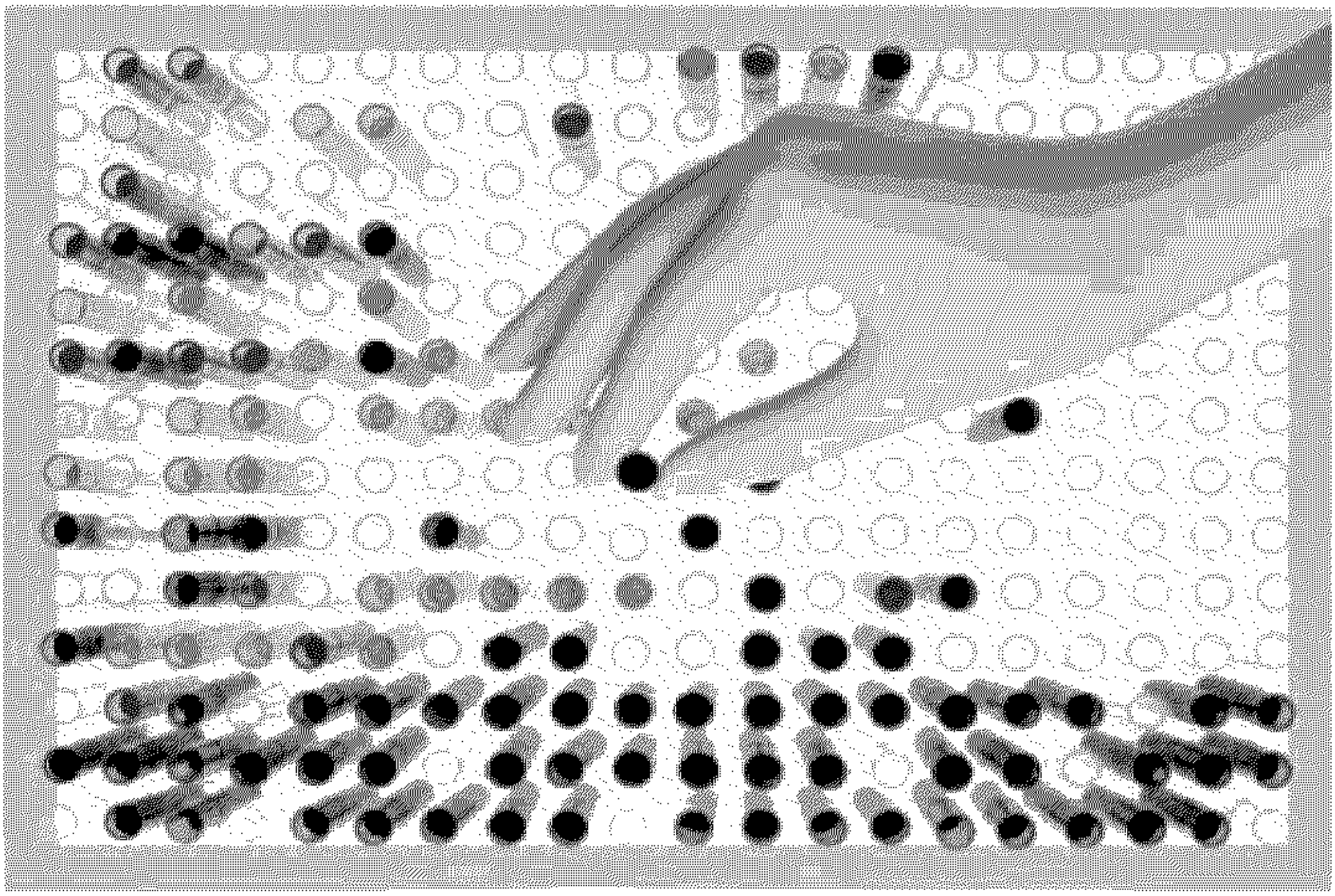
Ansell

FINANCIAL REPORT 2004



Financial Report of Ansell Limited and Controlled Entities - 2004

Please note that the Annual Review 2004 contains the Concise Financial Report of Ansell Limited which is derived from the Financial Report 2004. The Annual Review 2004 does not constitute part of this report.

Both the Annual Review 2004 (containing the Concise Financial Report) and the Financial Report 2004 are available from the Company's website (www.ansell.com) or upon request. Information on the web site does not constitute part of this report.

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Financial Statements - 30 June 2004

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Board of Directors

THE BOARD OF DIRECTORS OF ANSELL LIMITED AT THE DATE OF THIS REVIEW COMPRISES:

EDWARD D TWEDDELL, BSc, MBBS (HONS), FRACGP, FAICD
Chairman and Non-executive Director since October 2001. A Director of Australia Post and CSIRO, he is also Chairman of the Nepenthe Group Pty Ltd.

Dr Tweddell's experience includes 10 years with a multi-national pharmaceutical company primarily involved in medical affairs and drug development, an appointment as President and Chief Executive of a consumer-products and healthcare company in Japan, and eight years as Chief Executive of an Australian-based pharmaceutical company.

Dr Tweddell resides in Adelaide and is aged 63.

DOUGLAS D TOUGH, MBA, BBA
Managing Director and Chief Executive Officer since 1 July 2004.

Prior to joining Ansell, Mr Tough spent 17 years with Cadbury Schweppes plc in a number of international and domestic leadership roles, most recently as President and Chief Executive Officer of its largest division worldwide, Dr Pepper/Seven Up, North America.

Mr Tough has also had some 12 years experience with Proctor & Gamble in various sales and marketing assignments. Mr Tough holds an MBA from the University of Western Ontario, Canada, and a BBA from the University of Kentucky.

Mr Tough resides in New Jersey, USA and is aged 55.

PETER L BARNES, B.COM, (HONS) MBA MELB
Appointed Non-executive Director in October 2001. He is Chairman of Samuel Smith & Son Pty Limited and a Director of The News Corporation Limited and Metcash Trading Limited. He is also President of the Winemakers Federation of Australia and a Member of the National Food Industry Council.

Mr Barnes brings to the Board his experience in senior roles in finance, marketing and general management in the international arena. His background includes a long career with a leading global consumer marketing organisation in USA, Europe, Asia and Australia.

Mr Barnes resides in Sydney and is aged 61.

L. DALE CRANDALL, MBA UC BERKELEY, CPA
Non-executive Director since November 2002. Director of Union Bank of California, Covad Communications Group and BEA Systems, 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 United States.

Mr Crandall resides in San Francisco, USA and is aged 63.

HERBERT J ELLIOTT, AC, MBE, MA CANTAB.
Non-executive Director since February 2001. Chairman of the Telstra Foundation Limited and Director of Fortescue Metals Group Limited and Board member of Athletics Australia.

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.

Mr Elliott resides in Perth and is aged 66.

MICHAEL J McCONNELL, AB, MBA (HONS) VIRGINIA
Managing Director of Shamrock Capital Advisors Inc. and Shamrock Holdings Inc. and Chairman of Shamrock's Investment Committee. He is also a Director of Neo Technology Ventures and a former Director of Nuplex Industries.

Mr McConnell was appointed to the Board on 16 April 2004, having actively served as Alternate Director to Stanley Gold since October 2002.

Mr McConnell has an investment banking background having served with Kidder Peabody and Merrill Lynch. He received an AB from Harvard University in Economics, and an MBA with honours from The Darden School of The University of Virginia.

Mr McConnell resides in Los Angeles, USA and is aged 38.

STANLEY P GOLD, AB, JD
(ALTERNATE TO MR McCONNELL SINCE 16 APRIL 2004)
Non-executive Director since October 2001. President and Chief Executive Officer of Shamrock Holdings Inc., President of Shamrock Capital Advisors Inc., and Chairman of Tadiran Communications Ltd.

Mr Gold is a former Managing Partner of a prominent Los Angeles law firm and has specialised in corporate acquisitions, sales and financing. He has served as President and Chairman of a number of companies in the United States and Israel.

Mr Gold resides in Los Angeles, USA and is aged 61.

Corporate Governance

INTRODUCTION

The Board works under a set of well-established corporate governance policies that reinforce the responsibilities of all Directors in accordance with the requirements of the Corporations Act and the Listing Rules of the Australian Stock Exchange (ASX). In addition, many of the governance elements are enshrined in the Company's Constitution.

The Board regularly reviews and updates its corporate governance policies, to ensure that the Company's policies 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'.

The Board has for some time satisfied the recommendations of the ASX Corporate Governance Council and has incorporated its provisions in its periodic review of corporate governance practices.

The corporate governance section of the Company's website contains various material relating to corporate governance, including Board charter, Committee charters, Code of Conduct and other information. The link to the corporate governance section of the Ansell website is **ansell.com**.

