

ANSELL LTD  
Form 20-F  
January 12, 2006  
[Table of Contents](#)

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

---

**FORM 20-F**

---

(Mark One)

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

OR

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

For the fiscal year ended 30 June 2005

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

Date of event requiring this shell company report

Commission file number 0-15850

---

# Ansell Limited

(Australian Company Number 004 085 330)

(Exact name of Registrant as specified in its charter)

---

Victoria, Australia

(Jurisdiction of incorporation or organisation)

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

(Address of principal executive offices)

---

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

---

Title of each class

None

---

Name of each exchange on which registered

None

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

Ordinary Shares

American Depositary Shares\*

\* Evidenced by American Depositary Receipts, each American Depositary Share representing four (4) Ordinary Shares

Edgar Filing: ANSELL LTD - Form 20-F

Securities registered or to be registered pursuant to Section 15(d) of the Act.

None

---

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares 160,125,483 (at 30 June 2005)\*\*

\*\* This figure includes 1,290,004 shares represented by the 322,501 American Depositary Shares outstanding on 30 June 2005.

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

Indicate by check mark which financial statement item the registrant has elected to follow ☐ Item 17 ☒ Item 18

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

---

**Table of Contents****Contents - Business Description and Financial Statements**

<b>SEC ITEM</b>	<b>PAGE NO</b>
<b>PART I</b>	
<b>Item 1 : <u>Identity of Directors, Senior Management and Advisors</u></b>	<b>1</b>
<b>Item 2 : <u>Offer Statistics and Expected Timetable</u></b>	<b>2</b>
<b>Item 3 : <u>Key Information</u></b>	<b>3</b>
3A <u>Selected Financial Data</u>	3
3B <u>Capitalisation and Indebtedness</u>	5
3C <u>Reasons for the Offer and use of Proceeds</u>	5
3D <u>Risk Factors</u>	5
<b>Item 4 : <u>Information on the Company</u></b>	<b>8</b>
4A <u>History and Development of the Company</u>	8
4B <u>Business Overview</u>	11
4C <u>Organisational Structure</u>	15
4D <u>Property, Plants and Equipment</u>	15
<b>Item 5 : <u>Operating and Financial Review and Prospects</u></b>	<b>17</b>
5A <u>Operating Results</u>	17
5B <u>Liquidity and Capital Resources</u>	21
5B <u>Liquidity and Capital Resources (continued)</u>	22
5C <u>Research And Development</u>	23
5D <u>Trend Information</u>	23
5E <u>Off-Balance Sheet Arrangements</u>	23
5F <u>Contractual Obligations</u>	24
5G <u>Safe Harbour</u>	24
5H <u>Critical Accounting Policies</u>	24
<b>Item 6: <u>Directors, Senior Management and Employees</u></b>	<b>26</b>
6A <u>Directors and Senior Management</u>	26
6B <u>Compensation</u>	30
6C <u>Board Practices</u>	37
6D <u>Employees</u>	43
6E <u>Share Ownership</u>	44
<b>Item 7: <u>Major Shareholders and Related Party Transactions</u></b>	<b>46</b>
7A <u>Major Shareholders</u>	46
7B <u>Related Party Transactions</u>	46
7C <u>Interests of Experts and Counsel</u>	46
<b>Item 8 : <u>Financial Information</u></b>	<b>47</b>
8A <u>Consolidated Statements and other Financial Information</u>	47
8B <u>Significant Changes</u>	47
<b>Item 9: <u>The Offer and Listing</u></b>	<b>48</b>
9A <u>Offer and Listing Details</u>	48
9B <u>Plan of Distribution</u>	48
9C <u>Markets</u>	49
9D <u>Selling Shareholders</u>	49
9E <u>Dilution</u>	49
9F <u>Expenses of the Issue</u>	49
<b>Item 10: <u>Additional Information</u></b>	<b>50</b>
10A <u>Share Capital</u>	50
10B <u>Constitution</u>	50
10C <u>Material Contracts</u>	52
10D <u>Exchange Controls</u>	52
10E <u>Australian Taxation</u>	61

## **Table of Contents**

10F	<u>Dividends and Paying Agents</u>	65
10G	<u>Statement by Experts</u>	65
10H	<u>Documents on Display</u>	65
10I	<u>Subsidiary Information</u>	65
<b>Item 11:</b>	<b><u>Quantitative and Qualitative Disclosures about Market Risk</u></b>	<b>66</b>
	<u>Derivative Financial Instruments</u>	66
<b>Item 12 :</b>	<b><u>Description of Securities Other than Equity Securities</u></b>	<b>72</b>
<b>Item 13 :</b>	<b><u>Defaults, Dividend Arrearages and Delinquencies</u></b>	<b>73</b>
<b>Item 14 :</b>	<b><u>Material Modifications to the Rights of Security Holders</u></b>	<b>74</b>
<b>Item 15 :</b>	<b><u>Controls and Procedures</u></b>	<b>75</b>
<b>Item 16</b>		<b>76</b>
16A	<u>Audit Committee Financial Expert</u>	76
16B	<u>Code Of Ethics</u>	76
16C	<u>Principal Accountant Fees and Services</u>	76
16D	<u>Exemptions from the Listing Standards for Audit Committees</u>	77
16E	<u>Purchases Of Equity Securities By The Issuer</u>	77
<b>Item 17 :</b>	<b><u>Financial Statements</u></b>	<b>78</b>
<b>Item 18 :</b>	<b><u>Consolidated Financial Statements</u></b>	<b>79</b>
	<u>Statements of Financial Performance</u>	79
	<u>Statements of Financial Position</u>	80
	<u>Statements of Cash Flows</u>	81
	<u>Industry Segments</u>	82
1.	<u>Summary of Significant Accounting Policies</u>	83
2.	<u>Change in Accounting Policy</u>	89
3.	<u>Total Revenue</u>	89
4.	<u>Profit from ordinary activities before income tax</u>	90
5.	<u>Contributed Equity</u>	91
6.	<u>Accumulated Losses and Reserves</u>	92
7.	<u>Total Equity Reconciliation</u>	93
8.	<u>Income Tax</u>	93
9.	<u>Dividends Paid or Declared</u>	94
10.	<u>Outside Equity Interest</u>	94
11.	<u>Cash Assets</u>	94
12.	<u>Receivables</u>	95
13.	<u>Inventories</u>	95
14.	<u>Current Assets - Other</u>	96
15.	<u>Other Financial Assets (Investments)</u>	96
16.	<u>Property, Plant and Equipment</u>	96
16.	<u>Property, Plant and Equipment (continued)</u>	97
17.	<u>Intangible Assets</u>	98
18.	<u>Deferred Tax Assets</u>	98
19.	<u>Non-Current Assets - Other</u>	98
20.	<u>Payables</u>	99
21.	<u>Interest Bearing Liabilities</u>	99
22.	<u>Provisions</u>	101
23.	<u>Dissection of Liabilities</u>	102
24.	<u>Expenditure Commitments</u>	102
25.	<u>Superannuation</u>	103
26.	<u>Ownership-Based Remuneration Schemes</u>	104
27.	<u>Contingent Liabilities and Contingent Assets</u>	106
28.	<u>Financial Instruments</u>	107
29.	<u>Director and Executive Disclosure</u>	110
30.	<u>Notes to the Industry Segments Report</u>	113
31.	<u>Notes to the Statements of Cash Flows</u>	115

---

**Table of Contents**

32.	<u>Acquisition of Controlled Entities and Material Businesses</u>	116
33.	<u>Disposal of Controlled Entities and Material Businesses</u>	116
34.	<u>Non-Director Related Party Disclosures</u>	116
35.	<u>Earnings per Share</u>	118
36.	<u>Environmental Matters</u>	118
37.	<u>Particulars Relating to Controlled Entities</u>	119
38.	<u>Impact of Adopting Australian Equivalents to IFRS</u>	122
39.	<u>Major differences between Australian GAAP and US GAAP</u>	126
40.	<u>Reconciliation to United States Generally Accepted Accounting Principles (US GAAP)</u>	134
	<u>Report of Independent Registered Public Accounting Firm</u>	142
	<b><u>Item 19 : Exhibits</u></b>	<b>143</b>
	<b><u>Signature</u></b>	<b>144</b>
	<b><u>Exhibit Index</u></b>	<b>145</b>
	Exhibit 7.1	146
	Exhibit 8.1	147
	Exhibit 12.1	149
	Exhibit 12.2	150
	Exhibit 13.1	151
	Exhibit 13.2	152

**Table of Contents**

**PART I**

**Item 1 : Identity of Directors, Senior Management and Advisors**

Not Applicable

**Table of Contents**

**PART I**

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

Not Applicable



**Table of Contents****PART I****Item 3 : Key Information****3A SELECTED FINANCIAL DATA**

The following selected financial data for the five year period ended 30 June 2005 has been derived from Ansell Limited's audited consolidated financial statements (the Financial Statements) and should be read in conjunction with and are qualified in their entirety by reference to those statements and accompanying notes thereto. Such Financial Statements have been audited by KPMG, Independent Registered Public Accounting Firm.

Except as set forth below, Ansell Limited's consolidated financial statements are prepared in accordance with Australian GAAP, which varies in certain material respects from US GAAP. For discussion of the major differences and a reconciliation of the material differences between Australian GAAP and US GAAP as they relate to Ansell Limited for the 3 years ended 30 June 2005, see Notes 39 and 40 to the Consolidated Financial Statements.

In millions of A\$, except per share & per ADS amounts	For Years Ended 30 June				
	2005	2004	2003	2002	2001
<b>STATEMENT OF FINANCIAL PERFORMANCE DATA</b>					
<i>Amounts prepared in accordance with Australian GAAP :</i>					
Sales revenue (excluding South Pacific Tyres)	1,096	1,113	1,294	2,223	4,157
Profit/(loss) before income tax	35	94	80	(57)	54
Income tax expense	22	21	27	56	190
Outside equity interest after tax	2	2	3	(3)	(3)
Net profit/(loss) after income tax	11	71	50	(116)	(139)
<i>Amounts prepared in accordance with US GAAP :</i>					
Sales revenue from continuing operations	1,096	1,113	1,294	1,414	1,412
Income/(loss) from continuing operations	130	83	69	(126)	(281)
Net income/(loss)	130	90	51	(172)	(207)
<b>SHARE INFORMATION <sup>(1)</sup></b>					
<i>Amounts prepared in accordance with Australian GAAP :</i>					
Number of shares on issue (millions)	160	177	187	188	188
Basic Earnings per share (\$ s)	0.07	0.39	0.27	(0.62)	(0.72)
Basic Earnings per ADS (\$ s)	0.28	1.56	1.08	(2.48)	(2.88)
Dividends provided for or paid	24	31			47
Dividends per ordinary share (\$ s)	0.14	0.17			0.05
Dividends per ADS (\$ s)	0.56	0.68			0.20
Dividends per ADS US\$ <sup>(2)</sup>	0.42	0.48			0.10
<i>Amounts prepared in accordance with US GAAP : <sup>(3)</sup></i>					
Basic Earnings per share continuing operations <sup>(4)</sup> (\$ s)	0.78	0.46	0.37	(0.67)	(1.45)
Basic Earnings per ADS continuing operations (\$ s)	3.12	1.84	1.48	(2.68)	(5.80)
Basic Earnings per share net income/(loss) (\$ s)	0.78	0.50	0.27	(0.92)	(1.07)
Basic Earnings per ADS net income/(loss) (\$ s)	3.12	2.00	1.12	(3.68)	(4.28)

# Edgar Filing: ANSELL LTD - Form 20-F

## STATEMENT OF FINANCIAL POSITION DATA (AT YEAR END)

### *Amounts prepared in accordance with Australian GAAP :*

Current assets	613	749	761	822	1,803
Total assets	1,199	1,499	1,579	1,833	3,476
Current liabilities	226	404	368	389	1,450
Non-current liabilities	370	283	366	568	960
Shareholders' equity	603	812	845	876	1,066

### *Amounts prepared in accordance with US GAAP : <sup>(3)</sup>*

Current assets	613	749	761	821	1,802
Total assets	1,421	1,591	1,615	1,844	3,546
Current liabilities	240	405	367	389	1,427
Long term debt	331	236	320	517	862
Shareholders' equity	802	880	864	874	1,139

- (1) Effective 12 April 2002, Ansell Limited reduced the number of ordinary shares and exercisable options on issue by means of a 1 for 5 share consolidation, which received shareholder approval at an Extraordinary General Meeting held on 12 April 2002. Where appropriate prior year comparatives have been adjusted to take into account this share consolidation.

**Table of Contents****PART I****Item 3 : Key Information****3A SELECTED FINANCIAL DATA (continued)**

- (2) US\$ amount of A\$ dividends translated at the Noon Buying Rate on the respective A\$ dividend payment dates, which represents approximately the actual US\$ dividend paid to holders of American Depositary Shares (ADSs) by the Depositary.
- (3) The principle differences between Australian GAAP and US GAAP for each of the 3 years ended 30 June 2005, are explained in Notes 39 and 40 to the Consolidated Financial Statements.
- (4) Diluted earnings per share are not materially different to basic earnings per share due to the limited number of dilutive securities.

**EXCHANGE RATES**

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

The rate of exchange of A\$1.00 to US\$ based on the noon buying rate 31 October 2005 was 0.7499.

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

For the last six months

<b>US\$ per A\$1.00</b>	<b>High</b>	<b>Low</b>
October 2005	0.7633	0.7474
September 2005	0.7747	0.7560
August 2005	0.7744	0.7485
July 2005	0.7648	0.7395
June 2005	0.7784	0.7498
May 2005	0.7810	0.7549

# Edgar Filing: ANSELL LTD - Form 20-F

For the last five fiscal years

<u>US\$ per A\$1.00</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Average Rate <sup>(1)</sup>	0.7610	0.7016	0.5865	0.5221	0.5377

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

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

**Table of Contents**

**PART I**

**Item 3 : Key Information**

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

Ansell Limited purchases forward exchange contracts to cover exchange rate risks on certain import/export transactions. The Company believes it has reduced substantially its exposure to movements in exchange rates with respect to these transactions. The Company remains exposed, however, to fluctuations in exchange rates to the extent that the results of operations of its foreign subsidiaries are denominated in currencies other than Australian dollars and are translated for each relevant financial period into Australian dollars at the average exchange rate for the period.

**3B CAPITALISATION AND INDEBTEDNESS**

Not Required

**3C REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not Required

**3D RISK FACTORS**

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

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

Due to the worldwide locations of Ansell's manufacturing facilities, a substantial portion of costs are incurred in currencies other than Australian dollars, primarily the U.S. dollar and currencies of various Southeast Asian countries. In fiscal years 2003, 2004 and 2005 all Ansell's manufacturing costs in respect of its continuing operations were denominated in currencies other than Australian dollars.

## Edgar Filing: ANSELL LTD - Form 20-F

Similarly, due to the worldwide presence of Ansell's customer base, a substantial portion of net sales is realised in various currencies other than Australian dollars, primarily U.S. dollars, Euros and to a lesser extent British pounds, Canadian dollars and several other currencies. Net sales are largely denominated in currencies other than Australian dollars for each of fiscal years as follows: 2003 approximately 95%, 2004 approximately 94% and 2005 approximately 93%. Net sales and costs are not aligned in certain regions, which limits natural currency hedges.

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

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

**Table of Contents**

**PART I**

**Item 3 : Key Information**

**3D Risk Factors (continued)**

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

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

actual or anticipated variations in semi-annual operating results, including currency translation,

announcements of technological innovations or new services or products by Ansell or Ansell's competitors,

the operating and stock price performance of other comparable companies,

changes in financial estimates by securities analysts,

changes in Ansell's expected capital needs, and

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

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

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

In fiscal year 2005, approximately 91% of Ansell's manufacturing operations, measured in terms of cost of production, and approximately 62% of Ansell's net sales were outside the United States. As a company with worldwide presence, we are subject to economic, political and diplomatic factors in countries where we operate that could adversely affect the financial results, restrict Ansell's ability to expand or limit current operations.

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

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

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

Ansell, and other companies in its industry are defendants in a number of product liability lawsuits alleging fault for allergic reactions to natural rubber latex gloves experienced by some users. The lawsuits allege among other things, that the defendants were negligent in the design and manufacture of the gloves and failed to adequately warn users of the possibility of allergic reactions to latex products. As of 30 June 2005, Ansell was a defendant along with other manufacturers and distributors of latex gloves in 9 product liability cases filed in the United States on behalf of individuals alleging wrongful death, personal injuries and lost wages as a result of their exposure to natural rubber latex gloves; down from 313 and 46 latex allergy lawsuits pending against Ansell at 30 June 2003 and 30 June 2004 respectively.



## **Table of Contents**

## **PART I**

### **Item 3 : Key Information**

#### **3D Risk Factors (continued)**

In a number of additional cases, distributors of latex gloves that have also been named as defendants are pursuing cross-claims and third-party claims against several manufacturers of natural rubber latex gloves, including Ansell, in an effort to recover their costs related to the latex litigation. In one such case, Owens & Minor, Inc., et al. v. Ansell Healthcare Products Inc., et al., Case No. 00-C-0099A-102, Bowie County, Texas, on 27 August, 2004, the trial court entered a judgment against Ansell and another defendant, Becton Dickinson and Company in the amount of US\$351,728.32. Ansell is appealing that decision. In another case, Gilberti v. Touro Infirmary, et al., Case No. 2000-9920, Civil District Court for the Parish of New Orleans, Ansell received a jury verdict in its favor on the individual plaintiff's liability claim. After the verdict, the hospital employer of the plaintiff pursued a claim for indemnity against Ansell. On 10 November, 2004, the trial court entered judgment against Ansell on the hospital employer's indemnity claim in the amount of US\$828,935.14. Ansell is appealing that decision. It is not possible at this time to quantify the potential financial impact of the remaining cases on Ansell.

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

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

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

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

Ansell accounted for approximately 4% of worldwide liquid natural latex consumption in fiscal 2005.

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



## **Table of Contents**

## **PART I**

### **Item 4 : Information on the Company**

#### **OVERVIEW**

The fiscal year of Ansell Limited ( "Ansell Limited" or the "Company", which, unless the context otherwise requires, includes Ansell Limited and its consolidated subsidiaries) ends on 30 June. The fiscal year ended 30 June 2005 is referred to herein as "2004-2005" or "fiscal year 2005" and other fiscal years are referred to in a similar manner.

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

#### **4A HISTORY AND DEVELOPMENT OF THE COMPANY**

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

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

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

## Edgar Filing: ANSELL LTD - Form 20-F

name Dunlop Olympic Limited until 1986, when it changed its name to Pacific Dunlop Limited.

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

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

**Table of Contents**

**PART I**

**Item 4 : Information on the Company**

**4A HISTORY AND DEVELOPMENT OF THE COMPANY (continued)**

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

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

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

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

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

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

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

resolution of the outstanding Accufix Pacing Leads class action litigation in the United States within the previously provided provisions,

## Edgar Filing: ANSELL LTD - Form 20-F

the strengthening of Ansell Healthcare's global leadership and competitiveness in barrier protection products by continuing the integration of the Johnson & Johnson medical gloves business, fully commissioning the new Thailand condom plant and commencing a major manufacturing and marketing restructure,

the acquisition and integration by Pacific Brands of Clarks Shoes and the Sara Lee Apparel business in Australasia and Fiji,

the closure of South Pacific Tyres heavy truck tire plant and the realignment of the marketing function along consumer and commercial lines,

effective 1 August 2000, the Novare joint venture between the Company and Andersen Consulting (now Accenture) for the provision of business support services and information technology solutions to companies across the manufacturing, distribution and retail industries in Australia and New Zealand formally commenced operation.

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

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

**Table of Contents**

**PART I**

**Item 4 : Information on the Company**

**4A HISTORY AND DEVELOPMENT OF THE COMPANY (continued)**

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

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

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

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

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

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

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

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

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

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

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

On 16 December 2005 the Company announced that it had reached agreement with Goodyear as to the terms of its exit from the South Pacific Tyres business. Pursuant to the agreed terms, Goodyear will purchase Ansell's interest in SPT for \$53 million resulting in a \$5 million non-cash write-down from the current carrying value of \$58 million. In addition a loan outstanding from Ansell to SPT will be repaid in full, which with accrued interest, totals approximately \$69 million.

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

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



**Table of Contents****PART I****Item 4 : Information on the Company****4B BUSINESS OVERVIEW****ORGANIZATION**

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

**ANSELL HEALTHCARE**

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

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

<b>\$ in millions</b>	<b>For Years Ended 30 June</b>		
	<b>2005</b>	<b>2004</b>	<b>2003</b>
Sales	1,096	1,113	1,294
Operating Profit	154	146	160
Gross Assets <sup>(1)</sup>	570	663	707
Employees	11,036	11,509	11,991

<sup>(1)</sup> Gross assets exclude cash, goodwill and brand names.

