

# Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Ansell Limited will be held at Fenix Events Centre, 680 Victoria Street, Richmond, Victoria on Wednesday, 18 October 2006 at 2.30pm.

# Notice of Meeting

## ORDINARY BUSINESS

### 1. To receive and consider the financial and other reports for the year ended 30 June 2006

### 2. To re-elect and elect Directors

- (a) Peter L Barnes who retires by rotation in accordance with Rule 33(c) of the Company's Constitution and being eligible offers himself for re-election.
- (b) Marissa T Peterson who was appointed a Director on 22 August 2006, retires in accordance with Rule 33(b) of the Company's Constitution and being eligible offers herself for election.

## SPECIAL BUSINESS

### 3. Refreshing ability to conduct further on-market buy-back

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*'That approval is given for the Company to buy back up to 10% of its issued ordinary shares following completion of the current on-market buy-back of 5.7 million shares, during the period from completion of the current on-market buy-back to the Company's 2007 Annual General Meeting.'*

### 4. Non-executive Directors' remuneration

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*'That the maximum aggregate amount of remuneration which may be paid to Non-executive Directors in any year as calculated under Rule 35(a) of the Company's Constitution is increased from \$750,000 to \$900,000.'*

### 5. Grant of performance rights and options to the Managing Director and Chief Executive Officer

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*'That approval is given for the grant of 207,883 performance rights and 207,883 options to Douglas D Tough, in two tranches in accordance with the rules of the Ansell Long-term Incentive Plan and on the terms summarised in the Explanatory Notes to this Notice of Meeting.'*

## OTHER BUSINESS

### 6. To adopt the Remuneration Report (non-binding vote)

To adopt the Remuneration Report for the year ended 30 June 2006.

The Remuneration Report is set out on pages 32 to 41 of the 2006 Annual Review.

### Voting restriction

The Company will disregard any vote cast on resolutions 4 or 5 by any Director or their associates, unless the vote is cast:

- as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form specifying how the proxy is to vote; or
- by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD

R J Bartlett

Secretary

8 September 2006

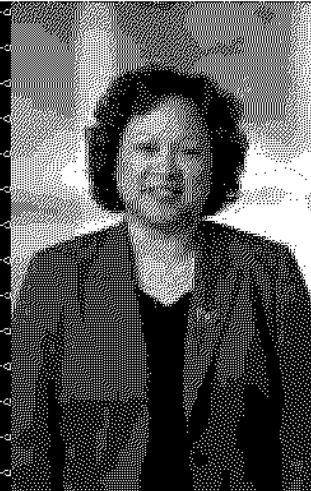
## NOTES:

- 1 On a poll, ordinary shareholders have one vote for every fully paid ordinary share held.
- 2 A member entitled to attend and vote is entitled to appoint not more than two proxies.
- 3 A proxy need not be a member of the Company.
- 4 A proxy may be either an individual or a body corporate. If you wish to appoint a body corporate as your proxy, you must specify on the proxy form:
  - the full name of the body corporate appointed as proxy; and
  - the full name or title of the individual representative of the body corporate at the Meeting.
- 5 Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion or number of the member's voting rights and neither proxy is entitled to vote on a show of hands if more than one proxy attends. If it is desired to appoint two proxies, then an additional proxy form can be obtained from the Ansell Limited Share Registry by telephoning (61 3) 9415 4000.
- 6 Proxy forms must be signed by a member or the member's attorney or, if a corporation, executed under seal or in accordance with section 127 of the Corporations Act 2001 or signed by an authorised officer or agent.
- 7 Proxy forms (and if the appointment is signed by the appointor's attorney, the original authority under which the appointment was signed or a certified copy of the authority) must be returned:
  - in person at Level 3, 678 Victoria Street, Richmond, Victoria 3121;
  - by post c/- Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001; or
  - by facsimile on (61 3) 9473 2555,so that they are received by the Company prior to 2.30pm (EST) on Monday 16 October 2006.
- 8 The Board has determined, in accordance with the Company's Constitution and the Corporations Regulations, that a shareholder's voting entitlement at the meeting will be taken to be the entitlement of that person shown in the register of members as at 10.00pm (EST) on Monday 16 October 2006.