BOARD RESPONSIBILITIES

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

The Board has the following responsibilities and functions, namely, to:

(a) review and approve corporate strategies, budgets, plans and policies developed by management and evaluate performance of the Group against those strategies and business plans in order to:

- (i) monitor the performance of functions delegated to the executive team including the progress of major capital expenditure, capital management, acquisitions, divestitures and strategic commitments; and
- (ii) assess the suitability of the Company's overall strategies, business plans and resource allocation;

(b) appoint a Chief Executive Officer for the ongoing management of the business and its strategies;

(c) regularly evaluate the performance of the Chief Executive Officer and senior management and ensure appropriate executive succession planning is conducted;

(d) monitor financial and business results (including the audit process) to understand at all times the financial position of the Group;

(e) ensure regulatory compliance and maintain adequate risk management processes;

(f) report to shareholders; and

(g) implement a culture of compliance with the highest legal and ethical standards and business practices.

In carrying out its duties, the Board meets formally over one or two days 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.

It is also the Company's practice for Directors to visit a number of the Company's facilities in each year. During the 2004 financial year, Board meetings were held in conjunction with visits to Ansell facilities in Europe and South-east Asia.

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.

RISK MANAGEMENT AND CODE OF CONDUCT

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

The Company also has in place a system of internal controls for the identification and management of financial risk including a system of internal sign-offs to ensure the Company is in compliance with its legal obligations, including those which arise under the US Sarbanes-Oxley Act. The Chief Executive Officer and Chief Financial Officer also provide assurances to the Board as to the integrity of the Company's risk management and internal compliance and control systems, and financial reports.

Ansell is committed to upholding the highest legal, moral and ethical standards in all of its corporate activities and has adopted a Code of Conduct, which aims to strengthen its ethical climate and provide basic guidelines for situations in which ethical issues arise.

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 Ansell:

- 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;

Corporate Governance continued

- 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 policy of Ansell to comply with the letter and spirit of all applicable laws, including those relating to employment, discrimination, health, safety, medical device, consumer protection, privacy, intellectual property, antitrust, securities and the environment. The Company has also developed procedures to ensure that employees are aware of and discharge their obligations under relevant privacy laws in their handling of information provided to the Group. No Director, Officer, executive or manager of Ansell has authority to violate any law or to direct another employee or any other person to violate any law on behalf of the Company.

The Company has appointed a Compliance Officer to assist in the administration of the Code of Conduct. As part of its commitment to ethical and legal conduct, the Company expects its employees to report information about actual or suspected violations of the Code of Conduct or of law.

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. In addition, the Company has developed specific policies in relation to several matters covered in the Code of Conduct. These policies, along with the Code of Conduct, are publicly available on the Company's website, **www.ansell.com**.

The Company's ethical practices and procedures are reviewed regularly (most recently in April 2004), and processes are in place to promote and communicate these policies within the Company. Employees and Directors are required to participate in Company-sponsored compliance training programs presented by or on behalf of the Company to ensure that they remain up-to-date regarding relevant legal and industry developments. Assistance is also available to clarify whether particular laws apply and how they may be interpreted.

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, 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. Maintaining a balance of experience and skills is an important factor in Board composition. Details of the skills, experience and expertise of each Director is set out on page 4 of this report.

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, an Executive Director cannot hold the office of Chairman.

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 six Directors, one of whom is an Executive Director (the Chief Executive Officer who is also Managing Director). Four of the Non-executive Directors, including the Chairman, are considered to be 'independent'.

The Board considers that, in addition to the Managing Director, Mr M J McConnell is not independent, by virtue of his position as an officer of Shamrock Capital Advisors Inc., a related body corporate of Shamrock Holdings of California Inc., a substantial shareholder.

In addition, Mr S P Gold, who retired as a Director in April 2004, has been appointed as an alternate Director to represent Mr McConnell. This allows the Board to continue to benefit from the experience and insight of Mr Gold from time to time. For the purposes of completeness, Mr Gold does not meet the Board's definition of independence, due to his financial interest in Trefoil International III, L.P., a related body corporate of Shamrock Holdings of California Inc.

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.

BOARD REVIEW AND ELECTION PROCESSES

The Board periodically conducts a formal review of its performance. Such reviews include:

- comparing Board performance against agreed external benchmarks;
- assessment and consideration of the effectiveness and composition of the Board;
- an assessment of the performance of the Chief Executive Officer and Managing Director by the Non-executive Directors;
- assessing whether corporate governance principles are appropriate and reflect 'good practice' by way of self-assessment using a structured approach; and
- assessing whether the expectations of differing shareholder groups have been met.

New Directors are nominated by the Board, as described below, and then must face a vote of shareholders at the next Annual General Meeting in order to be confirmed in office. The criteria for considering new candidates for the Board are set by the Nomination, Remuneration and Evaluation Committee. All Directors other than the Managing Director are required to seek re-election at least once in every three years on a rotating basis.

* *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**).

APPOINTMENT TERMS

In order to ensure that 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.

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.

REMUNERATION

In June 2003, the Board resolved to discontinue the practice of paying retirement benefits to Non-executive Directors (notwithstanding the payment of retirement benefits had previously been approved by shareholders). The retirement benefits of existing Non-executive Directors were quantified and paid as at 30 June 2003 as detailed in the Annual Report 2003. The Company has no ongoing liability regarding those amounts. In addition to their fees, Non-executive Directors now only receive Company-sponsored superannuation contributions at rates that accord with statutory requirements.

Full details of the remuneration paid to Non-executive and Executive Directors are set out in the Remuneration section on pages 10 to 12.

DEALING IN SHARES

The Company has adopted a policy on dealing in Ansell shares by Directors and employees generally which is publicly available on the Company's website, **www.ansell.com**.

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 Annual General Meeting. At other times, Directors dealing in Ansell shares must obtain prior approval from the Chairman. The relevant interests of each Director 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
E D Tweddell	34,220		
P L Barnes	11,685		
D D Tough		675,000	
L D Crandall	8,108		
H J Elliott	8,976		
M J McConnell	26,406		
S P Gold (alternate to M J McConnell)	15,239		16,428,840

1. Beneficially held in own name, or in the name of a trust, nominee company or private company.
2. Beneficial, Executive Share Options (525,000) and Performance Share Rights (PSRs) (150,000). These were granted upon Mr Tough's appointment in May 2004. Details in relation to the options and PSRs are set out on page 11.
3. Non-beneficial. Mr Gold has an indirect interest in these shares by virtue of a 10 per cent limited partnership interest in Trefoil International Investors III, L.P., which is a related body corporate of Shamrock Holdings of California Inc.

Note: In addition, Mr H Boon who retired on 30 June 2004, held, as at the date of his retirement, 56,701 shares beneficially in his own name or in the name of a trust, nominee company or private company, and 1,000,000 options pursuant to the Ansell Limited Stock Incentive Plan. Details in relation to the options and PSRs are set out on page 12.

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 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.

Corporate Governance continued

BOARD COMMITTEES

The Board has established two standing Committees, being the:

- Audit Committee; and
- Nomination, Remuneration and Evaluation Committee.

The Board periodically reviews the charter of each Committee. These charters are publicly available on the Company's website, **www.ansell.com**.

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.

Senior executives attend Board and Committee meetings by invitation, whenever particular matters arise that require management presentations or participation.

AUDIT COMMITTEE

The members of the Audit Committee during the year were all 'independent' Non-executive Directors and comprised:

- Mr P L Barnes (Chair);
- Mr L D Crandall; and
- Mr H J Elliott

Members of the Audit Committee are financially literate and the Board is of the opinion that the members of the Committee possess sufficient financial expertise and knowledge of the industry in which the Company operates. Details of the qualifications of the Audit Committee members are included in this Report on page 4.

The Audit Committee reviews the financial statements, adequacy of financial controls and the annual audit arrangements, both internal and external. It monitors the controls and financial reporting systems, applicable Company policies, national and international accounting standards and other regulatory or statutory requirements.

The Committee also liaises with the Company's internal and external auditors, reviews the scope of their activities, reviews the external auditor's remuneration and independence, and advises the Board on their remuneration, appointment and removal. 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. The Company's external auditor has also confirmed its independence to the Directors in accordance with applicable laws and standards.

The Committee also reviews the processes in place for the identification, management and reporting of business risk, and reviews the findings reported.

The Chief Executive Officer, Chief Financial Officer, Group Chief Accountant, Director – Internal Audit, other relevant Company officers (as required) and the principal external audit partner participate at meetings of the Committee.

NOMINATION, REMUNERATION AND EVALUATION COMMITTEE

The members of the Nomination, Remuneration and Evaluation Committee during the year were all Non-executive Directors and comprised:

- Dr E D Tweddell (Chair);
- Mr P L Barnes;
- Mr S P Gold (until 16 April 2004); and
- Mr M J McConnell (from 16 April 2004),

a majority of whom are 'independent' Non-executive Directors.