Ansell operates in three broad market segments: Professional Healthcare (surgeons' and examination gloves); Occupational Healthcare (industrial hand protection); and Consumer Healthcare (condoms and household gloves). The Company is organized across three geographic regions – the Americas, Europe and Asia Pacific – supported by a shared operations/supply chain, a Science and Technology group and global marketing teams. More than 48 percent of Ansell's sales in fiscal year 2005 were in the Americas, with a further 37 percent in the European region and the balance in Asia Pacific. Refer to Item 5.A. for additional information on the breakdown of total revenues by category of activity and geographic market.

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

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

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

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

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

The Operations and Supply Chain group support product flows to the markets through 15 global production facilities located in Asia, North America and the UK. Almost 77% of the product sourced is manufactured at these facilities with the balance outsourced under strict quality and performance specifications.

**Table of Contents**

**PART I**

**Item 4 : Information on the Company**

**4B BUSINESS OVERVIEW (continued)**

**ANSELL HEALTHCARE (continued)**

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

Ansell Healthcare's operations are not impacted by seasonal factors.

**DISCONTINUED OPERATIONS**

Since the mid 1990's the Company has pursued a policy of divesting major businesses to enable greater focus on the Ansell Healthcare operations. The divestments were largely completed by the end of fiscal 2002 with principally only the investment in the South Pacific Tyres (SPT) business remaining as a non core operation (refer Item 4A). SPT is not treated as discontinued for US GAAP reporting.

**RAW MATERIALS**

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

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

**REGULATION AND ENVIRONMENTAL MATTERS**

**Government Regulation**

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

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

**Table of Contents**

**PART I**

**Item 4 : Information on the Company**

**4B BUSINESS OVERVIEW (continued)**

**REGULATION AND ENVIRONMENTAL MATTERS (continued)**

**United States**

In the United States, products offered through Ansell's Professional Healthcare and Personal Healthcare segments are regulated as medical devices under the Federal Food, Drug and Cosmetic Act (the FDC Act) by the FDA. We believe that all of the Company's products regulated by the FDC Act are in compliance in all material respects with the relevant sections of the FDC Act and the advice and guidance provided by the FDA. However, the application of complex standards to the detailed operation of our business always creates areas of uncertainty, and we cannot guarantee that the FDA will not question our practices. Medical device manufacturers are subject to periodic inspections and audits by the FDA for compliance with the FDA's current Quality System Regulation, which specifies good manufacturing practices (known as QSR/GMP requirements) for medical devices. The FDA has a number of compliance and enforcement procedures when deviations from QSR/GMP requirements are observed during such inspections. Which procedures are used depends upon the seriousness of the observations as well as the compliance history of the facility inspected and the company owning it.

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

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

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

The FDA currently requires manufacturers intending to market a new medical examination glove, surgical glove or condom or to modify significantly a previously cleared medical examination glove, surgical glove or condom or the labelling of one of these products to obtain prior clearance. Although we typically have not experienced delays in obtaining clearance for new medical examination glove, surgical glove or

## Edgar Filing: ANSELL LTD - Form 20-F

condom products, there can be no assurance that we will not experience such delays for future products. An adverse determination by the FDA or a request for additional data or information could have the effect of delaying or precluding clearance and, at the same time, could materially delay or block the commencement of marketing new medical examination glove, surgical glove or condom products.

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

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

**Table of Contents**

**PART I**

**Item 4 : Information on the Company**

**4B BUSINESS OVERVIEW (continued)**

**REGULATION AND ENVIRONMENTAL MATTERS (continued)**

**United States (continued)**

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

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

Ansell's condom manufacturing facility in Surat Thani, Thailand was placed on Level 1 detention in August 2005. While Ansell was working with FDA to remove the facility from detention, another shipment from the Surat Thani facility was found to be defective. Ansell believed that FDA would place it on Level 2 detention, but has been told that the agency has not done so at this time. Ansell is currently working with FDA to remove the facility from Level 1 detention, and prevent placement on Level 2 detention.

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

**Europe**

Condoms and medical gloves are regulated by Directive 93/42/EEC of the European Commission on medical devices that came into effect on 1 January 1995 and became a mandatory requirement for sales in Europe in June 1998. This directive regulates the sale of all medical devices throughout the European Union and the European Economic Area (which comprises the fifteen states of the European Union plus Iceland, Norway and Liechtenstein). Ansell Healthcare's condoms and medical gloves are in compliance with the requirements of this directive and all

relevant standards (including rules for the affixing and use of CE conformity marking set forth by Directive 93/465/EEC of the European Commission) allowing these products to carry the CE mark and to be sold in all European countries except, with respect to condoms, France, without further approval. Pursuant to Article 8 of Directive 93/42/EEC, France requires testing of condoms in addition to the requirement necessary to obtain a CE mark.

#### **Other Government Regulation**

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

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

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



**Table of Contents****PART I****Item 4 : Information on the Company****4B BUSINESS OVERVIEW (continued)****REGULATION AND ENVIRONMENTAL MATTERS (continued)****Other Government Regulation (continued)**

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

Details of other regulatory and environmental matters are referred to in Note 36 to the Consolidated Financial Statements contained within Item 18.

**4C ORGANISATIONAL STRUCTURE**

Note 37 to the Financial Statements included in Item 18 contains a listing of the Company's subsidiaries, their countries of incorporation and the Company's proportion of ownership interest in each.

**4D PROPERTY, PLANTS AND EQUIPMENT**

Set out below is a breakdown by geographic location of the Company's manufacturing facilities (with distribution facilities attached to manufacturing facilities not counted separately), as at 30 June 2005.

<b><u>Geographic Region</u></b>	<b><u>Products Produced</u></b>	<b><u>No. of Manufacturing Facilities</u></b>
United States	Industrial gloves	3

## Edgar Filing: ANSELL LTD - Form 20-F

Malaysia	Household, surgical and examination gloves	3
United Kingdom	Industrial gloves	1
Thailand	Household, surgical and examination gloves and condoms	2
Mexico	Industrial gloves	2
Sri Lanka	Industrial, surgical and examination gloves	1
India	Industrial and surgical gloves and condoms	3
<b>Total</b>		<b>15</b>

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

<b>Country</b>	<b>City</b>	<b>Floor Space (Sq ft)</b>	<b>Use</b>
<b>Premises/Property:</b>			
Australia	Richmond	29,750	Corporate
England	Tamworth	26,000	Manufacturing, Warehousing
England	Surbiton	9,000	Marketing
England	Newark	12,000	Marketing
Germany	Munich	7,000	Marketing
France	Paris	27,000	Marketing
Belgium	Brussels	22,000	Marketing
Belgium	Aalst	56,000	Warehousing
USA	Red Bank	45,877	Marketing, Corporate
USA	Dothan	82,000	Manufacturing, Warehousing
Mexico	Juarez	219,000	Manufacturing
<b>Property Only:</b>			
Sri Lanka	Colombo	1,080,000	Manufacturing

**Table of Contents**

**PART I**

**Item 4 : Information on the Company**

**4D PROPERTY, PLANTS AND EQUIPMENT (continued)**

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

Pursuant to Company policy, the Company's principal capital intensive and strategic manufacturing and distribution facilities are owned. Those facilities that are not owned are generally leased by the Company for periods varying from 1 to 10 years, and comprise certain warehouse/distribution centres and sales and administration office accommodation. The Company does not believe its business is dependent on any single facility.

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

**Table of Contents****PART I****Item 5 : Operating and Financial Review and Prospects****5A OPERATING RESULTS**

The following discussion and analysis is based upon or derived from the Consolidated Financial Statements included in this Annual Report, which are prepared in accordance with Australian GAAP.

Notes 39 and 40 to the Consolidated Financial Statements contain a discussion of the major differences between Australian GAAP and U.S. GAAP and reconciliation to U.S. GAAP.

The following tables set forth the contributions of each business group to sales revenue and operating profit of the Company for the fiscal years ended 30 June 2003, 2004 and 2005:

**OPERATING REVENUE BY BUSINESS GROUP <sup>(1)</sup>****For Years Ended 30 June****(EXCLUDING UNALLOCATED )**

<b>\$ In millions</b>	<b>2005</b>	<b>% change</b>	<b>2004</b>	<b>% change</b>	<b>2003</b>
Occupational Healthcare	552	1.3%	545	(12.8)%	625
Professional Healthcare	371	(2.9)%	382	(15.7)%	453
Consumer Healthcare	173	(7.0)%	186	(13.9)%	216
Total Healthcare	1,096	(1.5)%	1,113	(14.0)%	1,294
Discontinued Businesses					
<b>Total Operating Revenue</b>	<b>1,096</b>	<b>(1.5)%</b>	<b>1,113</b>	<b>(14.0)%</b>	<b>1,294</b>

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

**OPERATING PROFIT BEFORE TAX <sup>(1)</sup>****For Years Ended 30 June**

<b>\$ in millions</b>	<b>2005</b>	<b>% change</b>	<b>2004</b>	<b>% change</b>	<b>2003</b>
Occupational Healthcare	81	9.5%	74	17.5%	63
Professional Healthcare	43	4.9%	41	(24.1)%	54
Consumer Healthcare	29	(9.4)%	32	(25.6)%	43

# Edgar Filing: ANSELL LTD - Form 20-F

Unallocated Items and Eliminations <sup>(2)</sup>	(108)		(37)		(54)
Net Interest, including borrowing costs	(10)		(17)		(27)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Operating Profit Before Tax</b>	<b>35</b>	<b>(62.4)%</b>	<b>93</b>	<b>17.7%</b>	<b>79</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

- (1) The operating profit figures in this table exclude unrealised operating profit on inventory which has been purchased by one business group from another.
- (2) Fiscal year ended 30 June 2005 includes \$80.0 million write-down of the investment in the South Pacific Tyres partnership.

## SALES REVENUE BY GEOGRAPHIC MARKET

The following table sets forth the Company's sales revenue from continuing businesses by geographic market for the fiscal years ended 30 June 2003, 2004 and 2005. The revenue has been classified by location of the customer and excludes intergroup sales.

\$ in millions	For Years Ended 30 June		
	2005	2004	2003
Australia, New Zealand and Southeast Asia	163	168	174
North, Central and South America	527	545	656
Europe	406	400	464
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total</b>	<b>1,096</b>	<b>1,113</b>	<b>1,294</b>
	<u>          </u>	<u>          </u>	<u>          </u>

**Table of Contents**

**PART I**

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

**5A OPERATING RESULTS (continued)**

**RESULTS OF OPERATIONS**

**Consolidated**

Ansell Limited recorded a profit after tax to shareholders of \$11.3 million for the year ended 30 June 2005, compared to a profit of \$70.7 million in the 2003/2004 and \$49.9 million in 2002/2003. The current year's result was impacted by a write-down in the carrying value of the investment in the South Pacific Tyres (SPT) partnership of \$80 million.

**Operating Revenue**

Total revenue in 2004/2005 of \$1,109.9 million compared with \$1,131.1 in 2003/2004 and \$1,320.1 million in 2002/2003.

Sales revenue in 2004/2005 from Healthcare businesses (Occupational, Professional and Consumer) was \$1,096.2 million, compared with \$1,113.3 million in 2003/2004 and \$1,293.6 million in 2002/2003. The decrease in sales revenue over the last three years was largely due to the strengthening of the Australian dollar against the US dollar.

**Operating Profit from Ordinary Activities before Income Tax Expense**

Ansell Limited recorded an Operating Profit of \$34.8 million for 2004/2005, compared to a profit of \$93.3 million for 2003/2004 and a profit of \$79.3 million in 2002/2003.

In June 2005, a review of the investment in SPT indicated that the carrying value was in excess of the estimated recoverable amount and necessitated an impairment charge. Previous reviews conducted indicated that although SPT's performance was below expectations, management and the Board expected that the Company would ultimately recover the carrying value of its investment by exercising its put option contained in the Partnership Agreement, based on the achievement of certain levels of performance contained in SPT's business plans at the time which included improvements expected to arise from the significant restructuring activities undertaken in recent years along with other profit improvement initiatives. However, SPT's performance in the six months to 30 June, 2005 significantly lagged behind forecast with a continuing

## Edgar Filing: ANSELL LTD - Form 20-F

increase in low price imported tyres and significant increases in raw material costs adversely impacting results. This together with a revised future trading outlook for the business provided by SPT management, indicated that Ansell's carrying value of its investment in SPT was now in excess of the anticipated realisable value. As a result, the equity component of the investment was written down by \$80 million.

Unlike under AGAAP where the Company discontinued equity accounting for SPT effective 1 July 2001, equity accounting has been consistently applied under US GAAP to date. As a result, from a US GAAP perspective, the write-down reported at 30 June, 2005 under AGAAP is reversed as the application of equity accounting up to and including 30 June, 2005 has resulted in the carrying value of Ansell's investment in SPT under US GAAP of \$44.7 million being less than the post write-down value at 30 June, 2005 under AGAAP of \$57.8 million.

On 16 December 2005 the Company announced that it had agreed to sell its investment in SPT to Goodyear for \$53 million which will result in a loss on sale of \$5 million. This loss will be reflected in the Company's A GAAP financial statements for the year ended 30 June 2006.

A review of the carrying value of all assets in 2002/2003 resulted in the write-down in the value of the Company's non-core investment in Ambri Limited. A non-cash write-off of \$6.1 million was incurred to bring the book value of Ansell Limited's investment into line with the market price of the shares.

### **Income Tax Expense**

Income tax expense for the year was \$21.7 million, compared to the previous year's \$20.7 million and \$26.8 million for 2002/2003. The Group continues to benefit from the utilisation of unbooked US tax losses. However from a US GAAP perspective, given that the Group's US operations generated taxable income in the current year and the two preceding years and that management believes taxable income will continue to be generated for the foreseeable future, a net deferred tax asset of \$21.2 million has been recognised for US GAAP purposes as at 30 June 2005. This net deferred tax asset could be adjusted in the near term based on changes in estimates of future taxable income.

**Table of Contents**

**PART I**

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

**5A OPERATING RESULTS (continued)**

**ANSELL HEALTHCARE**

**YEAR ENDED JUNE 2005 v JUNE 2004**

Ansell Healthcare's sales of \$1,096.2 million were 1.5% lower than the previous year, while operating profit of \$153.7 million was 5.1% higher as a result of improved operating margins in the Occupational and Professional businesses.

**Occupational Healthcare**

Sales of \$551.6 million were higher than the previous year by 1.3% while operating profit of \$81.3 million was higher by 9.5%. Operating profit margin increased from 13.6% to 14.7%.

This segment accounted for approximately 50% of Ansell Healthcare's total revenues and 53% of operating profit.

This business continued to perform strongly across all three regions. This was due to a revitalized product range and continued manufacturing savings. The Hyflex® family continued to grow strongly, up 27% in volume and the knitted glove range also showed healthy growth assisted by new product development using new yarn materials / technologies. The Ansell Value Proposition Solution Selling program, in conjunction with our proprietary SafetyNet software, enabled enhancement of the company's leadership position in the global Occupational hand protection market.

**Professional Healthcare**

Sales of \$371.4 million were lower than the prior period by 2.9% while operating profit of \$43.3 million was higher by 4.9%. Operating profit margin increased from 10.7% to 11.6%.

This segment accounted for approximately 34% of Ansell Healthcare's revenue and 28% of operating profit.



The improved Operating Profit margin was led by the ongoing conversion of powdered to powder-free gloves, strong synthetic sales and European branded surgical glove growth. These more than offset declining examination glove prices and higher costs of latex and petroleum-based materials such as vinyl and nitrile. Restructuring costs of approximately \$1.0 million were also incurred to improve plant productivity going forward. New and improved products continued to be launched and were well received: Gammex®HydraSoft, a surgical glove with a coating designed to offer hand care benefits; and the Surefit cuff roll-down prevention system.

#### **Consumer Healthcare**

Sales of \$173.2 million were lower than the prior period by 7.0%, while operating profit of \$29.1 million was lower by 9.4%. Operating profit margin decreased from 17.2% to 16.8%.

This segment accounted for approximately 16% of Ansell Healthcare's revenues and 19% of operating profit.

Results were driven by a difficult first half in branded retail condoms, and the cancellation of the Brazil condom tender by its Ministry of Health. The award of other tenders in the second half offset the Brazilian shortfall, and new product introductions were strong with the roll-out of the European Play sub-brand, Vibe4U® and the US 4Play by LifeStyle. Household glove sales recovered in the second half and the company, along with Freudenberg Household Products, its marketing partner / distributor, will continue to pursue opportunities worldwide.

**Table of Contents**

**PART I**

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

**5A OPERATING RESULTS (continued)**

**YEAR ENDED JUNE 2004 v JUNE 2003**

Ansell Healthcare's sales of \$1,113.3 million were 13.9% lower than the previous year, while operating profit of \$146.3 million was 8.3% lower. Sales and operating profit were both materially impacted by currency movements, compared to the prior period.

**Occupational Healthcare**

Sales of \$545.2 million were lower than the previous year by 12.9% while operating profit of \$74.2 million was higher by 18.0%. Operating profit margin increased from 10.1% to 13.6%.

This segment accounted for approximately 49% of Ansell Healthcare's total revenues and 51% of operating profit.

The expanding Hyflex® family of products continued to drive sales with substantial year on year growth. Sales of traditional knitted gloves were stronger in the second half of the year as increased production improved product availability. The knitting plant in North Carolina, USA was closed and the Mexico knitting plants' results improved significantly due to this consolidation and improved production process.

Benefits started to flow from our growing and innovative proprietary selling programs - Safety Net in Europe and Ansell Value Proposition in North America.

**Professional Healthcare**

Sales of \$381.8 million were lower than the prior period by 15.6% while operating profit of \$40.5 million was lower by 24.9%. Operating profit margin decreased from 11.9% to 10.6%.

## Edgar Filing: ANSELL LTD - Form 20-F

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

In the USA, recovery in the surgical business was slower than expected as we continued to concentrate on our market share recovery program assisted by product improvements. Profitability in Europe and Australia was impacted by currency-associated price reductions and worldwide by examination glove competitive price pressures and latex cost increases. Surgical glove sales in Europe were lower in the first half following a strategic decision to reduce our reliance on private label customers in favour of sales of Ansell branded product. We did however gain market share in surgical gloves in France. Sales of examination gloves in Europe improved in the second half of the year as prices were adjusted to meet the competitive environment created by a stronger Euro.

### **Consumer Healthcare**

Sales of \$186.3 million were lower than the prior period by 13.8%, while operating profit of \$31.6 million was lower by 26.2%. Operating profit margin decreased from 19.8% to 17.0%.

This segment accounted for approximately 17% of Ansell Healthcare's revenues and 22% of operating profit.

Condom volumes increased by 7% year on year primarily due to bid contracts in both Brazil and India. Retail condom results were essentially flat in all regions, where new retail entrants and heightened competition in several markets, particularly the UK, adversely impacted sales growth and caused additional selling and advertising expenditure. We remained in partnership with Freudenburg Household Products, our global distributor of Household gloves. However Household glove sales in the second half of the year were below the same period in the prior year primarily due to reductions and clearances of older technology products in anticipation of deliveries in the coming year of the new Foamlined gloves.

**Table of Contents**

**PART I**

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

**5B LIQUIDITY AND CAPITAL RESOURCES**

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

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

Cash and deposits at 30 June 2005 were \$227.3 million, compared with \$318.1 million at 30 June 2004 and \$299.8 million at 30 June 2003. Cash and deposits at 30 June 2005 included restricted deposits of \$8.4 million (\$10.3 million at 30 June 2004 and \$13.8 million at 30 June 2003) which have been set aside to cover the provisions established to address any remaining liability of members of the Group to claims arising with respect to the Accufix Pacing Lead.

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

**Net cash from operating activities**

Net cash provided by operating activities for 2004/2005 was \$152.8 million compared to \$179.2 million in 2003/2004 and \$161.6 million in 2002/2003.

Payments in respect of the Accufix Pacing Leads litigation and settlement totalled \$3.9 million compared with \$3.1 million in 2003/2004 and \$2.7 million in 2002/2003. Payments under operating leases for the year totalled \$21.5 million compared with \$20.0 million in 2003/2004 and \$24.1 million in 2002/2003. The Group anticipates payments of \$9.5 million over the next fiscal year to 30 June 2006 in respect of current operating lease commitments, with a further \$27.0 million payable during the period 1 July 2006 to 30 June 2010 and \$9.5 million in subsequent years.

**Net cash used in investing activities**

## Edgar Filing: ANSELL LTD - Form 20-F

Net cash used in investing activities was \$12.7 million compared to \$6.4 million used in investing activities in 2003/2004 and \$4.0 million provided by investing activities in 2002/2003.

**Table of Contents****PART I****Item 5 : Operating and Financial Review and Prospects****5B LIQUIDITY AND CAPITAL RESOURCES (continued)**

Capital expenditure for the year was \$14.1 million, compared to \$13.8 million in 2003/2004 and \$15.4 million in 2002/2003. There are no material commitments for capital expenditure at 30 June 2005. The following table presents a summary of capital expenditure by Business Segment for the past three years:

<u>\$ in millions</u>	<u>For Years Ended 30 June</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Occupational Healthcare	5	6	3
Professional Healthcare	6	5	9
Consumer Healthcare	3	3	3
<b>Total</b>	<b>14</b>	<b>14</b>	<b>15</b>

**Net cash used in financing activities**

Net cash used in financing activities was \$217.0 million, compared with \$153.4 million in 2003/2004 and \$117.8 million in 2002/2003. The strong cash flows of the Company enabled net repayments of borrowings totalling \$26.4 million during the year following repayments of \$36.6 million and \$79.1 million in the previous two years and an off-market buy-back of over 16 million shares for \$156.1 million in 2004/2005 following on-market buy-backs totalling \$65.4 million in 2003/2004 and \$8.2 million in 2002/2003.

