging reserve are transferred to the income statement in the periods when the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**Issued Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax where applicable, from the proceeds. When shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity.

**Earnings per Share**

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue and share split.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary and dilutive potential ordinary shares adjusted for any bonus issue.

**Accounting Estimates and Judgements**

The preparation of consolidated financial statements in conformity with Australian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key estimates and assumptions that may have a significant impact on the financial statements are as follows:

*Impairment of goodwill and brand names*

The consolidated entity tests whether goodwill and brand names are impaired annually, or more frequently if events or changes in circumstances indicate that their carrying values may be impaired, in accordance with the accounting policy on Intangible Assets. The policy requires the use of assumptions in assessing the carrying values of cash generating units. These assumptions are detailed in Note 14.

*Defined Benefit Superannuation Plans*

Various actuarial assumptions are utilised in the determination of the consolidated entity s defined benefit superannuation plan obligations. These assumptions are detailed in Note 19.

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**Item 18 : Consolidated Financial Statements**

**2. Total Revenue**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Revenue from the Sale of Goods** | 1,138.2 | 1,081.1 |
| **Interest Received or Due and Receivable** | | |
| From related parties | 2.4 | 4.0 |
| From others | 11.7 | 8.3 |
| **Total Revenue** | **1,152.3** | **1,093.4** |

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**Item 18 : Consolidated Financial Statements**

**3. Profit before income tax**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **(a) Profit before income tax has been arrived at after charging/(crediting) the following items:** | | |
| **Financing Costs** | | |
| Interest Paid or Due and Payable: | | |
| To others | 18.7 | 20.3 |
| Other Financing Costs | 1.3 | 1.6 |
| **Total Financing Costs** | 20.0 | 21.9 |
| **Depreciation** | | |
| Buildings | 1.2 | 1.5 |
| Plant and equipment | 22.7 | 21.9 |
| **Amortisation** | | |
| Leasehold land and buildings | 1.4 | 1.4 |
| Capitalised development costs | 0.1 | |
| **Research and Development Costs** | | |
| Expensed as incurred | 12.1 | 12.8 |
| Previously capitalised development costs written off | 0.5 | |
| **Net Bad Debts Expense** | 0.4 | 0.2 |
| **Amounts Set Aside to Provision for:** | | |
| Impairment of trade debtors | 0.9 | (0.1) |
| Rationalisation and restructuring costs | 0.5 | 2.0 |
| Accufix pacing lead related expenses | | 2.3 |
| Rebates and allowances | 18.8 | 11.5 |
| **Employee Related Expenses** | | |
| Wages and salaries | 158.1 | 152.8 |
| Increase in provision for employee entitlements | 16.3 | 16.3 |
| Defined contribution superannuation plan expense | 3.2 | 4.9 |
| Defined benefit superannuation plan expense | 2.6 | 3.2 |
| Equity settled share-based payments expense | 4.9 | 4.6 |
| **Net Foreign Exchange Loss/(Gain)** | 0.1 | 0.4 |
| **Losses Arising from Sale of Property, Plant and Equipment** | 0.1 | 0.1 |
| **Operating Lease Rentals** | 21.0 | 21.5 |
| **Write-down in Value of Inventories** | 2.0 | (0.7) |
| **(b) Exceptional items included in profit before income tax** | | |
| Impairment loss on investment in South Pacific Tyres and sale costs | (5.5) | (80.0) |
| **(c) Auditors Remuneration ($ in thousands)** | | |
| Audit and review of the financial reports: | | |
| Auditors of Ansell Limited and Australian entities - KPMG | 1,108 | 1,050 |
| Other member firms of KPMG | 1,614 | 1,564 |
| | 2,722 | 2,614 |

| | | |
|---|---|---|
| Other services: | | |
| Other audit and assurance services (including acquisitions and disposals) | | |
| Auditors of Ansell Limited and Australian entities - KPMG | | 36 |
| Other member firms of KPMG | 89 | 70 |
| Taxation and other services | | |
| Auditors of Ansell Limited and Australian entities - KPMG | 12 | 30 |
| Other member firms of KPMG | 46 | 43 |
| Total other services | 147 | 179 |
| Total auditors remuneration | 2,869 | 2,793 |

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**Item 18 : Consolidated Financial Statements**

**4. Contributed Equity**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Issued Capital** | | |
| 151,782,512 (2005 - 160,125,483) ordinary shares, fully paid * | 1,136.7 | 1,232.7 |
| 290,800 (2005 - 377,800) ordinary plan shares, paid to 5 cents | 0.1 | 0.1 |
| **Total Issued Capital** | **1,136.8** | **1,232.8** |

* includes 122,516 (2005 - 135,614) shares issued in accordance with the Employee Share Plan.

**Issued Capital Reconciliation**

| | | |
|---|---|---|
| Balance at the beginning of the financial year | 1,232.8 | 1,383.9 |
| Increase in Issued Capital: | | |
| Additional capital issued | 4.1 | 5.0 |
| Transfer from share-based payments reserve | 3.0 | |
| Decrease in Issued Capital: | | |
| Share buy-back | (103.1) | (156.1) |
| **Balance at the end of the financial year** | **1,136.8** | **1,232.8** |

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up of the Company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. Refer to Note 25 Key Management Personnel Disclosures for details of shares subject to options and Performance Share Rights granted under the Ansell Limited Stock Incentive Plan.

**Share Buy-Back**

At the Annual General Meeting held on 14 October 2004, shareholders approved an off-market buy-back for up to $155 million, under which 16,847,345 shares were bought back during the previous financial year, and also approved a further on-market buy-back for up to 10% of the Company s shares.

On 16 December 2005 the Board authorised an on-market buy-back program of up to $100 million under which 8,457,084 shares have been bought back. In addition 920,000 shares were bought back to satisfy the exercising of 500,000 options and the vesting of 420,000 Performance Share Rights and 17,869 were bought back under a minimum holding buy-back program.

**Executive Share Plan**

As previously reported, the Pacific Dunlop Executive Share Plan was closed to new members effective 12 September 1996, and no further issues of Executive Plan Shares will be made.

During the financial year, the amounts outstanding on 87,000 existing Executive Plan shares were fully paid. Since the end of the financial year, the amounts outstanding on a further 3,000 Executive Plan shares have been fully paid. Shares allotted under the Pacific Dunlop Executive Share Plan have been paid to 5 cents per share. Refer to Note 22 Ownership-Based Remuneration Schemes for details of price payable for shares issued under this plan.

**Employee Share Plan**

During the financial year, the loan liability of members in respect of 13,098 fully paid ordinary shares of $2.50 each was discharged. Since the end of the financial year, no further payments in respect of Employee Plan shares have been made. Under the Employee Share Plan, 50 cents was payable on subscription for each Plan share allotted to eligible employees, the balance of issue price being funded by way of interest free loans from the Company to the member. No new shares were issued during the financial year or up to the date of this report under the Pacific Dunlop Employee Share Plan.

**Options**

During the financial year 500,000 ordinary shares fully paid at $6.32 were issued to satisfy the exercising of 500,000 options granted to the previous Managing Director and 60,000 ordinary shares fully paid to $6.97 were issued to satisfy the exercising of 60,000 granted to the Chief Financial Officer under the Ansell Limited Stock Incentive Plan. As at the date of this report 712,358 unissued shares in the Company remain under option.

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**Item 18 : Consolidated Financial Statements**

**5. Accumulated Losses and Reserves**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Share-based payments reserve | 7.6 | 5.7 |
| Hedging reserve | (0.3) | |
| Asset revaluation reserve | | |
| General reserve | 6.0 | 4.1 |
| Foreign currency translation reserve | (18.5) | (44.5) |
| **Total Reserves** | (5.2) | (34.7) |
| Accumulated losses | (491.9) | (583.8) |
| **Total Accumulated Losses and Reserves** | **(497.1)** | **(618.5)** |
| **Movements during the year:** | | |
| **Share-Based Payments Reserve** | | |
| Balance at the beginning of the financial year | 5.7 | 1.1 |
| Charge to the income statement for the year | 4.9 | 4.6 |
| Transfer to issued capital | (3.0) | |
| **Balance at the end of the financial year** | **7.6** | **5.7** |
| **Hedging Reserve** | | |
| Balance at the beginning of the financial year | | |
| Adjustment upon adoption of AASB 139 | 3.0 | |
| Transfer to profit for period on expiration of previously effective hedges | (2.7) | |
| Effective portion of changes in fair value of cash flow hedges outstanding at year end | (0.6) | |
| **Balance at the end of the financial year** | **(0.3)** | |
| **Asset Revaluation Reserve** | | |
| Balance at the beginning of the financial year | | 0.7 |
| Transfer to accumulated losses | | (0.7) |
| **Balance at the end of the financial year** | | |
| **General Reserve** | | |
| Balance at the beginning of the financial year | 4.1 | 3.3 |
| Transfer from accumulated losses | 1.9 | 0.8 |
| **Balance at the end of the financial year** | **6.0** | **4.1** |
| **Foreign Currency Translation Reserve** | | |
| Balance at the beginning of the financial year | (44.5) | |
| Currency translation differences arising during the year | 26.0 | (44.5) |
| **Balance at the end of the financial year** | **(18.5)** | **(44.5)** |
| **Accumulated Losses** | | |

| | | |
|---|---|---|
| Balance at the beginning of the financial year | (583.8) | (606.8) |
| Adjustment upon adoption of AASB 139 | 0.2 | |
| Transfer to/from reserves | (1.9) | (0.1) |
| Net profit attributable to Ansell Limited shareholders | 116.1 | 54.4 |
| Actuarial gain/(loss) on defined benefit pension /post retirement health benefit plans | 7.7 | (7.7) |
| Dividends paid | (30.2) | (23.6) |
| **Balance at the end of the financial year** | **(491.9)** | **(583.8)** |

**Nature and purpose of reserves**

**Share-based payments**

This reserve is used to record the value of equity benefits provided to employees as part of their remuneration under the Ansell Limited Stock Incentive Plan. Refer to Note 22 for further details of the plan.

**Hedging**

This reserve records the portion of the gains or losses on cash flow hedges that are deemed to be effective.

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**Item 18 : Consolidated Financial Statements**

**5. Accumulated Losses and Reserves (continued)**

**General**

The amount standing to the credit of the general reserve resulted from prior period allocations of profits for non-specific purposes and is available for release to accumulated losses.

**Foreign currency translation**

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the consolidated entity, as well as the translation of borrowings or any other currency instruments that hedge the Company s net investment in a foreign operation. Refer to Note 1 Summary of Significant Accounting Policies.

**6. Income Tax**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| **Prima facie income tax calculated at 30% (2005: 30%) on profit before income tax** | 38.0 | 16.9 |
| **Increased taxation arising from:** | | |
| Impairment of investment in South Pacific Tyres | 1.7 | 24.0 |
| Net higher overseas tax rates | 2.7 | 3.9 |
| **Reduced taxation arising from:** | | |
| Income tax over provided in previous years | (1.0) | (1.6) |
| Investment and export incentive allowances | (5.0) | (3.5) |
| Recognition of previously unbooked deferred tax asset in respect of tax losses | (7.5) | (21.5) |
| Other permanent differences* | (21.0) | (18.0) |
| **Income tax attributable to profit before income tax** | **7.9** | **0.2** |
| Income tax attributable to operating profit before income tax is made up of: | | |
| Current year income tax | 20.4 | 21.0 |
| Over provision in respect of previous years | (1.0) | (1.6) |
| Deferred income tax attributable to: | | |
| Increase in deferred tax liability | 7.7 | 0.6 |
| (Increase) in deferred tax asset | (19.2) | (19.8) |
| | **7.9** | **0.2** |

* Includes recovery of tax losses not previously brought to account.

**7. Dividends Paid or Declared**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| **Dividends Paid** | | |

The following dividends were paid during the year to Ansell Limited shareholders:

| | | |
|---|---|---|
| A final dividend of 10 cents per share unfranked for the year ended 30 June 2005 (June 2004 - 7 cents unfranked) was paid on 18 October 2005 (2004 - 14 October 2004) | 16.0 | 12.4 |
| An interim dividend of 9 cents per share unfranked for the year ended 30 June 2006 (June 2005 - 7 cents franked to 57%) was paid on 7 April 2006 (2005 - 8 April 2005) | 14.2 | 11.2 |
| | 30.2 | 23.6 |

**Dividends Declared**

Since the end of the financial year the Directors have declared a final dividend of 12 cents per share unfranked, for the year ended 30 June 2006.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in subsequent financial reports.

**Dividend Franking Account**

The balance of the dividend franking account as at 30 June 2006 was nil (2005 - nil).

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**8. Cash and Cash Equivalents**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Cash on hand | 0.3 | 0.2 |
| Cash at bank | 75.1 | 69.2 |
| Short-term deposits | 236.0 | 149.5 |
| | 311.4 | 218.9 |
| Restricted deposits | 6.6 | 8.4 |
| **Total Cash and Cash Equivalents** | **318.0** | **227.3** |

Restricted deposits represent cash set aside to cover the provisions established to address any remaining liability of members of the consolidated entity for claims arising with respect to the Accufix pacing lead.

**9. Trade and Other Receivables**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Trade debtors | 227.5 | 191.8 |
| Less provision for impairment | 7.3 | 5.8 |
| Less provision for rebates and allowances | 23.5 | 15.2 |
| | 196.7 | 170.8 |
| Amounts owing by South Pacific Tyres partnership | | 0.6 |
| Other amounts receivable | 24.8 | 42.7 |
| **Total Current** | **221.5** | **214.1** |
| **Non-Current** | | |
| Interest bearing amount owing by South Pacific Tyres partnership | | 66.2 |
| Other amounts receivable | 19.8 | 2.1 |
| **Total Non-Current** | **19.8** | **68.3** |
| **Total Receivables** | **241.3** | **282.4** |

**The reconciliations of provision for impairment - trade debtors are presented below:**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Balance at the beginning of the financial year | 5.8 | 6.7 |
| Amounts charged/(credited) to the income statement | 0.9 | (0.1) |
| Amounts utilised for intended purposes | (0.1) | (0.1) |
| Acquired entities | 0.3 | |
| Net exchange differences on translation of foreign operations | 0.4 | (0.7) |

| | | |
|---|---|---|
| **Balance at the end of the financial year** | **7.3** | **5.8** |

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**Item 18 : Consolidated Financial Statements**

**10. Inventories**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **At Cost** | | |
| Raw materials | 20.6 | 22.2 |
| Work in progress | 11.8 | 9.1 |
| Finished goods | 139.7 | 113.9 |
| Other stock | 1.5 | 1.4 |
| **Total Inventory at Cost** | **173.6** | **146.6** |
| **Net Realisable Value** | | |
| Finished goods | 12.4 | 10.7 |
| **Total Inventory at Net Realisable Value** | **12.4** | **10.7** |
| **Total Inventories** | **186.0** | **157.3** |
| Inventories recognised as an expense | 684.0 | 626.9 |

**11. Current Assets Other**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Prepayments | 8.3 | 9.0 |
| Engineering spares | 4.3 | 4.2 |
| **Total Current Assets - Other** | **12.6** | **13.2** |

**12. Other Financial Assets (Investments)**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| *Other financial assets* | | |
| Not quoted on a prescribed stock exchange: | | |
| At cost | | 1.2 |
| South Pacific Tyres N.Z. Ltd | | 21.4 |
| Investment in Partnership | | |
| South Pacific Tyres | | 116.4 |
| Less Provision for impairment | | 80.0 |
| **Total Other Financial Assets** | | **59.0** |

The consolidated entity s interest in the South Pacific Tyres Partnership is carried as an investment.

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**13. Property, Plant and Equipment**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **(a) Freehold Land** | | |
| At cost | 11.9 | 11.4 |
| **(b) Freehold Buildings** | | |
| At cost | 36.5 | 35.6 |
| Less provision for depreciation | 13.7 | 12.0 |
| | **22.8** | **23.6** |
| **(c) Leasehold Land and Buildings** | | |
| At cost | 48.4 | 47.9 |
| Less provision for amortisation | 13.3 | 11.9 |
| | **35.1** | **36.0** |
| **(d) Plant and Equipment** | | |
| At cost | 402.2 | 373.6 |
| Less provision for depreciation | 284.1 | 254.8 |
| | **118.1** | **118.8** |
| **(e) Buildings and Plant under construction** | | |
| At cost | 7.7 | 5.6 |
| **Total Property, Plant and Equipment** | **195.6** | **195.4** |

**Reconciliations**

Reconciliations of the balances for each class of property, plant and equipment are set out below:

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Freehold Land** | | |
| Balance at the beginning of the financial year | 11.4 | 12.6 |
| Disposals/Write-downs | (0.3) | |
| Net exchange differences on translation of foreign operations | 0.8 | (1.2) |
| Balance at the end of the financial year | 11.9 | 11.4 |
| **Freehold Buildings** | | |
| Balance at the beginning of the financial year | 23.6 | 26.0 |
| Additions | 0.1 | 0.1 |
| Disposals/Write-downs | (1.1) | |
| Transfer from buildings and plant under construction | 0.1 | 1.5 |
| Depreciation | (1.2) | (1.5) |
| Net exchange differences on translation of foreign operations | 1.3 | (2.5) |

| | | |
|---|---|---|
| Balance at the end of the financial year | 22.8 | 23.6 |
| | | |
| **Leasehold Land and Buildings** | | |
| Balance at the beginning of the financial year | 36.0 | 40.0 |
| Additions | 0.1 | 0.4 |
| Transfer from buildings and plant under construction | 0.1 | 0.4 |
| Amortisation | (1.4) | (1.4) |
| Net exchange differences on translation of foreign operations | 0.3 | (3.4) |
| | | |
| Balance at the end of the financial year | 35.1 | 36.0 |
| | | |
| **Plant and Equipment** | | |
| Balance at the beginning of the financial year | 118.8 | 140.4 |
| Additions | 2.4 | 3.3 |
| Additions through entities acquired | 0.3 | |
| Disposals/Write-downs | (0.6) | (0.3) |
| Transfer from buildings and plant under construction | 11.7 | 10.3 |
| Depreciation | (22.7) | (21.9) |
| Net exchange differences on translation of foreign operations | 8.2 | (13.0) |
| | | |
| Balance at the end of the financial year | 118.1 | 118.8 |
| | | |
| **Buildings and Plant under construction** | | |
| Balance at the beginning of the financial year | 5.6 | 8.8 |
| Additions | 13.9 | 10.3 |
| Transfers to property, plant & equipment | (11.9) | (12.2) |
| Net exchange differences on translation of foreign operations | 0.1 | (1.3) |
| | | |
| Balance at the end of the financial year | 7.7 | 5.6 |

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**14. Intangible Assets**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Brand Names** | | |
| **At cost** | | |
| Balance at the beginning of the financial year | 106.0 | 117.4 |
| Net exchange differences on translation of foreign operations | 3.5 | (11.4) |
| **Balance at the end of the financial year** | **109.5** | **106.0** |
| **Goodwill** | | |
| **At cost** | | |
| Balance at the beginning of the financial year | 341.1 | 375.3 |
| Additions through entities acquired | 19.0 | |
| Net exchange differences on translation of foreign operations | 12.7 | (34.2) |
| **Balance at the end of the financial year** | **372.8** | **341.1** |
| **Provision for impairment** | | |
| Balance at the beginning of the financial year | 180.4 | 199.3 |
| Net exchange differences on translation of foreign operations | 7.8 | (18.9) |
| **Balance at the end of the financial year** | **188.2** | **180.4** |
| **Written down value of Goodwill at the end of the financial year** | **184.6** | **160.7** |
| **Development costs (internally generated intangible asset)** | | |
| Balance at the beginning of the financial year | 2.1 | |
| Expenditure deferred in the current period | 4.0 | 2.1 |
| Previously capitalised costs charged to the income statement | (0.5) | |
| Amortisation | (0.1) | |
| Net exchange differences on translation of foreign operations | 0.2 | |
| **Balance at the end of the financial year** | **5.7** | **2.1** |
| **Total Intangible Assets** | **299.8** | **268.8** |

**Impairment testing of Goodwill and Brand Names**

Goodwill and brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying values may be impaired.