This Committee's charter provides for it to periodically review the structure and performance of the Board, Board Committees and individual Directors, and to recommend changes when necessary. This includes identifying suitable candidates for appointment as Non-executive Directors.

In doing so, the Committee establishes the policies and criteria for Non-executive Director selection. The criteria include a candidate's personal qualities, professional and business experience, and availability and time to commit to all aspects of the Board's program.

The Committee also considers matters such as succession and senior executive compensation policy, including short- and long-term incentive plans and the Company's recruitment, retention and termination policies, and advises the Board accordingly. The Committee makes recommendations to the Board regarding the specific remuneration of the Chief Executive Officer (including base pay, incentive payments, equity awards, retirement rights and service contracts). The remuneration of Non-executive Directors is a matter that is determined by the Board, although the Committee may request management or external consultants to provide necessary information upon which the Board may make its determination. The Committee has available to it the services of independent professional advisers to assist in the search for high-calibre people at all levels and ensures that the terms and conditions offered by the Company are competitive with those offered by comparable companies.

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. The Company's Continuous Disclosure Policy is available on its website, at **www.ansell.com**.

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 Company invites the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Corporate Governance continued

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING THE YEAR ENDED 30 JUNE 2004

	BOARD		AUDIT		NOMINATION, REMUNERATION & EVALUATION	
	HELD	ATTD	HELD	ATTD	HELD	ATTD
E D Tweddell	7	7			4	4
P L Barnes	7	7	5	5	4	3
H Boon	6	6				
L D Crandall	7	7	5	5		
H J Elliott	7	7	5	5		
M J McConnell	2	2				
S P Gold	5	5*			4	3*

Held – Indicates the number of meetings held while each Director was in office, including meetings of Non-executive Directors only convened in conjunction with meetings of the full Board.

Attd – Indicates the number of meetings attended during the period that each Director was in office.

Mr S P Gold retired on 16 April 2004. Mr M J McConnell was appointed on 16 April 2004.

Mr M J McConnell, who was previously an alternate for Mr Gold, attended two Board meetings as a Director.

*Mr S P Gold, who retired as a Director and was appointed as an alternate for Mr McConnell, did not attend any Board meetings as a Director but was represented at five meetings by his alternate. Mr Gold was represented at two meetings of the Nomination, Remuneration and Evaluation Committee by his alternate.

A meeting of a special Board Committee comprising Dr E D Tweddell and Mr P L Barnes was convened on 14 August 2003 in relation to the review and lodgement of the 2003 Full Year Results announcement. A meeting of a special Board Committee comprising Dr E D Tweddell and Messrs P L Barnes, L D Crandall and H J Elliott was convened on 1 September 2003 in relation to the signing of the accounts for the year ended 30 June 2003. A special Board Committee comprising Dr E D Tweddell and Mr M J McConnell was convened on 11 February 2004 in relation to the review and lodgement of the Half-Year Results announcement, Reports and financial statements for the six months ended 31 December 2003.

A special Committee of the Board was established to conduct the search for a Chief Executive Officer to replace Mr H Boon who retired on 30 June 2004. This Committee met on numerous occasions during the period leading up to the appointment of Mr Boon's successor.

Directors' and Senior Executives' Remuneration

The Board's Nomination, Remuneration and Evaluation Committee is responsible for reviewing the remuneration policies and practices of the Company, including the compensation arrangements for the Managing Director and senior management and, within the aggregate amount approved by shareholders, the fees for Non-executive Directors. This role also includes responsibility for the Company's equity incentive arrangements. Executive and senior management performance review and succession planning are matters also referred to, and considered by, the Committee.

The Nomination, Remuneration and Evaluation Committee has access to independent advice and comparative studies on the appropriateness of remuneration arrangements.

Non-executive Directors – The fees of the Chairman and Non-executive Directors are set within the aggregate amount approved by shareholders, at levels which represent the responsibilities of, and the time commitments provided by, those Directors in discharging their duties. The total annual amount approved for Ansell is currently $750,000, which was set in 1989. This is a maximum aggregate amount, and the Company does not, at this time, intend distributing that full amount by way of fees.

The fees paid to Directors take into account what is paid by comparable companies, and what is necessary to attract high-calibre people to consider Board appointment. As noted in the Annual Report 2003, the Board, prior to setting the annual fees for the 2004 financial year, obtained independent expert advice and undertook a review of comparative companies. The fees payable to the Non-executive Directors for this year were adjusted to reflect the termination of the retirement payment arrangements as at 30 June 2003. The Board will continue to review its remuneration strategies in relation to Non-executive Directors from time to time, in line with general industry practice.

Each Non-executive Director is required to reinvest a minimum of 10 per cent of their annual gross fee in acquiring shares in the Company until their shareholding is equal to at least one year's fees, pursuant to the Non-executive Directors' Share Plan. The Plan enables Non-executive Directors to elect to apply up to 100 per cent of their fees in acquiring shares in the Company.

The Non-executive Directors' Share Plan is not a performance-based share plan and is not intended as an incentive component of a Non-executive Director's remuneration. Shareholders approved the participation by Non-executive Directors in the Plan in October 2000 and April 2002 (on amended terms).

This Plan essentially involves each Non-executive Director using his or her own after-tax money to buy shares on ASX at market price (i.e. involving no discount) to increase his or her direct holding in the Company. Accordingly, no performance conditions were proposed to attach as a precondition for purchase of the shares. Each Director is, however, generally required to retain shares acquired under the Plan for the period he or she holds office as a Director.

Details of securities acquired on ASX on behalf of Non-executive Directors under the Ansell Non-executive Directors' Share Plan at the prevailing market price during the financial year are set out below in accordance with ASX Listing Rule 10.15A.

DIRECTOR	NUMBER OF SHARES ACQUIRED	DATE OF ACQUISITION	ACQUISITION PRICE
Dr E D Tweddell	853	19/9/2003	$6.84
	904	16/12/2003	$6.46
	842	17/3/2004	$6.94
	749	16/6/2004	$7.80
Mr P L Barnes	337	19/9/2003	$6.84
	355	16/12/2003	$6.46
	330	17/3/2004	$6.94
	293	16/6/2004	$7.80
Mr L D Crandall	1,943	19/9/2003	$6.84
	1,777	16/12/2003	$6.46
	296	17/3/2004	$6.94
	264	16/6/2004	$7.80
Mr H J Elliott	300	19/9/2003	$6.84
	318	16/12/2003	$6.46
	296	17/3/2004	$6.94
	264	16/6/2004	$7.80
Mr M J McConnell	1,406	16/6/2004	$7.80

In addition, Mr S P Gold participated in the Plan prior to his retirement as a Director of the Company, acquiring:

- 1,943 shares on 19/9/2003 at $6.84 per share;
- 1,777 shares on 16/12/2003 at $6.46 per share;
- 2,176 shares on 17/3/2004 at $6.94 per share; and
- 278 shares on 16/6/2004 at $7.80 per share (being purchases from fees paid for the period 1–16 April 2004).

Directors' and Senior Executives' Remuneration continued

Senior executives – Remuneration levels for Executive Directors and executive management are competitively set to attract, retain and motivate appropriately qualified and experienced senior executives capable of discharging their respective responsibilities.

Remuneration packages of senior executives incorporate fixed remuneration and short- and long-term performance-based components.

Fixed remuneration – The terms of employment of all executive management contain a fixed remuneration component, or base salary. In general, base salary is dependent upon the level and scope of an executive's position, is targeted at a norm within benchmarked industries, and takes into account individual performance.

Short-term incentive – An annual cash-based incentive program operates to reward individual performance against agreed performance targets. These targets are set with respect to both organisational and individual goals. For the 2004 financial year they include measures related to revenues, EBITA achievement (reflecting specific EBITA commitments made publicly to shareholders), and working capital, and are dependent upon outcomes over three levels: functional/individual, regional and company total. In general, these targets were met. For the 2005 financial year the measures will be related to revenue and EBITA achievement (again reflecting commitments to shareholders), which, in the Board's judgement, are the major internal factors that will directly influence shareholder value. Pursuant to this program, in general, an incentive equal to a set percentage of base salary is determined by the level and scope of the position. Incentive awards can increase for performance meeting set stretch targets.

Long-term incentive – In 2002, the Company established the Ansell Limited Stock Incentive Plan (the Plan). Under the Plan, Ansell may make grants of options or Performance Share Rights (PSRs), which are subject to the achievement of performance targets set by the Board. In general, grants are made annually in three tranches, each linked to Group performance in each of the three successive years. These rights entitle the holder to an equivalent number of fully-paid ordinary shares upon satisfaction of performance targets. The options may be exercised at a price based on the average of the Ansell share price on the five days preceding the date of grant. PSRs, when vested, are converted into fully-paid ordinary shares and issued at no cost to the executive.