Net debt (i.e. borrowings less cash) increased during the year from \$119.3 million in 2003/2004 to \$146.6 million at the end of 2004/2005. Net Debt to Equity increased from 14.7% to 24.6% and Net Liabilities to Equity increased from 46.3% to 62.6%.

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

<u>Long Term</u>	<u>Outlook</u>	<u>Short Term</u>
------------------	----------------	-------------------

## Edgar Filing: ANSELL LTD - Form 20-F

Moody's  
Standard & Poor's

Ba1  
BB+

Positive  
Stable

Not Prime

Moody's upgraded their rating of the Company during the year with the Outlook improving from Stable to Positive.

The Company's borrowing portfolio at 30 June 2005 had an average maturity of 1,174 days (previous year 816 days), and was approximately 75% fixed and 25% floating. The average cost of debt for the year was 4.94%, down from the previous year's 5.64%.

Net interest expense and borrowing costs for the year was \$9.6 million compared to the previous year's \$16.8 million and \$26.5 million in 2002/2003. The reduced costs 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 Group established a US\$250 million revolving credit bank facility on 30 April 2004 of which US\$200 million had a five year term and US\$50 million had a 364 day term. On 29 April 2005, US\$150 million of the US\$200 million was extended to 30 April 2010 and US\$50 million to 30 April 2012. The US\$50 million 364 day facility was extended to 30 April 2006. This facility can be accessed by the parent company and certain USA subsidiaries. US\$175 million of the term facilities had been drawn down at 30 June 2005 (compared to US\$70 million at 30 June 2004) leaving an unused balance available for immediate use of US\$75 million. There are a number of financial covenants attaching to this new facility including restrictions on the level of borrowings of non guarantor subsidiaries, ensuring the assets of the guarantor subsidiaries are in excess of a specified percentage of total group assets and ensuring certain financial ratios are maintained. The interest rate for this facility is determined based on market rates at the time amounts are drawn down.

### Currency Restrictions

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

**Table of Contents**

**PART I**

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

**5C RESEARCH AND DEVELOPMENT**

Ansell Healthcare spends about approximately 1.3% of sales on research and development. Product and process innovation is essential to continuing profitable growth, and approximately 10% of total sales currently come from products developed in the previous three years. Note 4 to the Financial Statements included in Items 17 and 18 contains more detailed information concerning the Company's research and development expenditures.

The Company's commitment to innovation and new product development was further enhanced with the establishment of Ansell Healthcare's Science and Technology Centre in Shah Alam, outside Kuala Lumpur, Malaysia. Eleven members of the total 70-member technical staff hold PhDs, while another 16 hold masters degrees in the fields of chemistry, chemical engineering, materials and fibre technologies. Ansell also has a smaller fibre-technology centre in Seneca, South Carolina. Starting in April 2004, Ansell established small application engineering groups in four (4) of its plants to focus on technology transfer as it applies to new product & process development. These satellite centres are located in Surat Thani, Thailand; Redditch, UK; and Bermudez and Salvarcar in Mexico.

While Science and Technology was heavily involved in advancing process-related technologies for improved quality and cost-savings, the group also delivered a range of new products to the market during the past year. New products that generate, or will likely generate, significant sales are skin friendly surgical gloves, condoms with desensitizing and warming lubricants, foam-lined household gloves, as well as a new ultrahigh cut resistant HyFlex® CR variant.

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

**5D TREND INFORMATION**

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



**5E Off-Balance Sheet Arrangements**

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

**Table of Contents****PART I****Item 5 : Operating and Financial Review and Prospects****5F CONTRACTUAL OBLIGATIONS**

CONTRACTUAL OBLIGATIONS	PAYMENTS DUE BY PERIOD IN \$ MILLIONS				
	Total	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-Term Debt Obligations	331.0		115.9	215.1	
Interest on Debt Obligations <sup>(1)</sup>	59.0	17.5	26.8	14.7	
Operating Lease Obligations	46.0	9.5	16.4	10.6	9.5
Purchase Obligations	0.9	0.9			
Defined Benefit Plan Contributions <sup>(2)</sup>	5.2	5.2			
Other Long-Term Liabilities	39.3		9.9	9.1	20.3
<b>Total</b>	<b>481.4</b>	<b>33.1</b>	<b>169.0</b>	<b>249.5</b>	<b>29.8</b>

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

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

Refer to Note 28 to the Consolidated Financial Statements contained within Item 18 for detailed information in respect of the derivative financial instruments used by the Company such as foreign exchange and interest rate swaps and the Company's exposure to interest rate risk.

Amounts due under foreign currency contracts in respect of contracted obligations are included within Current Liabilities on the Statement of Financial Position.

**5G SAFE HARBOUR**

Not applicable

**5H CRITICAL ACCOUNTING POLICIES**

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

Our management has identified the following critical accounting policies.

***Long-Lived Assets    Valuation***

Fixed assets, goodwill and brand names are assessed to ensure carrying values do not exceed estimated recoverable amounts. The carrying value of each long-lived asset is reviewed annually to evaluate whether the carrying amount is recoverable. Assets may be reviewed more regularly if an event or change in circumstances indicates that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based upon the amount by which the asset carrying amount exceeds the higher of net realisable value and value in use. Value in use is generally determined by discounting expected future cash flows using a risk-adjusted discount rate. Future cash flows are estimated based on production and sales plans, commodity prices (considering current and historical prices, price trends and related factors), operating costs, and planned capital costs. These estimates are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverability of these assets.

**Table of Contents**

**PART I**

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

**5H CRITICAL ACCOUNTING POLICIES (continued)**

***Taxation***

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

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

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

deferred tax assets are recognised only to the extent that it is virtually certain that they will be recovered.

***Provision for Doubtful Accounts***

The Company maintains a provision for doubtful accounts, as well as provisions for sales rebates and allowances. Significant management judgements and estimates must be made and used in connection with establishing these provisions. Actual results could be different from the Company's current estimates, possibly resulting in increased future charges to earnings.

The Company provides for doubtful accounts for all individual receivables judged to be unlikely for collection. This provision is based on management's analysis of the age of the receivable balances, historical bad debts write-off experience and general customer creditworthiness.

The Company provides for sales rebates and allowances based on existing agreements with customers.

***Inventory Valuation***

## Edgar Filing: ANSELL LTD - Form 20-F

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

### ***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.

The Group has no significant long term contractual obligations for the purchase of raw materials. The Group enters into lease arrangements for office and warehouse facilities in the normal course of business with such leases ranging from one to twenty years.

**Table of Contents****PART I****Item 6: Directors, Senior Management and Employees****6A DIRECTORS AND SENIOR MANAGEMENT**

The business of Ansell Limited is managed by a Board of Directors of such number of not fewer than four and not more than eight as the Directors determine. At the date of this report there are seven Directors in office, of whom Mr R. Bell was appointed a Non-executive Director in August 2005 and Mr G. Barnes was appointed a Non-executive Director in September 2005. There are no family relationships (within the meaning of Item 6 of Form 20-F) between any director or executive officer and any other director or executive officer.

As of 30 June 2005 the Directors of Ansell Limited were as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Year of Initial Appointment</b>	<b>Expiration of Current Term <sup>(1)</sup></b>
Edward Tweddell <sup>(2)</sup>	64	Chairman	2001	2005
Peter L. Barnes <sup>(2)</sup>	62	Director	2001	2004
L. Dale Crandall	64	Director	2002	2005
Herbert J. Elliott	67	Director	2001	2004
Michael J. McConnell <sup>(3)</sup>	39	Director	2004	2007
Douglas D. Tough	56	Chief Executive Officer	2004	

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

<sup>(2)</sup> Dr Edward Tweddell passed away on 4 August 2005. Mr Peter L. Barnes was unanimously elected by the Board to succeed Dr Tweddell as Chairman.

<sup>(3)</sup> Mr. Stanley P. Gold serves as alternate to Mr. Michael J. McConnell.

As of 30 June 2005 the Executive Officers <sup>(1)</sup> who were not Directors were:

<b>Name</b>	<b>Position</b>	<b>Year of Initial Appointment</b>	<b>Commenced employment with Ansell Limited</b>
Phil Corke	Senior Vice President, Human Resources & Communications	1998	1998
Werner Heintz	Senior Vice President & Regional Director Europe, Middle East and Africa	2001	1999

## Edgar Filing: ANSELL LTD - Form 20-F

Rustom Jilla	Senior Vice President & Chief Financial Officer	2002	2002
William Reed	Senior Vice President & Regional Director Americas	2001	1989
William G Reilly, Jr.	Senior Vice President & General Counsel	2000	2000

---

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

**Table of Contents**

**PART I**

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

**6A DIRECTORS AND SENIOR MANAGEMENT (continued)**

The following is a brief biography of each of the Directors and Executive Officers of Ansell Limited as at 30 June 2005 and as at the date of this report:

**Edward Tweddell, BSC, MBBS (HONS.), FRACGP, FAICD**

Chairman and Non-executive Director since October 2001 until his death in August 2005.

**Peter L Barnes, B.COM, (HONS.) MBA MELB**

Appointed Non-executive Director in October 2001 and Chairman in August 2005. Chairman of the Nomination, Remuneration and Evaluation Committee and member of the Audit Committee. Peter Barnes is a Director of News Corporation and Metcash Limited and is Chairman of Samuel Smith & Son Pty Limited.

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

The Board considers Peter Barnes to be an independent Director.

Resident Sydney. Age 62

**Douglas D Tough, MBA, BBA**

Managing Director and Chief Executive Officer since 1 July 2004.



## Edgar Filing: ANSELL LTD - Form 20-F

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

As an Executive Director, Douglas Tough is not independent.

Resident USA. Age 56

**Glenn L L Barnes, B.A.G. SCI (MELB), CPM, FAMI, FAIM, FAICD, FAIBF, FRSA**

Appointed Non-executive Director in September 2005.

Glenn Barnes is Chairman of Baycorp Advantage Limited and a Director of Lion Nathan Limited. He also serves as Chairman, Director and council member of a number of not-for-profit and private interest organisations. He was formerly a Director of Repco Corporation Limited, National Foods Limited and Banksia Wines Limited.

Glenn Barnes commenced his management career with Unilever Limited and has been involved in banking and financial services for over 30 years in Australia and internationally, including the UK and USA. Since retiring from executive roles in 2002, Mr Barnes has focused on governance and consulting.

The Board considers Glenn Barnes to be an independent Director.

Resident Melbourne. Age 58

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

Appointed Non-executive Director in August 2005.

Member of the Nomination, Remuneration and Evaluation Committee. Mr Bell is a Director of Gallaher Group Plc and Northern Foods Plc and is Chairman of the Milk Link Co-Operative.

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

The Board considers Ronald Bell to be an independent Director.

Resident U.K. Age 55

**Table of Contents**

**PART I**

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

**6A DIRECTORS AND SENIOR MANAGEMENT (continued)**

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

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

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

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

The Board considers Dale Crandall to be an independent Director.

Resident USA. Age 64

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

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

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

The Board considers Herb Elliott to be an independent Director.

Resident Perth. Age 67

**Michael J McConnell** AB, MBA (HONS) VIRGINIA

Appointed Non-executive Director in April 2004. A member of the Nomination, Remuneration and Evaluation Committee until September 2005.

Mr McConnell is Managing Director of Shamrock Capital Advisors Inc. and Chairman of Shamrock's Investment Committee. He serves as a Director of Neo Technology Ventures and La Canada Educational Foundation. He is a former Director of Nuplex Industries Limited and Force Corporation.

Mr McConnell has an investment banking background having served with Kidder Peabody and Merrill Lynch.

The Board considers that Michael McConnell is not an independent Director.

Resident USA. Age 39

**STANLEY P GOLD, AB, JD (Alternate to Mr. Michael J McConnell since April 2004)**

Non-executive Director from October 2001 to April 2004.

Mr Gold is President and Chief Executive Officer of Shamrock Holdings Inc., President of Shamrock Capital Advisors Inc., Chairman of Tadiran Communications Ltd, a Director of Trefoil International III SPRL and a former Director of the Walt Disney Company.

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 USA and Israel.

The Board considers that Stanley Gold is not an independent Director.

Resident USA. Age 63

**Table of Contents**

**PART I**

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

**6A DIRECTORS AND SENIOR MANAGEMENT (continued)**

**EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**

**Phil Corke**

Senior Vice President Human Resources and Communications

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

**Werner Heintz**

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

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

**Rustom Jilla**

Senior Vice President and Chief Financial Officer

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

**William Reed**

## Edgar Filing: ANSELL LTD - Form 20-F

Senior Vice President and Regional Director Americas

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

### **William G. Reilly, Jr.**

Senior Vice President and General Counsel

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

**Table of Contents**

**PART I**

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

**6B COMPENSATION**

The aggregate amount of remuneration paid or accrued by the Company on a worldwide basis during 2004-2005 as compensation to its Directors and its executive officers named below as a group was \$8,449,191.

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

**NON-EXECUTIVE DIRECTORS REMUNERATION**

**Directors Fees**

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

In setting fee levels, the Nomination, Remuneration and Evaluation Committee, which makes recommendations to the Board, takes into account:

the Company's existing remuneration policies;

fees paid by comparable benchmark companies;

independent advice from Remuneration consultants and other external advisers;

the time commitment expected of Directors and the risks connected with discharging the duties attaching to the role of director; and

the level of remuneration necessary to attract and retain suitable Directors.

Until 30 June 2005, Non-executive Directors received a fee of \$75,000 per annum in relation to their services as a Director. The Chairman, taking into account the greater time commitment required, received a fee of \$225,000 per annum. In addition, Directors participating on the Board's committees received an additional fee of \$7,500 per annum. The Chairs of those committees received a fee of \$9,375 per annum. Superannuation contributions are also made on behalf of the Non-executive Directors at a rate of 9% of gross fees to satisfy the Company's statutory superannuation obligations.

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

The Board periodically reviews its approach to Non-executive Director remuneration to ensure it remains in line with general industry practice and best practice principles of corporate governance.

Consequent upon a review by the Nomination, Remuneration and Evaluation Committee after it had taken independent advice, the Board approved and implemented an adjustment to fees subsequent to 30 June 2005. Board fees for Non-executive Directors were increased to \$82,500 per annum, however the fee for the new Chairman was reset at \$206,250 per annum to be comparable with a relevant peer group. Board committee fees were increased to \$8,250 per annum and the Chairs' fees increased to \$16,500 per annum for the Audit Committee and \$10,312 per annum for the Nomination, Remuneration and Evaluation Committee.



**Table of Contents****PART I****Item 6: Directors, Senior Management and Employees****6B COMPENSATION (continued)****Non-executive Directors Share Plan**

In recognising that ownership of Company shares aligns Directors' interests with those of shareholders, the Company has adopted a Non-executive Directors Share Plan. Shareholders approved the participation by Non-executive Directors in the Plan in October 2000 and April 2002 (on amended terms).

Under the terms of the Plan, a copy of which is available on the Company's website at [www.ansell.com](http://www.ansell.com), Non-executive Directors are required to reinvest a minimum of 10% of their gross annual fees in acquiring shares in the Company until their shareholding is equal to at least one year's fees. The Plan rules permit Non-executive Directors to elect to apply up to 100% of their fees towards acquiring shares. The fees contributed by the Non-executive Directors are used to purchase shares on the ASX at the prevailing market price. These shares are subject to a restriction on dealing until each Director ceases to hold office and are held in the name of the Director during the restriction period.

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

**Retirement Benefits**

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

Details of Non-executive Directors' remuneration for the 2005 financial year are set out in the following table.

	<b>Fees</b>	<b>Non-Monetary Benefits <sup>(1)</sup></b>	<b>Superannuation Contributions <sup>(2)</sup></b>	<b>Total</b>
<b>NON EXECUTIVE DIRECTORS</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>

## Edgar Filing: ANSELL LTD - Form 20-F

P L Barnes	91,875	1,287	8,269	101,431
L D Crandall	82,500	17,690	7,425	107,615
H J Elliott	82,500		7,425	89,925
M J McConnell (g)	82,500	16,034	7,425	105,959
E D Tweddell	234,375	1,044	21,094	256,513

- (1) Includes spouse travel incurred in accompanying the Director while on Company business.
- (2) Contributions are made on a notional basis upon the advice of the Trustee, as the Company's superannuation fund is currently in surplus.

### EXECUTIVE DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

The Nomination, Remuneration and Evaluation Committee of the Board has recommended, and the Board has adopted, a policy that ensures remuneration will:

- (a) align management rewards with the creation of value for shareholders in order to create a common interest between executives and shareholders;
- (b) support the short- and long-term objectives of the Company as set out in the strategic business plans endorsed by the Board; and
- (c) be competitive in the markets in which the Company operates in order to attract, motivate and retain high calibre executives.

The policy recognises that it is necessary for remuneration packages of senior executives (including Executive Directors and the Company Secretary) to include both a fixed component and an incentive or performance related component. Accordingly, the Board aims to achieve a balance between fixed and performance related components of remuneration that reflect market conditions at each job and seniority level.

**Table of Contents**

**PART I**

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

**6B COMPENSATION (continued)**

In general, between 50% and 70% of the total remuneration packages for Executive Directors and senior management is performance based.

**Fixed Remuneration**

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

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

**At-Risk Remuneration**

**Annual Cash Incentive**

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

In general, the performance measures for 2005 were based on annual growth in sales and Segment EBITA, weighted equally. The Board considers these performance measures to be appropriate in respect to delivering profitable growth for the organisation and improving shareholder return. Executives have a clear line of sight to the targets and are able to affect results through their actions.

## Edgar Filing: ANSELL LTD - Form 20-F

While also a performance measure for the long-term incentive plan, Segment EBITA was adopted as one of the performance measures for the STI to ensure that the executive team was continually focused on achievement of the 10% year-on-year improvement in profitability required in order for the Company to deliver, by the end of the 2005 financial year, the long-term commitment of 50% cumulative improvement in Segment EBITA made to shareholders in 2002.

The hurdles for the STI in the 2005 financial year were set so that achievement of the internal business plan sales and Segment EBITA objectives would result in 100% of the award being earned. Additional incentive payments would be made for performance exceeding target objectives. Incentives would start to be earned at 50% of the target level once performance measures exceeded levels achieved in the preceding financial year.

Performance against these objectives was determined and incentives paid following the completion of the audit of the financial accounts. In general, the performance measures attaching to the STI were satisfied beyond the target level by 26.4%.

The STI performance measures for the 2006 financial year will, in general, be based on a mix of improvement in sales revenues, Segment EBITA, manufacturing profitability and Profit Attributable, with the proportions applicable to each component determined according to the respective executive's level and area of responsibility.

### **Stock Incentive Plan**

The Company's long-term incentive (LTI) arrangements are designed to link executive reward through the grant of equity securities with the key performance drivers which underpin sustainable growth in shareholder value, which comprises both share price and returns to shareholders.

Participation in the Company's Stock Incentive Plan (**the Plan**) is only offered to executives who are able or have the potential to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant performance hurdles. In general, these executives are offered a grant under the

---

**Table of Contents**

**PART I**

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

**6B COMPENSATION (continued)**

Plan which is designed to be the equivalent of approximately 30% of their total remuneration (on an annualised basis).

The Plan provides for senior executives to be granted:

performance share rights (**PSRs**); or

options.

Participants in the Plan are granted PSRs that vest in three annual tranches. PSRs vest immediately upon satisfaction of the performance conditions applicable to the performance period. One fully-paid ordinary share is allocated to the holder of a PSR automatically upon that PSR vesting, at no cost to the executive.

The Chief Executive Officer and Chief Financial Officer were granted options under the Plan upon joining the Company. The options were granted at no cost to the participants and vest upon satisfaction of the performance conditions. Vested options may be exercised at a price based on the average of the Company's share price on the five days preceding the date of grant. The relevant exercise price is \$7.40 for the Chief Executive Officer and \$6.97 for the Chief Financial Officer. Vested options may not be exercised until 12 months after the date of vesting. Options, if not exercised, will lapse on the tenth anniversary of their issue.

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

Participants are entitled to vote their shares and to receive any dividend, bonus issue, return of capital or other distribution made in respect of their shares from the date of allocation of the shares following vesting of the PSRs.

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

### **Performance measures applicable to the Stock Incentive Plan**

In relation to the 2005 financial year, the performance measure applicable to PSRs and options previously granted was for the Segment EBITA for the Ansell Healthcare business to meet or exceed US\$115 million. This measure reflected the commitment in relation to the 2005 financial year that was made to shareholders in 2002. It applied equally to all participating management team members, was met and all PSRs and relevant options vested.

The Board is of the view that the achievement of that commitment is directly linked to the creation of shareholder value, as evidenced by the increase in the Company's share price.