# Explanatory Notes to Shareholders



PETER L BARNES,  
BCom (HONS), MBA (MELB)



MARISSA T PETERSON,  
MBA (HARVARD), BSC (MECH)

## ITEM 2 – TO ELECT AND RE-ELECT DIRECTORS

The following are the backgrounds of the Directors who are seeking election or re-election:

### Peter L Barnes, BCom (Hons), MBA (Melb)

Peter Barnes joined the Board as a Non-executive Director in October 2001 and was appointed Chairman in August 2005. As well as being Chairman of the Board, Mr Barnes is Chairman of the Nomination, Remuneration and Evaluation Committee. He was also Chairman of the Audit Committee until August 2005, but relinquished that role upon his appointment as Chairman of the Board.

Mr Barnes brings to the Board experience in finance, marketing and general management in the international arena.

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

Mr Barnes' previous experience includes a long career with Philip Morris International Inc where he held several senior management positions in Australia and overseas, including Managing Director, Lindeman Holdings Ltd, and President, Asia Region.

Peter Barnes is 63 and resides in Sydney.

### Marissa T Peterson MBA (Harvard), BSc (Mech)

Marissa Peterson was appointed to the Board on 22 August 2006. She is a Director of Supervalu, Inc. and Lucille Packard Children's Hospital, and serves on the Board of Trustees of Kettering University, all of which are US-based organisations.

Mrs Peterson retired from executive roles in mid-2006 having spent the previous 17 years with Sun Microsystems, most recently as Executive Vice President of Worldwide Operations and other concurrent executive vice-president roles. She brings to the Board extensive experience in manufacturing and supply chain management in a multi-national company environment.

She was formerly a Director of Covisint Inc. and a member of both the Industry Executive Advisory Council of Stanford University's Alliance for Innovative Manufacturing, and the US National Center for Women & Information Technology Executive Council.

Prior to her appointment, Mrs Peterson had not had any connection with either the Company or any of its Directors.

Marissa Peterson is 44 and lives in San Francisco.

## BOARD RECOMMENDATION

As part of its ongoing performance review process, the Board considered Peter Barnes' contribution to the Board, the Nomination, Remuneration and Evaluation Committee and the Audit Committee. The Board strongly supports Mr Barnes' re-election as a Director.

Marissa Peterson, having recently been appointed to the Board, has not participated in the Board review process, however, the Board strongly supports her election as a Director.

The Board considers both Peter Barnes and Marissa Peterson to be independent Directors.

# Explanatory Notes to Shareholders *continued*

## ITEM 3 – REFRESHING ABILITY TO CONDUCT FURTHER ON-MARKET BUY-BACK

### Background

As part of its ongoing capital management program, the Board has conducted a number of buy-backs in recent years.

During August 2006, the Company completed its \$100 million share buy-back announced at the time of the consummation of its exit from the South Pacific Tyres Partnership. This on-market buy-back resulted in 9,301,502 shares being bought back.

On 24 August 2006, the Company announced a further on-market buy-back of 5.7 million shares. This buy-back will commence on or after 8 September 2006. Completion of the current on-market buy-back will take the number of shares bought back over the past 12 months to close to 10% of Ansell's issued capital, the maximum amount permitted without shareholder approval.

The Board has reviewed the Company's current capital structure and its projected cash flows and capital requirements for the next 12 months and has determined that it would be advantageous for the Board to have the flexibility to conduct further on-market buy-backs of up to 10% of its issued ordinary shares following completion of the current on-market buy-back.

### Approval sought

The Board, as part of its capital management strategy which has seen a steady increase in the level of capital returned to shareholders in the form of higher dividends and both on- and off-market buy-backs, is seeking shareholder approval to buy back up to a further 10% of ordinary shares on issue (following completion of the current on-market buy-back) prior to the Company's 2007 Annual General Meeting.

The Company may repurchase up to 10% of ordinary shares on issue over the next 12 months without shareholder approval, under the Corporations Act. However, because completion of the current on-market buy-back will take the Company up to the 10% maximum, the Company will be restricted in relation to the timing of any further on-market buy-back if shareholder approval is not obtained.

The Company may not buy back the full 10%, but wishes to have the flexibility to do so if it considers it to be in the Company's best interests.