The Chief Executive Officer was granted 525,000 options and 150,000 PSRs pursuant to the Plan upon his appointment as an executive officer of the Company. The options and PSRs were granted in three tranches, and are subject to the achievement of long-term performance targets and stretch targets established by the Board. Targets for financial year 2005 and future years are yet to be finalised and are subject to further Board consideration of the next stage of the Company's development under the leadership of the new Chief Executive Officer.

The Chief Financial Officer has been granted options and the Chief Financial Officer and other Group senior executives have been granted PSRs pursuant to the Stock Incentive Plan. In relation to the 2005 financial year, the performance condition applicable to options and PSRs issued to executives other than the Chief Executive Officer is that the EBITA for the Ansell Healthcare business meets or exceeds US$115 million. Performance targets for periods beyond financial year 2005 are also under review pending Board consideration of the next stage of the Company's development under the leadership of the recently-appointed Chief Executive Officer.

Further details regarding the terms of the Stock Incentive Plan, including the number of options and PSRs issued under the Plan, are set out in Note 25 to the financial statements contained in this report.

Termination payments – The Group has entered into Service Agreements with, or has adopted policies relating to, its senior executive team, which provide for termination payments to be made available in certain circumstances.

The Chief Executive Officer must provide six months notice of his resignation and will, in general, be entitled to a lump-sum termination payment equivalent to 18 months of base salary if the Company wishes to terminate his employment within three years of his commencement date, or 12 months of base salary after the first three years of his employment. In certain circumstances, such as a substantial diminution of responsibility for the Chief Executive Officer, the Company may be deemed to have terminated employment and will be liable to make payments equivalent to 18 months' remuneration.

The potential liability of the Company in relation to the termination of employment of other Group executives is dependent upon the circumstances of the termination, the Company's policies or arrangements with those executives and the laws of the jurisdiction in which the executives are based. For example, while all US-based executives of the Company are considered to be employed 'at-will' and terminable without notice or cause, it is Company policy that senior US executives employed for more than 12 months will, in general, receive termination payments equal to 12 months salary plus certain other benefits.

The Company may summarily terminate the employment of any executive for cause.

As the potential liability of the Group to make termination payments is dependent upon the circumstances giving rise to the cessation of employment and the applicable policies, arrangements or laws, it is not possible to quantify the potential future impact of these agreements on the Company's financial position. However, the Company makes provision for employee entitlements in accordance with applicable Accounting Standards.

The table on the following page (which forms part of the Report of Directors) sets out the remuneration provided to the Directors, the five continuing members of the Executive Committee (the Executive Committee being those officers of the Group with the most authority) receiving the highest remuneration for the year and one former member of the Executive Committee. All values are A$ unless otherwise stated.

Directors' and Senior Executives' Remuneration continued

	Fixed Base Remuneration (Fees/Salary) $	Incentives[a] $	Superannuation Contribution[b] $	Notional Value of Equity Compensation[c] $	Other[d] $	Total $
NON-EXECUTIVE DIRECTORS						
E D Tweddell	234,375		21,094			255,469
P L Barnes	91,875		8,287			100,162
L D Crandall	82,500		7,425			89,925
H J Elliott	82,500		7,425			89,925
M J McConnell[e]	17,187		1,547			18,734
S P Gold[f]	65,625		5,906			71,531
Total Remuneration – Directors	574,062		51,684			625,746
MANAGING DIRECTOR AND OFFICERS[g] OF THE COMPANY AND THE GROUP						
H Boon, Managing Director and Chief Executive Officer[h][j]	US$ 678,434	US$ 294,353	US$ 250,216	US$ 377,110	US$ 2,048,569	US$ 3,648,682
D Tough, Managing Director and Chief Executive Officer[i][j]	US$ 87,500				US$ 717	US$ 88,217
P Corke, Senior Vice-President, Human Resources & Communications[j]	US$ 224,942	US$ 105,019	US$ 14,118	US$ 68,457	US$ 30,252	US$ 442,788
D Dickson, Head of Global Marketing & Program Director – *Operation Full Potential*[j]	US$ 224,962	US$ 98,017		US$ 41,911	US$ 384,273	US$ 749,163
W Heintz, Senior Vice-President and Regional Director, Europe[k]	€ 223,403	€ 110,201	€ 72,722	€ 88,350	€ 149,933	€ 644,609
R Jilla, Senior Vice-President and Chief Financial Officer[j]	US$ 279,923	US$ 133,310	US$ 20,460	US$ 286,064	US$ 35,938	US$ 755,695
W Reed, Senior Vice-President and Regional Director, Americas[j]	US$ 254,962	US$ 85,678	US$ 13,755	US$ 100,290	US$ 40,715	US$ 495,400
W Reilly, Senior Vice-President and General Counsel[j]	US$ 234,942	US$ 111,801	US$ 13,395	US$ 68,457	US$ 15,533	US$ 444,128
Total Remuneration – Managing Director and Officers	US$ 1,985,665 € 223,403	US$ 828,178 € 110,201	US$ 311,944 € 72,722	US$ 942,289 € 88,350	US$ 2,555,997 € 149,933	US$ 6,624,073 € 644,609

(a) Comprises cash awards payable to senior executives for achieving or exceeding organisational and individual objectives. For financial year 2004 the measures related to achievement of revenue, EBITA and working capital targets. Payout ratios were less than the possible maximum in all cases.

(b) For Directors, includes notional contributions at the rate that satisfies Australian Superannuation Guarantee requirements. No amounts were required to be paid to the Australian superannuation fund in respect of the year ended 30 June 2004 upon advice of the Trustee. For Officers, includes contributions to US benefit or non-qualified pension plans or European pension plan, as applicable. For Mr Boon it also includes an imputed notional contribution to the Australian superannuation fund calculated at an actuarial rate.

(c) In accordance with the requirements of the Accounting Standards, remuneration 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.
Includes for the former Managing Director & Chief Executive Officer and Chief Financial Officer, Options granted in 2002, which have an exercise price of $6.32 and $6.97 respectively. For the Chief Financial Officer, also includes PSRs granted in 2003. For other executives, includes PSRs granted in 2002 and 2003. The notional value relates to Options and PSRs that vested upon achievement of performance conditions applicable to financial year 2004.
Further details of Options and PSRs provided to Specified Directors and Executives as remuneration, including the basis of valuation, is included in Notes 25 and 28 to the financial statements contained in this report.

(d) Includes the cost to the Company of cash benefits such as motor vehicle allowances, home office expenses and executive insurance and, in respect of Messrs Boon and Dickson, contractual payments to executives upon cessation of employment.

(e) Mr M J McConnell was appointed as a Director on 16 April 2004 (previously Mr McConnell was alternate director for Mr Gold).

(f) Mr S P Gold retired as a Director on 16 April 2004, and was appointed alternate director for Mr McConnell on the same date. Mr Gold receives no separate emoluments from the Company for acting as Mr McConnell's alternate.

(g) All Officers are US-based except for Mr Heintz, who is Europe-based.

(h) Mr Boon retired as Group Managing Director and Chief Executive Officer on 30 June 2004, after 28 years with the Group.

(i) Mr Tough was appointed as an executive of the Company effective 11 May 2004, and as Group Managing Director and Chief Executive Officer effective 1 July 2004.

(j) US-based Officers are paid in US$. The average exchange rate for June 2004 is US$0.7016 = A$1.00.

(k) Europe-based Officer is paid in €. The average exchange rate for June 2004 is €0.5775 = A$1.00.

Report of the Directors

This Report by the Directors of Ansell Limited ('the Company') is made for the year ended 30 June 2004 pursuant to Division 1 of Part 2M.3 of the Corporations Act. The information set out below is to be read in conjunction with the section entitled Directors' and Senior Executives' Remuneration appearing on pages 10 to 12 and Notes 25 and 28 to the financial statements contained in this report.

DIRECTORS

The name of each person who has been a Director of the Company during or since the end of the financial year, particulars of the qualifications, experience and special responsibilities of each Director as at the date of this Report, and of their other directorships, and the relevant interests of each of those Directors in the share capital of the Company and any related body corporate that have been notified to the Australian Stock Exchange under regulatory requirements, are as set out on pages 4 to 8.

Details of meetings of the Company's Directors (including Meetings of Committees of Directors) and Directors' attendance are set out on page 9. As described on page 8 of this report, the Board has established both an Audit Committee and a Nomination, Remuneration and Evaluation Committee.

PRINCIPAL ACTIVITIES

The activities of the Ansell group of companies ('the Group') principally involve the development, manufacturing and sourcing, distribution and sale of gloves and protective products in the Professional Healthcare, Occupational Healthcare and Consumer Healthcare markets.

In addition, the Company remains a partner in the South Pacific Tyres partnership with The Goodyear Tire and Rubber Company.