For the purposes of impairment testing, goodwill and brand names are allocated to cash generating units (CGU s), which equate to the consolidated entity s reportable business units i.e. Occupational Healthcare, Professional Healthcare and Consumer Healthcare, upon acquisition.

Carrying amount of goodwill and brand names allocated to each of the cash generating units:

| | Consolidated | | | |
|---|---|---|---|---|
| | Goodwill | | Brand Names | |
| | 2006 | 2005 | 2006 | 2005 |
| Occupational Healthcare | 103.9 | 100.9 | 60.4 | 58.5 |
| Professional Healthcare | 54.5 | 53.2 | 42.3 | 41.0 |
| Consumer Healthcare | 26.2 | 6.6 | 6.8 | 6.5 |
| | **184.6** | **160.7** | **109.5** | **106.0** |

The recoverable amount of the CGU s has been determined based on a value in use calculation utilising five year cash flow projections based on budgets for the next financial year as approved by the Board and internal forecasts for the 2007/2008 and 2008/2009 financial years. A zero growth rate has been assumed for the subsequent two years. The terminal value is based on the cash flows for year five and a zero growth rate. The pre-tax cash flow discount rate applied is 10% which equates to the consolidated entity s pre-tax weighted average cost of capital.

The results of the impairment testing undertaken at 30 June 2006 indicated that the value in use of each of the CGU s was in excess of the carrying value of its net operating assets (inclusive of goodwill and brand names) and no impairment charge was necessary.

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**15. Deferred Tax Assets**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Deferred tax assets arising from: | | |
| Accumulated temporary differences | 25.5 | 16.7 |
| Accumulated tax losses | 29.2 | 21.2 |
| | **54.7** | **37.9** |
| Deferred tax assets are attributable to the following: | | |
| Trading stock tax adjustments | 2.5 | 1.6 |
| Provisions | 11.4 | 10.6 |
| Accruals | 1.5 | 1.2 |
| Plant and equipment and capital allowances | 3.3 | 0.3 |
| Capitalised development costs | 6.1 | |
| Accumulated tax losses | 29.2 | 21.2 |
| Other | 0.7 | 3.0 |
| **Total temporary differences** | **54.7** | **37.9** |

The consolidated entity has not recognised deferred tax assets in respect of trading tax losses of $260.9 million (2005 - $292.1 million) and $207.0 million of capital losses (2005 - $360.7 million). Deferred tax assets in respect of these losses have not been recognised as it is not probable that future taxable profits will be available against which these losses can be utilised.

The expiry dates of gross trading and capital losses for which deferred tax assets have not been recognised are as follows (in respect of financial years ending on 30 June):

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Year | | |
| 2007 | 33.1 | 28.1 |
| 2008 | 0.3 | 0.3 |
| 2009 | 49.0 | 48.9 |
| 2011 | 52.3 | 83.1 |
| 2012 | 65.4 | 63.5 |
| 2013 | 0.9 | 0.9 |
| 2019 | 24.8 | 24.0 |
| 2022 | 9.0 | 8.7 |
| No expiry date | 1,274.1 | 1,331.5 |

Details of the movement in the balance of deferred tax assets are as follows:

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Balance at the beginning of the financial year | 37.9 | 25.1 |
| Over provision of prior year balance | (2.9) | (4.5) |
| Amount credited to the income statement | 19.2 | 19.8 |
| Net exchange differences on translation of foreign operations | 0.5 | (2.5) |

| | | |
|---|---|---|
| **Balance at the end of the financial year** | **54.7** | **37.9** |

There were no movements in deferred tax assets taken directly to equity during the year.

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**16. Trade and Other Payables**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Amounts owing to subsidiaries | | |
| Trade creditors | 126.1 | 106.8 |
| Other creditors | 16.0 | 22.3 |
| **Total Current** | **142.1** | **129.1** |
| **Non-Current** | | |
| Other creditors | 0.7 | 0.8 |
| **Total Non-Current** | **0.7** | **0.8** |
| **Total Payables** | **142.8** | **129.9** |

**17. Interest Bearing Liabilities**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Bank overdrafts | 15.0 | 1.4 |
| Bank loans repayable in: | | |
| Canadian dollars | 3.0 | 5.3 |
| Chinese yuan | 3.4 | |
| Indian rupees | 2.4 | 1.4 |
| Other loans repayable in: | | |
| Australian dollars | 66.0 | |
| Japanese yen | 24.5 | |
| U.S. dollars | | 26.2 |
| **Total Current** | **114.3** | **34.3** |
| **Non-Current** | | |
| Bank loans repayable in: | | |
| U.S. dollars | 263.7 | 229.5 |
| Other loans repayable in: | | |
| Australian dollars | | 66.0 |
| Japanese yen | | 23.7 |
| U.S. dollars | 12.2 | 11.8 |
| **Total Non-Current** | **275.9** | **331.0** |
| **Total Interest Bearing Liabilities** | **390.2** | **365.3** |

At 30 June 2006 bank loans totalling $1.2 million (2005: $1.7 million) were secured, principally against property, plant and equipment having carrying values slightly in excess of the secured amounts payable. These security arrangements were in place prior to the subsidiaries concerned

becoming part of the consolidated entity.

A US$250 million revolving credit bank facility was established on 30 April 2004 of which US$200 million had a five year term and US$50 million had a 364 day term. On 29 April 2005, US$150 million of the US$200 million was extended to 30 April 2010 and US$50 million to 30 April 2012. The US$50 million 364 day facility was initially extended to 30 April 2006 and has subsequently been extended to 30 April 2007. This facility can be accessed by the parent company and certain US subsidiaries. US$195 million of the term facilities had been drawn down at 30 June 2006 (June 2005 US$175 million) leaving an unused balance of the total facilities at that date of US$55 million.

There are a number of financial covenants attaching to this facility including restrictions on the level of borrowings of non guarantor subsidiaries, ensuring the assets of the guarantor subsidiaries are in excess of a specified percentage of total group assets and ensuring certain financial ratios are maintained. If any breaches of these covenants occur all monies outstanding under the facility become immediately due and payable. As at 30 June 2006, the Company was in compliance with all covenants. The interest rate for this facility is determined based on market rates at the time amounts are drawn down.

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**17. Interest Bearing Liabilities (continued)**

The following table sets out details in respect of the major components of Interest Bearing Liabilities at 30 June, 2006.

| Nature and Currency of Borrowing | Amount $m | Interest Rate % p.a. | Maturity Date |
|---|---|---|---|
| **Bank Overdrafts** | | | |
| Euros | 8.0 | 2.80 | At Call |
| Malaysian ringgits | 1.4 | | At Call |
| UK pounds | 4.4 | 4.50 | At Call |
| United States dollars | 1.2 | 4.60 | At Call |
| **Total Bank Overdrafts** | **15.0** | | |
| **Bank Loans** | | | |
| **Current** | | | |
| Canadian dollars | 3.0 | 5.71 | 2007 |
| Chinese yuan | 1.7 | 5.58 | 2007 |
| Chinese yuan | 1.7 | 6.70 | 2007 |
| Indian rupees | 1.2 | 8.50 | 2007 |
| Indian rupees | 1.2 | 10.60 | 2007 |
| | **8.8** | | |
| **Non-Current** | | | |
| United States dollars | 54.1 | 4.70 | 2008 |
| United States dollars | 108.2 | 4.82 | 2009 |
| United States dollars | 74.4 | 5.27 | 2010 |
| United States dollars | 27.0 | 5.28 | 2012 |
| | **263.7** | | |
| **Total Bank Loans** | **272.5** | | |
| **Other Loans** | | | |
| **Current** | | | |
| Australian dollars | 50.0 | 6.94 | 2007 |
| Australian dollars | 16.0 | 7.92 | 2007 |
| Japanese yen | 24.5 | 3.61 | 2007 |
| | **90.5** | | |
| **Non-Current** | | | |
| United States dollars | 12.2 | 6.19 | 2010 |
| | **12.2** | | |

| | |
|---|---|
| **Total Other Loans** | **102.7** |
| **Total Interest Bearing Liabilities** | **390.2** |
| **Maturity Schedule** | |
| Term to maturity: | |
| Within one year | 114.3 |
| One to two years | 54.1 |
| Two to three years | 108.2 |
| Three to four years | 86.6 |
| Greater than five years | 27.0 |
| **Total** | **390.2** |

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| **Net Interest Bearing Debt** | | |
| Current interest bearing liabilities | 114.3 | 34.3 |
| Non-current interest bearing liabilities | 275.9 | 331.0 |
| Cash at bank and short-term deposits | (311.1) | (218.7) |
| **Net interest bearing debt** | **79.1** | **146.6** |

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**18. PROVISIONS**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Current** | | |
| Provision for employee entitlements | 30.5 | 26.4 |
| Provision for rationalisation and restructuring costs | 8.5 | 8.5 |
| Provision for Accufix pacing lead related expenses | 6.9 | 8.9 |
| Provision for insurance claims | 4.7 | 4.9 |
| **Total Current** | **50.6** | **48.7** |
| **Non-Current** | | |
| Provision for employee entitlements | 20.8 | 20.2 |
| **Total Non-Current** | **20.8** | **20.2** |
| **Total Provisions** | **71.4** | **68.9** |

Reconciliations of the carrying amount of each class of provision, except for employee entitlements, are set out below:

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Provision for rationalisation and restructuring** | | |
| Balance at the beginning of the financial year | 8.5 | 9.2 |
| Amounts charged to the income statement | 0.5 | 2.0 |
| Amounts utilised for intended purposes | (0.5) | (2.7) |
| **Balance at the end of the financial year** | **8.5** | **8.5** |
| **Provision for Accufix pacing lead related expenses** | | |
| Balance at the beginning of the financial year | 8.9 | 11.2 |
| Amounts charged to the income statement | | 2.3 |
| Amounts utilised for intended purposes | (2.2) | (3.9) |
| Net exchange differences on translation of foreign operations | 0.2 | (0.7) |
| **Balance at the end of the financial year** | **6.9** | **8.9** |
| **Provision for insurance claims (Captive Insurance Companies)** | | |
| Balance at the beginning of the financial year | 4.9 | 6.0 |
| Amounts utilised for intended purposes | (0.2) | (1.1) |
| **Balance at the end of the financial year** | **4.7** | **4.9** |

**Provision for rationalisation and restructuring costs**

This provision covers a variety of matters predominantly relating to the sale of businesses and controlled entities and is regularly reviewed in light of issues that have been settled or new events that have arisen during the reporting period.

**Provision for Accufix pacing lead related expenses**

This provision is to meet the costs of patients associated with the monitoring and (where appropriate) explantation of Accufix pacing leads and for legal costs in defence of claims made in respect of the Accufix pacing leads. This provision is predominantly covered by cash required to be set aside by the Courts (refer Note 8 - Cash and Cash Equivalents - Restricted deposits).

**Provision for insurance claims (Captive Insurance Companies)**

Corrvas Insurance Pty. Ltd. and Corrvas Insurance (Singapore) Pte. Ltd. are entities authorised by their respective jurisdiction s regulatory authority to operate as captive insurance companies for Ansell Limited and its subsidiaries. This provision comprises current open claims where the reserves are set for the total estimated costs of individual claims that have not been fully paid out and Incurred but not reported (IBNR) claims.

In Australia, the provision is required to be supported by a Liability Valuation Report prepared by an actuary approved by the Australia Prudential Regulatory Authority. In Singapore, captives are exempted from undertaking an actuarial assessment of their insurance liabilities and are not required to lodge such a report with the Monetary Authority of Singapore (MAS). In line with MAS regulations, the IBNR estimates are in accordance with a policy approved by the board of Corrvas Insurance (Singapore) Pte. Ltd.

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**19. Retirement Benefit Obligations**

Ansell Limited and certain subsidiaries contribute to defined benefit and defined contribution superannuation plans maintained to provide superannuation benefits for employees.

The following sets out details in respect of defined benefit plans.

**(a) Balance sheet amounts**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Present value of defined benefit obligations | 84.3 | 83.7 |
| Fair value of defined benefit plan assets | 70.8 | 58.5 |
| Net liability/(asset) in the balance sheet | 13.5 | 25.2 |

The Company and its subsidiaries are obliged to contribute to the various superannuation plans as a consequence of legislation or Trust Deeds; legal enforceability is dependent on the terms of the legislation or the Trust Deeds.

In accordance with the various Trust Deeds, the Company and its subsidiaries are under no legal or constructive obligation to make up any shortfall in the plans assets to meet payments due to employees.

**(b) Reconciliations of benefit obligations and plan assets**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| ***Present value of defined benefit obligations*** | | |
| Balance at the beginning of the financial year | 83.7 | 76.6 |
| Current service cost | 2.4 | 4.0 |
| Interest cost | 4.0 | 4.1 |
| Contributions by plan participants | 0.4 | 0.1 |
| Actuarial (gains)/losses | (2.7) | 7.0 |
| Taxes and expenses paid | (0.2) | |
| Past service cost | | 0.1 |
| Curtailment (gain)/loss | | (0.9) |
| Settlements | (1.8) | (3.8) |
| Benefits paid | (4.0) | (3.4) |
| Exchange rate changes/other movements | 2.5 | (0.1) |
| Balance at the end of the financial year | 84.3 | 83.7 |
| ***Fair value of plan assets*** | | |
| Balance at the beginning of the financial year | 58.5 | 56.6 |
| Expected return on plan assets | 4.0 | 4.5 |
| Actuarial gains/(losses) | 5.0 | |
| Contributions by employer | 7.5 | 4.9 |
| Contributions by plan participants | 0.4 | 0.1 |
| Taxes and expenses paid | (0.2) | |
| Settlements | (2.0) | (4.2) |

| | | |
|---|---|---|
| Benefits paid | (4.0) | (3.4) |
| Exchange rate changes/other movements | 1.6 | |
| Balance at the end of the financial year | 70.8 | 58.5 |

**(c) Categories of plan assets**

The major categories of plan assets are as follows:

| | Consolidated | |
|---|---|---|
| | **2006** | **2005** |
| Equity securities | 66% | 67% |
| Fixed interest securities | 24% | 25% |
| Property | 7% | 5% |
| Other | 3% | 3% |

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**19. Retirement Benefit Obligations (continued)**

**(d) Amounts recognised in the income statement**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Current service cost | 2.4 | 4.0 |
| Interest cost | 4.0 | 4.1 |
| Past service cost | | 0.1 |
| Curtailment (gain)/loss | | (0.9) |
| Settlements | 0.2 | 0.4 |
| Expected return on plan assets | (4.0) | (4.5) |
| Total expense recognised in the income statement | 2.6 | 3.2 |

The expense is recognised in the following lines within the income statement:

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Cost of goods sold | 0.2 | 1.0 |
| Selling, distribution and administration | 2.4 | 2.2 |
| | 2.6 | 3.2 |
| Actual return on plan assets | 9.0 | 4.5 |

**(e) Amounts recognised directly in accumulated losses**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Actuarial gain/(loss) recognised for year | 7.7 | (7.0) |
| Cumulative actuarial gain/(loss) | 0.7 | (7.0) |

**(f) Principal actuarial assumptions**

The principal actuarial assumptions used (expressed as a weighted average) were as follows:

| | Consolidated 2006 | 2005 |
|---|---|---|
| Discount rate | 4.9% | 5.3% |
| Expected return on plan assets | 6.5% | 7.5% |
| Future salary increases | 3.8% | 4.1% |

**(g) Historic summary**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Defined benefit plan obligation | 84.3 | 83.7 |
| Plan assets | 70.8 | 58.5 |
| Deficit/(Surplus) | 13.5 | 25.2 |
| Experience adjustments (gain)/loss - plan liabilities | (0.2) | 1.9 |
| Experience adjustments (gain)/loss - plan assets | (5.1) | |

**(h) Defined contribution superannuation plans**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| Contributions to defined contribution plans during the year | 3.2 | 4.9 |

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**19. Retirement Benefit Obligations (continued)**

**(i) Surplus/deficit for each material defined benefit superannuation plan (or section thereof) on a funding basis**

The table below shows the surplus/deficit of the material defined benefit superannuation plans measured as the difference between the net market value of plan assets and accrued benefits, as determined in accordance with AAS 25 *Financial Reporting by Superannuation Plans.* These figures (rather than those disclosed above) are calculated for funding purposes and are used to determine the required level of company contributions. The effective date of the amounts is 30 June 2005 being the date of the most recent financial statements of the plans.

| $ in millions | Fund assets | 2006 Accrued benefit | Excess/ (Deficit) |
|---|---|---|---|
| ***Plan sponsored by the Company*** | | | |
| Equipsuper superannuation plan (Ansell Ltd defined benefit section) | 17.4 | 16.7 | 0.7 |
| ***Plans sponsored by other entities in the consolidated entity*** | | | |
| ***USA Plans*** | | | |
| Ansell Cash Balance Pension Plan | 35.9 | 41.5 | (5.6) |
| Ansell Healthcare Products Inc Union Retirement Plan | 9.0 | 9.9 | (0.9) |
| Ansell Cash Balance Pension Restoration Plan | | 1.9 | (1.9) |
| **Total for plans sponsored by the consolidated entity** | 62.3 | 70.0 | (7.7) |

**(j) Funding arrangements for employer contributions**

***Equipsuper superannuation plan***

Contribution recommendations occur in accordance with Equipsuper Contribution and Funding policy after the update of the employer benefit accounts each six months. The last such update occurred as at 30 June 2005. The minimum recommended contribution rate effective 1 July 2005 was 12.6% of defined benefit members salaries.