The LTI performance measures for the 2006 financial year will be based on improvement in sales revenues (with the target payout level set at a level above that applicable for the STI) and growth in EPS (with earnings adjusted to remove possible distortion due to significant non-recurring items (if any), and the number of shares on issue adjusted to eliminate the effect of any significant share issues or buy-backs).

### **Service Agreements**

The remuneration and other terms of employment for the Managing Director and the executive management team are covered in formal agreements or letters of offer. Each of these agreements makes provision for performance-related cash incentives (as disclosed above), other benefits and participation, where eligible, in the Company's Stock Incentive Plan (as described above).

The base salary and incentive components of remuneration for the Managing Director and each of the executive management team are reviewed and determined annually by the Nomination, Remuneration and Evaluation Committee.

**Table of Contents**

**PART I**

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

**6B COMPENSATION (continued)**

Details of the duration of executive employment, applicable notice periods and payments on termination provided for under the agreements are summarised below:

**Managing Director**

The Managing Director, D Tough, is employed under the terms of an Employment Agreement that provides for termination payments to be made in certain circumstances. In particular, the Company may terminate his employment within the first three years of service upon giving 18 months' notice or payment in lieu, and at any time thereafter upon giving 12 months' notice or payment in lieu. In certain circumstances, such as a substantial diminution of responsibility, the Company may be deemed to have terminated his employment and would be liable to make a termination payment equivalent to 18 months' base salary and target annual incentive. In general, the Managing Director must give the Company at least six months' notice of resignation.

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

**Other Senior Executives**

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

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

## Edgar Filing: ANSELL LTD - Form 20-F

Details of the remuneration paid to the Managing Director and Senior Executives, being those with the most authority during the 2005 financial year, are set out in the following table.

### MANAGING DIRECTOR AND SENIOR EXECUTIVES<sup>(1)</sup> OF THE COMPANY AND THE GROUP

				Superannuation		
	Fixed Salary	Annual Cash	Non-Salary	Contributions <sup>(3)</sup>	Options/Rights <sup>(4)</sup>	Total
	A\$	Incentive A\$	Benefits <sup>(2)</sup> A\$	A\$	A\$	A\$
D Tough <sup>(5)</sup>						
Group Managing						
Director and Chief						
Executive Officer	854,139	705,283	70,637	114,260	1,409,968	3,154,287
P Corke <sup>(5)</sup>	315,147	179,385	60,080	59,193	133,886	747,691
W Heintz <sup>(6)</sup>	365,737	129,230	220,903	117,218	181,757	1,014,845
R Jilla <sup>(5)</sup>	442,181	261,603	35,593	94,540	403,242	1,237,159
W Reed <sup>(5)</sup>	348,074	126,380	161,811	83,260	176,855	896,380
W Reilly <sup>(5)</sup>	321,794	183,122	36,255	62,329	133,886	737,386

- (1) The Executives included in this disclosure are those executives having, during the year, the greatest authority for managing the Group. Other personnel who have not had such authority may have received remuneration at a level in excess of that shown for the executives named above.
- (2) Includes the cost to the Company of cash benefits such as motor vehicle and travel allowances, telephone expenses, cost of living and relocation allowances and executive insurance.



**Table of Contents****PART I****Item 6: Directors, Senior Management and Employees****6B COMPENSATION (continued)**

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

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

Instrument	Number		Expiry Date	Fair Value per Option/PSR	Exercise Price	Share Price	Risk Free	Dividend Yield
	Issued	Grant Date				on Grant Date	Interest Rate	
Options	300,000	23/9/2002	23/9/2012	\$ 2.66- \$2.70	\$ 6.97	\$ 6.88	5.3%	0.0%
Options	525,000	30/6/2004	30/6/2014	\$ 2.35 - \$2.38	\$ 7.40	\$ 7.74	6.1%	2.0%
PSRs	437,500	19/2/2003	30/6/2005	\$ 6.07	N/A	\$ 6.07	N/A	0.0%
PSRs	515,000	18/12/2003	30/6/2006	\$ 5.89 - \$6.12	N/A	\$ 6.19	N/A	2.0%
PSRs	150,000	30/6/2004	30/6/2007	\$ 6.94 - \$7.22	N/A	\$ 7.74	N/A	2.0%
PSRs	391,000	8/8/2005	30/6/2007	\$ 7.34 - \$7.64	N/A	\$ 7.78	N/A	2.0%

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

- (5) US-based Executives paid in US\$. The average exchange rate for the 2005 financial year is US\$0.7610 = A\$1.00.
- (6) Europe-based Executive paid in . The average exchange rate for the 2005 financial year is 0.6204 = A\$1.00.

**Discontinued Executive and Employee Share Plans**

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

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

the Pacific Dunlop Employee Share Plan ( Employee Plan ) discontinued in 1994.

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

The number of Executive Plan Shares outstanding at 30 June 2005 was 377,800 and as of 31 October 2005 was 361,500 shares. During the fiscal year, the amounts outstanding on 360,200 existing Executive Plan Shares were fully paid. From the end of the fiscal year through 31 October 2005, the amounts outstanding on an additional 16,300 Executive Plan Shares were fully paid.

Under Australian law, the Company is not required to disclose and does not otherwise disclose the number of Executive Plan Shares held by each executive officer individually, unless such executive officer is also a Director. There were no Executive Plan Shares held by Directors of Ansell Limited as of 30 June 2005.

In addition to the Executive Plan, the Company maintained an Employee Plan under which 135,614 fully paid Ordinary Shares were held as of 30 June 2005 by employees of the Company and 133,716 shares (including Ordinary Shares issued as bonus shares) were held as of 31 October 2005. The Employee Plan permitted eligible employees to acquire a number of shares in the Company. The shares were issued at market value payable as to 50 cents per share by the employee, the balance financed by an interest free loan from the Company (provided that no loans will be made in contravention of applicable law, including Section 13(k) of the Securities Exchange Act of 1934) repayable, at latest, on cessation of employment. The US GAAP compensation cost component of this plan is zero for all years presented.

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

**Table of Contents**

**PART I**

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

**6B COMPENSATION (continued)**

During the 2004-2005 fiscal year, the loan liability of members in respect of 14,149 fully paid ordinary shares was discharged. From the end of the fiscal year through 31 October 2005 the loan liability in respect of an additional 1,898 fully paid shares was discharged.

The Company's accounting policy in respect of the Employee Plan is to recognise the paid-up capital upon allotment and the receivable created by the loan to employees to acquire the shares. In respect of the Executive Plan, no amount is recognised upon issue, apart from the capital paid-up on the shares, as the amount of the call payable is not known at the time of issue. Once a call has been made upon the shares and paid, the Company recognises the increase in paid-up capital. A loss of \$13,801 pre tax in respect of the Employee Share Plan was recognised for the year 2004-2005, compared to a loss of \$4,366 pre tax for the year 2003-2004 and in 2002-2003 a loss pre tax of \$13,288.

**Table of Contents**

**PART I**

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

**6C BOARD PRACTICES**

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 Australian Corporations Act, the Australian Stock Exchange (ASX), the Securities Exchange Act of 1934 and the NASDAQ Stock Market. 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, [www.ansell.com](http://www.ansell.com), contains various material relating to corporate governance, including Board Charter, Committee Charters, Code of Conduct, Social Accountability Policy, core policies regarding dealing in securities and disclosures and other information.

**Board Responsibilities**

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

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

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

monitor the performance of functions delegated to the executive team including the progress of major capital expenditures, share buy-backs, acquisitions, divestitures and strategic commitments; and

## Edgar Filing: ANSELL LTD - Form 20-F

assess the suitability of the Company's overall strategies, business plans and resource allocation;

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

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

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

ensure regulatory compliance and maintain adequate risk management processes;

report to shareholders; and

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

In carrying out its duties, the Board meets formally at least five 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 some of the Company's facilities in each year. During the 2005 financial year, Board meetings were held in conjunction with a visit to Ansell facilities in North America.

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.

**Table of Contents**

**PART I**

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

**6C BOARD PRACTICES (continued)**

**Risk Management**

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

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

the Financial Report for the year ended 30 June 2005 has been prepared in accordance with the relevant accounting standards and gives a true and fair view, in all material respects, of the financial position and performance of the Company and its controlled entities; and

the risk management and internal compliance and control systems of the Company and its controlled entities are, in all material respects:

consistent with the policies adopted by the Board; and

operating effectively and efficiently.

**Code of Conduct**

## Edgar Filing: ANSELL LTD - Form 20-F

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

The Code of Conduct 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 the guiding principles whereby the Company:

strives to uphold high ethical standards in all corporate activities;

is committed to competing lawfully, fairly and ethically in the marketplace, consistent with its aim of providing quality products to its customers;

is committed to pursuing sound growth and earnings goals, by operating in the best interests of the Company and shareholders;

strives to treat all employees and applicants with fairness, honesty and respect;

expects all employees to work together for the common good and to avoid placing themselves in a position that is in conflict with the interests of the Company;

is committed to good corporate citizenship and participating actively in and improving the communities in which the Company does business; and

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

It is the Company's policy to comply with the letter and spirit of all applicable laws, including those relating to employment, discrimination, health, safety, medical devices, consumer protection, privacy, intellectual property,

**Table of Contents**

**PART I**

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

**6C BOARD PRACTICES (continued)**

**Code of Conduct (continued)**

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 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 of the 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](http://www.ansell.com).

The Company's ethical practices and procedures are reviewed regularly, and processes are in place to promote and communicate these policies within the Company. In keeping with the Company's commitment to a strong culture of ethics, a computer-based Code of Conduct training program was introduced during the year and implemented across the organisation globally. Employees and Directors are required to participate in the compliance training programs 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.

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).<sup>1</sup> 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



## Edgar Filing: ANSELL LTD - Form 20-F

the Director's ability to act in the best interests of the Company.

The Company currently has seven Directors, one of whom is an Executive Director (the Chief Executive Officer who is also Managing Director). Five 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. which had been a substantial shareholder until 22 October 2004. Mr McConnell will retire at the conclusion of the 2005 Annual General Meeting.

Mr S P Gold, an alternate Director to Mr McConnell, also 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 Inc.

---

<sup>1</sup> *Corporate Governance, A Guide for Fund Managers and Corporations - Blue Book*, Investment and Financial Services Association, December 2002 (copy available at [www.ifsau.com.au](http://www.ifsau.com.au)).

**Table of Contents**

**PART I**

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

**6C BOARD PRACTICES (continued)**

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 stand for election 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.

**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.

### **Dealings 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](http://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 the Annual General Meeting. At other times, Directors dealing in Ansell shares must obtain prior approval from the Chairman.

### **Conflict of Interest**

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are brought to the attention of each Director, the Company has developed protocols, consistent with obligations imposed by the Corporations Act and the Listing Rules, to require each Director to disclose any contracts, offices held, interests in transactions 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.

**Table of Contents**

**PART I**

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

**6C BOARD PRACTICES (continued)**

**Board Committees**

The Board has established two standing Committees, being the:

Audit Committee; and

Nomination, Remuneration and Evaluation Committee.

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 L D Crandall (Chair from 9 August 2005);

Mr P L Barnes (Chair until 8 August 2005); 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.

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 auditors and Independent Registered Public Accounting Firm, reviews the scope of their activities, reviews the Independent Registered Public Accounting Firm'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 not serve for more than 5 consecutive years. The Board has adopted a policy in relation to the provision of non-audit services by the Company's Independent Registered Public Accounting Firm that is based on the principle that work that may detract from the Independent Registered Public Accounting Firm's independence and impartiality, or be perceived as doing so, should not be carried out by the Independent Registered Public Accounting Firm. The Company's Independent Registered Public Accounting Firm 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 in meetings of the Committee.

**Table of Contents**

**PART I**

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

**6C BOARD PRACTICES (continued)**

**Nomination, Remuneration and Evaluation Committee**

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

P L Barnes (Chair from 9 August 2005);

Dr E D Tweddell (Chair until 4 August 2005);

R J Bell (from 9 August 2005);

M J McConnell (until 5 September 2005), and

H J Elliott (from 5 September 2005),

all of whom, with the exception of Mr McConnell, 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 including succession and senior executive remuneration 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,

## Edgar Filing: ANSELL LTD - Form 20-F

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 ensure 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](http://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 publications on its website.

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

**Table of Contents****PART I****Item 6: Directors, Senior Management and Employees****6C BOARD PRACTICES (continued)****ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS DURING THE YEAR ENDED 30 JUNE 2005**

<b>Directors</b>	<b>Board</b>		<b>Audit</b>		<b>Nomination, Remuneration and Evaluation</b>	
	<b>Held</b>	<b>Attd</b>	<b>Held</b>	<b>Attd</b>	<b>Held</b>	<b>Attd</b>
E D Tweddell	7	7			4	4
P L Barnes	7	6	4	4	4	4
L D Crandall	7	7	4	4		
H J Elliott	7	7	4	4		
M J McConnell	7	7			4	4
D D Tough	7	7				

**Held** Indicates the number of meetings held while each Director was in office.

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

**6D EMPLOYEES**

As of 30 June 2005 Ansell Limited employed 11,059 full time equivalent employees (11,530 as at 30 June 2004 and 12,013 as at 30 June 2003) .

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

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



<b>Location</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Americas</b>			
USA (including Mexico)	1,844	1,943	1,935
Canada	49	44	44
<b>Asia Pacific</b>			
Australia	93	87	87
India	1,442	1,540	1,847
Malaysia	3,426	3,543	3,679
Sri Lanka	1,863	1,919	1,959
Thailand	1,962	2,033	2,030
Rest of Asia	6	6	9
<b>Europe</b>			
Belgium	145	171	125
United Kingdom	133	157	172
France	47	51	66
Rest of Europe	49	36	60
<b>Total</b>	<b>11,059</b>	<b>11,530</b>	<b>12,013</b>

**Table of Contents****PART I****Item 6: Directors, Senior Management and Employees****6E SHARE OWNERSHIP**

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

	<b>1</b>	<b>2</b>
P L Barnes	13,024	
G L L Barnes	5,000	
R J S Bell	116	
L D Crandall	9,174	
H J Elliott	10,032	
M J McConnell	6,314	
D D Tough	20,000	640,041
S P Gold (alternate to M J McConnell)		

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) (115,041). These were granted upon Mr Tough's appointment in May 2004.

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

**Non-executive Directors' Share Plan**

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

<b>Director</b>	<b>Number of shares</b>	<b>Date of Acquisition</b>	<b>Acquisition Price</b>	
	<b>acquired</b>		<b>A\$</b>	
Mr P L Barnes	262	17/09/2004	\$	8.68
	246	17/12/2004	\$	9.26
	222	16/03/2005	\$	10.24
	224	23/06/2005	\$	10.14

# Edgar Filing: ANSELL LTD - Form 20-F

Mr L D Crandall	234	17/09/2004	\$	8.68
	221	17/12/2004	\$	9.26
	199	16/03/2005	\$	10.24
	201	23/06/2005	\$	10.14
Mr H J Elliott	235	17/09/2004	\$	8.68
	220	17/12/2004	\$	9.26
	199	16/03/2005	\$	10.24
	201	23/06/2005	\$	10.14
Mr M J McConnell	1,557	17/09/2004	\$	8.68
	1,460	17/12/2004	\$	9.26
	1,327	16/03/2005	\$	10.24
	1,334	23/06/2005	\$	10.14
Dr E D Tweddell	670	17/09/2004	\$	8.68
	629	17/12/2004	\$	9.26
	570	16/03/2005	\$	10.24
	575	23/06/2005	\$	10.14

**Table of Contents****PART I****Item 6: Directors, Senior Management and Employees****6E SHARE OWNERSHIP (continued)****Executives Share Ownership**

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

	<u>1</u>	<u>2</u>	<u>3</u>
Mr P. Corke	2,772		18,334
Mr W. Heintz	8,333		26,667
Mr R. Jilla	6,000	300,000	50,001
Mr W. Reed	3,602		25,001
Mr W. Reilly	5,545		18,334

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

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

**Table of Contents****PART I****Item 7: Major Shareholders and Related Party Transactions****7A MAJOR SHAREHOLDERS**

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

The names of substantial shareholders in the Company and the number of fully paid ordinary shares in which each has an interest as at 30 September 2005 are as follows:

	<b>No. of Fully Paid Shares</b>	<b>% of Issued Capital</b>
Perpetual Investments	20,287,040	12.64%
Barclays Group	13,457,040	8.39%
Maple-Brown Abbott Ltd.	11,229,237	7.00%
Schroder Investment Management Australia Limited	8,476,446	5.28%

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

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

- (a) on a show of hands, one vote only;
- (b) on a poll, one vote for every fully paid ordinary share held.

On 30 June 2005, 322,501 ADSs (equivalent to 1,290,004 Ordinary Shares, which represents approximately 0.8% of the Ordinary Shares then outstanding) were outstanding and held by 126 registered holders with addresses in the United States.

**7B RELATED PARTY TRANSACTIONS**

Refer to Notes 29 and 34 to the Financial Statements included in Item 18 for additional details of Related Party Transactions.

**7C INTERESTS OF EXPERTS AND COUNSEL**

Not Applicable

**Table of Contents**

**PART I**

**Item 8 : Financial Information**

**8A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

The Consolidated Financial Statements are included herein as Item 18.

Refer to Note 27 to the Consolidated Financial Statements for details of legal proceedings.

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

**8B SIGNIFICANT CHANGES**

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

**Table of Contents****PART I****Item 9: The Offer and Listing****9A OFFER AND LISTING DETAILS**

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

Period	\$A		US\$	
	Ordinary Shares		Per ADS <sup>(1)</sup>	
	High	Low	High	Low
<b>Last 5 Financial Years</b>				
Fiscal Year 2005	10.450	7.580	33.000	21.711
Fiscal Year 2004	7.900	5.840	22.810	15.500
Fiscal Year 2003	7.690	4.960	17.900	12.100
Fiscal Year 2002	7.010	3.400	15.310	6.550
Fiscal Year 2001	8.400	4.000	19.375	8.205
<b>By Quarter 2005-2006</b>				
First Quarter	11.350	9.960	34.081	29.900
<b>By Quarter 2004-2005</b>				
First Quarter	8.840	7.580	25.700	21.711
Second Quarter	9.300	8.740	28.880	25.510
Third Quarter	10.450	8.860	33.000	26.810
Fourth Quarter	10.270	9.000	32.180	27.150
<b>By Quarter 2003-2004</b>				
First Quarter	6.950	5.840	18.310	15.500
Second Quarter	7.220	6.190	20.020	18.090
Third Quarter	7.170	6.320	22.220	19.260
Fourth Quarter	7.900	7.310	22.810	20.200
<b>Last 6 Months</b>				
October 2005	11.590	10.050	34.700	31.321
September 2005	11.350	10.770	34.081	32.900
August 2005	10.980	9.740	32.800	29.900
July 2005	10.420	9.960	31.150	29.900
June 2005	10.270	9.260	32.180	27.850
May 2005	9.570	9.000	28.850	28.250

(1) Each ADS represents four Ordinary Shares.



## Edgar Filing: ANSELL LTD - Form 20-F

The total market capitalisation of Ansell Limited at 30 June 2005 was \$1,606 million. The total market capitalisation of Ansell Limited at 31 October 2005, was \$1,683 million and the closing price for Ansell Limited ordinary shares on the ASX on that date was \$10.52.

### **9B PLAN OF DISTRIBUTION**

Not Applicable

**Table of Contents**

**PART I**

**Item 9: The Offer and Listing**

**9C MARKETS**

The principal trading market for Ansell Limited's Ordinary Shares ( " Ordinary Shares " ), is the Australian Stock Exchange Limited (ASX). The Ordinary Shares are also listed on the London Stock Exchange and the Stock Exchange of New Zealand. The Company's American Depositary Shares ( ADSs ), represented by American Depositary Receipts ( ADR s ) issued by Morgan Guaranty Trust Company of New York, as Depositary (the Depositary ), are traded in the United States in the over-the-counter market and are quoted on the NASDAQ National Market System.

The stock market operated by the ASX is the principal stock exchange in Australia. The exchange operates by way of the Stock Exchange Automated Trading System (SEATS) which is a fully computerised system.

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

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

**9D SELLING SHAREHOLDERS**

Not Applicable

**9E DILUTION**

Not Applicable

**9F EXPENSES OF THE ISSUE**

Not Applicable

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10A SHARE CAPITAL**

Not Applicable

**10B CONSTITUTION**

The Company adopted its current Constitution on 12 April 2002. Set out below is a summary of the Constitution's key provisions.

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

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

- (a) to raise or borrow money;
- (b) to charge any of the Company's property or business or any amount unpaid on its shares; and
- (c) to issue debentures or give any other security for a debt, liability or obligation of the Company or of any other person.

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

Rule 5 permits the Company to issue shares and grant options for shares on such terms and with such rights and restrictions as decided by the Directors. The issue and terms of issue of preference shares must be approved by the Company's shareholders in general meeting as required by the Corporations Act. It is currently proposed to insert a preference share article in the Constitution at the Company's 2005 Annual General Meeting, which would permit the Directors to issue preference shares (including convertible or redeemable preference shares) without further reference to shareholders.