DIVIDENDS AND SHARE BUY-BACK

An interim cash dividend of 6 cents per share (unfranked) was paid in respect of the half-year ended 31 December 2003. A final dividend of 7 cents per share (unfranked) in respect of the year ended 30 June 2004 is payable on 14 October 2004 to shareholders registered on 22 September 2004.

The Company, on 30 April 2004, ceased buying back shares under the on-market buy-back announced on 16 April 2003, after buying back 11,199,184 shares (approximately 6% of the shares on issue) for a total outlay of $72.2 million (US$52.9 million). On 3 May 2004, the Company announced that it would undertake a further on-market buy-back of up to 12 million shares as part of a balanced capital management strategy. As at 30 June 2004, the Company had bought back 198,288 shares for $1.47 million (US$1.08million). Purchase of shares under the latter on-market buy-back arrangement were suspended while consideration was given to an alternative off-market buy-back proposal.

On 10 August 2004 the Company announced that the Board was considering a proposal for an off-market buy-back of 17 million shares, or approximately 10% of the shares on issue. The proposal is subject to satisfactory responses being received in relation to specific applications made to the Australian Taxation Office and Australian Securities and Investments Commission. The off-market share buy-back, should it proceed, will require shareholder approval at the Annual General Meeting to be held on 14 October 2004, and full details of the proposal will be included in the Notice of Meeting.

PERFORMANCE IN RELATION TO ENVIRONMENTAL REGULATIONS

The Group's continuing international manufacturing operations are subject to environmental regulation in the jurisdictions where the Group operates. The Group has risk management programs in place to address the requirements of these regulations. From time to time, the Group receives notices from relevant authorities pursuant to various environmental legislation. On receiving such notices, the Group evaluates the options for the matters raised and the associated costs and, where appropriate, makes provision for such costs.

The Directors are not aware of any material breaches of Australian or international environmental regulations during the year.

REVIEW OF OPERATIONS AND RESULTS

The Group operating profit attributable to shareholders after tax of $70.7 million (US$50.4 million) was significantly ahead of the previous year's result of $49.9 million (US$29.3 million).

The result for the 2004 financial year is inclusive of non-recurring items of a net $1.7 million (US$1.2 million) comprising non-cash write-downs of property, equipment and an investment totalling $9.8 million (US$6.9 million), expenses and provisions relating to transitional issues carried over from discontinued businesses and the previous company structure of $9.7 million (US$6.7 million), offset by a cash benefit of $17.8 million (US$12.4 million) from sales tax refunds relating to discontinued businesses in Australia.

Operating earnings before interest, tax and amortisation (EBITA) of the continuing Ansell Healthcare business before unallocated items was down 8.3% from $159.6 million to $146.3 million, but 11.2% higher at US$104.1 million when expressed in the Company's operating currency.

Revenues, expressed in operating currency, increased in each of the Company's three business segments and operating regions. EBITA, again in operating currency, was lower than the previous year in the Consumer Healthcare and Professional Healthcare segments by 10.0% and 9.2% respectively, however, this was offset by an increase of 43.1% in the Occupational Healthcare segment.

Report of the Directors continued

The continuing overall improvement in the Company's results reflects initiatives of Ansell's three-year strategic program, Operation Full Potential, that are now embedded in the core operating businesses.

Free cash flow was strong at $134.8 million (US$90.3 million) after distribution of $96.4 million (US$68.7 million) to shareholders by way of dividends and share buy-backs. Net interest bearing debt further reduced, and gearing (net interest bearing debt as a percentage of net interest bearing debt plus equity) was lower at 12.8% compared with 18.1% last year. Interest cover improved to 9.5 times, up from 6.4 times in 2003.

In the opinion of the Directors, other than as referred to in this Report, there were no significant changes in the state of affairs of the Group.

EVENTS AFTER BALANCE DATE

Since the end of the financial year there have been no matters or circumstances that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS

Certain likely developments in the operations of the Group, and the expected results of those operations, in financial years subsequent to the financial year ended 30 June 2004, are referred to in the Message from the Chairman and in the Chief Executive Officer's Report sections of the Annual Review. In the opinion of the Directors it would be likely to result in unreasonable prejudice to the Group if further information were to be included.

INDEMNITY

Upon his appointment as Managing Director and Chief Executive Officer, Mr D D Tough entered into a Deed of Access, Indemnity and Insurance on terms previously entered into by each Non-executive Director. These Deeds provide for indemnification of the Directors to the maximum extent permitted under law. They do not indemnify for any liability involving a lack of good faith.

No Director or Officer of the Company has received the benefit of an indemnity from the Company during or since the end of the year.

Rule 61 of the Company's Constitution also provides an indemnity in favour of Officers (including the Directors and Company Secretary) of the Company against liabilities incurred while acting as such Officers to the extent permitted by law. In accordance with the powers set out in the Constitution, the Company maintains a Directors' and Officers' insurance policy. Due to confidentiality obligations and undertakings of the policy, no further details in respect of the premium or policy can be disclosed.

ROUNDING

Ansell Limited is a company of the kind referred to in Australian Securities and Investments Commission Class Order 98/100 (as in force on 30 June 2004) and, unless otherwise shown, amounts in this Report have been rounded off to the nearest one hundred thousand dollars.

This Report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Edward B Tweddell

E D Tweddell
Director

Douglas D Tough

D D Tough
Director

Dated in Melbourne this 31st day of August 2004.

Discussion and Analysis of the Financial Statements

Although the Company reports in Australian dollars, the United States (US) dollar is the predominant global currency of our business transactions and the currency in which the global business is managed. The following discussion and analysis is provided to assist members in understanding the concise financial report and includes references to Australian dollars ($) and US dollars (US$). Presentation of the Company's results in US dollars can be found in the Supplementary Unaudited US Dollar Financial Information set out on pages 67 to 72.

STATEMENT OF FINANCIAL PERFORMANCE

Sales revenue in 2003/2004 from the Healthcare businesses (Occupational, Professional and Consumer) was $1,113.3 million (US$791.9 million) compared with $1,293.6 million (US$758.7 million) in 2002/2003. In US dollar terms Occupational sales increased by 5.8 per cent, Professional sales increased by 2.3 per cent and Consumer sales increased by 4.5 per cent. Healthcare Segment EBITA increased by 11.2 per cent from US$93.6 million ($159.6 million) to US$104.1 million ($146.3 million).

The Occupational business accounted for 49 per cent of Ansell's 2003/2004 sales and 51 per cent of Healthcare Segment EBITA. The sales increase of 5.8 per cent in US dollar terms was driven by a 26 per cent increase in sales of the HyFlex® range and an 8 per cent increase in sales of disposables and critical environment gloves. Sales of knitted gloves showed an encouraging 15 per cent increase in the second half of the year compared to the first half as increased production improved availability. The knitting plant in North Carolina, USA was closed and the Mexican knitting plants' results improved significantly due to this consolidation and improved production process.

The Professional division accounted for 34 per cent of Ansell's 2003/2004 sales and 27 per cent of Healthcare Segment EBITA. Professional sales in US dollar terms increased 2.3 per cent assisted by a marked improvement in examination glove sales in the second half of the year as prices were adjusted to meet the competitive environment created by a stronger Euro. America's sales were lower by 3 per cent as recovery in the surgical glove business was slower than expected. Profitability in Europe and Australia was impacted by currency associated price reductions and worldwide by examination glove competitive price pressures and latex cost increases.

The Consumer division accounted for 17 per cent of Ansell's 2003/2004 sales and 22 per cent of Healthcare Segment EBITA. Consumer sales in US dollar terms increased by 4.5 per cent. This was generated by an increase in condom volumes of 7 per cent primarily due to bid contracts in both Brazil and India which were recorded in the Asia Pacific regional results. Retail condom sales were essentially flat in all regions, where new retail entrants and heightened competition in several markets adversely impacted sales growth and caused additional selling and advertising expenditure. Household glove sales in the second half of the year were 18 per cent below the same period in the prior year primarily due to reductions and clearances of older technology products by the Company's global partner, Freudenberg, in anticipation of deliveries in the coming year of the new Foam-lined gloves.

A review of the carrying value of all assets resulted in non-recurring, non-cash write-downs of $7.4 million (US$5.3 million) for equipment from the now closed Massillon, USA manufacturing facility, $1.4 million (US$0.9 million) for certain US properties and $1.0 million (US$0.7 million) in the book value of the shares held in Ambri Limited. A further $9.7 million (US$6.7 million) charge was incurred in respect of legacy issues including Workers Compensation costs from the GNB sale to Exide of $7.5 million (US$5.2 million). Offsetting these charges was a $17.8 million (US$12.4 million) cash benefit from sales tax refunds related to discontinued businesses.

A reduction in net interest expense by $9.7 million (US$3.6 million) to $16.8 million (US$11.9 million) resulted in interest cover increasing to 9.5 times from 6.4 times last year.