### Reasons for on-market buy-backs

On-market buy-backs are part of the Company's balanced capital management strategy of investing what is required in the underlying businesses, maintaining the ability to fund further acquisitions and returning surplus capital to shareholders.

### Advantages/disadvantages of on-market buy-backs

The advantages of on-market buy-backs include:

- purchases can be tailored to react to changing market conditions;
- the Company has complete flexibility to adjust the volume of shares purchased and can cease purchasing at any time;
- they are very simple to implement and involve little cost; and
- they may provide taxation advantages to shareholders who elect to sell their shares, as the Company is not currently able to provide franking credits on dividends paid.

The Board believes that a further on-market buy-back of up to 10% of the ordinary shares on issue presents an advantageous way of returning surplus capital to shareholders.

In deciding how to vote on this resolution shareholders should consider the fact that any on-market buy-back:

- could, all other things remaining the same, reduce net asset backing per share; and
- may result in a reduction of the Company's index weighting.

### Effect of buy-backs on the Company

In an on-market buy-back, shares are acquired at the market price of shares at the time. Based upon an estimated 145.6 million ordinary shares on issue at the conclusion of the current buy-back, 10% represents 14.6 million shares.

As the overall size of any on-market buy-back has not been finalised and the price at which shares will be bought back is unknown, it is not possible to state the maximum cost of any buy-back. However, to repurchase 10% of the estimated number of ordinary shares on issue at the conclusion of the current buy-back would cost approximately A\$136 million at market prices at the date of preparation of this Notice of Meeting.

It is currently anticipated that any on-market buy-back will be funded from cash reserves.

Details of the timing of any further on-market buy-back will be announced by the Board if and when it decides to proceed with a buy-back.

### Effect of buy-backs on control of the Company

The effect of any buy-back on the control of the Company will not be known until the buy-back is conducted. Having regard to the Company's current shareholding spread and assuming that this is maintained, any buy-back is not expected to result in a change of control of the Company.

### General

The Board believes that the Company will remain conservatively geared and have strong financial flexibility and liquidity, notwithstanding a further on-market buy-back of up to 10% of the ordinary shares on issue (following the completion of the current on-market buy-back).

### Board recommendation

The Board unanimously recommends that shareholders vote in favour of the resolution.

#### ITEM 4 – NON-EXECUTIVE DIRECTORS' REMUNERATION

The Board asks for shareholder approval to increase the maximum aggregate amount of remuneration that may be paid to Non-executive Directors in any year under Rule 35(a) of the Constitution from \$750,000 to \$900,000. The current maximum aggregate amount payable to Directors of \$750,000 per annum was approved by shareholders in 1989.

##### **Remuneration Policy**

In setting Non-executive Directors' fees, the Board wishes to attract and retain Directors best able to satisfy the needs of the Company, taking into account:

- the time commitment expected of Directors and the risks connected with discharging the duties attaching to the role of Director;
- the need to attract appropriate Directors internationally, reflecting the geographic spread of the Company's operations; and
- fees paid by comparable companies and independent advice from remuneration consultants and other advisers.

Details of the amounts paid to each Non-executive Director for the past financial year are set out in the Remuneration Report on page 34 of the Annual Review.

The Company has recently completed a review of the fees paid to non-executive Directors. Based on the independent advice obtained, the Board has decided not to increase the annual fee paid to each of the Company's Non-executive Directors for the 2007 financial year.

##### **Reason for increase**

As the Company's operations have expanded both geographically and in scale and scope, it has become:

- necessary to consider the level of fees paid to attract Directors with appropriate international experience;
- desirable to have flexibility to increase the size of the Board by recruiting additional Directors; and
- desirable to have room within the shareholder approved amount to increase Directors' fees in line with market practice.

Whilst the Board does not currently intend to increase Non-executive Directors' annual fees, it is seeking shareholder approval to increase the aggregate fee pool in order to provide the flexibility to appoint another Director in the next 12 months, and to make any increases in Directors' fees it considers appropriate in future years.

Based on market data it has received, the Board has formed the view that the proposed increase is appropriate in light of the Company's remuneration policy, and is consistent with the non-executive director fee pools of comparable companies.

#### ITEM 5 – GRANT OF PERFORMANCE RIGHTS AND OPTIONS TO THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

This resolution seeks shareholder approval for the grant to Mr Tough of performance rights and options under the new Ansell Long-term Incentive Plan.