## Edgar Filing: ANSELL LTD - Form 20-F

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

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

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

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

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

As previously indicated, rule 53 provides for each share to participate in those of the Company's profits the Board determines to distribute in proportion to the amount paid up on those shares, subject to any right or restriction

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10B CONSTITUTION (continued)**

attaching to a share or class of shares. In the event of liquidation, rule 59 permits the liquidator, with the sanction of a special resolution to divide among shareholders the whole or any part of the Company's property and decide how the division is to be carried out as between the members or different classes of members.

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

There are no redemption or sinking fund provisions in the Constitution. However, as noted above, shareholder approval will be sought at the 2005 Annual General Meeting to insert a new article in the Constitution permitting the Company to issue preference shares which could include a right or obligation to be redeemed. Any amount of the issue price of a share that remains unpaid may, subject to any rights or restrictions attaching to a share, be called for payment by the Board pursuant to rule 10. However, once the full amount of the issue price of a share has been paid, a shareholder is not liable to contribute any further capital to the Company in respect of that share. The Company's Constitution does not contain any provision discriminating against any existing or prospective shareholder as a result of such shareholder owning a substantial number of shares. The rights attaching to a class of shares may only be altered if shareholder approval is obtained in accordance with the procedure set out in rule 9 of the Constitution.

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

The Company continues to rely on an exemption from the quorum requirement set forth in Nasdaq Marketplace Rule 4350(f). In accordance with Australian law, the Company's Constitution provides that the quorum requirement is met at a general shareholder meeting if five or more shareholders entitled to vote on a resolution at the meeting are present.

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

## Edgar Filing: ANSELL LTD - Form 20-F

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

The Constitution contains no limitations on the rights to own securities. In the event of a partial or proportional takeover bid being made for shares in the Company, rule 69 requires that a resolution to approve the takeover scheme be passed at a general meeting of shareholders before any registration of a transfer giving effect to the proportional takeover can be made. The Constitution contains no by-law provisions governing the ownership threshold above which shareholder ownership must be disclosed.

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

- (a) provides a code that regulates takeovers (changes in control) of Australian companies that applies, in general, where a shareholder becomes entitled to 20% or more of the issued shares of a company; and
- (b) provides for disclosure of share ownership once a person and his or her associates become entitled to 5% or more of the issued shares in a company.

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10B CONSTITUTION (continued)**

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

**10C MATERIAL CONTRACTS**

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

**10D EXCHANGE CONTROLS**

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

Ansell Limited has 159,989,869 Ordinary Shares (excluding Employee Plan Shares, as defined in Compensation of Directors and Executive Officers ) on issue as at 30 June 2005. Non-residents of Australia may freely hold and vote Ordinary Shares, subject to compliance with the Foreign Acquisitions and Takeovers Act 1975 of Australia (the Foreign Takeovers Act ). Takeovers of Australian companies by foreign interests are subject to review and approval by the Treasurer of the Commonwealth of Australia under the Foreign Takeovers Act. Technically, the statute applies to any acquisition of 15% or more of the outstanding shares of an Australian company that has total assets valued \$5 million or more (\$3 million or more if greater than 50% of the assets of the company are in the form of rural land) or any acquisition which results in one foreign person or group of associated foreign persons controlling 15% or more of total voting power. In addition, the statute applies to any acquisition by non-associated foreign persons resulting in foreign persons controlling, in the aggregate, 40% or more of total voting power or ownership.

Since the Australian government's Economic Statement of February 1992, the policy of the body which reviews foreign investment (the Foreign Investment Review Board) is that only acquisitions of shares in companies which have assets in excess of \$50 million or where the acquisition



## Edgar Filing: ANSELL LTD - Form 20-F

proposal values the business at over \$50 million, will require approval. Pursuant to the recent Free Trade Agreement between Australia and the US, an increased threshold for notification and approval of \$800 million applies for US investors, except for investments in prescribed sensitive sectors, including the media, telecommunications, transport, and the supply or training of humans resources. The Corporations Act also regulates acquisitions giving rise to ownership of substantial amounts of a company's shares.

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

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

---

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

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

- (1) to exercise, or to control the exercise of, the right to vote attached to that share; or
- (2) to dispose of, or to control the exercise of a power to dispose of, that share.

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

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

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

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

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

**AMERICAN DEPOSITARY RECEIPTS**

The following is a summary of all material provisions of the Second Amended and Restated Deposit Agreement (including any exhibits thereto, the Deposit Agreement ) dated as of 26 March 1999 among the Company, Morgan Guaranty Trust Company of New York, as depositary (the Depositary ), and the registered Holders from time to time of the ADR s issued thereunder ( ADR s ). This summary does not purport to be complete and is qualified in its entirety by reference to the Deposit Agreement. Copies of the Deposit Agreement are available for inspection at the principal office of the Depositary in New York, New York (the Principal New York Office ), which is presently located at 60 Wall Street,

## Edgar Filing: ANSELL LTD - Form 20-F

New York, New York 10260. Terms used herein and not otherwise defined shall have the respective meanings set forth in the Deposit Agreement.

ADRs evidencing American Depositary Shares (ADSs) are issuable by the Depositary pursuant to the terms of the Deposit Agreement. Each ADS represents, as of the date hereof, the right to receive four Shares deposited under the Deposit Agreement (together with any additional Shares deposited thereunder and all other securities, property and cash received and held thereunder at any time in respect of or in lieu of such deposited Shares, the Deposited Securities) with the Custodian under the Deposit Agreement (together with any successor or successors thereto, the Custodian).

An ADR may evidence any number of ADSs. Only persons in whose name ADRs are registered on the books of the Depositary will be treated by the Depositary and the Company as Holders. As the context requires, the term ADR refers to certificated receipts as well as to ADSs reflected on the direct registration system maintained by the Depositary.

### **DEPOSIT, TRANSFER AND WITHDRAWAL**

In connection with the deposit of Shares under the Deposit Agreement, the Depositary or the Custodian may require the following in a form satisfactory to it:

- (a) a written order directing the Depositary to issue to, or upon the written order of, the person or persons designated in such order an ADR or ADRs evidencing the number of ADSs representing such deposited Shares (a Delivery Order);
- (b) proper endorsements or duly executed instruments of transfer in respect of such deposited Shares;
- (c) instruments assigning to the Custodian or its nominee any distribution on or in respect of such deposited Shares or indemnity therefore; and,

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**DEPOSIT, TRANSFER AND WITHDRAWAL (continued)**

- (d) proxies entitling the Custodian to vote such deposited Shares until such Shares are transferred and recorded on the register of shareholders of the Company in the name of the Depositary or its nominee.

As soon as practicable after the Custodian receives Deposited Securities pursuant to any such deposit or pursuant to the form of ADR, the Custodian shall present such Deposited Securities for registration of transfer into the name of the Depositary or its nominee, to the extent such registration is practicable, at the cost and expense of the person making such deposit (or for whose benefit such deposit is made) and shall obtain evidence satisfactory to it of such registration. Deposited Securities shall be held by the Custodian for the account and to the order of the Depositary at such place or places and in such manner as the Depositary shall determine. Deposited Securities may be delivered by the Custodian to any person only under the circumstances expressly contemplated in the Deposit Agreement.

After any such deposit of Shares, the Custodian shall notify the Depositary of such deposit and of the information contained in any related Delivery Order by letter, first class airmail postage prepaid, or, at the request, risk and expense of the person making the deposit, by cable, telex or facsimile transmission. After receiving such notice from the Custodian, the Depositary, subject to the terms and conditions of the Deposit Agreement, shall properly issue at the Transfer Office, which is presently located at the Principal New York Office, to or upon the order of any person named in such notice, an ADR or ADRs registered as requested and evidencing the aggregate ADSs to which such person is entitled.

Subject to the terms and conditions of the Deposit Agreement, the Depositary may so issue ADRs for delivery at the Transfer Office only against deposit with the Custodian of:

- (a) Shares in form satisfactory to the Custodian;
- (b) rights to receive Shares from the Company or any registrar, transfer agent, clearing agent or other entity recording Share ownership or transactions; or,
- (c) other rights to receive Shares (until such Shares are actually deposited pursuant to (a) or (b) above, Pre-released ADRs ) only if:
  - (i) Pre-released ADRs are fully collateralised (marked to market daily) with cash or U.S. government securities held by the Depositary for the benefit of Holders (but such collateral shall not constitute Deposited Securities );

## Edgar Filing: ANSELL LTD - Form 20-F

- (ii) each recipient of Pre-released ADR s agrees in writing with the Depositary that such recipient (a) owns such Shares, (b) assigns all beneficial right, title and interest therein to the Depositary, (c) holds such Shares for the account of the Depositary and (d) will deliver such Shares to the Custodian as soon as practicable and promptly upon demand therefore; and
- (iii) all Pre-released ADR s evidence not more than 30% of all ADSs (excluding those evidenced by Pre-released ADR s), provided, however, that the Depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The Depositary may retain for its own account any earnings on collateral for Pre-released ADR s and its charges for issuance thereof.

At the request, risk and expense of the person depositing Shares, the Depositary may accept deposits for forwarding to the Custodian and may deliver ADR s at a place other than its office. Every person depositing Shares under the Deposit Agreement is deemed to represent and warrant that such Shares are validly issued and outstanding, fully paid, non-assessable and free of pre-emptive rights, that the person making such deposit is duly authorised to do so and that such Shares (A) are not restricted securities as such term is defined in rule 144 under the Securities Act of 1933, as amended (the Securities Act of 1933 ) unless at the time of deposit they may be freely transferred in accordance with rule 144(k) and may otherwise be offered and sold freely in the United States or (B) have been registered under the Securities Act of 1933. Such representations and warranties shall survive the deposit of Shares and issuance of ADR s.

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**DEPOSIT, TRANSFER AND WITHDRAWAL (continued)**

Subject to the terms and conditions of the Deposit Agreement, upon surrender of an ADR in form satisfactory to the Depositary at the Transfer Office, the Holder thereof is entitled to delivery at the Custodian's office of the Deposited Securities at the time represented by the ADSs evidenced by such ADR. At the request, risk and expense of the Holder thereof, the Depositary may deliver such Deposited Securities at such other place as may have been requested by the Holder. Notwithstanding any other provision of the Deposit Agreement or the ADRs, the withdrawal of Deposited Securities may be restricted only for the reasons set forth in General Instruction I.A. (1) of Form F-6 (as such instructions may be amended from time to time) under the Securities Act of 1933.

**DISTRIBUTIONS ON DEPOSITED SECURITIES**

Subject to the terms and conditions of the Deposit Agreement, to the extent practicable, the Depositary will distribute by mail to each Holder entitled thereto on the record date set by the Depositary therefor at such Holder's address shown on the ADR Register, in proportion to the number of Deposited Securities (on which the following distributions on Deposited Securities are received by the Custodian) represented by ADSs evidenced by such Holder's ADRs:

(a) Cash :

Any U.S. dollars available to the Depositary resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof authorised in the Deposit Agreement ( "Cash" ), on an averaged or other practicable basis, subject to:

- (i) appropriate adjustments for taxes withheld,
- (ii) such distribution being impermissible or impracticable with respect to certain Holders, and
- (iii) deduction of the Depositary's expenses in (1) converting any foreign currency to U.S. dollars by sale or in such other manner as the Depositary may determine to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the Depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by

public or private means in any commercially reasonable manner.

(b) Shares:

- (i) Additional ADRs evidencing whole ADSs representing any Shares available to the Depositary resulting from a dividend or free distribution on Deposited Securities consisting of Shares (a Share Distribution), and
- (ii) U.S. dollars available to it resulting from the net proceeds of sales of Shares received in a Share Distribution, which Shares would give rise to fractional ADSs if additional ADRs were issued therefore, as in the case of Cash.

(c) Rights:

- (i) Warrants or other instruments in the discretion of the Depositary representing rights to acquire additional ADRs in respect of any rights to subscribe for additional Shares or rights of any nature available to the Depositary as a result of a distribution on Deposited Securities (Rights), to the extent that the Company timely furnishes to the Depositary evidence satisfactory to the Depositary that the Depositary may lawfully distribute the same (the Company has no obligation to so furnish such evidence), or
- (ii) to the extent the Company does not so furnish such evidence and sales of Rights are practicable, any U.S. dollars available to the Depositary from the net proceeds of sales of Rights as in the case of Cash, or

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**DISTRIBUTIONS ON DEPOSITED SECURITIES (continued)**

- (iii) to the extent the Company does not so furnish such evidence and such sales cannot practicably be accomplished by reason of the non-transferability of the Rights, limited markets therefore, their short duration or otherwise, nothing (and any Rights may lapse). Subject to Australian law, the Company
- (iv) will, in connection with any offer of such Rights, make such Rights generally transferable or consent to the transfer thereof by foreign investors not resident in Australia; and
- (d) Other Distributions:
  - (i) Securities or property available to the Depositary resulting from any distribution on Deposited Securities other than Cash, Share Distributions and Rights ( Other Distributions ), by any means that the Depositary may deem equitable and practicable, or
  - (ii) to the extent the Depositary deems distribution of such securities or property not to be equitable and practicable, any U.S. dollars available to the Depositary from the net proceeds of sales of Other Distributions as in the case of Cash.

Such U.S. dollars available will be distributed by checks drawn on a bank in the United States for whole dollars and cents (any fractional cents being withheld without liability for interest and added to future Cash distributions). To the extent that the Depositary determines in its discretion that any distribution is not practicable with respect to any Holder, the Depositary may make such distribution as it so determines is practicable, including the distribution of foreign currency, securities or property (or appropriate documents evidencing the right to receive foreign currency, securities or property) or the retention thereof as Deposited Securities with respect to such Holder's ADR's (without liability for interest thereon or the investment thereof). There can be no assurance that the Depositary will be able to effect any currency conversion or to sell or otherwise dispose of any distributed or offered property, subscription or other rights, Shares or other securities in a timely manner or at a specified rate or price, as the case may be.

**DISCLOSURE OF INTERESTS**

To the extent that the provisions of or governing any Deposited Securities may require disclosure of or impose limits on beneficial or other ownership of Deposited Securities, other Shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, Holders and all persons holding ADR's agree to comply with all such disclosure requirements and ownership limitations and to cooperate with the Depositary in the Depositary's compliance with any Company instructions in respect thereof, and, in the Deposit Agreement, the Depositary has agreed to use reasonable efforts to comply with such Company instructions.



**RECORD DATES**

The Depositary may, after consultation with the Company if practicable, fix a record date (which shall be as near as practicable to any corresponding record date set by the Company) for the determination of the Holders who shall be entitled to receive any distribution on or in respect of Deposited Securities, to give instructions for the exercise of any voting rights, to receive any notice or to act in respect of other matters and only such Holders shall be so entitled.

**VOTING OF DEPOSITED SECURITIES**

As soon as practicable after receipt from the Company of notice of any meeting or solicitation of consents or proxies of holders of Shares or other Deposited Securities, the Depositary shall mail to Holders a notice stating:

- (a) such information as is contained in such notice and any solicitation materials;

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**VOTING OF DEPOSITED SECURITIES (continued)**

- (b) that each Holder on the record date set by the Depositary therefore will be entitled to instruct the Depositary as to the exercise of the voting rights, if any, pertaining to the Deposited Securities represented by the ADSs evidenced by such Holder's ADR's; and
- (c) the manner in which such instructions may be given, including instructions to give a discretionary proxy to a person designated by the Company. Upon receipt of instructions of a Holder on such record date in the manner and on or before the date established by the Depositary for such purpose, the Depositary shall endeavour in so far as practicable and permitted under the provisions of or governing Deposited Securities to vote or cause to be voted the Deposited Securities represented by the ADSs evidenced by such Holder's ADR's in accordance with such instructions. The Depositary will not itself exercise any voting discretion in respect of any Deposited Securities.

**INSPECTION OF TRANSFER BOOKS**

The Deposit Agreement provides that the Depositary will keep books at its Transfer Office for the registration, registration of transfer, combination and split-up of ADR's, which at all reasonable times will be open for inspection by the Holders and the Company for the purpose of communicating with Holders in the interest of the business of the Company or a matter related to the Deposit Agreement.

**REPORTS AND OTHER COMMUNICATIONS**

The Depositary shall make available for inspection by Holders at the Transfer Office any reports and communications received from the Company which are both:

- (a) received by the Depositary as the holder of the Deposited Securities; and
- (b) made generally available to the holders of such Deposited Securities by the Company. The Depositary shall also send to the Holders copies of such reports when furnished by the Company. Any such reports and communications furnished to the Depositary by the Company shall be furnished in English.

## Edgar Filing: ANSELL LTD - Form 20-F

On or before the first date on which the Company makes any communication available to holders of Deposited Securities or any securities regulatory authority or stock exchange, by publication or otherwise, the Company shall transmit to the Depositary a copy thereof in English or with an English translation or summary. The Company has delivered to the Depositary, the Custodian and any Transfer Office, a copy of all provisions of or governing the Shares and any other Deposited Securities issued by the Company or any affiliate of the Company and, promptly upon any change thereto, the Company shall deliver to the Depositary, the Custodian and any Transfer Office, a copy (in English or with an English translation) of such provisions as so changed. The Depositary and its agents may rely upon the Company's delivery thereof for all purposes of the Deposit Agreement.

### **CHANGES AFFECTING DEPOSITED SECURITIES**

Subject to the terms and conditions of the Deposit Agreement, the Depositary may, in its discretion, amend the form of ADR or distribute additional or amended ADRs (with or without calling the ADRs for exchange) or cash, securities or property on the record date set by the Depositary therefor to reflect any change in par value, split-up, consolidation, cancellation or other reclassification of Deposited Securities, any Share Distribution or Other Distribution not distributed to Holders or any cash, securities or property available to the Depositary in respect of Deposited Securities from (and, in the Deposit Agreement, the Depositary is authorised to surrender any Deposited Securities to any person and to sell by public or private sale any property received in connection with) any recapitalisation, reorganisation, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all the assets of the Company, and to the extent the Depositary does not so amend the ADR or make a distribution to Holders to reflect any of the foregoing, or the net proceeds thereof, whatever cash, securities or property results from any of the foregoing shall constitute Deposited Securities and each ADS shall automatically represent its pro rata interest in the Deposited Securities as then constituted.

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**AMENDMENT AND TERMINATION OF DEPOSIT AGREEMENT**

The ADRs and the Deposit Agreement may be amended by the Company and the Depositary, provided that any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or that shall otherwise prejudice any substantial existing right of Holders, shall become effective 30 days after notice of such amendment shall have been given to the Holders.

Every Holder of an ADR at the time any amendment to the Deposit Agreement so becomes effective shall be deemed, by continuing to hold such ADR, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby. In no event shall any amendment impair the right of the Holder of any ADR to surrender such ADR and receive the Deposited Securities represented thereby, except in order to comply with mandatory provisions of applicable law.

Any amendments or supplements which:

- (i) are reasonably necessary (as agreed by the Company and the Depositary) in order for (a) the ADSs to be registered on Form F-6 under the Securities Act of 1933 or (b) the ADSs or Shares to be traded solely in electronic book-entry form; and
- (ii) do not in either such case impose or increase any fees or charges to be borne by Holders, shall be deemed not to prejudice any substantial rights of Holders. Notwithstanding the foregoing, if any governmental body should adopt new laws, rules or regulations which would require amendment or supplement of the Deposit Agreement or the form of ADR to ensure compliance therewith, the Company and the Depositary may amend or supplement the Deposit Agreement and the ADR at any time in accordance with such changed rules. Such amendment or supplement to the Deposit Agreement in such circumstances may become effective before a notice of such amendment or supplement is given to Holders or within any other period of time as required for compliance.

The Depositary may, and shall at the written direction of the Company, terminate the Deposit Agreement and the ADRs by mailing notice of such termination to the Holders at least 30 days prior to the date fixed in such notice for such termination. After the date so fixed for termination, the Depositary and its agents will perform no further acts under the Deposit Agreement and the ADRs, except to receive and hold (or sell) distributions on Deposited Securities and deliver Deposited Securities being withdrawn.

As soon as practicable after the expiration of six months from the date so fixed for termination, the Depositary shall sell the Deposited Securities and shall thereafter (as long as it may lawfully do so) hold in a segregated account the net proceeds of such sales, together with any other cash then held by it under the Deposit Agreement, without liability for interest, in trust for the pro rata benefit of the Holders not theretofore

surrendered. After making such sale, the Depositary shall be discharged from all obligations in respect of the Deposit Agreement and the ADRs, except to advise Holders of such termination, account for such net proceeds and other cash. After the date so fixed for termination, the Company shall be discharged from all obligations under the Deposit Agreement except for its obligations to the Depositary and its agents.