Income tax expense was $20.7 million (US$14.8 million) compared to $26.8 million (US$15.8 million) last year and continues to benefit from the utilisation of unbooked US tax losses.

The net profit after income tax attributable to shareholders for the year was $70.7 million (US$50.4 million) compared to $49.9 million (US$29.3 million) in 2002/2003.

Earnings per share was 39.1 cents (US 27.9 cents) up on the previous year's 26.7 cents (US 15.7 cents). Return on assets increased from 11.7 per cent to 14.0 per cent while return on equity improved from 5.6 per cent to 8.8 per cent.

Discussion and Analysis of the Financial Statements continued

STATEMENT OF FINANCIAL POSITION

Total assets reduced from $1,578.8 million (US$1,052.7 million) to $1,499.4 million (US$1,032.8) benefiting from reduced amounts invested in working capital, however, available cash reserves increased from $286.0 million (US$190.7 million) to $307.8 million (US$212.0 million). Total liabilities reduced from $734.3 million (US$244.3 million) to $687.6 million (US$195.3 million) predominantly due to a reduction in interest bearing liabilities of $45.6 million (US$21.0 million). The reduced net debt improved balance sheet ratios with gearing (net debt to net debt plus equity) further improved to 12.8 per cent down from 18.1 per cent the previous year. Net debt to equity decreased from 22.0 per cent last year to 14.7 per cent while net liabilities to equity decreased from 53.1 per cent to 46.3 per cent. Restricted deposits of $10.3 million (US$7.1 million) have been set aside to cover the provisions established to address any remaining liability to members of the Group to claims arising with respect to the Accufix Pacing Leads. Restricted deposits at 30 June 2003 totalled $13.8 million (US$9.2 million).

During the year 10.0 million shares were purchased under the buy-back program for a total outlay of $65.4 million (US$47.9 million).

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was $179.2 million (US$127.3 million) compared to $161.6 million (US$95.2 million) in 2002/2003. Capital expenditure of $13.8 million (US$9.8 million) was down on the previous year's $15.4 million (US$9.1 million). During the year the Company returned $96.4 million (US$68.7 million) to shareholders via the share buy-back $65.4 million (US$47.9 million) and dividends $31.0 million (US$20.8 million).

INTEREST COSTS

Net interest expense and borrowing costs for the year were $16.8 million (US$11.9 million) compared with $26.5 million (US$15.5 million) in the previous year. The reduced cost resulted from the continued reduction in net debt, a lower cost of funds as older high-cost borrowings matured and were repaid or replaced by new lower-cost borrowings and a better return on cash. The average cost of debt fell from 6.44% last year to 6.15% in the current year.

On 30 April 2004, the Company entered into a new Revolving Credit Facility comprising a US$200m facility for 5 years and a US$50m facility for 364 days. It is envisaged that the 5 year facility will be used to repay maturing Medium Term Notes while the short-term facility will remain available as required. The new facility will result in a reduction in future borrowing costs.

This facility when combined with the Group's cash on deposit ensures continuing strong financial flexibility and liquidity. At year end the borrowing portfolio's average maturity was 816 days (previous year 699 days) and was approximately 77% fixed and 23% floating interest rate.

Ratings

The Group's ratings are as follows:-

	Long Term	Outlook	Short Term
Moody's	Ba2	Positive	Not Prime
Standard & Poor's	BB+	Stable	B

The current ratings from both rating organisations were updated during the year.

Working Capital

Ansell Healthcare's days working capital in 2003/2004 was 79.8 days compared to 84.6 days in 2002/2003.
This is comprised of the following:

	2004	2003
Inventory days held	63.8	66.5
Days Sales Outstanding	59.5	62.2
Days Payable Outstanding	43.5	44.1

Depreciation

(Including Amortisation of Leasehold Land & Buildings)

	2004 $m	2003 $m	2004 US$m	2003 US$m
Group	25	31	18	18

Factories by Region - Ansell Healthcare

	2004	2003
Asia Pacific	9	9
Americas	5	7
Europe	1	1
Total	15	17

Assets Employed by Region - Ansell Healthcare	2004 %	2003 %
Asia Pacific	40	38
Americas	35	36
Europe	25	26

Statements of Financial Performance

of Ansell Limited and its Controlled Entities for the year ended 30 June 2004

	Note	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m	The Company 2002 $m
Revenue							
Total revenue	3	1,131.1	1,320.1	3,190.4	223.1	263.0	1,257.4
Expenses							
Cost of goods sold		662.1	830.4	1,493.3	73.9	62.6	354.4
Selling, distribution and administration		289.8	310.3	504.8	27.1	32.3	141.8
Depreciation and amortisation		46.7	56.5	82.3	0.1	0.1	8.4
Write-down of assets		9.8	6.1	176.5	22.9	-	82.4
Net assets of businesses disposed		-	-	922.4	-	-	514.5
Other	4(b)	-	-	-	13.5	(32.4)	-
Total expenses, excluding borrowing costs		1,008.4	1,203.3	3,179.3	137.5	62.6	1,101.5
Borrowing costs	4(a)	29.4	37.8	70.2	27.6	36.1	67.0
Share of net profit of associates and joint venture entities	38	-	0.3	1.9	-	-	-
Profit/(loss) from ordinary activities before income tax expense		**93.3**	**79.3**	**(57.2)**	**58.0**	**164.3**	**88.9**
Income tax expense/(benefit) attributable to ordinary activities	8	20.7	26.8	55.8	0.2	(0.5)	17.3
Net profit/(loss) from ordinary activities after income tax expense		**72.6**	**52.5**	**(113.0)**	**57.8**	**164.8**	**71.6**
Outside equity interests in net profit after income tax	10	1.9	2.6	2.8	-	-	-
Net profit/(loss) after income tax attributable to Ansell Limited shareholders	6	**70.7**	**49.9**	**(115.8)**	**57.8**	**164.8**	**71.6**
Non-owner transaction changes in equity							
Net exchange difference on translation of financial statements of self-sustaining foreign operations	6	(7.4)	(71.3)	(69.6)	-	-	-
Total valuation adjustments attributable to Ansell Limited shareholders recognised directly in equity		(7.4)	(71.3)	(69.6)	-	-	-
Total changes in equity from non-owner related transactions attributable to Ansell Limited shareholders	7	**63.3**	**(21.4)**	**(185.4)**	**57.8**	**164.8**	**71.6**

Earnings/(loss) per share is based on net profit/(loss) after income tax attributable to Ansell Limited shareholders

		cents	cents	cents
Basic earnings per share	35	39.1	26.7	(61.9)
Diluted earnings per share	35	39.0	26.6	(61.7)

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

of Ansell Limited and its Controlled Entities as at 30 June 2004

		Consolidated			The Company		
		2004	2003	2002	2004	2003	2002
	Note	$m	$m	$m	$m	$m	$m
Current Assets							
Cash assets	11	307.8	286.0	258.5	0.8	1.4	4.2
Cash assets - restricted deposits	11	10.3	13.8	18.4	-	-	-
Receivables	12	228.7	262.4	293.7	594.2	796.1	821.0
Inventories	13	190.5	187.9	235.1	13.1	12.5	13.7
Prepayments		11.7	10.9	15.8	1.8	4.2	3.6
Total Current Assets		**749.0**	**761.0**	**821.5**	**609.9**	**814.2**	**842.5**
Non-Current Assets							
Receivables	12	63.6	57.0	66.7	0.8	1.2	33.4
Investments accounted for using the equity method	14	-	-	13.3	-	-	0.2
Other financial assets	14	141.4	141.4	145.8	1,526.6	1,484.5	1,547.2
Property, plant and equipment	15	227.8	262.9	332.5	0.4	0.3	0.4
Intangible assets	16	293.4	324.5	403.2	-	-	-
Deferred tax assets	17	24.2	32.0	49.7	-	-	-
Other		-	-	-	-	-	0.2
Total Non-Current Assets		**750.4**	**817.8**	**1,011.2**	**1,527.8**	**1,486.0**	**1,581.4**
Total Assets		**1,499.4**	**1,578.8**	**1,832.7**	**2,137.7**	**2,300.2**	**2,423.9**
Current Liabilities							
Payables	18	159.4	154.4	192.7	628.8	610.7	761.0
Interest bearing liabilities	19	190.2	151.8	107.6	179.1	133.8	66.7
Provisions	20	52.0	57.5	85.4	3.6	5.9	7.9
Current tax liabilities	20	2.6	3.1	1.9	-	-	-
Other	21	-	1.1	1.2	-	0.2	-
Total Current Liabilities		**404.2**	**367.9**	**388.8**	**811.5**	**750.6**	**835.6**
Non-Current Liabilities							
Payables	18	3.3	3.2	3.7	-	-	-
Interest bearing liabilities	19	236.0	320.0	516.5	134.4	320.0	516.3
Provisions	20	23.9	21.7	23.3	0.2	0.4	0.4
Deferred tax liabilities	20	20.2	21.5	24.4	-	-	-
Total Non-Current Liabilities		**283.4**	**366.4**	**567.9**	**134.6**	**320.4**	**516.7**
Total Liabilities		**687.6**	**734.3**	**956.7**	**946.1**	**1,071.0**	**1,352.3**
Net Assets		**811.8**	**844.5**	**876.0**	**1,191.6**	**1,229.2**	**1,071.6**
Equity							
Contributed equity	5	1,383.9	1,448.3	1,455.5	1,383.9	1,448.3	1,455.5
Reserves	6	(275.6)	(268.9)	(176.2)	-	-	10.2
Accumulated losses	6	(306.7)	(345.7)	(417.0)	(192.3)	(219.1)	(394.1)
Total equity attributable to Ansell Limited shareholders		**801.6**	**833.7**	**862.3**	**1,191.6**	**1,229.2**	**1,071.6**
Outside equity interests	10	10.2	10.8	13.7	-	-	-
Total Equity		**811.8**	**844.5**	**876.0**	**1,191.6**	**1,229.2**	**1,071.6**