The method used to determine the employer contribution recommendations at the last actuarial review was the Target Funding Method. The method adopted affects the timing of the cost to the Company. Under the Target Funding method, the employer contribution rate is set at a level such that the Plan s assets are expected to equal 105% of the Plan s liabilities (on the actuarial funding basis) within 5 years.

***USA Funds***

The relevant entities make annual contributions each year to the Cash Balance Plan and the Union Plan that are at least equal to the minimum required contribution determined under U.S. pension plan funding laws. Contributions that are made in excess of the minimum funding requirement produce a funding credit that may be used to satisfy the minimum funding requirements of subsequent years. Contributions are not made in excess of the amount that is immediately tax deductible. During the year ended 30 June 2006 contributions made to the Cash Balance Plan and the Union Plan were US$4,050,000 and US$950,000, respectively. The Restoration Plan is not subject to U.S. minimum funding requirements. Contributions to the Restoration Plan are equal to the benefit payments to participants (pay-as-you-go basis).

The contribution requirements and recommendations described above were determined using the Projected Unit Credit funding method. Under this method, the projected benefits of each individual included in the actuarial valuation are allocated to valuation years based on years of service. The normal cost is the portion of the actuarial present value of benefits that is allocated to the current year. The actuarial present value of benefits allocated to all periods prior to a valuation year is called the actuarial accrued liability. Under this method, the actuarial gains (losses), as they occur, generally reduce (increase) the actuarial accrued liability.

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**20. Deferred Tax Liabilities**

The tax effect of temporary differences that give rise to significant portions of the provision for deferred income tax are presented below:

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Depreciation on plant adjustments | 9.9 | 7.9 |
| Amortisation of intangible assets | 15.8 | 10.2 |
| Other | (0.2) | 0.2 |
| **Total** | **25.5** | **18.3** |

Details of the movement in the balance of deferred tax liabilities are as follows:

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Balance at the beginning of the financial year | 18.3 | 23.3 |
| Over provision of prior year balance | (1.3) | (3.6) |
| Amount charged to the income statement | 7.7 | 0.6 |
| Net exchange differences on translation of foreign operations | 0.8 | (2.0) |
| **Balance at the end of the financial year** | **25.5** | **18.3** |

There were no movements in deferred tax liabilities taken directly to equity during the year.

**21. Expenditure Commitments**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| **(a) Capital expenditure commitments** | | |
| Contracted but not provided for in the financial statements: | | |
| Plant and equipment | 2.4 | 0.9 |
| | 2.4 | 0.9 |
| Payable within one year | 2.4 | 0.9 |
| **(b) Operating Lease Commitments** | | |
| Future operating lease commitments not provided for in the financial statements and payable: | | |
| Within one year | 10.5 | 9.5 |
| One year or later and no later than five years | 24.6 | 27.0 |
| Later than five years | 6.3 | 9.5 |
| | **41.4** | **46.0** |

**22. Ownership-Based Remuneration Schemes**

**Ansell Limited Stock Incentive Plan**

The Company only operates one equity incentive plan, the Ansell Limited Stock Incentive plan. Details of the operation of the Plan and the details and number of Performance Share Rights (PSRs) granted during the year are set out in Note 25 Key Management Personnel Disclosures.

In accordance with the disclosure requirements of Australian Accounting Standards remuneration includes a proportion of the fair value of options and PSRs granted or outstanding during the year. The fair value is determined as at grant date and is progressively allocated over the vesting period for these securities. The amount included as remuneration (as disclosed in Note 25) is not related to, or indicative of, the benefit (if any) that individual executives may ultimately realise should the options or PSRs vest.

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**22. Ownership-Based Remuneration Schemes (continued)**

The fair value of options and PSRs is calculated at the date of grant using binomial tree techniques. The fair values and the factors and assumptions used in determining the fair values of the tranches of options and PSRs applicable for financial year 2006 are as follows:

| Instrument | Number Issued | Grant Date | Expiry Date | Fair Value per Option/PSR | Exercise Price | Share Price on Grant Date | Risk Free Interest Rate | Dividend Yield |
|---|---|---|---|---|---|---|---|---|
| Options | 525,000 | 30/6/2004 | 30/6/2014 | $ 2.35 - $2.38 | $ 7.40 | $ 7.74 | 6.1% | 2.0% |
| PSRs | 515,000 | 18/12/2003 | 30/6/2006 | $ 5.89 - $6.12 | N/A | $ 6.19 | N/A | 2.0% |
| PSRs | 150,000 | 30/6/2004 | 30/6/2007 | $ 6.94 - $7.22 | N/A | $ 7.74 | N/A | 2.0% |
| PSRs | 391,000 | 8/8/2004 | 30/6/2007 | $ 7.34 - $7.64 | N/A | $ 7.78 | N/A | 2.0% |
| PSRs | 500,000 | 16/8/2005 | 30/6/2008 | $ 9.45 - $9.83 | N/A | $ 10.00 | N/A | 2.0% |

An estimated volatility factor of up to 20% has been applied in the above valuations in respect of options and is based on an analysis of historical share price data.

**Options - Generally**

As at the date of this report 712,358 unissued ordinary shares in the Company remain under option (refer to Note 25 for details).

**Discontinued Executive and Employee Share Plans**

The Company (when it was Pacific Dunlop Limited) historically operated two share plans for employees and Directors of the consolidated entity:

- the Pacific Dunlop Executive Share Plan ( Executive Plan ) - discontinued in 1996, and
- the Pacific Dunlop Employee Share Plan ( Employee Plan ) - discontinued in 1994.

The Employee Plan permitted eligible employees to acquire a number of shares in the Company. The shares were issued at market value, payable as to 50 cents per share by the employee, the balance financed by an interest free loan from the Company repayable, at latest, on cessation of employment. The shares are not transferable while a loan remains outstanding, but carry a voting right and an entitlement to dividends (although dividends are applied in reduction of the loan).

Shares issued under the Executive Plan to selected employees ( Executives ) were paid up to 5 cents and were subject to restrictions for a period. While partly paid, the shares are not transferable, carry no voting rights and no entitlement to dividends (but are entitled to participate in bonus or rights issues as if fully paid). The price payable for shares issued under the Executive Plan varies according to the event giving rise to a call being made. Once restrictions ceased the price payable upon a call being made is the lesser of $10.00 ($2.50 for issues prior to 13 September 1991) and the last sale price of the Company s ordinary shares on Australian Stock Exchange Limited.

The number of Employee Share Plan Shares and the number of Executive Plan Shares (ordinary plan shares paid to five cents) as at balance date are shown in Note 4. A loss of $9,884 pre-tax in respect of the Employee Share Plan was recognised in the Company and the consolidated financial statements for 2006 (2005 - $13,801 pre-tax).

The market price of the Company s shares as at 30 June 2006 was $9.67.

**23. Contingent Liabilities and Contingent Assets**

**Indemnities and Guarantees (relating to Parent Company only)**

Ansell Limited ( the Company ) has previously entered into Deeds of Indemnity with each of the Directors of the Company and certain officers of subsidiaries, in relation to liabilities that they may incur (other than to the Company or subsidiaries) as Directors of the Company and Directors and officers of certain subsidiaries respectively, to the extent permitted by law and the Company s Constitution.

The Company has also guaranteed the performance of certain wholly-owned subsidiaries which have negative shareholders funds.

At this time, no liabilities the subject of any such indemnity or guarantee have been identified and, accordingly, it is not possible to quantify any financial obligation of the consolidated entity under these indemnities and of the Company pursuant to its guarantee.

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**Item 18 : Consolidated Financial Statements**

**23. Contingent Liabilities and Contingent Assets (continued)**

**Accufix Litigation**

Only a limited number of lawsuits in relation to the Accufix pacing leads which have been made against certain subsidiaries remain on foot, the majority of which have been brought in France.

As at 30 June 2006, the balance of the provisions made for settlements in relation to claims (as disclosed in Note 18) is considered adequate to address any remaining liability of members of the consolidated entity.

**Latex Allergy Litigation**

As at 30 June 2006, there were approximately eight product liability cases pending against one or more subsidiaries in the United States in relation to allergic reaction to exposure to natural rubber latex gloves.

In a number of additional cases, distributors of latex gloves, who have also been named as defendants, are pursuing cross-claims and third party claims against several manufacturers of natural rubber latex gloves, including subsidiaries of the Company, in an effort to recover their costs related to the latex litigation. In some cases, judgement has been entered against a subsidiary. The relevant subsidiaries are appealing these decisions. The Company is not a defendant in any cases in the United States.

It is not possible at this time to quantify the potential financial impact of the remaining cases on the consolidated entity, however they are not considered to have a material potential impact on the results either individually or on an aggregate basis.

**Business and Asset Sales**

The Company and various subsidiaries have, as part of the consolidated entity s historical asset and business sale program, provided warranties, indemnities and other undertakings and, in some instances, the Company has guaranteed the warranties, indemnities and other obligations of various subsidiaries, to the purchasers of assets and businesses. At this time, it is not possible to quantify the potential financial impact of those warranties, indemnities, undertakings or guarantees upon the consolidated entity. From time to time, the Company has received notices from purchasers of its businesses and assets pursuant to the relevant sale agreements. No formal proceedings are currently on foot and, accordingly, it is not possible at this time to quantify the potential financial impact on the consolidated entity.

**Exide Corporation**

US legal proceedings are continuing against entities in the Exide Group in connection with the sale of the GNB business. Proceedings against those entities in the Exide Group that have not filed for bankruptcy ( Non-bankrupt Entities ) were transferred to the Delaware bankruptcy court ( the Court ) where the Court determined that all of the consolidated entity s claims against the Non-bankrupt Entities may only be asserted against Exide Technologies, Inc., a company which has emerged from bankruptcy.

The consolidated entity has requested that the Court reconsider its decision and the Court has denied that request. The consolidated entity has filed an appeal to the United States District Court ( the Appeal Court ) and, under the rules of the Appeal Court, the consolidated entity participated in a mediation with the Exide Group. The mediation did not result in an agreement among the parties regarding any of the claims each has asserted against the other. The parties have fully briefed the issues on appeal, but no decision has yet been issued by the Appeal Court. The consolidated entity will continue to pursue recovery of the amounts owed by the Exide Group, but as to the reorganized company, Exide Technologies, Inc, the consolidated entity expects to recover only stock in that company. The ultimate amount of the consolidated entity s claims has not yet been determined and therefore the amount and value of the stock that may be recovered from Exide Technologies, Inc. is also undetermined.

**24. Financial Instruments**

**Derivative Financial Instruments**

The consolidated entity is involved in a range of derivative financial instruments, which can be defined in the following broad categories:

**(i) Forward / Future Contracts**

These transactions enable the consolidated entity to buy or sell specific amounts of foreign exchange, financial instruments or commodities at an agreed rate/price at a specified future date. Maturities of these contracts are principally between six months and two years.

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**Item 18 : Consolidated Financial Statements**

**24. Financial Instruments (continued)**

**(ii) Foreign Exchange Options**

This is a contract between two parties, which gives the buyer of the put or call option the right, but not the obligation, to transact at a specified exchange rate. The consolidated entity typically uses a combination of a bought and sold option, generally for zero cost, to hedge foreign currency receivable and payable cash flows out to one year.

**(iii) Swaps**

These agreements enable parties to swap interest rate (from or to a fixed or floating basis) or currency (from one currency to another currency) positions for a defined period of time. Maturities of the contracts are principally between two and five years.

**Interest Rate Risk**

The exposure to interest rate risk and the effective weighted average interest rate for classes of income earning financial assets and interest bearing financial liabilities is set out below:

| | Weighted Average Effective Interest Rate | Fixed Interest repricing in: | | | | | |
|---|---|---|---|---|---|---|---|
| $ in millions | % | Floating | 1 year or less | 1 to 5 years | Over 5 years | Non Interest Bearing | Total |
| **Consolidated** | | | | | | | |
| **2006** | | | | | | | |
| **Interest earning financial assets** | | | | | | | |
| Cash on hand and at bank | 3.4% | 35.2 | 10.4 | | | 29.8 | 75.4 |
| Short-term and restricted deposits | 4.9% | 183.5 | 56.3 | | | 2.8 | 242.6 |
| **Interest bearing financial liabilities** | | | | | | | |
| Bank overdraft | 4.7% | (13.6) | | | | (1.4) | (15.0) |
| Bank and other loans | 5.3% | (78.2) | (33.3) | (236.7) | (27.0) | | (375.2) |
| Effect of interest rate swaps | (1.3)% | 12.2 | | (12.2) | | | |
| | | **139.1** | **33.4** | **(248.9)** | **(27.0)** | **31.2** | **(72.2)** |
| **2005** | | | | | | | |
| **Interest earning financial assets** | | | | | | | |
| Cash on hand and at bank | 1.6% | 19.2 | 6.5 | | | 43.7 | 69.4 |
| Short-term and restricted deposits | 4.5% | 48.8 | 105.4 | | | 3.7 | 157.9 |
| Receivables - other | 6.1% | 66.8 | | | | 44.8 | 111.6 |
| **Interest bearing financial liabilities** | | | | | | | |
| Bank overdraft | 4.5% | (0.3) | | | | (1.1) | (1.4) |
| Bank and other loans | 5.1% | (127.7) | (43.6) | (192.6) | | | (363.9) |
| Effect of interest rate swaps | (0.8)% | 38.0 | | (38.0) | | | |
| | | **44.8** | **68.3** | **(230.6)** | | **91.1** | **(26.4)** |

**Credit Risk and Net Fair Value**

(i) Credit Risk

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for impairment.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counter parties in various countries.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

(ii) Net Fair Value

The Directors consider that the carrying amount of recognised financial assets and financial liabilities approximates their net fair value.

Refer to Note 1 for accounting policies in respect of the carrying values of financial assets and financial liabilities.

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**Item 18 : Consolidated Financial Statements**

**24. Financial Instruments (continued)**

The following table displays:

**(i) Face Value**

This is the contract s value upon which a market rate is applied to produce a gain or loss which becomes the settlement value of the derivative financial instrument.

**(ii) Credit Risk**

This is the maximum exposure to the consolidated entity in the event that all counterparties who have amounts outstanding to the consolidated entity under derivative financial instruments, fail to honour their side of the contracts. The consolidated entity s exposure is almost entirely to banks (see (v) below). Amounts owed by the consolidated entity under derivative financial instruments are not included.

**(iii) Net Fair Value**

This is the amount at which the instrument could be realised between willing parties in a normal market in other than a liquidation or forced sale environment. The net amount owed by / (owing to) financial institutions under all derivative financial instruments would have been ($1.5 million) (2005 - $2.8 million), if all contracts were closed out on 30 June 2006.

| | Face Value | | Credit Risk | | Net Fair Value | |
|---|---|---|---|---|---|---|
| **$ in millions** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **Foreign Exchange Contracts** | | | | | | |
| *Purchase/Sale Contracts:* | | | | | | |
| - U.S. dollars | 26.5 | 78.5 | 0.1 | 0.5 | | 0.4 |
| - Australian dollars | 87.8 | 5.0 | 0.1 | | | |
| - Euro | 39.6 | 20.7 | 0.1 | | (0.2) | (0.7) |
| - Other currencies | 8.7 | 5.3 | | | (0.2) | (0.1) |
| *Cross Currency Swaps:* | | | | | | |
| - U.S. dollars | 24.5 | 23.7 | 0.1 | 0.9 | 0.1 | (0.1) |
| **Foreign Exchange Options** | | | | | | |
| *Zero Cost Collar* | | | | | | |
| - Euro/U.S. dollars | 124.8 | 99.3 | 0.8 | 2.6 | (1.2) | 3.1 |
| - U.S. dollars/Thai baht | 39.1 | 16.5 | 7.0 | 0.4 | (0.1) | |
| - Australian dollars/U.S. dollars | 27.0 | 6.0 | 0.5 | | 0.6 | |
| - Canadian dollars/U.S. dollars | 42.9 | 29.1 | 0.2 | 0.2 | (0.9) | (0.1) |
| - Pounds sterling/U.S. dollars | 2.2 | 0.9 | | | | |
| - U.S. dollars/Euro | | 6.6 | | | | |
| - U.S. dollars/Mexican peso | 19.7 | | 2.5 | | (0.1) | |
| **Interest Rate Contracts** | | | | | | |
| *Interest Rate Swaps:* | | | | | | |
| - U.S. dollars | 12.2 | 38.0 | 0.5 | 0.4 | 0.5 | 0.3 |
| **Total** | **455.0** | **329.6** | **11.9** | **5.0** | **(1.5)** | **2.8** |

From time to time in the ordinary course of business, the consolidated entity enters into forward exchange contracts to hedge a proportion of its purchase and sale commitments denominated in foreign currencies (principally US dollars). Hedge cover does not exceed 12 months.

**(iv) Market/Liquidity Risk**

The consolidated entity seeks to reduce the risk of:

(a) being forced to exit derivative financial instrument positions at below their real worth; or

(b) finding it cannot exit the position at all, due to lack of liquidity in the market;
by:

(a) dealing only in liquid contracts dealt by many counterparties; and

(b) dealing only in large and highly liquid and stable international markets.