#### **CHARGES OF DEPOSITARY**

The Depositary may charge each person to whom ADRs are issued against deposits of Shares including deposits in respect of Share Distributions, Rights and Other Distributions and each person surrendering ADRs for withdrawal of Deposited Securities, U.S. \$5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs delivered or surrendered. The Company will pay all other charges and expenses of the Depositary and any agent of the Depositary (except the Custodian) pursuant to agreements from time to time between the Company and the Depositary, except:

- (i) stock transfer or other taxes and other governmental charges (which are payable by Holders or persons depositing Shares),
- (ii) cable, telex and facsimile transmission and delivery charges incurred at the request of persons depositing, or Holders delivering Shares, ADRs or Deposited Securities (which are payable by such persons or Holders),

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**CHARGES OF DEPOSITARY (continued)**

- (iii) transfer or registration fees for the registration of transfer of Deposited Securities on any applicable register in connection with the deposit or withdrawal of Deposited Securities (which are payable by persons depositing Shares or Holders withdrawing Deposited Securities; there are no such fees in respect of the Shares as of the date of the Deposit Agreement), and
- (iv) expenses of the Depositary in connection with the conversion of foreign currency into U.S. dollars (which are paid out of such foreign currency).

**LIABILITY OF HOLDERS FOR TAXES**

If any tax or other governmental charge shall become payable by or on behalf of the Custodian or the Depositary with respect to the ADRs, any Deposited Securities represented by the ADSs evidenced thereby or any distribution thereon, such tax or other governmental charge shall be paid by the Holder thereof to the Depositary. The Depositary may refuse to effect any registration, registration of transfer, split-up or combination thereof or, subject to the terms and conditions of the Deposit Agreement, any withdrawal of such Deposited Securities until such payment is made.

The Depositary may also deduct from any distributions on or in respect of Deposited Securities, or may sell by public or private sale for the account of the Holder thereof any part or all of such Deposited Securities (after attempting by reasonable means to notify the Holder thereof prior to such sale), and may apply such deduction or the proceeds of any such sale in payment of such tax or other governmental charge, the Holder thereof remaining liable for any deficiency, and shall reduce the number of ADSs evidenced thereby to reflect any such sales of Deposited Securities.

In connection with any distribution to Holders, the Company will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld and owing to such authority or agency by the Company; and the Depositary and the Custodian will remit to the appropriate governmental authority or agency all amounts (if any) required to be withheld and owing to such authority or agency by the Depositary or the Custodian.

If the Depositary determines that any distribution in property other than cash (including Shares or rights) on Deposited Securities is subject to any tax that the Depositary or the Custodian is obligated to withhold, the Depositary may dispose of all or a portion of such property in such amounts and in such manner as the Depositary deems necessary and practicable to pay such taxes, by public or private sale, and the Depositary shall distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes to the Holders entitled thereto.

**GENERAL LIMITATIONS**

The Depositary, the Company, their agents and each of them shall:

- (a) incur no liability,
  - (i) if law, regulation, the provisions of or governing any Deposited Securities, act of God, war or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the Deposit Agreement or the form of ADR provides shall be done or performed by it, or
  - (ii) by reason of any exercise or failure to exercise any discretion given it in the Deposit Agreement or the form of ADR;
- (b) assume no liability except to perform its obligations to the extent they are specifically set forth in the ADR and the Deposit Agreement without gross negligence or bad faith;
- (c) in the case of the Depositary and its agents, be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or the ADR;
- (d) in the case of the Company and its agents under the Deposit Agreement, be under no obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any Deposited Securities or the ADR s, which in its opinion may involve it in expense or liability, unless indemnity satisfactory to it against all expense (including fees and disbursements of counsel) and liability be furnished as often as may be required; and

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10D EXCHANGE CONTROLS (continued)**

**GENERAL LIMITATIONS (continued)**

- (e) not be liable for any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting Shares for deposit, any Holder, or any other person believed by it to be competent to give such advice or information. The Depositary, its agents and the Company may rely and shall be protected in acting upon any written notice, request, direction or other document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Depositary and its agents will not be responsible for any failure to carry out any instructions to vote any of the Deposited Securities (so long as any such inaction is in good faith), for the manner in which any such vote is cast (so long as any such action is in good faith) or for the effect of any such vote. The Depositary and its agents may own and deal in any class of securities of the Company and its affiliates and in ADR s.

The Company has agreed to indemnify the Depositary and its agents under certain circumstances and the Depositary has agreed to indemnify the Company against losses incurred by the Company to the extent such losses are due to the negligence or bad faith of the Depositary. No disclaimer of liability under the Securities Act of 1933 is intended by any provision hereof.

Prior to the issue, registration, registration of transfer, split-up or combination of any ADR, the delivery of any distribution in respect thereof, or, subject to the terms and conditions of the Deposit Agreement, the withdrawal of any Deposited Securities, the Company, the Depositary or the Custodian may require:

- (a) payment with respect thereto of
  - (i) any stock transfer or other tax or other governmental charge,
  - (ii) any stock transfer or registration fees in effect for the registration of transfers of Shares or other Deposited Securities upon any applicable register, and
  - (iii) any applicable charges as provided in the form of ADR;
- (b) the production of proof satisfactory to it of
  - (i) the identity and genuineness of any signature, and



## Edgar Filing: ANSELL LTD - Form 20-F

- (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law (including, but not limited to evidence of compliance with the Corporations Act, the Banking (Foreign Exchange) Regulations or the Foreign Acquisitions and Takeovers Act 1975 of Australia), regulations, provisions of or governing Deposited Securities and terms of the Deposit Agreement and the ADR s, as it may deem necessary or proper; and
- (c) compliance with such regulations as the Depositary may establish consistent with the Deposit Agreement. The issuance of ADR s, the acceptance of deposits of Shares, the registration, registration of transfer, split-up or combination of ADR s or, subject to the terms of the Deposit Agreement, the withdrawal of Deposited Securities may be suspended, generally or in particular instances, when the ADR Register or any register for Deposited Securities is closed or when any such action is deemed advisable by the Depositary or the Company.

### **GOVERNING LAW**

The Deposit Agreement is governed by and shall be construed in accordance with the laws of the State of New York.

---

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10E AUSTRALIAN TAXATION**

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

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

ADS holders and/or holders of Ordinary Shares are advised to consult their own tax advisors as to the Australian tax consequences of their ownership of the ADSs and/or Ordinary Shares.

**TAXATION OF DISTRIBUTIONS**

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

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

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

Any dividend withholding tax suffered on the unfranked amount of the dividend is reduced to the extent that the dividend consists of a Foreign Dividend Account amount (FDA amount).

A dividend will consist of an FDA amount to the extent to which it is declared to consist of an FDA amount by the corporation paying the dividend. A corporation is able to declare an FDA amount where it has a surplus in its Foreign Dividend Account at the time of paying the dividend. The main component of the Foreign Dividend Account will be tax exempt dividends received from foreign companies in which the corporation has a voting interest amounting to at least 10% of the voting power, as well as dividends received from 100% owned Australian companies to the extent they are declared to consist of an FDA amount.

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

In broad terms, if individual shareholders have held the Shares at risk for 45 days (excluding the dates of acquisition and disposal), they are able to claim a tax offset for the amount of any franking credits attaching to the dividend.

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10E AUSTRALIAN TAXATION (continued)**

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

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

During the year Ansell Limited paid a final unfranked dividend for the year ended 30 June 2004 of 7 cents per share on 14 October 2004 and an interim dividend for the year ended 30 June 2005 of 7 cents per share, franked to 57% for Australian tax purposes, on 8 April 2005.

**TAXATION OF FUTURE SHARE DISPOSALS**

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

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

**Shares Held on Revenue Account**

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

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

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

#### **Shares held on Capital Account**

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

According to Australian income tax law, a taxpayer makes a capital gain if the capital proceeds they receive on the disposal of shares exceed the cost base of those Shares. If the capital proceeds received on disposal are less than the reduced cost base, the taxpayer makes a capital loss.

The cost base and reduced cost base of any Share is generally the amount paid to acquire the share plus any associated costs incurred (e.g. brokerage fees). Cost base adjustments may be required (and capital gains may arise) should a distribution representing a return of capital or certain other non-assessable amounts be paid.

---

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10E AUSTRALIAN TAXATION (continued)**

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

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

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

**Treaty**

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

**Dual Residency**

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

**International Tax Reform**

## Edgar Filing: ANSELL LTD - Form 20-F

For completeness, as part of Australia's reform of international tax arrangements, the Australian Government announced in the Federal Budget in May 2005 that the capital gains tax provisions are to be amended to provide conduit capital gains tax relief for non-resident inbound investors. The proposed reform provides capital gains tax relief for non-residents disposing of non-portfolio share interests in Australian entities. The amendments will not extend to the disposal of shares in Australian companies where the value of such an interest is wholly or principally attributable to Australian real property. The change will apply to the disposal of assets occurring on or after the date of Royal Assent of the amending legislation. The Government has foreshadowed that the legislation will be introduced in the 2005-2006 year. To date, no legislation has been released.

### **OTHER TAXES**

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

### **STAMP DUTY**

No Australian stamp duty will be payable on the acquisition of ADSs or on any subsequent transfer of an ADS, provided that the ADR evidencing such ADS remains at all times outside Australia, that the instrument of transfer is not executed in Australia and remains at all times outside Australia, and that the Depository and the Custodian maintain no register of ADSs in Australia.

## **Table of Contents**

## **PART I**

### **Item 10: Additional Information**

#### **10E AUSTRALIAN TAXATION (continued)**

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

If the transfer of Ordinary Shares is effected by stockbrokers on the Australian Stock Exchange, each of the transferor and the transferee will be required to pay half of the stamp duty payable. If the transfer of the Ordinary Shares is not effected by stockbrokers on the Australian Stock Exchange, the transferee of the Ordinary Shares will generally be required to pay the stamp duty payable.

#### **AUSTRALIAN FOREIGN SOURCE INCOME RULES**

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

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

All non-portfolio dividends (i.e. a dividend paid to a company where that company holds 10% or more of the voting power in the dividend paying company) received from comparable tax countries and certain other countries on the limited exemption list are exempt from Australian tax. However, with effect from 1 July 2004, the exemption for foreign sourced non-portfolio dividends and certain foreign branch profits received by Australian companies and CFCs has been extended to cover profits repatriated from all listed and unlisted countries. Because these dividends are exempt, no credit is allowed for foreign taxes paid. Otherwise, dividends received from other countries will generally be taxed in Australia, with a foreign tax credit available for relief from double taxation for foreign taxes paid.

#### **International Tax Reform**



## Edgar Filing: ANSELL LTD - Form 20-F

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

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

**Table of Contents**

**PART I**

**Item 10: Additional Information**

**10F DIVIDENDS AND PAYING AGENTS**

Not Applicable.

**10G STATEMENT BY EXPERTS**

Not Applicable.

**10H DOCUMENTS ON DISPLAY**

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

**10I SUBSIDIARY INFORMATION**

Not Applicable.

**Table of Contents**

**PART I**

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

**DERIVATIVE FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

***(ii) Options***

## Edgar Filing: ANSELL LTD - Form 20-F

This is a contract between two parties, which gives the buyer of a put or call option the right, but not the obligation, to transact at a specified interest rate/exchange rate or commodity price at a future date, generally for a premium. Maturities of these contracts are principally between three months and two years.

### *(iii) Swaps*

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

### **DERIVATIVE FINANCIAL INSTRUMENTS HELD OR ISSUED FOR PURPOSES OTHER THAN TRADING**

Gains and losses on derivatives used as hedges are accounted for on the same basis as the underlying physical exposures they hedge. Accordingly, hedge gains and losses are included in the Statement of Financial Performance when the gain or loss arising on the related physical exposures are recognised in the Statement of Financial Performance.

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 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 a transaction is modified or extinguished any associated derivative financial instrument is also modified or extinguished and any gain or loss that no longer relates to an exposure is immediately taken to the Statement of Financial Performance.

**Table of Contents****PART I****Item 11 : Quantitative and Qualitative Disclosures about Market Risk****DERIVATIVE FINANCIAL INSTRUMENTS (continued)****DERIVATIVE FINANCIAL INSTRUMENTS HELD OR ISSUED FOR TRADING PURPOSES**

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

**FUTURE TRANSACTIONS**

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

These exposures are then monitored and may be modified from time to time. These transactions rarely exceed 12 months duration and hedge transactions the Company expects to occur in this time frame.

The following table shows the Company's deferred gains and (losses), both realised and unrealised, that are currently held on the Statement of Financial Position and the expected timing of recognition as revenue or expense:

\$ in millions	Interest Rate			Foreign Exchange		
	2005	2004	2003	2005	2004	2003
Exposures						
Less than 1 year				(0.1)		1.9
Realized Swaps Deferred						
Less than 1 year		0.7	0.4			
1 to 2 years	(0.3)	0.7	0.8			
2 to 5 years	(3.6)	4.9	0.9			
Greater than 5 years						

**Table of Contents****PART I****Item 11: Quantitative and Qualitative Disclosures about Market Risk****DERIVATIVE FINANCIAL INSTRUMENTS (continued)****INTEREST RATE RISK**

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

\$ in millions	Weighted Average	Interest Rate					Total
		Effective Interest Rate	Floating	Fixed Maturities			
	1 year or less			1 to 5 years <sup>(1)</sup>	Over 5 years		
Net Financial Assets/(Liabilities) 2005	%						
Financial Assets							
On-Balance Sheet							
Cash on hand and at bank	1.6%	19.2	6.5			43.7	69.4
Short-term deposits	4.5%	48.8	105.4			3.7	157.9
Receivables trade	NA					170.8	170.8
Receivables other	6.1%	66.8				44.8	111.6
Investments (excl. associated companies)	NA					59.0	59.0
Total Financial Assets 2005		134.8	111.9			322.0	568.7
Financial Liabilities							
Recognised							
Payables trade	NA					106.8	106.8
Payables other	NA					26.8	26.8
Bank overdraft	4.5%	0.3				1.1	1.4
Bank and other loans	5.1%	6.7	357.2				363.9
Provisions (including certain employee entitlements)	NA					50.1	50.1
Unrecognised							
Net interest rate swaps							
Total Financial Liabilities 2005		7.0	357.2			184.8	549.0
Net Financial Assets/(Liabilities) 2005		127.8	111.9	(357.2)		137.2	19.7
Net Financial Assets/(Liabilities) 2004	%						

**Financial Assets***On-Balance Sheet*

Cash on hand and at bank	1.1%	20.5			50.2	70.7
Short-term deposits	4.8%	231.8	15.6			247.4
Receivables trade	N/A				183.0	183.0
Receivables other	6.1%	62.8			46.5	109.3
Investments (excl. associated companies)	N/A				141.4	141.4

**Total Financial Assets 2004**

<b>315.1</b>	<b>15.6</b>	<b>421.1</b>	<b>751.8</b>
--------------	-------------	--------------	--------------

**Financial Liabilities***Recognised*

Payables trade	N/A				124.1	124.1
Payables other	N/A				38.6	38.6
Bank overdraft	1.5%	3.3				3.3
Bank and other loans	5.6%	321.2	101.7			422.9
Provisions (including certain employee entitlements)	N/A				41.0	41.0

*Unrecognised*

Net interest rate swaps	2.0%	(147.4)	121.1	26.3		
-------------------------	------	---------	-------	------	--	--

**Total Financial Liabilities 2004**

<b>177.1</b>	<b>121.1</b>	<b>128.0</b>	<b>203.7</b>	<b>629.9</b>
--------------	--------------	--------------	--------------	--------------

**Net Financial Assets/(Liabilities) 2004**

<b>138.0</b>	<b>(121.1)</b>	<b>(112.4)</b>	<b>217.4</b>	<b>121.9</b>
--------------	----------------	----------------	--------------	--------------

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

	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Total
<b>2005</b>					
Bank & Other Loans	115.9	26.2	105.0	110.1	357.2
<b>2004</b>					
Bank & Other Loans	101.7				101.7
Net Interest Rate Swaps	26.3				26.3
	<b>128.0</b>				<b>128.0</b>

**Table of Contents**

**PART I**

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

**DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

**INTEREST RATE RISK (continued)**

Provisions, including amounts contained within income tax, deferred income tax, contingencies, rationalisation and restructure, Accufix Pacing Lead related expenses and insurance claims amounting to \$47.4 million (2004 \$57.7 million) are not included within the table above as it is considered that they do not meet the definition of a financial instrument.

A separate analysis of debt by currency can be found at Note 21 to the Financial Statements contained in Item 18.

**CREDIT RISK AND NET FAIR VALUE**

**Recognised Financial Instruments**

***(i) Credit Risk***

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

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

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

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



#### **Unrecognised Financial Instruments**

Credit risk on unrecognised derivative contracts is minimised, as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency. It is not felt that there is a material exposure to any single counterparty or group of counterparties. The Company's exposure is almost entirely (over 99%) to banks.

**Table of Contents****PART I****Item 11 : Quantitative and Qualitative Disclosures about Market Risk****DERIVATIVE FINANCIAL INSTRUMENTS (continued)****CREDIT RISK AND NET FAIR VALUE (continued)**

The following table displays:

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

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

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

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

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

This is the amount at which the instrument could be extinguished between willing parties in a normal market in other than a liquidation or forced sale environment. The net amount owed by / (owing to) financial institutions under all derivative financial instruments would have been \$3.5 million (2004 - \$1.6 million) if all contracts were closed out on 30 June 2005.

	<b>Face Value</b>		<b>Credit Risk</b>		<b>Net Fair Value</b>	
<b>\$ in millions</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>

**Foreign Exchange Contracts**

# Edgar Filing: ANSELL LTD - Form 20-F

## *Purchase/Sale Contracts:*

- U.S. dollars	78.5	77.0	0.5	0.4	0.4	0.2
- Australian dollars	5.0	22.0				
- Euro	20.7	19.9			(0.7)	
- Other currencies	5.3	13.5		0.2	(0.1)	0.1

## *Cross Currency Swaps:*

- U.S. dollars	23.7	53.8	0.9	1.9	0.9	1.9
----------------	------	------	-----	-----	-----	-----

## **Foreign Exchange Options**

### *Zero Cost Collar:*

- Euro/U.S. dollars	99.3	145.4	2.6	1.6	3.3	0.4
- U.S. dollars/Thai baht	16.5	21.5	0.4	0.1	(0.3)	(0.2)
- Australian dollars/U.S. dollars	6.0	11.3		0.4		0.6
- Canadian dollars/U.S. dollars	29.1	6.8	0.2	0.1	(0.1)	(0.1)
- GBP/U.S. dollars	0.9	8.5				
- U.S. dollars/Euro	6.6				(0.2)	

## **Interest Rate Contracts**

### *Interest Rate Swaps:*

- U.S. dollars	38.0	141.0	0.4	0.4	0.3	(1.2)
- Australian dollars		50.0				(0.1)

<b>Total</b>	<b>329.6</b>	<b>570.7</b>	<b>5.0</b>	<b>5.1</b>	<b>3.5</b>	<b>1.6</b>
--------------	--------------	--------------	------------	------------	------------	------------

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

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

The Company seeks to reduce the risk of:

- (a) being forced to exit derivative financial instrument positions at below their real worth; or
- (b) finding it cannot exit the position at all, due to lack of liquidity in the market;

By:

- (a) dealing only in liquid contracts dealt by many counterparties; and
- (b) dealing only in large and highly liquid and stable international markets.

**Table of Contents****PART I****Item 11 : Quantitative and Qualitative Disclosures about Market Risk****DERIVATIVE FINANCIAL INSTRUMENTS (continued)****CREDIT RISK AND NET FAIR VALUE (continued)****(v) Credit Risk by Maturity:**

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

\$ in millions	Foreign Exchange Related		Interest Rate		Foreign Exchange		Total	
	Contracts		Contracts		Options			
	2005	2004	2005	2004	2005	2004	2005	2004
<b>Term</b>								
0 to 6 mths	0.5	0.6			2.1	1.1	2.6	1.7
6 to 12 mths		0.1			1.1	1.1	1.1	1.2
1 to 2 yrs	0.9						0.9	
2 to 5 yrs		1.8	0.4	0.4			0.4	2.2
<b>Total</b>	<b>1.4</b>	<b>2.5</b>	<b>0.4</b>	<b>0.4</b>	<b>3.2</b>	<b>2.2</b>	<b>5.0</b>	<b>5.1</b>

**(vi) Historical Rate Rollovers:**

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

**Table of Contents**

**PART I**

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

Not Applicable

72

**Table of Contents**

**PART II**

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

Not Applicable

73

**Table of Contents**

**PART II**

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

Not Applicable

74

**Table of Contents**

**PART II**

**Item 15 : Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

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

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

**Internal Controls**

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



**Table of Contents****PART II****Item 16****16A AUDIT COMMITTEE FINANCIAL EXPERT**

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

**16B CODE OF ETHICS**

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

**16C PRINCIPAL ACCOUNTANT FEES AND SERVICES****(a) Audit Fees**

<b>Audit and Review of Financial Reports</b>	<b>Consolidated</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>(\$ in Thousands)</b>				
Auditors of Ansell Limited and Australian entities KPMG	1,050	1,013	1,050	927
Other Member firms of KPMG	1,564	1,423		
<b>Total</b>	<b>2,614</b>	<b>2,436</b>	<b>1,050</b>	<b>927</b>

THS			
acquisition			
related foreign	5,594	—	—
exchange			
losses			
	1,014	—	—

Tax reform related expense			
Acceleration of unamortized debt costs	880	—	302
Tax effect of Canadian tax rate change on deferred tax liability	—	—	455
Sumac acquisition related contingent consideration accounted for as compensation	—	—	5,706
Cost of restructuring Canadian operations	—	—	578
Release of deferred tax liability for undistributed foreign earnings and uncertain tax positions	(554 )	(555 )	(1,281 )
Impairment of intangible assets and goodwill related to Unitemp acquisition	—	—	1,713
Tax effect of financial adjustments	(2,260 )	—	(1,552 )
Adjusted Net Income - non-GAAP basis (former presentation)	\$ 20,680	\$ 14,086	\$ 28,930
	\$ 0.63	\$ 0.43	\$ 0.89

Adjusted  
fully-diluted  
earnings per  
common share  
- non-GAAP  
basis (former  
presentation)

Amortization of intangible assets	\$ 16,458	\$ 11,772	\$ 12,112
Tax effect of intangible amortization	(4,687 )	(3,626 )	(3,258 )
Adjusted net income (non-GAAP)	\$ 32,451	\$ 22,232	\$ 37,784

Impact of  
intangible  
amortization to  
fully-diluted  
earnings per  
share  
(non-GAAP)

\$ 0.36	\$ 0.25	\$ 0.27
---------	---------	---------

Adjusted-fully  
diluted  
earnings per  
common share  
(non-GAAP)  
(new  
presentation)  
(1)

\$ 0.99	\$ 0.68	\$ 1.16
---------	---------	---------

Fully-diluted  
common  
shares -  
non-GAAP  
basis  
(thousands)

32,797	32,633	32,593
--------	--------	--------

(1) The Company now presents non-GAAP Adjusted EPS to include the impact of intangible amortization.