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

of Ansell Limited and its Controlled Entities for the year ended 30 June 2004

	Note	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m	The Company 2002 $m
Cash Flows Related to Operating Activities							
Receipts from customers (excluding non-recurring and Accufix Research Institute)		1,155.9	1,357.0	2,356.5	127.0	94.0	532.8
Payments to suppliers and employees (excluding non-recurring and Accufix Research Institute)		(950.6)	(1,159.9)	(2,124.8)	(117.7)	(118.5)	(540.0)
Net receipts from customers (excluding non-recurring and Accufix Research Institute)		**205.3**	**197.1**	**231.7**	**9.3**	**(24.5)**	**(7.2)**
Income taxes paid		(15.9)	(8.6)	(25.5)	-	-	-
Dividends received		-	2.6	0.3	33.1	30.4	196.8
Net cash provided by Operating Activities (excluding non-recurring and Accufix Research Institute)		**189.4**	**191.1**	**206.5**	**42.4**	**5.9**	**189.6**
Non-recurring payments to suppliers and employees		(7.1)	(26.8)	(82.7)	(6.8)	(11.1)	(39.7)
Payments to suppliers and employees net of customer receipts (Accufix Research Institute)		(3.1)	(2.7)	(10.7)	-	-	-
Net Cash (Used in)/Provided by Operating Activities	31(a)	**179.2**	**161.6**	**113.1**	**35.6**	**(5.2)**	**149.9**
Cash Flows Related to Investing Activities							
Payments for businesses, net of cash acquired		-	-	(40.9)	-	-	-
Payments for property, plant and equipment		(13.8)	(15.4)	(34.3)	(0.2)	(0.2)	(7.7)
Proceeds from sale of businesses, net of cash disposed		-	-	936.4	-	-	517.4
Proceeds from sale of plant and equipment in the ordinary course of business		5.3	6.1	12.1	-	0.1	2.0
Loans repaid		3.4	4.2	1.2	3.4	-	-
Net loans to controlled entities	31(c)	-	-	-	129.9	(24.0)	331.5
Proceeds from sale of other investments		-	9.1	-	-	6.6	-
Payments for other investments		(1.3)	-	-	-	-	-
Payments for investments in controlled entities		-	-	-	-	(6.2)	-
Net Cash (Used in)/Provided by Investing Activities		**(6.4)**	**4.0**	**874.5**	**133.1**	**(23.7)**	**843.2**
Cash Flows Related to Financing Activities							
Proceeds from borrowings		104.3	7.8	737.0	-	-	738.9
Repayments of borrowings		(140.9)	(86.9)	(1,673.9)	(128.1)	(68.8)	(1,680.2)
Net repayments of borrowings		(36.6)	(79.1)	(936.9)	(128.1)	(68.8)	(941.3)
Proceeds from issues of shares		1.0	1.0	1.2	1.0	1.0	1.2
Payments for share buy-back		(65.4)	(8.2)	-	(65.4)	(8.2)	-
Dividends paid		(32.7)	(1.7)	(48.3)	(31.0)	-	(46.5)
Interest received		9.0	8.0	13.1	81.7	139.1	36.5
Interest and borrowing costs paid		(28.7)	(37.8)	(70.2)	(27.5)	(36.1)	(67.0)
Net Cash (Used in)/Provided by Financing Activities		**(153.4)**	**(117.8)**	**(1,041.1)**	**(169.3)**	**27.0**	**(1,017.1)**
Net (Decrease)/Increase in Cash Held		**19.4**	**47.8**	**(53.5)**	**(0.6)**	**(1.9)**	**(24.0)**
Cash at the beginning of the financial year		297.2	262.3	328.4	1.4	3.3	27.3
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		(1.8)	(12.9)	(12.6)	-	-	-
Cash at the End of the Financial Year	**31(b)**	**314.8**	**297.2**	**262.3**	**0.8**	**1.4**	**3.3**

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

Industry Segments

of Ansell Limited and its Controlled Entities for the year ended 30 June 2004

	Operating Revenue			Operating Result		
	2004	2003	2002	2004	2003	2002
	$m	$m	$m	$m	$m	$m
INDUSTRY						
Ansell Healthcare						
Occupational Healthcare	545.2	624.9	640.2	74.2	62.9	37.0
Professional Healthcare	381.8	452.6	546.9	40.5	53.9	92.7
Consumer Healthcare	186.3	216.1	227.1	31.6	42.8	32.6
Total Ansell Healthcare	**1,113.3**	**1,293.6**	**1,414.2**	**146.3**	**159.6**	**162.3**
Unallocated Items	17.8	26.5	27.9	(13.1)	(22.4)	(27.7)
				133.2	**137.2**	**134.6**
Discontinued Businesses						
Trading			808.6			61.0
Operating EBITA				**133.2**	**137.2**	**195.6**
NON RECURRING						
Discontinued Businesses						
Net gain on sale of interests in Associated Companies					5.5	
Proceeds/Net gain on sale of Controlled Entities and Businesses			939.7			25.7
Other				17.8		
Rationalisation/Restructuring						
Ansell Healthcare					(4.6)	(11.6)
Other				(9.7)	(5.5)	(6.5)
Write-down of assets						
Ansell Healthcare				(8.8)		(63.1)
Exide Investment						(99.9)
Other				(1.0)	(1.5)	(13.5)
				131.5	**131.1**	**26.7**
Goodwill amortisation				(21.4)	(25.3)	(29.2)
Earnings before Net Interest and Tax (EBIT)				**110.1**	**105.8**	**(2.5)**
Borrowing Costs net of Interest Revenue				(16.8)	(26.5)	(54.7)
Operating Profit before Tax				**93.3**	**79.3**	**(57.2)**
Tax				(20.7)	(26.8)	(55.8)
Outside Equity Interests				(1.9)	(2.6)	(2.8)
Total Consolidated	**1,131.1**	**1,320.1**	**3,190.4**	**70.7**	**49.9**	**(115.8)**
REGIONS						
Asia Pacific	168.2	173.7	170.7	41.4	35.9	32.9
Americas	544.7	656.0	799.5	65.0	80.2	99.1
Europe	400.4	463.9	444.0	39.9	43.5	30.3
Total Ansell Healthcare	**1,113.3**	**1,293.6**	**1,414.2**	**146.3**	**159.6**	**162.3**

	Assets Employed			Liabilities		
	2004	2003	2002	2004	2003	2002
	$m	$m	$m	$m	$m	$m
INDUSTRY						
Ansell Healthcare						
Occupational Healthcare	274.8	284.4	353.8	96.1	90.0	105.2
Professional Healthcare	277.4	310.8	376.6	68.1	63.9	81.5
Consumer Healthcare	110.4	111.5	135.3	37.2	39.4	44.3
Total Ansell Healthcare	**662.6**	**706.7**	**865.7**	**201.4**	**193.3**	**231.0**
Unallocated Items	15.6	24.8	34.3	463.8	512.7	682.5
Discontinued Businesses	209.7	223.0	252.6	22.4	28.3	43.2
Goodwill and Brand names	293.4	324.5	403.2			
Cash	318.1	299.8	276.9			
Total Consolidated	**1,499.4**	**1,578.8**	**1,832.7**	**687.6**	**734.3**	**956.7**
REGIONS						
Asia Pacific	268.3	269.5	318.4	75.3	78.6	83.0
Americas	227.5	256.1	343.2	90.6	86.6	119.3
Europe	166.8	181.1	204.1	35.5	28.1	28.7
Total Ansell Healthcare	**662.6**	**706.7**	**865.7**	**201.4**	**193.3**	**231.0**

The above industry segments report should be read in conjunction with the accompanying notes, including Note 30.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

General

Ansell Limited is a multinational healthcare solutions provider of barrier protection products against injury, infection and contamination. The Company'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 Ansell Healthcare group manufactures industrial gloves, medical gloves and consumer products including household gloves and condoms in the Asia Pacific region and America, and markets these products globally.