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**Item 18 : Consolidated Financial Statements**

**24. Financial Instruments (continued)**

**(v) Credit Risk by Maturity**

The following table indicates the value of amounts owing by counterparties by maturity. Based on the policy of not having overnight exposures to an entity rated lower than A- by Standard & Poor s or A3 by Moody s Investors Service, it is felt the risk to the consolidated entity of the counterparty default loss is not material.

| | Foreign Exchange Related Contracts | | Interest Rate Contracts | | Foreign Exchange Options | | Total | |
|---|---|---|---|---|---|---|---|---|
| **$ in millions** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** | **2006** | **2005** |
| **Term:** | | | | | | | | |
| 0 to 6 mths | 0.4 | 0.5 | | | 3.9 | 2.1 | 4.3 | 2.6 |
| 6 to 12 mths | | | | | 7.1 | 1.1 | 7.1 | 1.1 |
| 1 to 2 yrs | | 0.9 | | | | | | 0.9 |
| 2 to 5 yrs | | | 0.5 | 0.4 | | | 0.5 | 0.4 |
| **Total** | **0.4** | **1.4** | **0.5** | **0.4** | **11.0** | **3.2** | **11.9** | **5.0** |

**(vi) Historical Rate Rollovers**

It is the consolidated entity s policy not to engage in historical rate rollovers except in circumstances where the maturity date falls on a bank holiday. In these instances, settlement occurs on the next trading day.

**(vii) Hedges and Anticipated Future Transactions**

The following table shows the consolidated entity s deferred gains and (losses), both realised and unrealised, that are currently held on the balance sheet and the expected timing of recognition as revenue or expense:

| | Interest Rate | | Foreign Exchange | |
|---|---|---|---|---|
| **$ in millions** | **2006** | **2005** | **2006** | **2005** |
| **Realised Swaps Deferred** | | | | |
| 1 to 2 years | (0.2) | (0.3) | | |
| 2 to 5 years | (3.0) | (3.6) | | |
| **Unrealised Swaps Deferred** | | | | |
| Less than 1 year | (0.5) | | 0.9 | |

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**Item 18 : Consolidated Financial Statements**

**25. Key Management Personnel Disclosures**

**Details of remuneration**

**Directors of Ansell Limited**

Details of the remuneration of all directors of Ansell Limited is set out in the following tables:

| | Short-term Benefits | | Non- | Post Employment Benefits | Share-based Payments | |
|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | monetary benefits | Superannuation Contributions | Options and Performance Share Rights | Total |
| **2006** | **$** | **$** | **$** | **$** | **$** | **$** |
| ***Non-executive*** | | | | | | |
| P L Barnes | 206,879 | | | 18,707 | | 225,586 |
| G L L Barnes | 77,715 | | | | | 77,715 |
| R J S Bell | 85,736 | | | 2,928 | | 88,664 |
| L D Crandall | 98,145 | | | 8,833 | | 106,978 |
| H J Elliott | 97,538 | | 11,774 | 8,778 | | 118,090 |
| M J McConnell | 32,827 | | | 2,954 | | 35,781 |
| E D Tweddell | 21,484 | | | 1,934 | | 23,418 |
| ***Executive*** | | | | | | |
| D D Tough (CEO and Managing Director) | 984,164 | 1,059,949 | 189,936 | 229,062 | 637,804 | 3,100,915 |
| Total | 1,604,488 | 1,059,949 | 201,710 | 273,196 | 637,804 | 3,777,147 |

| | Short-term Benefits | | | Post Employment Benefits | Share-based Payments | |
|---|---|---|---|---|---|---|
| | Cash salary and fees | Cash bonus | Non-monetary benefits | Superannuation Contributions | Options and Performance Share Rights | Total |
| **2005** | **$** | **$** | **$** | **$** | **$** | **$** |
| ***Non-executive*** | | | | | | |
| P L Barnes | 91,875 | | 1,287 | 8,269 | | 101,431 |
| L D Crandall | 82,500 | | 17,690 | 7,425 | | 107,615 |
| H J Elliott | 82,500 | | | 7,425 | | 89,925 |
| M J McConnell | 82,500 | | 16,034 | 7,425 | | 105,959 |
| E D Tweddell | 234,375 | | 1,044 | 21,094 | | 256,513 |
| ***Executive*** | | | | | | |
| D D Tough (CEO and Managing Director) | 854,139 | 705,283 | 70,637 | 114,260 | 1,409,968 | 3,154,287 |
| Total | 1,427,889 | 705,283 | 106,692 | 165,898 | 1,409,968 | 3,815,730 |

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**Item 18 : Consolidated Financial Statements**

**25. Key Management Personnel Disclosures (continued)**

**Details of remuneration (continued)**

**Other Key Management Personnel**

Details of the remuneration of each of the Other Key Management Personnel of the consolidated entity are set out in the following tables:

| | Short-term Benefits | | | Post Employment Benefits | Termination Benefits | Share-based Payments | |
|---|---|---|---|---|---|---|---|
| 2006 | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | Superannuation Contributions $ | $ | Options and Performance Share Rights $ | Total $ |
| P W Corke | 332,906 | 214,854 | 58,925 | 71,861 | | 199,427 | 877,973 |
| W Heintz | 532,222 | 233,649 | 61,092 | 150,718 | | 219,561 | 1,197,242 |
| R F Jilla | 489,971 | 316,266 | 50,305 | 107,635 | | 462,249 | 1,426,426 |
| N R O Donnell | 212,000 | 91,201 | 33,967 | 42,400 | | 126,855 | 506,423 |
| W Reed | 366,167 | 75,074 | 139,087 | 92,115 | | 216,290 | 888,733 |
| W G Reilly | 352,688 | 227,746 | 37,459 | 75,655 | | 199,427 | 892,975 |
| Total | 2,285,954 | 1,158,790 | 380,835 | 540,384 | | 1,423,809 | 5,789,772 |

| | Short-term Benefits | | | Post Employment Benefits | Termination Benefits | Share-based Payments | |
|---|---|---|---|---|---|---|---|
| 2005 | Cash salary and fees $ | Cash bonus $ | Non-monetary benefits $ | Superannuation Contributions $ | $ | Options and Performance Share Rights $ | Total $ |
| P W Corke | 315,147 | 179,385 | 60,080 | 59,193 | | 133,886 | 747,691 |
| W Heintz | 365,737 | 129,230 | 220,903 | 117,218 | | 181,757 | 1,014,845 |
| R F Jilla | 442,181 | 261,603 | 35,593 | 94,540 | | 403,242 | 1,237,159 |
| N R O Donnell | 205,000 | 49,003 | 33,768 | 41,000 | | 98,535 | 427,306 |
| W Reed | 348,074 | 126,380 | 161,811 | 83,260 | | 176,855 | 896,380 |
| W G Reilly | 321,794 | 183,122 | 36,255 | 62,329 | | 133,886 | 737,386 |
| P Soszyn* | 178,879 | 112,712 | 16,920 | 24,855 | 752,784 | 26,863 | 1,113,013 |
| Total | 2,176,812 | 1,041,435 | 565,330 | 482,395 | 752,784 | 1,155,024 | 6,173,780 |

* P Soszyn ceased employment on 28 February 2005 and is included in the above table as he met the definition of one of the highest remunerated executives for the year under the Corporations Act. Mr Soszyn would not have met the definition of a key management person under AASB 124 *Related Party Disclosures* and as such is excluded from the comparative information in respect of other disclosures required by AASB 124.

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**Item 18 : Consolidated Financial Statements**

**25. Key Management Personnel Disclosures (continued)**

**Equity Instruments**

**Options and Performance Share Rights (PSRs) granted as compensation**

***Equity grants made to Key Management Personnel***

The number of PSRs granted to key management personnel as compensation is set out in the tables below. No grants of options were made.

| 2006 | Number of PSRs granted during the year | Future financial years that grant may vest | Maximum total value of grant ($ per tranche) [1] |
|---|---|---|---|
| P W Corke | 25,000 | 2007 | 81,913 |
| | | 2008 | 80,330 |
| | | 2009 | 78,757 |
| W Heintz | 25,000 | 2007 | 81,913 |
| | | 2008 | 80,330 |
| | | 2009 | 78,757 |
| R F Jilla | 55,000 | 2007 | 180,213 |
| | | 2008 | 176,730 |
| | | 2009 | 173,256 |
| N R O Donnell | 15,000 | 2007 | 49,150 |
| | | 2008 | 48,200 |
| | | 2009 | 47,250 |
| W Reed | 25,000 | 2007 | 81,913 |
| | | 2008 | 80,330 |
| | | 2009 | 78,757 |
| W G Reilly | 25,000 | 2007 | 81,913 |
| | | 2008 | 80,330 |
| | | 2009 | 78,757 |

[1] The values per PSR were calculated as $9.83, $9.64 and $9.45 for the tranches that may vest in 2007, 2008 and 2009 respectively.

| 2005 | Number of PSRs granted during the year | Future financial years that grant may vest | Maximum total value of grant ($ per tranche) [2] |
|---|---|---|---|
| P W Corke | 20,000 | 2006 | 50,928 |
| | | 2007 | 49,936 |
| | | 2008 | 48,936 |
| W Heintz | 25,000 | 2006 | 63,664 |
| | | 2007 | 62,415 |
| | | 2008 | 61,172 |
| R F Jilla | 50,000 | 2006 | 127,329 |
| | | 2007 | 124,836 |
| | | 2008 | 122,336 |
| N R O Donnell | 20,000 | 2006 | 50,928 |

| | | | |
|---|---|---|---|
| | | 2007 | 49,936 |
| | | 2008 | 48,936 |
| W Reed | 25,000 | 2006 | 63,664 |
| | | 2007 | 62,414 |
| | | 2008 | 61,172 |
| W G Reilly | 20,000 | 2006 | 50,928 |
| | | 2007 | 49,936 |
| | | 2008 | 48,936 |

(2) The values per PSR were calculated as $7.64, $7.49 and $7.34 for the tranches that may vest in 2006, 2007 and 2008 respectively.

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**Item 18 : Consolidated Financial Statements**

**25. Key Management Personnel Disclosures (continued)**

**Equity Instruments (continued)**

**Options and Performance Share Rights (PSRs) granted as compensation (continued)**

***Movement in Options and PSRs on issue***

The movement in the number of options and PSRs over ordinary shares of Ansell Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| | | | | | | Vested at the date of this report | |
|---|---|---|---|---|---|---|---|
| **2006** | **Held at 1 July 2005** | **Granted during the year** | **Options exercised/ PSRs vested during the year** | **Options lapsed/ forfeited** | **Held at 30 June 2006** | **Options vested and exercisable/ PSRs vested[(1)]** | **Options not yet exercisable** |
| **Options** | | | | | | | |
| **Director** | | | | | | | |
| D D Tough | 525,000 | | | 52,642 | 472,358 | 122,358 | 129,833 |
| **Other Key Management Personnel** | | | | | | | |
| R F Jilla | 300,000 | | 60,000 | | 240,000 | 240,000 | |
| **PSRs** | | | | | | | |
| **Director** | | | | | | | |
| D D Tough | 150,000 | | 34,959 | | 115,041 | 40,491 | |
| **Other Key Management Personnel** | | | | | | | |
| P W Corke | 38,334 | 25,000 | 20,000 | | 43,334 | 20,000 | |
| W Heintz | 53,334 | 25,000 | 26,667 | | 51,667 | 26,666 | |
| R F Jilla | 83,334 | 55,000 | 33,333 | | 105,001 | 51,667 | |
| N R O Donnell | 30,334 | 15,000 | 15,667 | | 29,667 | 15,667 | |
| W Reed | 51,667 | 25,000 | 26,666 | | 50,001 | 25,000 | |
| W G Reilly | 38,334 | 25,000 | 20,000 | | 43,334 | 20,000 | |

| | | | | | | Vested at the date of the 2005 financial report | |
|---|---|---|---|---|---|---|---|
| **2005** | **Held at 1 July 2004** | **Granted during the year** | **Options exercised/ PSRs vested during the year** | **Options lapsed/ forfeited** | **Held at 30 June 2005** | **Options vested and exercisable/ PSRs vested [(1)]** | **Options not yet exercisable** |
| **Options** | | | | | | | |
| **Director** | | | | | | | |
| D D Tough | 525,000 | | | | 525,000 | 122,358 | 129,833 |
| **Other Key Management Personnel** | | | | | | | |
| R F Jilla | 300,000 | | | | 300,000 | 200,000 | 100,000 |
| **PSRs** | | | | | | | |
| **Director** | | | | | | | |
| D D Tough | 150,000 | | | | 150,000 | 34,959 | |
| **Other Key Management Personnel** | | | | | | | |
| P W Corke | 31,667 | 20,000 | 13,333 | | 38,334 | 20,000 | |
| W Heintz | 46,667 | 25,000 | 18,333 | | 53,334 | 26,667 | |
| R F Jilla | 50,000 | 50,000 | 16,666 | | 83,334 | 33,333 | |
| N R O Donnell | 30,000 | 12,000 | 11,666 | | 30,334 | 15,667 | |
| W Reed | 45,000 | 25,000 | 18,333 | | 51,667 | 26,666 | |

| | | | | | |
|---|---|---|---|---|---|
| W G Reilly | 31,667 | 20,000 | 13,333 | 38,334 | 20,000 |

(1) PSRs that vest after 30 June result in the allocation of one fully paid ordinary share to the holder of each PSR that has vested. The date of testing of the performance condition and vesting of the PSRs for each of the years above was 22 August 2006 and 16 August 2005.

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**Item 18 : Consolidated Financial Statements**

**25. Key Management Personnel Disclosures (continued)**

**Equity Instruments (continued)**

***Movements in shares***

The movement in the number of ordinary shares of Ansell Limited held directly, indirectly or beneficially, by each of the Key Management Personnel, including their personally-related entities during the 2006 financial year is as follows:

| | Held at 1 July 2005 | Purchases [a] | Received on vesting of PSRs | Sales | Held at 30 June 2006 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| P L Barnes | 12,639 | 1,906 | | | 14,545 |
| G L L Barnes | | 5,658 | | | 5,658 |
| R J S Bell | | 746 | | | 746 |
| L D Crandall | 8,963 | 899 | | | 9,862 |
| H J Elliott | 9,831 | 899 | | | 10,730 |
| M J McConnell | 5,354 | 960 | | 6,314 | |
| D D Tough | 20,000 | | 34,959 | 11,641 | 43,318 |
| E D Tweddell | 16,664 | | | 16,664 | |
| **Other Key Management Personnel** | | | | | |
| P W Corke | 16,105 | | 20,000 | 14,000 | 22,105 |
| W Heintz | 26,666 | | 26,667 | 39,999 | 13,334 |
| R F Jilla | 22,666 | 60,000 | 33,333 | 60,000 | 55,999 |
| N O Donnell | 5,833 | | 15,667 | 13,667 | 7,833 |
| W Reed | 16,482 | | 26,666 | | 43,148 |
| W G Reilly | 14,913 | | 20,000 | | 34,913 |

The movement in the number of ordinary shares of Ansell Limited held directly, indirectly or beneficially, by each of the Key Management Personnel, including their personally-related entities during the 2005 financial year is as follows:

| | Held at 1 July 2004 | Purchases [a] | Received on vesting of PSRs | Sales | Held at 30 June 2005 |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| P L Barnes | 11,685 | 954 | | | 12,639 |
| L D Crandall | 8,108 | 855 | | | 8,963 |
| H J Elliott | 8,976 | 855 | | | 9,831 |
| S P Gold (alternate to M J McConnell) | 16,444,079 | | | 16,444,079 | 0 |
| M J McConnell | 26,406 | 5,678 | | 26,730 | 5,354 |
| D D Tough | | 20,000 | | | 20,000 |
| E D Tweddell | 34,220 | 2,444 | | 20,000 | 16,664 |
| **Other Key Management Personnel** | | | | | |
| P W Corke | 8,333 | | 13,333 | 5,561 | 16,105 |
| W Heintz | 8,333 | | 18,333 | | 26,666 |
| R F Jilla | 6,000 | | 16,666 | | 22,666 |
| N R O Donnell | 5,000 | | 11,666 | 10,833 | 5,833 |
| W Reed | 3,602 | | 18,333 | 5,453 | 16,482 |
| W G Reilly | 5,545 | | 13,333 | 3,965 | 14,913 |

[a] Includes shares purchased on market pursuant to the Non-executive Directors Share Plan.

**Service Agreements**

The Company has no service agreements with the Non-executive Directors. Refer to Section 2D of the Remuneration Report for details of service agreements with the Managing Director and other Key Management Personnel.

**Other Transactions with specified directors and specified executives**

From time to time, Key Management Personnel of the Company or its subsidiaries, or their personally-related entities, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

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**26. Notes to the Industry and Regional Segments Report**

**(a) Corporate Revenue and Costs**

Represents costs of Statutory Head Office, part of the costs of Ansell Healthcare s Corporate Head Office and non-sales revenue.

**(b) Cash**

Cash also includes Accufix pacing leads restricted deposits.

**(c) Inter-Segment Transactions**

Significant inter-segment sales were made by Asia Pacific - $206.8 million (2005 - $196.8 million) and Americas - $218.5 million (2005 - $219.9 million). Inter-segment sales are predominantly made at the same prices as sales to major customers. Operating revenue is shown net of inter-segment values. Accordingly, the Operating revenues shown in each segment reflect only the external sales made by that segment.

**(d) Industry Segments**

The consolidated entity comprises the following main business segments:

Occupational Healthcare - manufacture and sale of occupational health and safety gloves.

Professional Healthcare - manufacture and sale of medical, surgical and examination gloves for hand barrier protection and infection control.

Consumer Healthcare - manufacture and sale of condoms, household gloves and other personal products.

**(e) Regions**

The allocation of Operating Revenue and Operating Results reflect the geographical regions in which the products are sold to external customers. Assets Employed are allocated to the geographical regions in which the assets are located.

Asia Pacific - manufacturing facilities in 4 countries and sales.

Americas - manufacturing facilities in USA and Mexico and significant sales activity.

Europe, Middle East and Africa - principally a sales region with one manufacturing facility in the UK.