##### **Ansell Long-term Incentive Plan**

During the 2006 financial year, the Board engaged independent advisers to conduct a review of the Company's remuneration practices.

The review identified the long-term incentive arrangements as an area where the Company's existing remuneration arrangements could be improved to provide a closer alignment between Ansell's long-term strategic direction and shareholder interests.

In response to this review, the Board has adopted the Ansell Long-term Incentive Plan (**Plan**) as the new long-term incentive scheme for senior executives. From the 2007 financial year, all long-term incentive grants to senior executives will be made pursuant to the Plan. No further grants will be made under the existing Ansell Stock Incentive Plan.

The Plan has been designed to:

- facilitate equity ownership for key executives, providing the opportunity for participants to share in any growth in share value;
- align the interests of key executives with the interests of shareholders;
- provide a strong recruitment and retention mechanism; and
- deliver a market-informed approach to executive remuneration, incorporating sufficient flexibility to reflect local market conditions where appropriate.

A brief overview of the Plan and specific details of the proposed grant of performance rights and options to Mr Tough are set out below.

##### **Summary of Plan**

Under the Plan, annual grants of performance rights and options will be made to eligible senior executives.

Options and performance rights granted under the Plan will not be transferable, and participating executives will be prohibited from entering into hedging arrangements in respect of unvested options and performance rights.

Performance rights and options will be granted at no cost to the participant. Each option or performance right granted will entitle the participant to one ordinary share in the Company, subject to satisfaction of performance conditions set by the Board in respect of the grant.

## Explanatory Notes to Shareholders *continued*

Grants under the Plan will be tested over a three-year period (subject to the one-off transitional arrangements for the grant made in the 2007 financial year, as set out below). If the relevant performance conditions are satisfied at the end of the performance period then:

- the performance rights will vest automatically and shares in the Company will be allocated to the participant; and
- the options will vest, and participants may exercise their options from the vesting date up until the seventh anniversary of the grant date. Upon exercising their options (including payment of the applicable exercise price), participants will be allocated shares in the Company.

No retesting of performance will be permitted.

Shares allocated upon vesting of performance rights and exercise of options will be unrestricted, and will carry full dividend and voting rights from the date of allocation.

The Board has adopted an anti-dilution policy in relation to the Plan. The policy states that the total number of shares to be issued to satisfy instruments outstanding under the Plan at any time should not exceed 7% of the Company's share capital.

### Specific terms of grant

Details of Mr Tough's remuneration package for the 2006 financial year, and the basis upon which this remuneration was determined, are set out in the Remuneration Report on pages 32 to 41 of the Annual Review. Mr Tough's remuneration package for the 2007 financial year will incorporate an award under the new Plan.

The Board has decided that half of the performance rights granted to the Managing Director and Chief Executive Officer for the 2007 financial year will be tested after two years. This is a one-off transitional measure to ensure that the Managing Director and Chief Executive Officer has awards available for vesting in the 2008 financial year, which would not otherwise be possible due to the applicable vesting periods under the new Plan. The balance of the performance rights and all of the options will be tested after three years.

Long-term incentives are intended to provide approximately 40% of Mr Tough's total annual remuneration for performance at target (increasing to approximately 50% of his total annual remuneration for performance at stretch targets).

The Board has determined, in providing the long-term incentive component of Mr Tough's remuneration, to make available an equal number of performance rights and options as an appropriate balance between the incentive to drive forward the company's share price and the dilutive effect of introducing additional share options. Awards combining options and performance rights are also reflective of market practice in the United States.

The grant to Mr Tough will therefore be divided into two tranches as follows:

- 103,941 performance rights will be subject to a two-year transitional performance period (Tranche 1); and
- 103,942 performance rights and 207,883 options will be subject to a three-year performance period (Tranche 2).

The number of options and performance rights within the above grant was determined based on the value of the instruments as at 30 June 2006, calculated using binomial tree valuation methodology for the performance rights and Monte-Carlo simulation methodology for the options.

If approved, it is intended that the grant to Mr Tough will be made shortly after this meeting and, in any event, no later than 12 months from the date of this meeting.

No amount will be payable by Mr Tough in respect of the grant, or upon vesting of the performance rights, however, the options will have an exercise price based on the Company's share price on ASX over the five trading days up to and including the grant date.