The significant policies which have been adopted in the preparation of this financial report are:

Basis of Preparation of Financial Report

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies adopted in preparing the financial report have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

Comparative information is reclassified where appropriate to enhance comparability.

Principles of Consolidation

The consolidated financial statements of the Ansell Limited Group ("the consolidated entity") include the financial statements of Ansell Limited ("the Company"), being the parent entity, and its controlled entities.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at balance date and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Financial Performance and Statement of Financial Position respectively.

Results of controlled entities are included in the consolidated Statement of Financial Performance from the date on which control commences and continue to be included until the date control ceases to exist.

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) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the goods are shipped and title passes.

Interest Income

Interest income is recognised as it accrues.

Asset Sales

The net proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date control passes and a contract of sale has been signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to retained profits/accumulated losses on disposal.

Borrowing Costs

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

Ancillary costs incurred in connection with the arrangement of term borrowings are capitalised and amortised over the life of the borrowings.

1. Summary of Significant Accounting Policies (continued)

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 liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated at current rates on the accounting profit adjusted for permanent differences and income tax over/under provided in the previous year. The estimated liability for income tax outstanding in respect of the period's operations is included in the Statement of Financial Position as a current liability.

Future income tax benefits and liabilities arising because some items are included in accounting profit in a period different from that in which the items are assessed for income tax, are included in the Statement of Financial Position as a non-current asset and a non-current liability respectively. As provided for in Accounting Standard AASB 1020, these deferred tax balances have been offset, where applicable, in the financial statements of the individual entities.

The eventual recoverability of future income tax benefits and payment of the non-current tax liability is contingent upon taxable income being earned in future periods, continuation of the relevant taxation laws and each relevant company continuing to comply with the appropriate legislation.

Future income tax benefits attributable to tax losses (including capital losses) are only recorded where virtual certainty of recovery exists.

Provision is made for overseas taxes, which may arise in the event of retained profits of foreign controlled entities being remitted to Australia, when the dividend is declared. Provision is made for capital gains tax, which may arise in the event of sale of revalued assets, only when such assets are sold.

Tax Consolidation

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly owned subsidiaries set out in Note 37. The implementation date for the tax-consolidated group was 1 July 2002.

There has been no material impact on the financial statements of the Company or consolidated entity as a result of adopting tax consolidation as all tax balances of the Company and all Australian wholly owned subsidiaries were written off in a prior period.

Receivables

Trade Debtors

Trade debtors are recognised as at the date they are invoiced and are principally on 30 day terms. A provision for doubtful debts is recognised when collection of the full amount is no longer probable.

Other Amounts Receivable

Other amounts receivable comprise amounts due as a result of transactions outside the normal course of trading.

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

Standard costs approximating actual costs include an appropriate allocation of manufacturing overheads. Merchant lines are valued at actual cost into store, determined on a first in, first out or average cost 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.

1. Summary of Significant Accounting Policies (continued)

Investments

Controlled Entities
All investments are valued at the lower of cost and recoverable value. Dividends and distributions are brought to account in the Statement of Financial Performance when they are paid by the controlled entities.

Associated Companies
An associate is an entity, other than a partnership, 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.

In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the associates' net profit after tax is recognised in the consolidated Statement of Financial Performance after adjusting for: revisions in depreciation of depreciable assets and amortisation of goodwill arising from adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on transactions between the associate and any entities in the consolidated entity, or another associate of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

Revenue from dividends from associates is recognised by the parent entity when dividends are received.

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

Other Companies
Investments in other listed and unlisted companies are carried at cost less any amount provided for diminution in value as determined by the Directors. Dividends are recognised when they are received.

Interest in Partnership
The consolidated entity's 50% interest in the South Pacific Tyres partnership is carried as an investment. The principal activity of the partnership is the manufacture and sale of tyres and related products.

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.

The expected useful lives are as follows:

Freehold buildings of the Company and all Australian controlled entities	- 40 years
Freehold buildings of overseas controlled entities	- Allowable taxation rates
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.

Recoverable Amount of Non-Current Assets Valued on 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. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have been discounted to their present value.

Brand Names

Brand names acquired since 1 July 1987 are recorded in the financial statements at cost. No amortisation is provided against the carrying value of these brand names on the basis that the lives of these assets are considered unlimited at this point in time.

Brand names have an unlimited legal life and the brand names recorded in the financial statements are not currently associated with products which are likely to become commercially or technically obsolete.

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.

Bills Payable
Bills payable are carried at the principal amount plus accrued interest.

Interest Bearing Liabilities
Bank and other loans are carried at their principal amount, 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 and post retirement health benefits 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 up to the balance date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history 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. The unwinding of the discount is treated as long service leave expense.

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.

If the future sacrifice of economic benefits is material, 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. The unwinding of the discount is treated as part of the expense related to the particular provision.

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.

Contingencies, 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.

Other Liabilities

Amounts due under contract
Amounts due under contract are carried at the outstanding consideration payable.

Superannuation Contributions
The Company and other controlled entities contribute to various defined benefit and accumulation superannuation funds as set out in Note 24. Employer contributions to these funds are charged against the operating profit as they are made. The Company and the controlled entities have no legal or constructive obligation to fund any deficit.

1. Summary of Significant Accounting Policies (continued)

Employee and Executive Share Plans

The Company currently maintains two plans for employees of the consolidated entity - the Pacific Dunlop Employee Share Plan and the Ansell Limited Stock Incentive Plan. A further Plan, the Pacific Dunlop Executive Share Plan, was discontinued in 1996. Further information on these plans is set out in Note 25.

The consolidated entity has recorded a charge to the profit and loss for the current year of approximately $2.6 million based on the expected vesting of Performance Share Rights issued to executives pursuant to the Ansell Limited Stock Incentive Plan over the past two years. Australian Accounting Standards do not currently require the recognition of compensation expense in relation to issuance of shares to employees, however the Company considers the recognition of such to be consistent with appropriate accounting criteria given the movement towards the recognition of such compensation under Exposure Draft 108 Equity Based Compensation.

Accounting for Acquisitions (Goodwill)

Acquired businesses are accounted for on the basis of the cost method. Fair values are assigned at date of acquisition to all the identifiable underlying assets acquired and to the liabilities assumed. Specific assessment is undertaken at the date of acquisition of any appropriate additional costs to be incurred. A liability for restructuring costs is only recognised as at the date of acquisition when there is a demonstrable commitment to restructuring together with a detailed plan. Further, the liability is only recognised when there is little or no discretion to avoid payment to other parties to settle such costs and a reliable estimate of the amount of the liability can be made.

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Acquired goodwill is capitalised and amortised to the Statement of Financial Performance on a straight line basis over the future period of expected benefit.

The benefits from the goodwill acquired may exceed 20 years but the goodwill is written off over periods not exceeding 20 years in compliance with Australian Accounting Standards. The unamortised balance of goodwill is reviewed at least at each reporting date and any material diminution in value is charged to the Statement of Financial Performance.

Foreign Currency Translations

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.

The financial statements of overseas controlled entities that are self sustaining foreign operations are converted using the current rate method. Equity items are translated at historical rates. Variations occurring from year to year arising from this translation method are transferred to the foreign currency translation reserve until disposal, or partial disposal, of the operations.

Exchange differences arising on foreign currency amounts payable and receivable are brought to account in the Statement of Financial Performance. On consolidation, exchange differences on long term foreign currency amounts payable and receivable that hedge a net investment in an overseas controlled entity are transferred to the foreign currency translation reserve on a net of tax basis where applicable.

Derivatives

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:

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

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

(iii) the consolidated entity does not deal with counter-parties rated lower than A- by Standard and Poor's or A3 by Moody's Investors Service for any overnight transactions.

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 financial assets and liabilities on the Statement of Financial Position, where internal controls operate.

1. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments Held or Issued for Purposes Other Than Trading

On a continuing basis, the consolidated entity monitors its anticipated 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 controlled entities, future foreign exchange requirements and interest rate positions.

These exposures are then monitored against continuing analysis of anticipated positions and may be modified from time to time. The foreign exchange transactions predominantly do not exceed 12 months duration and hedge 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 5 years.

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 Statement of Financial Position 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.

Gains and losses on derivative financial instruments which hedge anticipated transactions are in the first instance deferred and later recognised in the Statement of Financial Performance when the hedged transaction occurs. Such deferrals only occur where the future transaction remains assured. Where an actual or anticipated 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 or anticipated exposure is immediately taken to the Statement of Financial Performance.

Derivative Financial Instruments Held or Issued for Trading Purposes

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

Use of Estimates

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.

Earnings per Share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity 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.

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.