Sales revenue in Australia during 2006 was $111.5 million (2005 - $109.5 million). The only material foreign country in terms of sales revenue is United States of America with revenue of $421.2 million in 2006 (2005 - $411.4 million).

| | 2006 $m | 2005 $m |
|---|---|---|
| **(f) Segment Capital Expenditure** | | |
| Occupational Healthcare | 6.8 | 5.1 |
| Professional Healthcare | 7.8 | 6.0 |
| Consumer Healthcare | 1.9 | 3.0 |
| **(g) Region Capital Expenditure** | | |
| Asia Pacific | 10.6 | 8.3 |
| Americas | 4.7 | 4.6 |

| | | |
|---|---|---|
| Europe | 1.2 | 1.2 |
| **(h) Segment Depreciation** | | |
| Occupational Healthcare | 10.2 | 9.1 |
| Professional Healthcare | 10.7 | 11.1 |
| Consumer Healthcare | 4.3 | 4.2 |
| **(i) Segment Other Non Cash Expenses** | | |
| Occupational Healthcare | 10.5 | 11.3 |
| Professional Healthcare | 4.8 | 2.7 |
| Consumer Healthcare | 0.7 | 1.3 |

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**27. Notes to the Statements of Cash Flows**

**(a) Reconciliation of Net Cash Provided by Operating Activities to Net Profit**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Net profit | 118.7 | 56.2 |
| Add/(less) non-cash items: | | |
| Depreciation | 23.9 | 23.4 |
| Amortisation | 1.5 | 1.4 |
| Impairment - trade debtors | 0.9 | (0.1) |
| Impairment of investment in SPT partnership | 4.7 | 80.0 |
| Share-based payments expense | 4.9 | 4.6 |
| Add/(less) items classified as investing/financing activities: | | |
| Interest received | (14.0) | (8.5) |
| Interest and financing costs paid | 19.8 | 23.3 |
| Loss on sale of investments, property, plant and equipment | 0.1 | 0.1 |
| Net cash provided by operating activities before change in assets and liabilities | 160.5 | 180.4 |
| Change in assets and liabilities net of effect from acquisitions and disposals of subsidiaries and businesses: | | |
| (Increase)/Decrease in trade and other receivables | (9.8) | 10.0 |
| (Increase)/Decrease in inventories | (26.9) | 28.5 |
| Decrease/(Increase) in other assets | (2.8) | (0.5) |
| Increase/(Decrease) in trade and other payables | 8.7 | (32.8) |
| (Decrease)/Increase in provisions | 2.5 | 2.0 |
| (Decrease)/Increase in retirement benefit obligations | (4.0) | (1.8) |
| Increase/(Decrease) in provision for deferred income tax | 7.2 | (5.0) |
| (Increase)/Decrease in future income tax benefit | (16.8) | (12.8) |
| (Decrease)/Increase in provision for income tax | 0.1 | 3.1 |
| Other non-cash items (including foreign currency impact) | 13.0 | (18.3) |
| **Net cash provided by operating activities** | **131.7** | **152.8** |

**(b) Components of Cash and Cash Equivalents**

For the purposes of the Cash Flow Statements, cash and cash equivalents includes cash on hand and at banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents, at the end of the financial year, as shown in the Cash Flow Statements, comprise:

| | | Consolidated | |
|---|---|---|---|
| **$ in millions** | **Note** | **2006** | **2005** |
| Cash on hand | 8 | 0.3 | 0.2 |
| Cash at bank | 8 | 75.1 | 69.2 |
| Short-term deposits | 8 | 236.0 | 149.5 |
| Restricted deposits | 8 | 6.6 | 8.4 |
| Bank overdrafts | 17 | (15.0) | (1.4) |
| | | **303.0** | **225.9** |

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**28. Acquisition of Subsidiaries**

On 30 March 2006, the consolidated entity acquired 75% of the shares of Wuhan Jissbon Sanitary Products Company Ltd., a leading Chinese condom marketer for US$18.5 million (A$25.1 million) cash. In the three months to 30 June 2006 the subsidiary contributed $1.1 million to consolidated net profit. The impact on the results of the consolidated entity had the subsidiary been acquired at the beginning of the financial year has not been calculated as the subsidiary was accounted for under the Enterprise Accounting System of the People s Republic of China (PRC GAAP) up to the date of acquisition and it was not practical to restate its Chinese GAAP results to AIFRS for the period 1 July 2005 to 30 March 2006.

The fair value of the identifiable assets and liabilities of Wuhan Jissbon Sanitary Products Company Ltd. as at the date of acquisition are:

| | Acquiree s carrying value $m | Fair Value Adjustments* $m | Acquired values $m |
|---|---|---|---|
| Property, plant and equipment | 0.3 | | 0.3 |
| Intangible assets | 0.2 | (0.2) | |
| Cash | 1.1 | | 1.1 |
| Trade and other receivables | 16.8 | | 16.8 |
| Inventories | 2.8 | (1.0) | 1.8 |
| Other assets | 0.2 | | 0.2 |
| Interest bearing liabilities | (7.0) | | (7.0) |
| Trade and other payables | (4.2) | | (4.2) |
| Provision for income tax | (0.5) | | (0.5) |
| Net identifiable assets | 9.7 | (1.2) | 8.5 |
| Minority interest | (2.4) | | (2.4) |
| Net identifiable assets acquired | 7.3 | (1.2) | 6.1 |
| Goodwill on acquisition | | | 19.0 |
| Consideration paid in cash | | | 25.1 |
| Outflow of cash | | | |
| Cash consideration | | | 25.1 |
| Less: Cash acquired | | | 1.1 |
| | | | 24.0 |

* An independent valuer has been appointed to value the brand names and other identifiable intangible assets of the acquired entity. This exercise, along with assigning final fair values to tangible assets and liabilities, had not been completed as at the date of this report and any further adjustments that may be necessary will be made in the report for the year ended 30 June 2007.

**29. Disposal of Subsidiaries**

| | Date of | Voting Shares | Consideration (Cash) | Net Tangible Assets | Profit on Disposal* |
|---|---|---|---|---|---|

| | Disposal | Disposed % | $m | Disposed $m | $m |
|---|---|---|---|---|---|
| Pacific Dunlop Tyres Pty Ltd | 25 January 2006 | 100 | 46.0 | | 46.0 |

* The profit on the disposal of Pacific Dunlop Tyres Pty. Ltd. was reported in the accounts of the Company and was eliminated in full in the accounts of the consolidated entity.

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**30. Related Party Disclosures**

**(a) Subsidiaries**

Ansell Limited is the parent entity of all entities detailed in Note 32 and from time to time has dealings on normal commercial terms and conditions with those entities, the effects of which are eliminated in the consolidated financial statements.

Refer to the following Notes for additional information:

Note 2 Total Revenue - Dividends and interest received or receivable from subsidiaries

Note 9 Trade and Other Receivables - Amounts owing by subsidiaries

Note 12 Other Financial Assets - Investments in subsidiaries

Note 16 Trade and Other Payables - Amounts owing to subsidiaries

**(b) Key management personnel**

Disclosures relating to key management personnel are set out in Note 25.

**(c) Other Related Company**

Effective 25 January 2006, the consolidated entity disposed of its interest in South Pacific Tyres N.Z. Ltd. Up until the date of disposal, the consolidated entity received royalties from South Pacific Tyres N.Z. Ltd. as detailed below:

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| **Royalty revenue** | | |
| South Pacific Tyres N.Z. Ltd. | 0.4 | 0.6 |

**(d) Partnership**

Effective 28 January 2006, the consolidated entity disposed of its share of the South Pacific Tyres partnership. Up until the date of disposal the consolidated entity conducted financial transactions with South Pacific Tyres on normal commercial terms and conditions being:

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| Other revenue | | |
| South Pacific Tyres | 2.4 | 4.0 |
| Aggregate current amounts receivable (a) | | |
| South Pacific Tyres | | 0.6 |
| Aggregate non-current amounts receivable | | |
| South Pacific Tyres (a) | | 66.2 |

(a) Amount included within Other Amounts Receivable (Note 9)

**Loans**

The consolidated entity had a loan to the South Pacific Tyres partnership which was repaid immediately prior to the sale of the consolidated entity s share of the partnership.

Interest was charged at the 90 day bank bill rate plus a margin of 0.6% per annum.

Interest brought to account in relation to this loan during the year:

| $ in millions | Consolidated 2006 |
|---|---|
| Interest revenue | 2.4 |

In addition, under the partnership agreement, South Pacific Tyres leased certain properties on a basis of equitable rentals mutually agreed by the partners. Lease payments of $0.1 million (2005 - $0.2 million) were made by South Pacific Tyres to the consolidated entity up to the date of sale. The Company, through its corporate treasury operations, also provided on the basis of normal commercial terms and conditions, forward exchange cover on behalf of the partnership.

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**31. Earnings per Share**

| $ in millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Earnings reconciliation** | | |
| Net profit | 118.7 | 56.2 |
| Net profit attributable to minority interests | 2.6 | 1.8 |
| | | |
| **Basic earnings** | **116.1** | **54.4** |
| **Diluted earnings** | **116.1** | **54.4** |
| **Weighted average number of ordinary shares used as the denominator** | | |
| Number of ordinary shares for basic earnings per share | 158.3 | 167.5 |
| Effect of partly paid Executive Plan shares, options and PSR s | 1.5 | 1.6 |
| | | |
| Number of ordinary shares for diluted earnings per share | 159.8 | 169.1 |

Partly paid Executive Plan shares, options and PSR s have been included in diluted earnings per share in accordance with accounting standards.

**Conversion, Call, Subscription or issue after 30 June 2006**

Refer to Note 4 Issued Capital for further information.

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**32. Particulars Relating to Subsidiaries**

| | | Beneficial Interest 2006 | |
|---|---|---|---|
| | Country of Incorporation | % | 2005 % |
| Ansell Limited | Australia | | |
| Ansell Healthcare Japan Co. Ltd. | *Japan | **100** | 100 |
| Ativ Pac Pty. Ltd. | Australia | **100** | 100 |
| BNG Battery Technologies Pty. Ltd. | Australia | **100** | 100 |
| Cliburn Investments Pty. Ltd. | Australia | **100** | 100 |
| Dexboy International Pty. Ltd. | Australia | **100** | 100 |
| Corrvas Insurance Pty. Ltd. | Australia | **100** | 100 |
| Dunlop Olympic Manufacturing Pty. Ltd. | Australia | **100** | 100 |
| FGDP Pty. Ltd. | Australia | **100** | 100 |
| H.C. Sleigh Services Pty. Ltd. | Australia | **100** | 100 |
| N Harvesters Pty. Ltd. | Australia | **100** | 100 |
| PSL Industries Pty. Ltd. | Australia | **100** | 100 |
| International Better Brands Pty Ltd | Australia | **100** | 100 |
| Licknib Pty. Ltd. | Australia | **100** | 100 |
| Nucleus Ltd. | Australia | **100** | 100 |
| Lifetec Project Pty. Ltd. | Australia | **100** | 100 |
| Medical TPLC Pty. Ltd. | Australia | **100** | 100 |
| N&T Pty. Ltd. | Australia | **100** | 100 |
| Nucleus Trading Pte. Ltd. | *Singapore | **100** | 100 |
| THLD Ltd. | Australia | **100** | 100 |
| TNC Holdings Pte. Ltd. | *Singapore | **100** | 100 |
| TPLC Pty. Ltd. | Australia | **100** | 100 |
| Societe de Management Financier S.A. | *France | **100** | 100 |
| Olympic General Products Pty. Ltd. | Australia | **100** | 100 |
| Foamlite (Australia) Pty. Ltd. | Australia | **100** | 100 |
| Pacific Distribution Properties Pty. Ltd. | Australia | **100** | 100 |
| Pacific Dunlop Finance Pty. Ltd. | Australia | **100** | 100 |
| Pacific Dunlop Holdings (China) Co. Ltd. | *China | **100** | 100 |
| Ansell (Shanghai) Commercial and Trading Co. Ltd. | *China | **100** | |
| Pacific Dunlop Linings Pty. Ltd. | Australia | **100** | 100 |
| P.D. Holdings Pty. Ltd. | Australia | **100** | 100 |
| P.D. International Pty. Ltd. | Australia | **100** | 100 |
| Ansell Canada Inc. | *Canada | **100** | 100 |
| Llesna Healthcare Pty. Ltd. | Australia | **100** | 100 |
| CE Gloves (India) Limited (formerly Ansell Kemwell Ltd) | *India | **(a)100** | 74.9 |
| Ansell Lanka (Pvt.) Ltd. | *Sri Lanka | **100** | 100 |
| Ansell (Thailand) Ltd. | *Thailand | **100** | 100 |
| Medical Telectronics N.V. | *Netherlands Ant. | **100** | 100 |
| Medical Telectronics Holding & Finance (Holland) B.V. | *Netherlands | **100** | 100 |
| Mt Waverley Estates Pty. Ltd. | Australia | **100** | 100 |
| Pacific Dunlop (Hong Kong) Limited. | *Hong Kong | **100** | 100 |
| Corrvas Insurance (Singapore) Pte. Ltd. | *Singapore | **100** | 100 |
| Pacific Dunlop Investments (USA) Inc. | *USA | **100** | 100 |
| Ansell Brazil LTDA | *Brazil | **100** | 100 |
| Ansell Edmont Industrial de Mexico S.A. de C.V. | *Mexico | **100** | 100 |
| Ansell Perry de Mexico S.A. de C.V. | *Mexico | **100** | 100 |
| Commercializadora GNK S.A de C.V. | *Mexico | **100** | 100 |

| | | | |
|---|---|---|---|
| Golden Needles de Mexico S.A de C.V. | *Mexico | **100** | 100 |
| Pacific Dunlop Holdings (USA) Inc. | *USA | **100** | 100 |
| Ansell Healthcare Products LLC. | *USA | **100** | 100 |
| Ansell Protective Products Inc. | *USA | **100** | 100 |
| Pacific Chloride Inc. | *USA | **100** | 100 |
| Pacific Dunlop Holdings Inc. | *USA | **100** | 100 |
| Pacific Dunlop USA Inc. | *USA | **100** | 100 |
| TPLC Holdings Inc. | *USA | **100** | 100 |
| Accufix Research Institute Inc. | *USA | **100** | 100 |
| TPLC S.A. | *France | **100** | 100 |

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**32. Particulars Relating to Subsidiaries (continued)**

| | Country of Incorporation | Beneficial Interest 2006 % | Beneficial Interest 2005 % |
|---|---|---|---|
| Cotac Corporation | *USA | **100** | 100 |
| Pacific Dunlop Finance Company Inc. | *USA | **100** | 100 |
| Pacific Dunlop Holdings (Europe) Ltd. | *U.K. | **100** | 100 |
| Ansell Healthcare Europe N.V. | *Belgium | **100** | 100 |
| Ansell GmbH | *Germany | **100** | 100 |
| Ansell Italy Srl | * Italy | **100** | 100 |
| Ansell S.A. | *France | **100** | 100 |
| Ansell Spain SL (Sociedad de Responsabilidad Limitada) | *Spain | **100** | 100 |
| Ansell UK Limited | *U.K. | **100** | 100 |
| Pacific Dunlop Holdings (Singapore) Pte. Ltd. | *Singapore | **100** | 100 |
| JK Ansell Ltd. | *India | **(b)50** | (b)50 |
| Ansell Services (Asia) Sdn. Bhd. | *Malaysia | **100** | 100 |
| Ansell Ambi Sdn. Bhd. | *Malaysia | **100** | 100 |
| Ansell (Kedah) Sdn. Bhd. | *Malaysia | **100** | 100 |
| Ansell (Kulim) Sdn. Bhd. | *Malaysia | **100** | 100 |
| Ansell Malaysia Sdn. Bhd. | *Malaysia | **75** | 75 |
| Ansell Medical Sdn. Bhd. | *Malaysia | **75** | 75 |
| Ansell N.P. Sdn. Bhd. | *Malaysia | **75** | 75 |
| Ansell Shah Alam Sdn. Bhd. | *Malaysia | **100** | 100 |
| PDOCB Pty. Ltd. | Australia | **100** | 100 |
| Ansell Medical Products Pvt. Ltd. | *India | **100** | 100 |
| Suretex Ltd. | *Thailand | **100** | 100 |
| Latex Investments Ltd. | Mauritius | **100** | 100 |
| Suretex Prophylactics (India) Ltd. | *India | **100** | 100 |
| STX Prophylactics S.A .(Pty.) Ltd. | *Sth Africa | **100** | 100 |
| Wuhan Jissbon Sanitary Products Company Ltd. | *China | **(c)75** | |
| Dongguan Junwen Trading Co. Ltd. | *China | **(d)90** | |
| Guangzhou Kangwei Trading Co. Ltd. | *China | **(d)90** | |
| PD Licensing Pty. Ltd. | Australia | **100** | 100 |
| PD Shared Services Pty. Ltd. | Australia | **100** | 100 |
| PD Shared Services Holdings Pty. Ltd. | Australia | **100** | 100 |
| Siteprints Pty. Ltd. | Australia | **100** | 100 |
| S.T.P. (Hong Kong) Ltd. | *Hong Kong | **100** | 100 |
| Pacific Dunlop Holdings N.V. | *Netherlands Ant. | **100** | 100 |
| Pacific Dunlop (Netherlands) B.V. | *Netherlands | **100** | 100 |
| Textile Industrial Design & Engineering Pty. Ltd. | Australia | **100** | 100 |
| The Distribution Group Holdings Pty. Ltd. | Australia | **100** | 100 |
| The Distribution Group Pty. Ltd. | Australia | **(e)100** | (e)100 |
| Nwodhsa Enterprises (Wholesale) Pty. Ltd. | Australia | **100** | 100 |
| TDG Warehousing Pty. Ltd. | Australia | **100** | 100 |
| The Distribution Trust | Australia | **100** | 100 |
| Union Knitting Mills Pty. Ltd. | Australia | **100** | 100 |
| Xelo Pty. Ltd. | Australia | **100** | 100 |
| Xelo Sacof Pty. Ltd. | Australia | **100** | 100 |
| **Subsidiary Sold in Year Ended 30 June 2006** | | | |
| Pacific Dunlop Tyres Pty. Ltd. | Australia | | 100 |

| | | | |
|---|---|---|---|
| **Subsidiary in Voluntary Liquidation at 30 June 2006** | | | |
| TPLC Medizinprodukte GmbH. | *Germany | **100** | 100 |

* Subsidiaries incorporated outside Australia carry on business in those countries.
(a) Owned 74.9% by P.D. International Pty. Ltd. and 25.1% by Suretex Prophylactics (India) Ltd.
(b) Ansell Healthcare has day-to-day management control of this entity.
(c) Owned 34.2% by P.D. International Pty. Ltd. and 40.8% by Pacific Dunlop Holdings (China) Co. Ltd.
(d) Owned 90% by Wuhan Jissbon Sanitary Products Company Ltd.
(e) The trustee of The Distribution Trust is The Distribution Group Pty. Ltd. The beneficiary of the trust is Ansell Limited.