The following table reconciles cash provided by operating activities to Free cash flow for the periods presented:

Year Ended March 31,

	2018	2017	2016
Cash provided by operating activities	\$21,915	\$26,440	\$47,920
Less: Purchases of property, plant and equipment, net of rental equipment sales	(9,072 )	(8,020 )	(10,388 )
Free cash flow provided	\$12,843	\$18,420	\$37,532

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposures include the effect of fluctuations in foreign exchange rates, interest rates and commodity prices.

Foreign currency risk relating to operations. We transact business globally and are subject to risks associated with fluctuating foreign exchange rates. Approximately 63% of our fiscal 2018 consolidated revenues were generated by sales from our non-U.S. subsidiaries. Our non-U.S. subsidiaries generally sell their products and services in the local currency, but obtain a significant amount of their products from our manufacturing facilities located elsewhere, primarily the United States, Canada and Europe. Significant changes in the relevant exchange rates could adversely affect our margins on foreign sales of products. Our non-U.S. subsidiaries incur most of their expenses (other than intercompany expenses) in their local functional currency. These currencies include the Canadian Dollar, Euro, British Pound, Russian Ruble, Australian Dollar, Brazilian Real, South African Rand, South Korean Won, Chinese Renminbi, Indian Rupee, Mexican Peso, and Japanese Yen.

We have established a program that primarily utilizes foreign currency forward contracts to offset the risk associated with the effects of certain foreign currency exposures. Under this program, increases or decreases in our foreign currency exposures are offset by gains or losses on the forward contracts, to mitigate the possibility of foreign currency transaction gains or losses. These foreign currency exposures typically arise from intercompany transactions. Our forward contracts generally have terms of 30 days or less. We do not use forward contracts for trading purposes nor do we designate these forward contracts as hedging instruments pursuant to ASC 815. We adjust the carrying amount of all contracts to their fair value at the end of each reporting period and unrealized gains and losses are included in our results of operations for that period. These gains and losses largely offset gains and losses resulting from settlement of payments received from our foreign operations which are settled in U.S. dollars. All outstanding foreign currency forward contracts are marked to market at the end of the period with unrealized gains and losses included in other expense. The fair value is determined by quoted prices on identical forward contracts (Level 2 fair value). The balance sheet reflects unrealized gains within accounts receivable and unrealized losses within accrued liabilities. Our ultimate realized gain or loss with respect to currency fluctuations will depend on the currency exchange rates and other factors in effect as the contracts mature. As of March 31, 2018 and 2017, the notional amounts of forward contracts we held to buy U.S. dollars in exchange for other major international currencies were \$18.7 million and \$2.4 million, respectively.

During fiscal 2018, our largest exposures to foreign exchange rates consisted primarily of the Canadian Dollar and the Euro against the U.S. dollar. The market risk related to the foreign currency exchange rates is measured by estimating the potential impact of a 10% change in the value of the U.S. dollar relative to the local currency exchange rates. The rates used to perform this analysis were based on a weighted average of the market rates in effect during the relevant period. A 10% appreciation of the U.S. dollar relative to the Canadian Dollar would result in a net decrease in net income of \$1.5 million for fiscal 2018. Conversely, a 10% depreciation of the U.S. dollar relative to the Canadian Dollar would result in a net increase in net income of \$1.8 million for fiscal 2018. A 10% appreciation of the U.S. dollar relative to the Euro would result in a net decrease in net income of \$0.4 million for fiscal 2018. Conversely, a 10% depreciation of the U.S. dollar relative to the Euro would result in a net increase in net income of \$0.5 million for fiscal 2018.

The geographic areas outside the United States in which we operate are generally not considered to be highly inflationary. Nonetheless, these foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain intercompany transactions that are generally denominated in U.S. dollars rather than their respective functional currencies. The impact of foreign currency transaction losses on our consolidated statements of operations were losses of \$5.7 million and \$0.6 million in fiscal 2018 and fiscal 2017, respectively.

Because our consolidated financial results are reported in U.S. dollars, and we generate a substantial amount of our sales and earnings in other currencies, the translation of those results into U.S. dollars can result in a significant increase or decrease in the amount of those sales and earnings. In addition, fluctuations in currencies relative to the U.S. dollar may make it more difficult to perform period-to-period comparisons of our reported results of operations. In fiscal 2018, we estimate that our sales were positively impacted by \$7.9 million when compared to foreign

exchange translation rates that were in effect in fiscal 2017. Foreign currency impact on revenue is calculated by comparing actual current period revenue in U.S. dollars to the theoretical U.S. Dollar revenue we would have achieved based on the weighted-average foreign exchange rates in effect in the comparative prior periods for all applicable foreign currencies. In fiscal 2018, we were mostly impacted by the depreciation of the U.S. dollar relative to the Canadian Dollar and the Euro. At each balance sheet date, we translate our assets and liabilities denominated in foreign currency to U.S. dollars. The balances of our foreign equity accounts are translated at their historical value. The difference between the current rates and the historical rates are posted to our currency translation account and reflected in the shareholders' equity section of our balance sheet. The effect of foreign currency translation were gains of \$12.0 million in fiscal 2018 and losses of \$4.5 million in fiscal 2017. Currency translation gains or losses are reported as part of comprehensive income or loss in our accompanying consolidated financial statements.

Foreign currency risks related to intercompany notes. The Company has entered into a cross currency swap for the purposes of mitigating potential exposures to currency rate fluctuations related to an intercompany note of \$112.8 million with

our wholly-owned Canadian subsidiary, Thermon Canada . See Note 2, “Fair Value Measurements” to our consolidated financial statements included below in Item 8 of this annual report for further information regarding our cross currency swap.

Interest rate risk and foreign currency risk relating to debt. The interest rate for our new variable rate term loan B credit facility was 5.41% as of March 31, 2018. Borrowings on our revolving credit facility will incur interest expense that is variable in relation to the LIBOR rate. Based on historical balances on our revolving credit facility, we do not anticipate that a one percent increase or decrease in our interest rate would have a significant impact on our operations. We cannot provide any assurances that historical revolver borrowings (if any) will be reflective of our future use of the revolving credit facility. As of March 31, 2018, we had \$225.0 million of outstanding principal under our variable rate LIBOR-based term loan B credit facility. Based on the outstanding borrowings, a one percent change in the interest rate would result in a \$2.2 million increase or decrease in our annual interest expense.

Commodity price risk. We use various commodity-based raw materials in our manufacturing processes. Generally, we acquire such components at market prices and do not typically enter into long-term purchase commitments with suppliers or hedging instruments to mitigate commodity price risk. As a result, we are subject to market risks related to changes in commodity prices and supplies of key components of our products. Historically, the costs of our primary raw materials have been stable and readily available from multiple suppliers. Typically, we have been able to pass on raw material cost increases to our customers. We cannot provide any assurance, however, that we may be able to pass along such cost increases to our customers or source sufficient amounts of key components on commercially reasonable terms or at all in the future, and if we are unable to do so, our results of operations may be adversely affected.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Audited Financial Statements of Thermon Group Holdings, Inc. and its Consolidated Subsidiaries	
<u>Reports of Independent Registered Public Accounting Firm</u>	<u>51</u>
<u>Consolidated Statements of Operations and Comprehensive Income for each of the three years in the period ended March 31, 2018</u>	<u>54</u>
<u>Consolidated Balance Sheets as of March 31, 2018 and 2017</u>	<u>55</u>
<u>Consolidated Statements of Equity for each of the three years in the period ended March 31, 2018</u>	<u>56</u>
<u>Consolidated Statements of Cash Flows for each of the three years in the period ended March 31, 2018</u>	<u>57</u>
<u>Notes to Consolidated Financial Statements</u>	<u>58</u>



Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors

Thermon Group Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Thermon Group Holdings, Inc. and subsidiaries (the Company) as of March 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the years in the three year period ended March 31, 2018, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three year period ended March 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 30, 2018 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company’s auditor since 2013.

San Antonio, Texas

May 30, 2018

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors

Thermon Group Holdings, Inc.:

We have audited Thermon Group Holdings, Inc. and subsidiaries' (the Company) internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, equity, and cash flows for each of the years in the three-year period ended March 31, 2018, and the related notes, (collectively, the consolidated financial statements), and our report dated May 30, 2018, expressed an unqualified opinion on those consolidated financial statements.

The Company acquired CCI Thermal Technologies Inc. during fiscal 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2018, CCI Thermal Technologies Inc.'s internal control over financial reporting whose financial statements reflect 35 percent of total assets (of which approximately 24 percent represents goodwill and intangible assets included within the scope of the assessment) and 13 percent of total revenues of the related consolidated financial statement amounts of Thermon Group Holdings, Inc. as of and for the year ended March 31, 2018. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of CCI Thermal Technologies Inc.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

### Definition and Limitations of Internal Control Over Financial Reporting

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



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

/s/ KPMG LLP  
San Antonio, Texas  
May 30, 2018

53

---

## Thermon Group Holdings, Inc.

## Consolidated Statements of Operations and Comprehensive Income

(Dollars in Thousands, except share and per share data)

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Sales	\$ 308,609	\$ 264,130	\$ 281,928
Cost of sales	164,798	152,199	150,613
Gross profit	143,811	111,931	131,315
Operating expenses:			
Marketing, general and administrative and engineering	94,615	77,715	80,729
Amortization of intangible assets	16,458	11,772	12,112
Impairment of intangible assets and goodwill	—	—	1,713
Income from operations	32,738	22,444	36,761
Other income/(expenses):			
Interest income	606	566	423
Interest expense	(8,984)	(3,518)	(4,142)
Loss on extinguishment of debt	(376)	—	—
Other expense	(5,595)	(410)	(676)
Income before provision for income taxes	18,389	19,082	32,366
Income tax expense	5,170	4,098	8,716
Net income	13,219	14,984	23,650
Income attributable to non-controlling interests	1,306	343	641
Net income available to Thermon Group Holdings, Inc.	\$ 11,913	\$ 14,641	\$ 23,009
Other comprehensive income:			
Net income available to Thermon Group Holdings, Inc.	\$ 11,913	\$ 14,641	\$ 23,009
Foreign currency translation adjustment	12,030	(4,536)	(3,242)
Derivative valuation, net of tax	34	791	(340)
Other	(270)	(21)	413
Total comprehensive income	\$ 23,707	\$ 10,875	\$ 19,840
Net income per common share:			
Basic	\$ 0.37	\$ 0.45	\$ 0.72
Diluted	0.36	0.45	0.71
Weighted-average shares used in computing net income per common share:			
Basic	32,423,581	32,301,661	32,176,925
Diluted	32,797,351	32,633,281	32,592,646

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

## Thermon Group Holdings, Inc.

## Consolidated Balance Sheets

(Dollars in Thousands, except share and per share data)

	March 31, 2018	March 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$33,879	\$42,842
Investments	1,022	44,786
Accounts receivable, net of allowance for doubtful accounts of \$1,231 and \$518 as of March 31, 2018 and 2017, respectively	94,411	63,719
Inventories, net	63,829	34,020
Costs and estimated earnings in excess of billings on uncompleted contracts	16,114	4,973
Prepaid expenses and other current assets	9,054	5,806
Income tax receivable	1,885	2,028
Total current assets	220,194	198,174
Property, plant and equipment, net	74,485	43,266
Goodwill	210,566	122,521
Intangible assets, net	151,434	86,178
Deferred income taxes	3,425	2,823
Other long term assets	2,373	1,118
Total assets	\$662,477	\$454,080
Liabilities and equity		
Current liabilities:		
Accounts payable	\$22,995	\$15,683
Accrued liabilities	22,810	13,142
Current portion of long term debt	2,500	20,250
Billings in excess of costs and estimated earnings on uncompleted contracts	8,143	2,767
Income taxes payable	5,952	481
Total current liabilities	62,400	52,323
Long-term debt, net of current maturities and deferred debt issuance costs and debt discounts of \$7,967 and \$524 as of March 31, 2018 and 2017, respectively	214,533	60,226
Deferred income taxes	34,252	25,661
Other noncurrent liabilities	10,439	3,368
Total liabilities	321,624	141,578
Equity		
Common stock: \$.001 par value; 150,000,000 authorized; 32,492,339 and 32,365,553 shares issued and outstanding at March 31, 2018 and 2017, respectively	32	32
Preferred stock: \$.001 par value; 10,000,000 authorized; no shares issued and outstanding	—	—
Additional paid in capital	222,622	219,284
Accumulated other comprehensive loss	(36,541)	(48,335)
Retained earnings	148,812	136,899
Total Thermon Group Holdings, Inc. shareholders' equity	334,925	307,880
Non-controlling interests	5,928	4,622
Total equity	340,853	312,502
Total liabilities and equity	\$662,477	\$454,080

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



Thermon Group Holdings, Inc.  
Consolidated Statements of Equity  
(Dollars in Thousands)

Common Stock Outstanding	Common Stock	Additional Paid-in Capital	Retained Earnings/ (Deficit)	Non-controlling Interests	Accumulated Other Comprehensive Income (Loss)	Total
Balances at March 31, 2015	32,082,393	\$ 32	\$ 213,885	\$ 99,249	\$ —	\$ (41,400 ) \$ 271,766
Issuance of common stock in 29,056 exercise of stock options	—	240	—	—	—	240
Issuance of restricted stock as deferred compensation to employees and directors	—	—	—	—	—	—
Issuance of common stock as 69,704 deferred compensation to employees	—	—	—	—	—	—
Issuance of common stock as deferred compensation to	—	—	—	—	—	—



named executive officers						
Stock compensation expense	—	3,749	—	—	—	3,749
Excess tax deduction from stock options	—	92	—	—	—	92
Repurchase of employee stock units on vesting	—	(1,265 )	—	—	—	(1,265 )
Net income available to — Thermon Group Holdings, Inc.	—	—	23,009	—	—	23,009
Foreign currency translation adjustment	—	—	—	—	(3,242 )	(3,242 )
Interest rate— swap	—	—	—	—	(340 )	(340 )
Other	—	—	—	—	413	413
Non-controlling interest in acquisition	—	—	—	3,638	—	3,638
Income attributable to — non-controlling interests	—	—	—	641	—	641
Balances at March 31, 2016	\$ 222,720	\$ 32	\$ 216,701	\$ 122,258	\$ 4,279	\$ (44,569 )
Issuance of	—	250	—	—	—	250

common stock in exercise of stock options Issuance of common stock as 19,824 deferred compensation to directors	—	—	—	—	—	—
Issuance of common stock as 47,179 deferred compensation to employees	—	—	—	—	—	—
Issuance of common stock as 32,709 deferred compensation to executive officers	—	—	—	—	—	—
Stock compensation expense	—	3,402	—	—	—	3,402
Excess tax deduction from stock options	—	(1,069 )	—	—	—	(1,069 )
Net— income available to Thermon Group Holdings,	—	—	14,641	—	—	14,641

Inc.						
Foreign						
currency						
translation	—	—	—	—	(4,536	) (4,536 )
adjustment						
Interest						
rate—	—	—	—	—	791	791
swap						
Other	—	—	—	—	(21	) (21 )
Income						
attributable						
to —	—	—	—	343	—	343
non-controlling						
interests						
Balances						
at						
March 31,	\$ 32	\$ 219,284	\$ 136,899	\$ 4,622	\$ (48,335	) \$ 312,502
2017						
Issuance						
of						
common						
stock						
in 42,636	—	300	—	—	—	300
exercise						
of						
stock						
options						
Issuance						
of						
common						
stock						
as 20,216	—	—	—	—	—	—
deferred						
compensation						
to						
directors						
Issuance						
of						
common						
stock						
as 43,445	—	—	—	—	—	—
deferred						
compensation						
to						
employees						
Issuance	—	—	—	—	—	—
of						
common						
stock						
as						

deferred compensation to executive officers						
Stock compensation expense	—	3,519	—	—	—	3,519
Repurchase of employee stock units on vesting	—	(481 )	—	—	—	(481 )
Net income available to —						
Thermon Group Holdings, Inc.	—	—	11,913	—	—	11,913
Foreign currency translation adjustment	—	—	—	—	12,030	12,030
Interest rate—swap	—	—	—	—	34	34
Other	—	—	—	—	(270 )	(270 )
Income attributable to —						
non-controlling interests	—	—	—	1,306	—	1,306
Balances at						
March 31, 2018	\$ 32	\$ 222,622	\$ 148,812	\$ 5,928	\$ (36,541 )	\$ 340,853

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

Thermon Group Holdings, Inc.  
Consolidated Statements of Cash Flows  
(Dollars in Thousands)

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Operating activities			
Net income	\$13,219	\$14,984	\$23,650
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,420	17,832	17,409
Amortization of debt costs	1,657	390	732
Amortization of inventory step-up	869	—	—
Loss on extinguishment of debt	376	—	—
Stock compensation expense	3,519	3,402	3,749
Impairment of acquisition related to goodwill and intangibles	—	—	1,713
Deferred income taxes	(11,337 )	(3,262 )	(4,090 )
Long term foreign exchange derivative	1,540	—	—
Release of reserve for uncertain tax positions	—	(128 )	(1,312 )
Other	(773 )	152	510
Changes in operating assets and liabilities:			
Accounts receivable	(13,818 )	(5,212 )	5,211
Inventories	(9,059 )	6,579	1,637
Costs and estimated earnings in excess of billings on uncompleted contracts	(6,067 )	2,599	(350 )
Other current and non-current assets	(2,625 )	(570 )	(2,125 )
Accounts payable	2,003	(4,608 )	1,006
Accrued liabilities and non-current liabilities	13,950	(3,173 )	(594 )
Income taxes payable and receivable	4,041	(2,545 )	774
Net cash provided by operating activities	\$21,915	\$26,440	\$47,920
Investing activities			
Purchases of property, plant and equipment	\$(10,008 )	\$(8,370 )	\$(12,581 )
Sales of rental equipment at net book value	936	350	2,193
Proceeds from the sale of property, plant and equipment	13	811	—
Cash paid for acquisitions, net of cash acquired	(202,693 )	—	(31,180 )
Purchase of investments	(8,123 )	(44,786 )	—
Proceeds from the sale of investments	53,406	—	—
Net cash used in investing activities	\$(166,469 )	\$(51,995 )	\$(41,568 )
Financing activities			
Proceeds from senior secured notes	\$250,000	\$—	\$—
Payments on long term debt and revolving credit facility	(116,000 )	\$(13,500 )	\$(13,500 )
Proceeds from revolving credit facility	10,000	—	—
Lease financing, net	(264 )	(257 )	(235 )
Issuance costs associated with debt financing	(9,698 )	—	(341 )
Issuance of common stock including exercise of stock options	383	168	240
Benefit (loss) from excess tax deduction from option exercises	—	(448 )	92
Repurchase of employee stock units on vesting	(481 )	(621 )	(1,265 )
Net cash provided by (used in) financing activities	\$133,940	\$(14,658 )	\$(15,009 )
Effect of exchange rate changes on cash and cash equivalents	\$1,651	\$(1,516 )	\$(547 )
Change in cash and cash equivalents	(8,963 )	(41,729 )	(9,204 )

Edgar Filing: ANSELL LTD - Form 20-F

Cash and cash equivalents at beginning of period	42,842	84,570	93,774
Cash and cash equivalents at end of period	\$33,879	\$42,842	\$84,570
Cash paid for interest and income taxes			
Interest	\$7,348	\$3,085	\$3,366
Income taxes paid	7,728	9,280	15,652
Income tax refunds received	818	—	121

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

57

---

Thermon  
Group  
Holdings,  
Inc.  
Notes to  
Consolidated  
Financial  
Statements  
(Dollars in  
Thousands,  
Except Share  
and Per Share  
Data)  
March 31,  
2018

## 1. Organization and Summary of Significant Accounting Policies

### Organization

On April 30, 2010, a group of investors led by entities affiliated with CHS Capital LLC ("CHS") and two other private equity firms acquired a controlling interest in Thermon Holding Corp. and its subsidiaries from Thermon Holdings, LLC ("Predecessor") for approximately \$321,500 in a transaction that was financed by approximately \$129,252 of equity investments by CHS, two other private equity firms and certain members of our current and former management team (collectively, the "management investors") and \$210,000 of debt raised in an exempt Rule 144A senior secured note offering to qualified institutional investors (collectively, the "CHS Transactions"). The proceeds from the equity investments and debt financing were used both to finance the acquisition and pay related transaction costs. As a result of the CHS Transactions, Thermon Group Holdings, Inc. became the ultimate parent of Thermon Holding Corp. Thermon Group Holdings, Inc. and its direct and indirect subsidiaries are referred to collectively as "we," "our," or the "Company" herein. We refer to CHS and the two other private equity fund investors collectively as "our former private equity sponsors."