Different performance conditions will apply in respect of the performance rights and the options.

### Performance conditions for options

The options are subject to a performance condition based on the Company's Total Shareholder Return (TSR) over the three-year vesting period. TSR measures the return to a shareholder over the performance period in terms of changes in the market value of the shares plus the value of the dividends paid on the shares.

The growth in the Company's TSR over the performance period will be compared with the TSR performance of a comparator group comprising global organisations operating within the same or similar industry segments as the Company. For the purposes of the grant to be made in the 2007 financial year under the Plan, the comparator group comprises the following companies:

- Bacou-Dalloz (France)
- Bergman & Beving AB (Sweden)
- Church & Dwight Co, Inc (USA)
- Kimberly-Clark Corporation (USA)
- Mine Safety Appliances Company (USA)
- Paul Hartman AG (Germany)
- Playtex Products, Inc (USA)
- Semperit AG Holding (Austria)
- SSL International plc (UK)
- Steris Corporation (USA)
- Symbion Health Limited (Australia)
- Top Glove Corporation Bhd. (Malaysia)

The percentage of options in a tranche which vest will be determined by reference to the level of TSR growth achieved by the Company over the vesting period compared with the performance of other companies in the comparator group as follows:

TSR GROWTH - PERCENTILE RANKING	OPTIONS IN TRANCHE THAT VEST (%)
Below 50th percentile	0
50th percentile	50
Between 50th and 75th percentile	Sliding scale from 50 to 100
75th percentile or above	100

#### Performance condition for performance rights

The performance rights are subject to a performance condition based on growth in the Company's earnings per share (EPS) over the relevant period. The Board has selected the mid-point of the guidance provided to market in August 2006 as the base of US\$0.48 EPS for the 2007 financial year (base point), recognising the fundamental change in the Company's cost structure brought about by the historically high price of latex.

The target EPS growth rate is 12% per annum compound, measured from the base point to:

- the end of the 2008 financial year for tranche 1 (being the tranche that is subject to the transitional measure); and
- the end of the 2009 financial year for tranche 2.

The stretch hurdle for each tranche is an EPS value that is 7.5% above the target EPS value for that tranche.

The Board will exclude the effect of net changes in capital when measuring EPS performance. This ensures the current capital management program of share buy-backs will not influence performance against these targets.

The percentage of performance rights in a tranche which vest at particular EPS growth rates is as follows:

EPS GROWTH	PERFORMANCE RIGHTS IN TRANCHE THAT VEST (%)
Below target	0
Target	50
Between target and stretch	Sliding scale from 50 to 100
Above stretch	100

#### Change of control and cessation of employment

In addition to the circumstances set out above, the Directors also have discretion to determine that the performance rights and options will vest in the event of a change of control, subject to pro rata performance up to the relevant date.

Where Mr Tough ceases employment with the Company:

- any unvested performance rights and options will lapse, except where Mr Tough's employment ceases due to death, disability or other circumstances with the approval of the Board, in which case the Board has discretion to determine that the performance rights and options will vest on a pro rata basis (having regard to performance up to cessation of employment); and
- any vested options will lapse unless they are exercised within 90 days of Mr Tough ceasing employment.

Any performance rights or options which do not vest at the end of the applicable performance period will lapse.

#### Other required information

No previous grants have been made under the Plan and no current Directors other than Mr Tough are entitled to participate in the Plan.

#### Board recommendation

The Board unanimously recommends that shareholders vote in favour of the resolution.