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**33. Impact of Adopting Australian Equivalents to IFRS**

As stated in note 1, these are the consolidated entity s first consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

In preparing its opening AIFRS balance sheet at 1 July 2004 and comparative information for the year ended 30 June 2005, the consolidated entity has adjusted amounts previously reported in financial statements prepared in accordance with its old basis of accounting (previous AGAAP) with the exception of comparative information in respect of AASB 132 and AASB 139.

Details of the impact of adopting AIFRS on the consolidated entity s income statement and balance sheet is set out in the following tables and the notes that accompany the tables. There was no material impact on previously reported cash flow information as a result of the adoption of AIFRS.

**Impact on the Income Statement for the year ended 30 June 2005**

| | Note | Previous AGAAP $m | Consolidated Transition Impact $m | AIFRS $m |
|---|---|---|---|---|
| **Revenue** | | | | |
| Total revenue | (g) | 1,094.8 | (1.4) | 1,093.4 |
| **Expenses** | | | | |
| Cost of goods sold | | 650.1 | | 650.1 |
| Selling, distribution and administration | (a) (b) (d) (g) | 308.0 | (23.0) | 285.0 |
| Other | | 80.0 | | 80.0 |
| Total expenses, excluding financing costs | | 1,038.1 | (23.0) | 1,015.1 |
| Financing costs | | 21.9 | | 21.9 |
| **Profit before income tax expense** | | **34.8** | **21.6** | **56.4** |
| Income tax | (f) | 21.7 | (21.5) | 0.2 |
| **Net profit** | | **13.1** | **43.1** | **56.2** |
| Minority interests in net profit | | 1.8 | | 1.8 |
| **Net profit attributable to Ansell Limited shareholders** | | **11.3** | **43.1** | **54.4** |

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**Item 18 : Consolidated Financial Statements**

**33. Impact of Adopting Australian Equivalents to IFRS (continued)**

**Impact on the Balance Sheet of the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005**

| | | | 1 July 2004 Transition Impact | Consolidated | | 30 June 2005 Transition Impact | |
|---|---|---|---|---|---|---|---|
| | Note | Previous AGAAP $m | $m | AIFRS $m | Previous AGAAP $m | $m | AIFRS $m |
| **Current Assets** | | | | | | | |
| Cash on hand | | 0.9 | | 0.9 | 0.2 | | 0.2 |
| Cash at bank and on deposit | | 306.9 | | 306.9 | 218.7 | | 218.7 |
| Cash assets - restricted deposits | | 10.3 | | 10.3 | 8.4 | | 8.4 |
| Trade and other receivables | | 228.7 | | 228.7 | 214.1 | | 214.1 |
| Inventories | | 185.8 | | 185.8 | 157.3 | | 157.3 |
| Other | | 16.4 | (1.6) | 14.8 | 14.4 | (1.2) | 13.2 |
| **Total Current Assets** | | **749.0** | **(1.6)** | **747.4** | **613.1** | **(1.2)** | **611.9** |
| **Non-Current Assets** | | | | | | | |
| Trade and other receivables | | 63.6 | | 63.6 | 68.3 | | 68.3 |
| Other financial assets | | 141.4 | | 141.4 | 59.0 | | 59.0 |
| Property, plant and equipment | | 227.8 | | 227.8 | 195.4 | | 195.4 |
| Intangible assets | (d) (e) | 293.4 | | 293.4 | 246.2 | 22.6 | 268.8 |
| Deferred tax assets | (f) | 24.2 | 0.9 | 25.1 | 15.1 | 22.8 | 37.9 |
| Other | (e) | | | | 2.1 | (2.1) | |
| **Total Non-Current Assets** | | **750.4** | **0.9** | **751.3** | **586.1** | **43.3** | **629.4** |
| **Total Assets** | | **1,499.4** | **(0.7)** | **1,498.7** | **1,199.2** | **42.1** | **1,241.3** |
| **Current Liabilities** | | | | | | | |
| Trade and other payables | (b) | 159.4 | | 159.4 | 132.8 | (3.7) | 129.1 |
| Interest bearing liabilities | | 190.2 | | 190.2 | 34.3 | | 34.3 |
| Provisions | | 47.4 | | 47.4 | 48.7 | | 48.7 |
| Current tax liabilities | | 7.2 | | 7.2 | 10.3 | | 10.3 |
| **Total Current Liabilities** | | **404.2** | | **404.2** | **226.1** | **(3.7)** | **222.4** |
| **Non-Current Liabilities** | | | | | | | |
| Trade and other payables | | 3.3 | | 3.3 | 0.8 | | 0.8 |
| Interest bearing liabilities | | 236.0 | | 236.0 | 331.0 | | 331.0 |
| Provisions | | 23.9 | (4.4) | 19.5 | 23.7 | (3.5) | 20.2 |
| Retirement benefit obligations | (a) | | 20.0 | 20.0 | | 25.2 | 25.2 |
| Deferred tax liabilities | (f) | 20.2 | 3.1 | 23.3 | 14.8 | 3.5 | 18.3 |
| **Total Non-Current Liabilities** | | **283.4** | **18.7** | **302.1** | **370.3** | **25.2** | **395.5** |
| **Total Liabilities** | | **687.6** | **18.7** | **706.3** | **596.4** | **21.5** | **617.9** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net Assets** | | **811.8** | **(19.4)** | **792.4** | **602.8** | **20.6** | **623.4** |
| **Equity** | | | | | | | |
| Issued capital | | 1,383.9 | | 1,383.9 | 1,232.8 | | 1,232.8 |
| Reserves | (b) (c) | (275.6) | 280.7 | 5.1 | (296.6) | 261.9 | (34.7) |
| Accumulated losses | (a) (b) (c) (d) (f) | (306.7) | (300.1) | (606.8) | (342.5) | (241.3) | (583.8) |
| **Total equity attributable to Ansell Limited shareholders** | | **801.6** | **(19.4)** | **782.2** | **593.7** | **20.6** | **614.3** |
| Minority interests | | 10.2 | | 10.2 | 9.1 | | 9.1 |
| **Total Equity** | | **811.8** | **(19.4)** | **792.4** | **602.8** | **20.6** | **623.4** |

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**Item 18 : Consolidated Financial Statements**

**33. Impact of Adopting Australian Equivalents to IFRS (continued)**

**Notes to the Income Statement and Balance Sheet tables**

**(a) Defined benefit superannuation plans/post retirement health benefits**

AIFRS requires the consolidated entity to record on its balance sheet as an asset or liability any surplus or deficit of each of its defined benefit superannuation plans. The AASB 1 election to recognise all cumulative actuarial gains and losses at the date of transition through accumulated losses was adopted as was the option available as a result of the early adoption of AASB 119 *Employee Benefits* to record all subsequent actuarial gains or losses directly in accumulated losses.

In prior years certain US subsidiaries had recorded liabilities in respect of commitments under defined benefit superannuation plans and post retirement health benefit schemes. In addition amounts had been remitted to the superannuation plans in excess of required contributions and included within prepayments. Adjustments were required to restate these balances.

The effect of this on the consolidated entity is to:

- increase retirement benefit obligations by $20.0 million at 1 July 2004 and by $25.2 million at 30 June 2005;
- decrease non-current provisions by $4.4 million at 1 July 2004 and by $3.5 million at 30 June 2005;
- decrease current other assets by $1.6 million at 1 July 2004 and by $1.2 million at 30 June 2005; and
- increase accumulated losses by $17.2 million at 1 July 2004, decrease expenses by $2.0 million and increase accumulated losses by actuarial losses of $7.7 million for the year 30 June 2005.

**(b) Share-based payments**

Options and/or Performance Share Rights (PSRs) are granted to executives under the Ansell Limited Stock Incentive Plan. Under previous AGAAP no expense was required to be recognised for options/PSRs issued to employees however the consolidated entity had previously recorded a charge to the profit and loss based on the expected vesting of PSRs with the accrual for the previous year of $3.7 million being recorded within current payables. AIFRS requires the recognition of an expense for the fair value of both options and PSRs with a corresponding increase in a share-based payments reserve. The consolidated entity has applied AIFRS to all options/PSRs granted but had not vested at 1 July 2004.

The effect of this on the consolidated entity is to:

- decrease current payables by $3.7 million at 30 June 2005;
- increase the share-based payments reserve by $1.1 million at 1 July 2004 and by $5.7 million at 30 June 2005; and
- increase accumulated losses by $1.1 million at 1 July 2004 and increase expenses by $0.9 million for the year ended 30 June 2005.

**(c) Foreign Currency**

The consolidated entity elected to apply the exemption in AASB 1 resulting in the cumulative balance of the foreign currency translation reserve being deemed to be zero as at the date of transition to AIFRS. This had the effect of resetting the debit balance in the foreign currency translation reserve of $279.6 million at 1 July 2004 to zero and increasing accumulated losses by this amount. At 30 June 2005 the foreign currency translation reserve was increased by $256.2 million and accumulated losses increased by $256.2 million. There was no impact on reported profit for the year ended 30 June 2005.

**(d) Business Combinations**

The consolidated entity has elected not to apply AASB 3 Business Combinations retrospectively. Under AASB 3 goodwill amortisation is prohibited and replaced by impairment testing. Goodwill was amortised under previous AGAAP. The effect is to reduce goodwill amortisation by $20.5 million for the year ended 30 June 2005 and to increase the carrying value of goodwill by $20.5 million as at 30 June 2005.

**(e) Intangible Assets**

Under previous AGAAP capitalised development costs net of provision for amortisation were included on the balance sheet under the classification Non-current assets - other. Under AASB 138 *Intangible Assets*, capitalised development costs are disclosed within Intangible Assets. The effect of this is on the consolidated entity is to reduce Non-current assets - other by $2.1 million and increase Intangible Assets by $2.1 million as at 30 June 2005.

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**Item 18 : Consolidated Financial Statements**

**33. Impact of Adopting Australian Equivalents to IFRS (continued)**

**(f) Income Tax**

Under previous AGAAP a deferred tax asset for accumulated tax losses was only recognised when it was virtually certain that such losses would be recouped. Under AIFRS a deferred tax asset is recognised in respect of accumulated tax losses when it is probable that such losses will be recouped. Management has reassessed the potential recovery of tax losses and has considered, among other things, the fact that the Group s US operations had generated taxable income in the three years to 30 June 2005 and expect to continue to generate taxable income in the foreseeable future. Available projections for the foreseeable future indicate that a portion of available US revenue losses will probably be recouped, and as such a deferred tax asset in respect of such losses has been recognised at 30 June 2005.

In addition the tax status of subsidiaries in other countries was also reviewed and it was deemed necessary to book additional deferred tax assets and deferred tax liabilities under the stricter requirements of AIFRS.

The effect of this on the consolidated entity is to:

increase deferred tax assets by $0.9 million at 1 July 2004 and $22.8 million at 30 June 2005;

increase deferred tax liabilities by $3.1 million at 1 July 2004 and $3.5 million at 30 June 2005; and

increase accumulated losses by $2.2 million at 1 July 2004 and decrease income tax by $21.5 million for the year ended 30 June 2005.

**(g) Revenue**

Under previous AGAAP proceeds from the disposal of property, plant and equipment and other investments were disclosed as part of revenue in the income statement. Under AIFRS the gain or loss on such disposals is recognised on a net basis as income or an expense rather than recognising the consideration received as revenue. The effect of this on the consolidated entity is to reduce revenue and expenses by $1.4 million for the year ended 30 June 2005.

**(h) Impact on Total Equity reported under previous AGAAP**

The effect of the above adjustments on total equity is as follows:

| | | Consolidated | |
|---|---|---|---|
| | | 1 July 2004 | 30 June 2005 |
| | Note | $m | $m |
| **Total equity under previous AGAAP** | | **811.8** | **602.8** |
| Adjustment to accumulated losses | | | |
| Defined benefit superannuation plans | (a) | (17.2) | (22.9) |
| Share-based payments | (b) | (1.1) | (2.0) |
| Transfer from foreign currency translation reserve | (c) | (279.6) | (256.2) |
| Business combinations | (d) | | 20.5 |
| Income tax | (f) | (2.2) | 19.3 |
| Adjustments to reserves | | | |
| Share-based payments | (b) | 1.1 | 5.7 |
| Transfer from foreign currency translation reserve | (c) | 279.6 | 256.2 |

| | | |
|---|---|---|
| **Total equity under AIFRS** | **792.4** | **623.4** |

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between AIFRS and US GAAP**

Australian generally accepted accounting principles, being Australian equivalents to International Financial Reporting Standards (AIFRS) vary in certain significant respects from generally accepted accounting principles in the United States (US GAAP). Application of US GAAP would have affected shareholders equity as at 30 June 2006 and 2005 and net profit after income tax expense attributable to the Ansell Limited shareholders for each of the years in the two year period ended 30 June 2006, to the extent quantified below. A description of the material differences between AIFRS, as followed by Ansell Limited, and US GAAP are as follows:

**(a) Property, Plant and Equipment**

Certain property, plant and equipment has been revalued by Ansell Limited at various times in prior financial periods. Revaluation increments have increased the carrying value of the assets and accordingly the depreciation charges have been increased above those which would be required on a historical cost basis. Under US GAAP such revaluations are not permitted. Accordingly, these adjustments eliminate this effect. The above policy also causes differences in reported gains and losses on the sale of property, plant and equipment. Gains and losses for AIFRS are based on consideration less revalued amounts net of accumulated depreciation and amortisation. For US GAAP purposes gains and losses are determined having regard to depreciated historical cost, and revaluation reserves applicable to assets sold are excluded from the calculation of gain or loss on disposal, and are subject to elimination in the reconciliation of AIFRS carrying values to those reported under US GAAP. As at 30 June 2005 the balance of the Asset Revaluation Reserve under AIFRS had been eliminated and as such no adjustments will be required under US GAAP from 1 July 2005.

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets . SFAS No. 144 superseded SFAS No. 121 and was adopted by the Group effective 1 July 2002. SFAS No. 144 retains the requirements of SFAS No. 121 to (a) recognise an impairment loss if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the asset lees estimated costs to sell. SFAS No. 144 also requires that a long-lived asset to be abandoned, exchanged for a similar productive asset, or distributed to owners in a spin-off be considered held and used until the asset is disposed of, exchanged or distributed. No impairment charges have been necessary in fiscal years 2005 or 2006 as a result of applying SFAS No. 144.

**(b) Minority Interests**

Minority interests are included as part of total Shareholders Equity under AIFRS. The reconciliation to US GAAP in Note 35 has excluded these from Shareholders Equity consistent with US GAAP treatment.

**(c) Employee Loans**

Loans granted to employees in respect of the Employee Share Plan are classified as a reduction of Shareholders Equity for US GAAP purposes. Such loans are classified as an asset under AIFRS.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (continued)**

**(d) Pension Plans**

The Group sponsors contributory and non-contributory accumulation and defined benefit pension plans covering substantially all employees. The defined benefit plans generally provide benefits based on salary in the period prior to retirement. All defined benefit plans are funded based on actuarial advice on a regular basis.

Actuarial calculations have been carried out for the defined benefit funds and the material fund aspects are as detailed in Note 19. The majority of assets of the funds are invested in pooled superannuation trusts in the case of the Australian funds and equity securities for other major funds.

AIFRS requires the consolidated entity to record on its balance sheet as an asset or liability any surplus or deficit of each of its defined benefit superannuation plans. An election was available upon the transition to AIFRS to recognise all cumulative actuarial gains and losses at the date of transition through accumulated losses and this was adopted as was the option available as a result of the early adoption of AASB 119 *Employee Benefits* to record all subsequent actuarial gains or losses directly in accumulated losses.

The disclosure requirements of Statement of Financial Accounting Standards No. 87 (SFAS No. 87) and No. 132 (SFAS No. 132 as revised) have been included in Note 35 to these consolidated financial statements. The Group reports pension plans aggregated where allowed by SFAS No.87. Additionally, an adjustment is made to recognise the different measurement principles of SFAS No. 87 and related standards in determining net income and shareholders equity under US GAAP as compared to the calculations of these amounts under AIFRS.

**(e) Statement of Cash Flows**

Profit from operations determined under AIFRS differs in certain respects from the amount determined in accordance with US GAAP. A reconciliation of US GAAP profits to Cash Flows from operations is provided.

Under AIFRS, cash is defined as cash on hand and deposits repayable on demand, less overdrafts repayable on demand. Under US GAAP, cash and cash equivalents are defined as cash and investments with original maturities of three months or less, and do not include bank overdrafts or restricted deposits. Cash and cash equivalents as of 30 June, 2006 and 2005 would have been $311.4 million and $218.9 million respectively, under US GAAP.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (continued)**

**(f) Income Taxes**

Under AIFRS, deferred tax assets are only brought to account to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. This is comparable to US GAAP under which all deferred tax assets are recognised, net of a valuation allowance, to the extent the likelihood of realising the tax benefit is more likely than not. The valuation allowance is determined after considering all available evidence both positive and negative and is regularly assessed. Refer to Notes 15 and 20 for disclosures in respect of deferred tax balances.

All deferred tax balances brought to account at 30 June 2006 relate to entities operating in foreign tax jurisdictions.

None of the deferred tax assets relate to amounts which, if realised, would impact the carrying values of goodwill or any other intangible assets.

Inclusive of the $54.7 million (2005 $37.9 million) set out in Note 15 to the consolidated financial statements, the total deferred tax assets amounting to $522.6 million (June 2005 $690.7 million) are offset by valuation allowances of $467.9 million as at 30 June 2006 (June 2005 $652.8 million) and total deferred tax liabilities amount to $25.5 million (June 2005 $18.3 million).

The decrease in the tax effect of unrecognised tax losses during the year of $184.9 million (decrease of $100.5 million during the year ended 30 June 2005) was primarily due to the utilization/expiration of capital losses and the recoupment of revenue losses in the USA and Australia.

**Analysis of Pre Tax Profit/(Loss)**

| | 2006 A$m | 2005 A$m |
|---|---|---|
| Australian Operations | 7.6 | (85.5) |
| Foreign Operations | 119.0 | 141.9 |
| Total Group | 126.6 | 56.4 |

Total tax expense for 2006 and 2005 was comprised of foreign tax expense (of which ($11.5) million is deferred, 2005 ($19.2) million), as the Australian operations are in a significant tax loss position.

Notwithstanding the level of accumulated losses in certain jurisdictions, the Group has unremitted profits arising from operating activities which are held in foreign tax jurisdictions. As a result of Australian tax legislation, in particular tax treaties with countries in which the Group operates, the amount of tax payable in the event that all of these profits do not remain permanently reinvested in those jurisdictions and are distributed by way of dividend would not be material.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (Continued)**

**(g) Accounting for Goodwill**

Shares in controlled entities are recorded on acquisition at the holding company s cost. Any difference between the fair value of net assets acquired and cost is recognised as goodwill. Under AIFRS, goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that its carrying value may be impaired. This is consistent with the requirements of SFAS No. 142, Goodwill and Intangible Assets which was adopted by the Group effective 1 July 2002.

For US GAAP purposes no goodwill amortisation has been charged against income since 1 July 2002, the effective date of SFAS No 142 however goodwill amortisation did not cease under AIFRS until 1 July 2004.

In 1989 and prior years goodwill was written off in the year of acquisition. For US GAAP purposes, such goodwill has been reinstated.

SFAS No. 142 requires goodwill and other intangible assets to be tested for impairment at the reporting unit level. A reporting unit is the same as, or one below, an operating segment as defined by SFAS No. 131 Disclosure about Segments of an Enterprise and Related Information .

Ansell has traditionally managed its business by product type within three business units Occupational, Professional and Consumer. Each of these three business units comprise both manufacturing and sales and marketing with most manufacturing facilities being principally a supplier to one of the business units only (certain factories can produce product for more than one business unit, however, production for a particular unit does dominate).

Although the manufacturing facilities are predominantly product specific they do supply product to multiple marketing regions. The primary focus of the manufacturing facilities is to manufacture product as cost effectively as possible and to form an important component of an integrated supply chain, notwithstanding that due to taxation issues an appropriate manufacturing margin is retained by the manufacturing facilities.

Accordingly, the Group has allocated to, and conducts impairment testing of, goodwill and brand names semi-annually based on the three business units, which are considered to be the cash generating units and the same as the Company s business segments. Any material diminution in value is charged to the Income Statement under AIFRS and US GAAP.

Goodwill attributable to sold businesses is brought to account in determining the gain or loss on sale.

**(h) Brand names**

Brand names acquired since 1 July 1990, are recorded in the accounts at cost based on independent valuation. No amortisation has been charged on these assets as no event has occurred to cause a reduction in the values or limit their useful lives.

For US GAAP purposes and for purposes of this reconciliation, brand names were, effective 1 July 1994 amortised over a period of 40 years using the straight line method. Upon the adoption of SFAS No. 142 effective 1 July 2002, such amortisation ceased for US GAAP purposes as indefinite useful lives have been assigned to brand names. The carrying value of brand names is reviewed semi annually and any material diminution in value is charged to the Income Statement under AIFRS and US GAAP.

Brand names attributable to sold businesses are brought to account in determining the gain or loss on sale.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (Continued)**

**(i) Derivatives not designated as hedges**

In prior years certain derivatives that were treated as effective hedges under AGAAP and the revaluations deferred on the balance sheet did not qualify for hedge accounting under US GAAP and were therefore taken through the income statement in the respective year. On transition to AIFRS in 1 July 2005 these derivatives were recorded as effective hedges with the cumulative gain recorded in the hedge reserve. Subsequent to 1 July 2005 these derivatives matured and under AIFRS the cumulative revaluations were taken to the income statement. Under US GAAP, such differences had already been taken to the income statement and the cumulative adjustment therefore needed to be reversed to offset the AIFRS treatment.

Derivatives taken out since 1 July 2005 qualify for hedge accounting under both AIFRS and US GAAP therefore no US GAAP adjustment is required at 30 June 2006.

**(j) Derivative Instruments and Hedging Activities**

The nature of Ansell Limited s business activities necessarily involves the management of various financial and market risks, including those related to changes in interest rates, currency exchange rates and commodity prices. Ansell Limited uses derivative financial instruments to mitigate or eliminate certain of those risks, as a component of its risk management strategy. The Company does not use derivative instruments for trading purposes.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (Continued)**

**(j) Derivative Instruments and Hedging Activities (cont.)**

Under AIFRS, derivative financial instruments may have hedge accounting treatment applied if the hedging derivatives are effective in reducing the exposure being hedged and are designated as a hedge at the inception of the contract. Hedging derivatives are accounted for in a manner consistent with the accounting treatment of the hedged items as disclosed in Note 1 to the consolidated financial statements.

The FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities as amended, which became effective for Ansell Limited on 1 July 2000. Under SFAS No. 133, as amended, all derivative instruments are recognised in the Balance Sheet at their fair values.

The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.

For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or firm commitment (referred to as a fair value hedge), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction (referred to as a cash flow hedge), the effective portion of the derivative s gain or loss is initially reported as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income (outside earnings) as part of the cumulative translation adjustment. The accounting for a fair value hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security. Similarly, the accounting for a cash flow hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of a foreign-currency-denominated forecasted transaction.

For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

Under US GAAP, all derivatives are recognised on the Balance Sheet at their fair value. On the date the derivative is entered into, Ansell Limited designates all qualifying derivatives as cash flow hedges.

Ansell Limited is exposed to interest rate risk and foreign exchange risk associated with underlying assets and liabilities. To hedge these exposures, which relate primarily to long term borrowings in United States Dollars and to assets held by self sustaining foreign affiliates, Ansell Limited uses derivative financial instruments to mitigate or eliminate those risks. Under AIFRS gains or losses on cash flow hedges deemed to be effective are deferred in equity within the Hedging Reserve. Under US GAAP such gains or losses are recorded within OCI. Gains or losses on ineffective hedges (or portions thereof) are recognised in earnings under both AIFRS and US GAAP.

At 30 June 2005 a US GAAP adjustment was booked to record the cumulative changes in certain fair value hedges, deemed to be ineffective for US GAAP purposes, in income. Such changes were included on the balance sheet under AIFRS prior to 1 July 2005. During the current year these fair value hedges were closed out and recognised in income under AIFRS. As a result the cumulative US GAAP adjustment amounting to $1.2 million at 30 June 2005 was adjusted against US GAAP income for the period.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (Continued)**

**(j) Derivative Instruments and Hedging Activities (continued)**

Hedges of future cash flows (cash flow hedges)

Amounts classified in Other Comprehensive Income (OCI) during the period relate to cash flow hedges which will be reclassified to earnings when the forecasted transaction affects earnings. During the next 12 month period ending 30 June 2007, the amount expected to be reclassified to earnings is not expected to be material. At 30 June 2006, the maximum term of cash flow hedges that hedge forecasted transactions was 46 months.

A reconciliation of current period changes in Other Comprehensive Income within equity is as follows:

| | $ millions |
|---|---|
| Opening balance of accumulated net gain on cash flow hedges | 6.8 |
| Net loss on cash flow hedges - recognised in OCI net of nil tax | (4.0) |
| Add reclassification adjustments to earnings | |
| Closing balance of accumulated net gain/(loss) on cash flow hedges | 2.8 |

Under AIFRS a portion of the values included within OCI reside within the Hedging Reserve. The balance of the Hedging Reserve has been reversed for US GAAP purposes and reinstated within OCI.

The balance of OCI representing the net gain or loss on cash flow hedges sold or terminated for which hedge accounting (as applied for US GAAP purposes only) has been discontinued are included within current liabilities on the balance sheet under AIFRS and are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. Such amounts are reclassified to OCI for US GAAP.

**(k) Investments**

Accounting for the Investment in South Pacific Tyres (SPT)

Effective 25 January 2006 the Group s investment in SPT was disposed of. The Group discontinued equity accounting its investment in SPT from 1 July 2001 in its accounts prepared under previous AGAAP/AIFRS however equity accounting continued to be applied up to the date of sale for US GAAP purposes.

The cumulative effect of equity accounting up to the date of sale resulted in the book value of the investment in SPT under US GAAP being higher than the carrying value under AIFRS (after consideration of write-downs in the current and previous years) resulting in a loss on sale of the investment for US GAAP purposes of $4.2 million.

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**Item 18 : Consolidated Financial Statements**

**34. Major differences between Australian GAAP and US GAAP (Continued)**

**(l) Revenue Recognition**

Under AIFRS, interest income is recorded as other revenue from ordinary activities whereas under US GAAP, interest income is classified as other income.

**(m) Asset Retirement Obligations**

In August 2001, the FASB issued SFAS No. 143 Accounting for Asset Retirement Obligations which was adopted by the Company effective 1 July 2002. The Statement addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and for the associated asset retirement costs. The adoption of SFAS No. 143 resulted in the recognition of a net retirement obligation of $0.3 million as at 1 July 2002. A charge of $0.1 million per annum was recorded during 2005 and 2006 reflecting the amortisation of the related asset.

**(n) Development Costs**

Effective 1 July 2004, the Company changed its accounting policy in respect of development costs whereby development expenditure on new products or substantially improved existing products is capitalized when future recoverability is reasonably assured. Amortisation of the capitalised expenditure commences in the half year period following the products commercialisation and continues for a three year period. Capitalised costs are regularly reviewed and when the criterion for capitalisation is no longer met such costs are written off. Previously all development costs were written off in the period in which they were incurred.

SFAS 2 Accounting for Research and Development Costs requires research and development expenditure to be expensed as incurred. As such the written down value of capitalised development costs is expensed for US GAAP purposes.

**(o) Employee Compensation Costs**

The Company adopted the fair value recognition provisions of AASB 2 Share-based Payments with effect from 1 July 2005, including the retrospective restatement of comparative periods. In accordance with elections made under the transition provisions, AASB 2 is only applied to share awards granted after 7 November 2002 and remaining unvested at 1 January 2005. Equity settled entitlements granted prior to 8 November 2002, continue to be accounted for under previous AGAAP. Under previous AGAAP, the fair value of Performance Share Rights (PSRs) was amortised over the vesting period. No charge was recorded in respect of Options issued. Under US GAAP, the Group has applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123) since 1 July 2002. As a result, the provisions of SFAS 123 have been applied to all awards granted after 1 July 1995. In the current period, the Group adopted SFAS No. 123 (revised 2004) Accounting for Stock-Based Compensation (SFAS 123R) on a modified retrospective basis . However, as the Group has fully applied the fair value recognition provisions of SFAS 123 and retrospectively restated comparative periods under AIFRS, there are no additional adjustments required in the current period.

**(p) Recent Changes in US GAAP**

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments ( SFAS 155 ). SFAS 155 allows any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, to be carried at fair value in its entirety, with changes in fair value recognized in earnings. In addition, SFAS 155 requires that beneficial interests in securitized financial assets be analysed to determine whether they are freestanding derivatives or contain an embedded derivative. SFAS 155 also eliminates a prior restriction on the types of passive derivatives that a qualifying special purpose entity is permitted to hold. SFAS 155 is applicable to new or modified financial instruments in fiscal years beginning after 15 September 2006, though the provisions related to fair value accounting for hybrid financial instruments can also be applied to existing instruments. The Group does not expect the adoption of SFAS 155 to have a material impact on its financial position or results of operations

In March 2006, the FASB issued Statement No. 156, Accounting for Servicing of Financial Assets ( SFAS 156 ), which amends SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities . Under SFAS 156 all separately recognised servicing assets and servicing liabilities are to be reported at fair value at initial measurement, if that is practicable. Subsequent measurements may be made under either an amortisation method or a fair value measurement method. Fair values will have to be measured at each reporting date, with changes reported in the period in which they occur. SFAS is effective for fiscal years beginning after 15 September, 2006. The Group

does not expect the adoption of SFAS 156 to have a material impact on its financial position or results of operations.

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In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes . FIN 48 addresses the accounting and disclosure of uncertain tax positions. Specifically, the interpretation requires that tax uncertainties be recognised in the financial statements using a more likely than not threshold. This interpretation is effective for fiscal years beginning after 15 December 2006. The Group is currently assessing the impact of adopting FIN 48 on its financial statements.

In September 2006, the FASB issued SFAS no. 157 Fair Value Measurements ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after 15 November 2007. The Group is currently assessing the impact of adopting SFAS 157 on its financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans . This statement amends SFAS No. 87, Employers Accounting for Pensions , SFAS No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension and for Termination Benefits , SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions , and SFAS No. 132(R), Employers Disclosures about Pensions and Other Postretirement Benefits . This statement requires an employer to recognise the overfunded or underfunded status of a single-employer defined benefit postretirement plan as an asset or liability in its balance sheet and to recognise changes in that funded status in comprehensive income in the year in which the changes occur. This statement replaces SFAS No. 87 s requirement to report at least minimum pension liability measured as excess of the accumulated benefit obligation over the fair value of the plan assets. This statement also changes the date at which benefit obligations are to be measured to the date of the year-end balance sheet. This statement is effective for fiscal years ending after 15 December, 2006 with respect to the recognition of the funded status of its plans and for fiscal years ending after 15 December, 2008 with respect to the change in measurement date of the benefit obligation. Early adoption of both provisions is encouraged. The Group is currently in the process of determining the effect of this statement.

In September 2006, the SEC issued SAB No. 108, which provides guidance on the process of quantifying financial statement misstatements. In SAB No. 108, the SEC staff establishes an approach that requires quantification of financial statement errors, under both the iron-curtain and the roll-over methods, based on the effects of the error on each of the Company s financial statements and the related financial statement disclosures. SAB No.108 is generally effective for annual financial statements in the first fiscal year ending after 15 November, 2006. The transition provisions of SAB No. 108 permits existing public companies to record the cumulative effect in the first year ending after 15 November, 2006 by recording correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. The Group does not expect that the adoption of SAB No.108 would have a material effect on the Company s consolidated financial statements.

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP)**

| | Consolidated | |
|---|---|---|
| **$ in millions** | **2006** | **2005** |
| **Income Statement (for years ended 30th June)** | | |
| Net income of the consolidated entity per AIFRS | 118.7 | 56.2 |
| Less interest of outside equity holders after income tax | 2.6 | 1.8 |
| Net income attributable to Ansell Limited shareholders | 116.1 | 54.4 |
| Adjustments required to accord with US GAAP | (0.4) | 75.8 |
| **Net Profit according to US GAAP** | **115.7** | **130.2** |
| Weighted average number of shares per basic EPS calculations (millions) | 158.3 | 167.5 |
| Weighted average number of shares/options (millions) | 1.5 | 1.6 |
| Weighted average number of shares per diluted EPS calculations (millions) | 159.8 | 169.1 |
| Net income | | |
| Before income tax | 123.6 | 130.4 |
| Income tax expense | (7.9) | (0.2) |
| Net income per US GAAP | 115.7 | 130.2 |
| Earnings per share - basic and diluted (Australian Cents) | | |
| **Net Income** | | |
| - basic | 73¢ | 78¢ |
| - diluted | 72¢ | 77¢ |
| Condensed US GAAP Consolidated Statement of Income Data | | |
| Revenues | 1,138.2 | 1,081.1 |
| Total costs and expenses | 1,008.7 | 941.1 |
| Net interest expense | 5.9 | 9.6 |
| Tax expense | 7.9 | 0.2 |
| **Net income** | **115.7** | **130.2** |

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

| $ in Millions | Consolidated 2006 | 2005 |
|---|---|---|
| **Reconciliation of Net Cash Provided by Operating Activities per AIFRS financial statements to Net Income after Tax Under US GAAP** | | |
| Net Cash Provided by Operating Activities per AIFRS | 131.7 | 152.8 |
| Items classified as financing activities: [1] | | |
| Interest received | 14.0 | 8.5 |
| Interest paid | (20.0) | (21.9) |
| Net Cash Provided by Operating Activities per US GAAP | 125.7 | 139.4 |
| Depreciation | (23.9) | (23.4) |
| Amortisation | (1.6) | (1.5) |
| Share-based payments expense | (4.9) | (4.6) |
| Provision for doubtful debts trade | (0.9) | 0.1 |
| Share of net profit/ of associate and joint venture entities | 6.5 | 2.1 |
| Change in assets and liabilities net of effect from acquisitions and disposals of subsidiaries and businesses: | | |
| (Decrease)/Increase in trade and other receivables | 9.8 | (10.0) |
| (Decrease)/Increase in inventories | 26.9 | (28.5) |
| (Decrease)/Increase in other assets | (0.8) | (1.6) |
| (Increase)/Decrease in trade and other payables | (8.7) | 32.8 |
| (Increase)/Decrease in provisions | (3.9) | (1.5) |
| (Increase)/Decrease in retirement benefit obligations | 1.6 | (3.4) |
| (Increase)/Decrease in provision for deferred income tax | (7.2) | 5.0 |
| Increase/(Decrease) in future income tax benefit | 16.8 | 12.8 |
| (Increase)/Decrease in provision for income tax | (0.1) | (3.1) |
| (Loss)/Gain on sale of investments, properties, plant and equipment | (4.3) | 0.5 |
| Outside equity interest in profit for the year | (2.6) | (1.8) |
| Other | (12.7) | 16.9 |
| **Net Income after tax** | **115.7** | **130.2** |

[1] Interest is classified as a financing activity under AIFRS.