#### ITEM 6 – REMUNERATION REPORT (NON-BINDING ADVISORY VOTE)

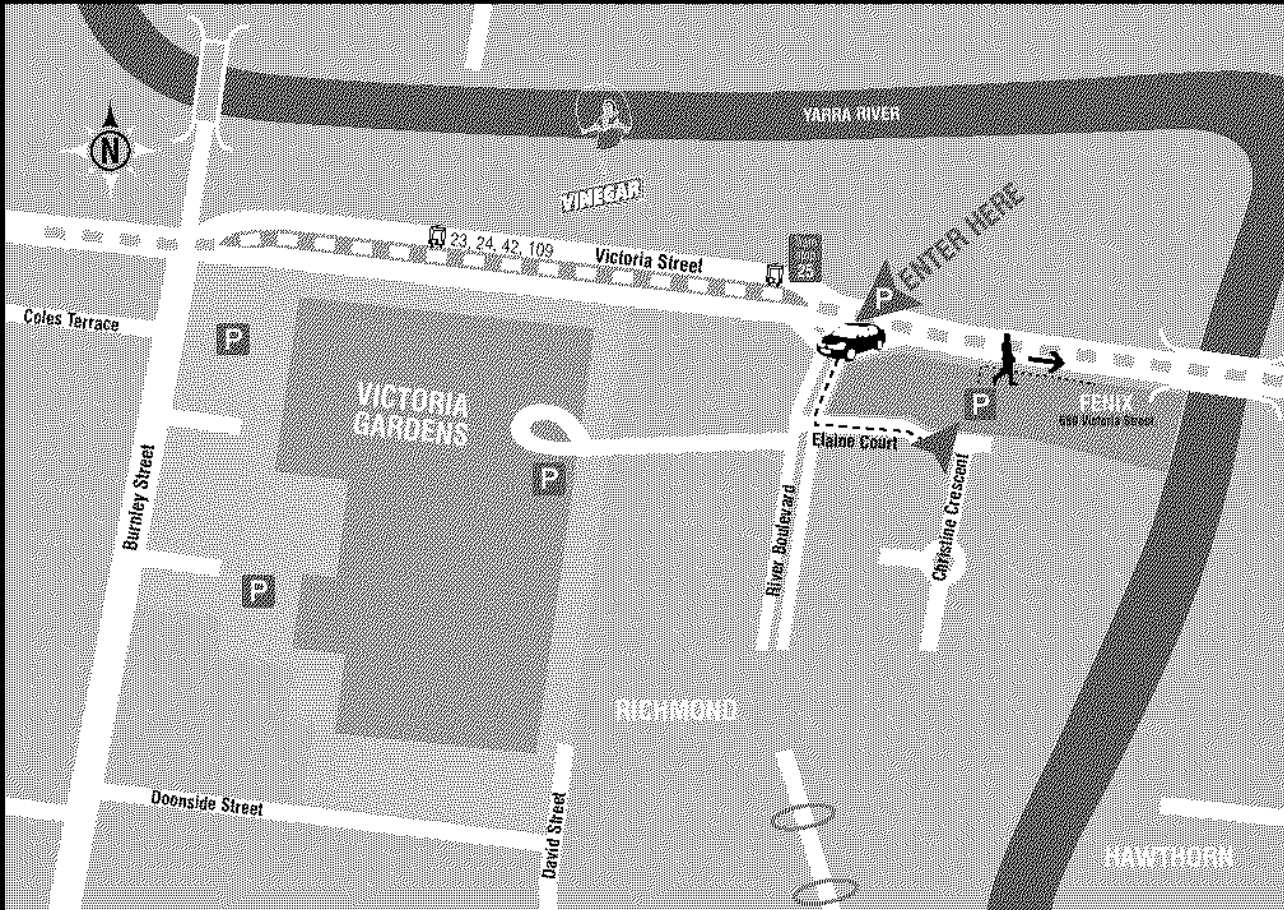
Shareholders are asked to adopt the Company's Remuneration Report for the year ended 30 June 2006. The Remuneration Report is set out on pages 32 to 41 of the 2006 Annual Review, which is also available from the Company's website ([www.ansell.com](http://www.ansell.com)).

The vote on resolution 6 is advisory only, and does not bind the Directors. However, a reasonable opportunity for discussion of the Remuneration Report will be provided at the conclusion of voting on the formal resolutions before the Meeting.

The Nomination, Remuneration and Evaluation Committee will take into account the discussion on this resolution and the outcome of the vote when considering the future remuneration arrangements of the Company.

#### Board Recommendation

The Board unanimously recommends that shareholders vote in favour of the resolution.



The Annual General Meeting of Ansell Limited will be held at Fenix Events Centre, 680 Victoria Street, Richmond, Victoria on Wednesday, 18 October 2006 at 2.30pm (Melway Reference: 44 J8).

Parking is available beneath 680 Victoria Street (enter from Elaine Court) or in the Victoria Gardens shopping complex.