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

| $ in Millions | Note | Consolidated 2006 | 2005 |
|---|---|---|---|
| **Adjustments to reflect U.S. GAAP Income** | | | |
| Add/(Deduct): Amortisation of asset retirement obligation | 34(m) | (0.1) | (0.1) |
| Pension Plans | 34(d) | (2.4) | (5.2) |
| Net realisation of asset revaluation reserve and related depreciation adjustment on sale/liquidation of controlled entities, businesses and assets | 34(a) | | 0.6 |
| Net hedge (losses)/gains (brought to account)/ deferred for AIFRS | 34(i) | (0.2) | 0.1 |
| Net change in fair value hedges | 34(j) | (1.2) | 0.4 |
| Equity share in profit of South Pacific Tyres | 34(k) | 6.5 | 2.1 |
| Reverse write-down of investment in South Pacific Tyres | 34(k) | 4.8 | 80.0 |
| Loss on sale of investment in South Pacific Tyres | 34(k) | (4.2) | |
| Write-off development expenditure capitalised | 34(n) | (3.6) | (2.1) |
| **Total Adjustments** | | (0.4) | 75.8 |
| **Shareholders Equity of the Group as at 30 June** | | 653.7 | 623.4 |
| Deduct: Outside equity interests | 34(b) | (14.0) | (9.1) |
| **Shareholders equity attributable to Ansell Limited** | | 639.7 | 614.3 |
| **Adjustments required to accord with U.S. GAAP:** | | | |
| Add / (Deduct): Goodwill not capitalised for AIFRS - net of amortisation and amortisation adjustments on AIFRS goodwill (including fx impact) | 34(g) | 194.9 | 191.2 |
| Amortisation of brand names cumulative (including fx impact) | 34(h) | (20.1) | (19.5) |
| Amortisation of asset retirement obligations | 34(m) | (0.7) | (0.6) |
| Pension Plans | 34(d) | 20.5 | 32.0 |
| Hedging adjustments net of nil tax | 34(i) | | 0.2 |
| Loans outstanding under ownership based remuneration scheme | 34(c) | (1.2) | (1.4) |
| Net change in fair value hedges, hedged items and cash flow hedges | 34(j) | | 1.2 |
| Net gains/(losses) on cash flow hedges residing in Comprehensive Income | 34(j) | 2.8 | 6.8 |
| Reverse AIFRS hedging reserve | 34(j) | 0.3 | |
| Additional minimum pension liability residing in Comprehensive Income | 34(d) | (12.5) | (13.5) |
| Equity share of South Pacific Tyres net of reversal of write-down | 34(k) | | (7.1) |
| Development expenditure | 34(n) | (5.7) | (2.1) |
| Total Adjustments | | 178.3 | 187.2 |
| **Ansell Limited Shareholders Equity according to U.S. GAAP (including Comprehensive Income)** | | 818.0 | 801.5 |
| **Statement of Comprehensive Income:** | | | |
| Net profit per U.S. GAAP | | 115.7 | 130.2 |
| Foreign Currency Translation Reserve net of nil tax | | 29.1 | (51.2) |
| Unrealised net gain on cash flow hedges net of nil tax | | (4.0) | 2.1 |
| Additional minimum pension liability net of nil tax | | 1.0 | (0.3) |
| **Comprehensive Income/(Loss)** | | **141.8** | **80.8** |

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

| | 2006 | | 2005 | |
|---|---|---|---|---|
| **$ in Millions** | **Australian Fund** | **US Funds** | **Australian Fund** | **US Funds** |
| **Pension Plan data supporting Note 34(d)** | | | | |
| Plan s funded status at 30 June is summarised as follows: | | | | |
| Projected benefit obligation | 16.7 | 55.6 | 17.4 | 54.3 |
| Plan assets at fair value | 17.4 | 47.3 | 17.0 | 38.1 |
| Excess/(deficiency) of assets over benefit obligations | 0.7 | (8.3) | (0.4) | (16.2) |
| Unrecognised net gain/(loss) | 8.0 | 12.5 | 12.0 | 15.2 |
| Unrecognised prior service costs | | | | (0.7) |
| Unrecognised net transition obligation/(asset) and other deferrals | | | | |
| Net Pension (Liability)/Asset | 8.7 | 4.3 | 11.6 | (1.7) |
| **NET PENSION COST** | | | | |
| Defined Benefit Plans: | | | | |
| - Service cost-benefits earned during the year | 0.8 | 0.4 | 0.8 | 2.4 |
| - Interest cost on projected benefit obligation | 0.7 | 2.8 | 0.8 | 3.1 |
| - Expected return on plan assets | (1.2) | (2.8) | (1.1) | (3.3) |
| - Net amortisation and settlement and curtailment (gain)/loss | 2.7 | 0.3 | 3.4 | 1.3 |
| Net Pension Cost of Defined Benefit Plans | 3.0 | 0.7 | 3.9 | 3.5 |
| **ASSUMPTIONS (used to determine net pension cost)** | | | | |
| Weighted average discount rate | 4.9% | 5.1% | 5.0% | 5.8% |
| Rate of increase in compensation level | 4.0% | NA | 4.0% | 4.3% |
| Expected long term rate of return | 7.0% | 6.5% | 7.0% | 8.00% |
| The expected return on assets assumption is determined by weighting the expected | | | | |
| Long-term return for each asset class by the target allocation of assets to each class. | | | | |
| The returns used for each asset class are net of any investment expenses. | | | | |
| **MEASUREMENT DATE** | **30 June 06** | **31 March 06** | **30 June 05** | **31 March 05** |
| **CHANGE IN BENEFIT OBLIGATION** | | | | |
| Projected Benefit Obligation at beginning of year | 17.4 | 54.3 | 20.6 | 56.7 |
| Adjustment to value at beginning of year | | | (1.6) | |
| Service cost | 0.8 | 0.4 | 0.8 | 2.4 |
| Interest cost | 0.7 | 2.8 | 0.8 | 3.1 |
| Transfers from/(to) other funds* | | | | |
| Member contributions | 0.2 | | 0.1 | |
| Actuarial (gain)/loss | | 2.1 | (1.4) | 1.3 |
| Benefits, administrative expenses and tax paid | (2.4) | (3.3) | (1.8) | (5.9) |
| Curtailments and settlements | | (0.8) | | |
| Foreign currency exchange rate changes | | | | (3.3) |
| Projected Benefit Obligation at end of year | 16.7 | 55.5 | 17.4 | 54.3 |
| **ASSUMPTIONS (used to determine end of year benefit obligations)** | | | | |
| Weighted average discount rate | 4.9% | 5.8% | 5.0% | 5.8% |
| Rate of increase in compensation level | 4.0% | NA | 4.0% | 4.3% |

| | | | | |
|---|---|---|---|---|
| **CHANGE IN PLAN ASSETS** | | | | |
| Market value of assets at beginning of year | 17.0 | 38.1 | 41.7 | 40.8 |
| Adjustment to fair value at beginning of the year | | | (3.7) | |
| Member/Employer Contributions | 0.2 | 6.6 | | 4.3 |
| Transfers from/(to) other funds* | | | (21.4) | |
| Benefits, administrative expenses and tax paid | (2.4) | (3.3) | (1.8) | (5.9) |
| Actual return on plan assets | 2.6 | 5.9 | 2.2 | 2.3 |
| Foreign currency exchange rate changes | | | | (3.4) |
| Market value of assets at end of year | 17.4 | 47.3 | 17.0 | 38.1 |

* Represents removal of assets and liabilities relating to Ansell accumulation members from disclosures and transfer of amounts to South Pacific Tyres.

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

**$ in Millions**

**Pension Plan data supporting Note 34(e) (continued)**

**CONTRIBUTIONS**

Employer contributions to the Australian fund during the fiscal year ending 30 June 2007 are expected to be $0.4 million. In respect of its US plans the Company expects to contribute $0.1 million to the plans in 2007.

**ADDITIONAL INFORMATION - AUSTRALIAN FUND**

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | |
|---|---|
| 2007 | 1.6 |
| 2008 | 1.7 |
| 2009 | 1.7 |
| 2010 | 1.4 |
| 2011 | 1.5 |
| 2012 - 2016 | 5.6 |

**Plan Assets**

The allocation of the Fund s assets by asset category is as follows:

| | Target | Plan assets at 30 June | |
|---|---|---|---|
| **Asset Category** | **Allocation** | **2006** | **2005** |
| Equity securities | 64% | 63% | 65% |
| Fixed Interest | 22% | 19% | 20% |
| Real estate | 9% | 11% | 9% |
| Other | 5% | 7% | 6% |

The primary investment objective of the Ansell Employer Benefit Account is to achieve a rate of return (after tax and investment expenses) that exceeds inflation (CPI) increases by at least 4.0% per annum over rolling three year periods.

**ADDITIONAL INFORMATION - USA FUNDS**

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| | |
|---|---|
| 2007 | 4.3 |
| 2008 | 3.6 |
| 2009 | 3.5 |
| 2010 | 43.2 |
| 2011 | 0.9 |
| 2012 - 2016 | 4.9 |

**Plan Assets**

The allocation of the funded US pension plans weighted-average assets by asset category are as follows:

| | Target | Plan assets at 31 March | |
|---|---|---|---|
| **Asset Category** | **Allocation** | **2006** | **2005** |
| Equity securities | 67% | 67% | 68% |
| Debt securities | 29% | 26% | 28% |
| Real estate | 3% | 3% | 3% |
| Other | 1% | 1% | 1% |

The target allocation currently is 67% equity (49% US, 18% International), 3% real estate, 29% debt and 1% cash. The asset allocation is reviewed at least annually and adjusted based on past and future assumptions for market returns. The target asset allocation is expected to produce an assumed average annual rate of return of 6.5%. A gradual reduction in the level of equity investments is expected over future years as market conditions change in order to reflect the termination of the Cash Balance Plan, which is anticipated to occur in 2010 (subject to regulatory approvals). The investment approach dictated in the IPS is to maintain sufficient diversification by asset class and economic sectors. The IPS mandates that each manager be diversified and that significant sector deviations to the benchmark be explained and approved.

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

**Information for United States Investors**

| $ in Millions | Consolidated 2006 | 2005 |
|---|---|---|
| **US GAAP Equity Roll-forward** | | |
| Opening Balance US GAAP equity | 801.5 | 879.7 |
| US GAAP Profit | 115.7 | 130.2 |
| Proceeds from issue of shares | 4.1 | 5.0 |
| Dividends | (30.2) | (23.6) |
| Share buy back | (103.1) | (156.1) |
| Share-based payments expense | 4.9 | 4.6 |
| Movement in Foreign Currency Translation Reserve | 26.0 | (44.5) |
| Unrealised net gain on cash flow hedges in OCI | (4.0) | 2.1 |
| Additional minimum pension liability in OCI | 1.0 | (0.3) |
| Movements in Loans outstanding under Employee Share Plan | 0.2 | (0.6) |
| Other (including FX on US GAAP adjustments) | 1.9 | 5.0 |
| Closing balance US GAAP equity | 818.0 | 801.5 |

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

**Information for United States Investors (continued)**

| | Consolidated | |
|---|---|---|
| **$ in Millions** | **2006** | **2005** |
| **Goodwill:** | | |
| AIFRS goodwill - written down value 30 June | 184.6 | 160.7 |
| Add: Amortisation for AIFRS only from 1 July 2002 | 46.7 | 46.7 |
| Add: Net Goodwill recognised for US GAAP only | 33.3 | 33.3 |
| Add :Adjustment for different amortisation basis on AIFRS goodwill | 114.9 | 111.2 |
| US GAAP goodwill - written down value 30 June | 379.5 | 351.9 |
| **US GAAP Goodwill Comprises:** | | |
| Gross Goodwill | 435.8 | 404.1 |
| Accumulated Amortisation | (56.3) | (52.2) |
| Written down value | 379.5 | 351.9 |
| **Brand names** | | |
| AGAAP brand names - 30 June | 109.5 | 106.0 |
| (Deduct): US GAAP accumulated amortisation | (20.1) | (19.5) |
| US GAAP Brand names - 30 June | 89.4 | 86.5 |
| **Analysis of long-lived assets by Country (AIFRS values)** | | |
| - Australia | 21.9 | 79.7 |
| - USA | 250.6 | 244.8 |
| - Malaysia | 68.9 | 67.8 |
| - Thailand | 47.7 | 46.3 |
| - Sri Lanka | 37.7 | 37.2 |
| - Other Countries | 62.9 | 45.3 |
| | 489.7 | 521.1 |

**Asset Retirement Obligations**

Asset retirement obligations relate to future legal obligations to restore certain leased facilities to their original conditions as at the commencement of the lease.

| | | |
|---|---|---|
| **Asset retirement obligation** | | |
| Balance at beginning of period | 1.0 | 0.9 |
| Liabilities incurred in current period | 0.1 | 0.1 |
| Balance at end of period | 1.1 | 1.0 |
| **Accumulated Other Comprehensive Income** | | |
| Foreign Currency Translation Reserve net of nil tax | (160.3) | (189.4) |
| Unrealised net gain/(loss) on cash flow hedges net of nil tax | 2.8 | 6.8 |

| | | |
|---|---|---|
| Additional minimum pension liability net of nil tax | (12.5) | (13.5) |
| | (170.0) | (196.1) |

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**Item 18 : Consolidated Financial Statements**

**35. Reconciliation to United States Generally Accepted Accounting Principles**

**(US GAAP) (continued)**

**Information for United States Investors (continued)**

**Ansell Limited Stock Incentive Plan Supplementary US GAAP Information**

Participants in the Plan are granted Performance Share Rights (PSRs) that vest in three annual tranches. PSRs vest immediately upon satisfaction of the performance conditions applicable to the performance period. One fully-paid ordinary share is allocated to the holder of a PSR automatically upon that PSR vesting, at no cost to the executive.

The Nomination, Remuneration and Evaluation Committee announces a long term incentive plan annually which is subject to shareholder approval. As the plans run over a three year period, plans will overlap, and eligible participants may be measured against the respective performance conditions outlined under the individual plans.

Any PSRs or options that do not vest in a financial year will be added to the PSRs or options otherwise available in the next vesting year and tested against the performance condition applicable to that subsequent year. However, any PSRs or options that have not vested within three years of being granted may not be carried forward, and will lapse.

Participants are entitled to vote their shares and to receive any dividend, bonus issue, return of capital or other distribution made in respect of their shares from the date of allocation of the shares following vesting of the PSRs.

In relation to the 2004 and 2005 financial years, the performance measures applicable to PSRs and options previously granted was for the segment EBITA for the Ansell Healthcare business to meet or exceed a prescribed target.

In relation to the 2006 financial year the financial hurdles were structured in such a way that there are two conditions to be met (Group consolidated sales and Earnings per Share), each accounting for 50% of the PSRs/options that potentially vest at 30 June 2006 and that within the two conditions are a threshold and a target. For each condition, if the threshold is not met, the PSRs/options attached to the condition do not vest. If the thresholds are exceeded the PSRs/options attached to the condition vest, however the number of PSRs/options that vest is then pro-rated up to the target where upon achievement vesting would be 100%. Any PSRs/options that do not vest (and that relate to a grant containing tranches that vest in future years) can be carried forward until the vesting date of the final tranche of that grant. Any such PSRs/options carried forward would be tested against the financial hurdles established for these future years.

**Equity Accounted Investments South Pacific Tyres**

The investment in South Pacific Tyres Partnership and South Pacific Tyres N.Z. Ltd (collectively known as South Pacific Tyres) was disposed of during the year. Up until the date of sale equity accounting had been consistently applied for US GAAP purposes to the Group s 50% interest in SPT. Summarised US GAAP financial information for SPT for the seven months ended 31 January 2006 and the year ended 30 June 2005 is as follows:

| $ in millions | 2006 | 2005 |
|---|---|---|
| **Statement of Financial Performance** | | |
| Sales | 565.1 | 994.8 |
| Cost of Goods Sold | (381.5) | (693.8) |
| Expenses | (166.2) | (290.6) |
| Operating Profit/(Loss) before Income Tax | 17.4 | 10.4 |
| Income Tax Expense | (4.4) | (6.2) |

| | | |
|---|---|---|
| Profit/(Loss) after Income Tax | 13.0 | 4.2 |
| Ansell s 50% share | 6.5 | 2.1 |
| **Statement of Financial Position** | | |
| Current Assets | | 393.2 |
| Non-Current Assets | | 224.5 |
| Total Assets | | 617.7 |
| Current Liabilities | | 517.2 |
| Non-Current Liabilities | | 28.0 |
| Total Liabilities | | 545.2 |
| Net Assets | | 72.5 |
| Shareholders Equity | | 72.5 |
| **Reconciliation of Investment in SPT and share of SPT s Net Assets under US GAAP** | | |
| Ansell s share of SPT s Net Assets under US GAAP | | 36.2 |
| Plus New Zealand preference shares included within Liabilities for US GAAP purposes | | 4.6 |
| Plus Other cumulative movements in SPT s equity since cessation of equity accounting and other accounting adjustments | | 3.9 |
| Investment value under US GAAP | | 44.7 |

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**Report of Independent Registered Public Accounting Firm**

To the members of Ansell Limited:

We have audited the accompanying consolidated balance sheets of Ansell Limited and its subsidiaries as of 30 June, 2006 and 2005, and the related consolidated income statements, consolidated statements of recognised income and expense and consolidated statements of cash flows for each of the years ended 30 June 2006 and 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ansell Limited and its subsidiaries at 30 June, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the two-year period ended 30 June, 2006, in conformity with the Australian equivalents to International Financial Reporting Standards ( AIFRS ). In complying with AIFRS, the financial statements are also in conformity with International Financial Reporting Standards ( IFRS ).

As discussed in Note 1 to the consolidated financial statements, as a result of adopting AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement on 1 July 2005, the Company changed its method of accounting for financial instruments. In accordance with an election taken under the relevant transitional provisions, the prior period comparatives have not been re-stated.

IFRS vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Notes 34 and 35 to the consolidated financial statements.

KPMG

Melbourne

5 September 2006, except for Notes 34 and 35, for which the date is 8 December 2006.

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**Item 19 : Exhibits**

See Exhibit Index

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**Signature**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Ansell Limited
Registrant

/s/ Rustom Jilla
Rustom Jilla
Chief Financial Officer
Dated: 8 December 2006.

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**Exhibit Index**

| | |
|---|---|
| 1.1 | Constitution of Ansell Limited (incorporated by reference to File No. 0-15850, Form 20-F. filed by the Registrant on December 30, 2002). |
| 8.1 | List of Subsidiaries. |
| 12.1 | Certification of Chief Executive Officer or Equivalent Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934. |
| 12.2 | Certification of Chief Financial Officer or Equivalent Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934. |
| 13.1 | Certification of Chief Executive Officer or Equivalent Pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code. |
| 13.2 | Certification of Chief Financial Officer or Equivalent Pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code. |