### Basis of Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and entities in which the Company has a controlling financial interest. The ownership of noncontrolling investors is recorded as noncontrolling interests. All significant inter-company balances and transactions have been eliminated in consolidation. Consolidated subsidiaries domiciled in foreign countries comprised approximately 63%, 55% and 55%, of the Company's consolidated sales and \$33,501, \$21,698 and \$19,304 of the Company's consolidated pretax income for fiscal 2018, fiscal 2017 and fiscal 2016, respectively, and 68% and 59%, of the Company's consolidated total assets at March 31, 2018 and 2017, respectively.

### Segment Reporting

In connection with acquisitions made since fiscal 2015, the Company reviewed its determination of segments. Previously, we aggregated geographic markets into one reportable segment. Based on our review, we revised our segment reporting to four reportable segments based on four geographic countries or regions: United States, Canada, Europe and Asia. Within our four reportable segments, our primary products and services are focused on thermal

solutions primarily related to the electrical heat tracing industry. Each of our reportable segments serves a similar class of customers including large EPC companies, international and regional oil and gas companies, commercial sub-contractors, electrical component distributors and direct sales to existing plant or industrial applications. Profitability within our segments is measured by operating income. Profitability can vary in each of our reportable segments based on the competitive environment within the region, the level of corporate overhead, such as the salaries of our senior executives, and the level of research and development and marketing activities in the region, as well as the mix of products and services. Since March 2015, we have acquired Unitemp, IPI, Sumac and Thermon Heating Systems ("THS"). Both Unitemp and IPI offer thermal solutions and have been included in our Europe and United States reportable segments, respectively. Sumac provides temporary power products that differ from our core thermal solutions business. As operating results from Sumac comprise less than 10% of our total sales and operating income, Sumac has been aggregated in our Canada segment. THS, recently acquired in October 2017, has similar economic characteristics as the core Thermon process heating operations. Management intends to integrate THS into the existing Thermon operations as soon as practicable. Therefore, THS has been aggregated in our Canada and United States segments. See Note 17, "Segment Information" for financial data relating to our four reportable geographic segments.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements.



## Cash Equivalents

Cash and cash equivalents consist of cash in bank and money market funds. All highly liquid investments purchased with original maturities of three months or less are considered to be cash equivalents.

## Receivables

The Company's receivables are recorded at cost when earned and represent claims against third parties that will be settled in cash. The carrying value of the Company's receivables, net of allowance for doubtful accounts, represents their estimated net realizable value. If events or changes in circumstances indicate specific receivable balances may be impaired, further consideration is given to the Company's ability to collect those balances and the allowance is adjusted accordingly. The Company has established an allowance for doubtful accounts based upon an analysis of aged receivables. Past-due receivable balances are written-off when the Company's internal collection efforts have been unsuccessful in collecting the amounts due.

The Company's primary base of customers operates in the oil, chemical processing and power generation industries. Although the Company has a concentration of credit risk within these industries, the Company has not experienced significant collection losses on sales to these customers. The Company's foreign receivables are not concentrated within any one geographic segment nor are they subject to any current economic conditions that would subject the Company to unusual risk. The Company does not generally require collateral or other security from customers.

The Company performs credit evaluations of new customers and sometimes requires deposits, prepayments or use of trade letters of credit to mitigate our credit risk. Allowance for doubtful account balances were \$1,231 and \$518 as of March 31, 2018 and 2017, respectively. Although we have fully provided for these balances, we continue to pursue collection of these receivables.

The following table summarizes the annual changes in our allowance for doubtful accounts:

Balance at March 31, 2015	\$785
Reduction in reserve	214
Write-off of uncollectible accounts	(343 )
Balance at March 31, 2016	656
Additions to reserve	307
Write-off of uncollectible accounts	(445 )
Balance at March 31, 2017	518
Additions to reserve	787
Write-off of uncollectible accounts	(74 )
Balance at March 31, 2018	\$1,231

## Inventories

Inventories, principally raw materials and finished goods, are valued at the lower of cost (weighted average cost) or market. We write down our inventory for estimated excess or obsolete inventory equal to the difference between the cost of inventory and estimated fair market value based on assumptions of future demand and market conditions. Fair market value is determined quarterly by comparing inventory levels of individual products and components to historical usage rates, current backlog and estimated future sales and by analyzing the age and potential applications of inventory, in order to identify specific products and components of inventory that are judged unlikely to be sold. Our finished goods inventory consists primarily of completed electrical cable that has been manufactured for various heat tracing solutions, as well as various types of immersion, circulation and space heaters for THS. Most of our manufactured product offerings are built to industry standard specifications that have general purpose applications and therefore are sold to a variety of customers in various industries. Some of our products, such as custom orders and ancillary components outsourced from third-party manufacturers, have more specific applications and therefore may be at a higher risk of inventory obsolescence. Inventory is written-off in the period in which the disposal occurs. Actual future write-offs of inventory may differ from estimates and calculations used to determine valuation allowances due to changes in customer demand, customer negotiations, product application, technology shifts and other factors. Historically, inventory obsolescence and potential excess cost adjustments have been within our expectations, and management does not believe that there is a reasonable likelihood that there will be a material change in future estimates or assumptions used to calculate the inventory valuation reserves.

## Revenue Recognition

Revenues from sales of products are recognized when persuasive evidence of an agreement exists, delivery of the product has occurred, the fee is fixed or determinable, and collectability is probable.

On average, less than 20% of our annual revenues are derived from the installation of heat tracing solutions for which we apply construction-type accounting. These construction-related contracts are awarded on a competitive bid and negotiated basis. We offer our customers a range of contracting options, including cost-reimbursable, fixed-price and hybrid, which has both cost-reimbursable and fixed-price characteristics. Most of our construction contract revenue is recognized using either the percentage-of-completion method, based on the percentage that actual costs-to-date bear to total estimated costs to complete each contract or as it relates to cost-reimbursable projects, revenue is recognized as work is performed. We follow the guidance of FASB ASC Revenue Recognition Topic 605-35 for accounting policies relating to our use of the percentage-of-completion method, estimating costs and revenue recognition, including the recognition of profit incentives, unapproved change orders and claims and combining and segmenting contracts. We utilize the cost-to-cost approach to measure the extent of progress toward completion, as we believe this method is less subjective than relying on assessments of physical progress. Under the cost-to-cost approach, the use of total estimated cost to complete each contract is a significant variable in the process of determining recognized revenue and is a significant factor in the accounting for contracts. Significant estimates that impact the cost to complete each contract are costs of engineering, materials, components, equipment, labor and subcontracts; labor productivity; schedule durations, including subcontract and supplier progress; liquidated damages; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. The cumulative impact of revisions in total cost estimates as contracts progress is reflected in the period in which these changes become known, including the recognition of any losses expected to be incurred on contracts in progress. Due to the various estimates inherent in our construction contract accounting, actual results could differ from those estimates. Our historical construction contract cost estimates have generally been accurate, and management does not believe that there is a reasonable likelihood that there will be a material change in future estimates or the methodology used to calculate these estimates.

Sales which are not accounted for under ASC 605-35 may have multiple elements, including heat tracing product, engineering and "field" services such as inspection, repair and/or training. We assess such revenue arrangements to determine the appropriate units of accounting. Each deliverable provided under multiple-element arrangements is considered a separate unit of accounting. Revenues associated with the sale of a product are recognized upon delivery, while the revenue for engineering and field services are recognized as services are rendered, limited to the amount of consideration which is not contingent upon the successful provision of future products or services under the arrangement. Amounts assigned to each unit of accounting are based on an allocation of total arrangement consideration using a hierarchy of estimated selling price for the deliverables. The selling price used for each deliverable will be based on Vendor Specific Objective Evidence ("VSOE"), if available, Third Party Evidence ("TPE"), if VSOE is not available, or estimated selling price, if neither VSOE nor TPE is available. See "Recent Accounting Pronouncements" within Note 1 for additional information on the impact of Accounting Standard Update 2014-9 on our performance obligations and the method which we determine and allocate the price of our contracts beginning in fiscal 2019.

## Property, Plant and Equipment

Property, plant and equipment are stated at cost. Expenditures for renewals and improvements that significantly extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs of assets are charged to operations as incurred when assets are sold or retired, the cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to operations.

Depreciation is computed using the straight-line method over the following lives:

	Useful Lives in Years
Land improvements	15 - 20
Buildings and improvements	10 - 40
Machinery and equipment	3 - 25
Office furniture and equipment	3 - 10
Internally developed software	5 - 7

## Goodwill and Other Intangible Assets

We evaluate goodwill for impairment annually during the fourth quarter of our fiscal year, or more frequently when indicators of impairment are present. We operate as four reportable segments based on four geographic countries or regions. Within these four reportable segments we have seven reporting units, each of which is assessed for potential impairments. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of goodwill is less than its carrying amount. Some of the impairment indicators we consider include significant differences between the carrying amount and the estimated fair value of our assets and liabilities; macroeconomic conditions such as a deterioration in general economic condition or limitations on accessing capital; industry and market considerations such as a deterioration in the environment in which we operate and an increased competitive environment; cost factors such as increases in raw materials, labor, or other costs that have a negative effect on earnings and cash flows; overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings compared with actual and projected results of relevant prior periods; other relevant events such as litigation, changes in management, key personnel, strategy or customers; the testing for recoverability of our long-lived assets and a potential decrease in share price. We evaluate the significance of identified events and circumstances on the basis of the weight of evidence along with how they could affect the relationship between the reporting unit's fair value and carrying amount, including positive mitigating events and circumstances. If we determine it is more likely than not that the fair value of goodwill is less than its carrying amount, then we perform the first step of the two-step goodwill impairment test. In the first step of the goodwill impairment test, the reporting unit's carrying amount (including goodwill) and its fair value are compared. If the estimated fair value of a reporting unit is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an "implied fair value" of goodwill. The determination of the "implied fair value" requires us to allocate the estimated value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the "implied fair value" of goodwill, which is compared to the corresponding carrying value. If the "implied fair value" is less than the carrying value, an impairment charge will be recorded. In fiscal 2016, we recorded a \$1,240 goodwill impairment charge related to the Unitemp acquisition as our expectations of future revenues and profitability were below those estimated at the time of the acquisition and, during the same period, we impaired an additional \$473 of other intangibles as their fair value was less than their carrying value. In fiscal 2018 and 2017, the Company

determined that no impairment of goodwill existed.

Other intangible assets include indefinite lived intangible assets for which we must also perform an annual test of impairment. The Company's indefinite lived intangible assets consist primarily of trademarks. The fair value of the Company's trademarks is calculated using a "relief from royalty payments" methodology. This approach involves first estimating reasonable royalty rates for each trademark then applying these royalty rates to a net sales stream and discounting the resulting cash flows to determine the fair value. The royalty rate is estimated using both a market and income approach. The market approach relies on the existence of identifiable transactions in the marketplace involving the licensing of trademarks similar to those owned by the Company. The income approach uses a projected pretax profitability rate relevant to the licensed income stream. We believe the use of multiple valuation techniques results in a more accurate indicator of the fair value of each trademark. This fair value is then compared with the carrying value of each trademark. The results of this test during the fourth

quarter of our fiscal year indicated that there was no impairment of our indefinite life intangible assets during fiscal 2018, 2017 and 2016.

#### Debt Issuance Costs

The Company defers the costs associated with debt and financing arrangements. These costs are amortized over the life of the loan or financing as interest expense. Additionally, for any unscheduled principle payments the Company will record additional deferred debt charges on a pro rata basis of the unamortized deferred debt balance at the time of the repayment. When debt or the contract is retired prematurely, the proportionate unamortized deferred issuance costs are expensed as loss on retirement. Deferred debt issuance costs expensed as part of interest expense for fiscal 2018, fiscal 2017 and fiscal 2016 were \$1,657, \$391 and \$732, respectively. Included in these amounts are the acceleration of amortization associated with the termination of the term loan A in fiscal 2018 of \$376, \$880 related to the unscheduled principal repayment of \$25,000 of term loan B in fiscal 2018, and the second amendment to our senior secured credit agreement, redemptions of our senior secured notes and our prior revolving credit facility in fiscal 2016.

#### Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amounts to the future undiscounted cash flows that the assets are expected to generate. If the long-lived assets are considered impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds the estimated fair value and is recorded in the period the determination was made.

#### Stock-based Compensation

We account for share-based payments to employees in accordance with ASC 718, Compensation-Stock Compensation, which requires that share-based payments (to the extent they are compensatory) be recognized in our consolidated statements of operations and comprehensive income based on their fair values.

As required by ASC 718, we recognize stock-based compensation expense for share-based payments that are expected to vest. In determining whether an award is expected to vest, we account for forfeitures as they occur, rather than estimate expected forfeitures.

We are also required to determine the fair value of stock-based awards at the grant date. For option awards that are subject to service conditions and/or performance conditions, we estimate the fair values of employee stock options using a Black-Scholes-Merton valuation model. Some of our option grants and awards included a market condition for which we used a Monte Carlo pricing model to establish grant date fair value. These determinations require judgment, including estimating expected volatility. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be impacted.

#### Income Taxes

We account for income taxes under the asset and liability method that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our financial position, results of operations or effective tax rate.

Significant judgment is required in determining our worldwide income tax provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities, the process of identifying items of revenue and expense that qualify for preferential tax treatment, and segregation of foreign and domestic earnings and expenses to avoid double taxation. Although we believe that our estimates are reasonable, the final tax outcome of these matters could be different from that which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and net income in the period in which such determination is made.

In estimating future tax consequences, all expected future events are considered other than enactments of changes in tax laws or rates. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more

likely than not to be realized. We consider future growth, forecasted earnings, future taxable income, the mix of earnings in the jurisdictions in which we operate, historical earnings, taxable income in prior years, if carryback is permitted under the law, and prudent and feasible tax planning strategies in determining the need for a valuation allowance. In the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets valuation allowance would be charged to earnings in the period in which we make such a determination, or goodwill would be adjusted at our final determination of the valuation allowance related to an acquisition within the measurement period. If we later determine that it is more likely than not that the net deferred tax assets would be realized, we would reverse the applicable portion of the previously provided valuation allowance as an adjustment to earnings at such time. The amount of income tax we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Our estimate of the potential outcome for any uncertain tax issue is highly judgmental. We account for these uncertain tax issues pursuant to ASC 740, Income Taxes, which contains a two-step approach to recognizing and measuring uncertain tax positions taken or expected to be taken in a tax return. The first step is to determine if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained on audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Although we believe we have adequately reserved for our uncertain tax positions, no assurance can be given with respect to the final outcome of these matters. We adjust reserves for our uncertain tax positions due to changing facts and circumstances, such as the closing of a tax audit, judicial rulings, refinement of estimates or realization of earnings or deductions that differ from our estimates. To the extent that the final outcome of these matters is different than the amounts recorded, such differences generally will impact our provision for income taxes in the period in which such a determination is made. Our provisions for income taxes include the impact of reserve provisions and changes to reserves that are considered appropriate and also include the related interest and penalties.

During fiscal 2018, we revised our permanent reinvestment position whereby we expect to repatriate future earnings. Given the Tax Act's significant changes and potential opportunities to repatriate cash tax free, we have reevaluated our current permanent reinvestment position. Accordingly, we will no longer assert a permanent reinvestment position in most of our foreign subsidiaries. We expect to repatriate certain earnings which will be subject to withholding taxes. These additional withholding taxes are being recorded as an additional deferred tax liability associated with the basis difference in such jurisdictions. The uncertainty related to the taxation of such withholding taxes on distributions under the Tax Act and finalization of the cash repatriation plan makes the deferred tax liability a provisional amount. Please see Note 16, "Income Taxes" for more information on the impacts of the Tax Act.

## Foreign Currency Transactions and Translation

Exchange adjustments resulting from foreign currency transactions are recognized in income as realized. For the Company's non-U.S. dollar functional currency subsidiaries, assets and liabilities of foreign subsidiaries are translated into U.S. dollars using year-end exchange rates. Income and expense items are translated at a weighted average exchange rate prevailing during the year. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

## Loss Contingencies

We accrue for probable losses from contingencies on an undiscounted basis, when such costs are considered probable of being incurred and are reasonably estimable. Legal expense related to such matters are expensed as incurred. We periodically evaluate available information, both internal and external, relative to such contingencies and adjust this accrual as necessary. Disclosure of a contingency is required if there is at least a reasonable possibility that a material loss has been incurred. In determining whether a loss should be accrued we evaluate, among other factors, the degree



of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss.

#### Warranties

The Company offers a standard warranty on product sales in which we will replace a defective product for a period of one year. Warranties on construction projects are negotiated individually, are typically one year in duration, and may include the cost of labor to replace products. Factors that affect the Company's warranty liability include the amount of sales, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

#### Research and Development

Research and development expenditures are expensed when incurred and are included in marketing, general and administrative and engineering expenses. Research and development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed for fiscal 2018, fiscal 2017 and fiscal 2016 were \$5,240, \$3,501 and \$3,338, respectively.

#### Shipping and Handling Cost

The Company includes shipping and handling as part of cost of sales and freight collections from customers is included as part of sales.

#### Economic Dependence

As of March 31, 2018 and 2017, one major customer represented approximately 4% and 14%, respectively of the Company's accounts receivable balance. As of March 31, 2018 and March 31, 2016, no one customer represented more than 10% of the Company's accounts receivable balance. In fiscal 2018, fiscal 2017 or fiscal 2016 no one customer represented more than 10% of sales.

#### Reclassifications

Certain reclassifications have been made within these consolidated financial statements to conform prior periods to current period classifications. On the Consolidated Balance Sheet at March 31, 2017, we reduced the previously reported balance of prepaid expenses and other current assets by \$2,000 and increased income tax receivable by the same amount. The income tax receivable amounts relate to tax payments or accruals made currently, which have not been included in tax returns filed within their respective jurisdictions. The Company believes that presenting these amounts as current income tax receivables provides a better understanding of our position related to taxation obligations.

#### Correction of an Error

During the year ended March 31, 2016, the Company recorded a correction of an error that reduced marketing, general and administrative and engineering expense by \$498 and decreased additional paid in capital by an equivalent amount. In previous years, the Company had expensed the withholding tax value of equity awards that were withheld by the Company at vesting. The Company determined that the value of withheld shares should have been recorded as a reduction to additional paid in capital.

#### Recent Accounting Pronouncements

Revenue Recognition- In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers" (Topic 606), which amends the existing revenue recognition requirements and guidance. The core principle of the new standard is to recognize revenue that reflects the consideration the Company expects to receive for goods or services when or as the promised goods or services are transferred to customers. Topic 606 requires more judgment than current guidance, as management will now be required to: (i) identify each performance obligation in contracts with customers, (ii) estimate any variable consideration included in the transaction price and (iii) allocate the transaction price to each performance obligation. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company adopted the amended guidance using the modified retrospective method as of April 1, 2018.

To assess the impact of the standard, we utilize internal resources to lead the implementation effort and supplemented our internal resources with external consultants. As of March 31, 2018, the Company has completed the evaluation of its revenue streams and has reviewed a sample of customer contracts that we believe fairly represent contract traits that could be accounted for differently under amended guidance. The Company has begun evaluating the potential impact of the new revenue standard on each of the selected contracts including: (i) estimating the contract consideration under the new standard, (ii) identifying the performance obligations within the customer contracts, (iii) calculating the anticipated allocation of contract consideration to each performance obligation, (iv) determining the timing of revenue recognition for each performance obligation, and (v) determining the classification of the contract revenue for disclosure purposes. As a result of the evaluation, the Company has identified certain engineering services revenue related to projects on existing facilities that will now be deferred, until delivery of product, as a fulfillment obligation under the amended guidance, as well as other minor changes in accounting. The transition adjustment related to the adoption is estimated to be immaterial (less than 1% of total revenues for the fiscal year ended March 31, 2018 and total shareholders' equity as of March 31, 2018), and we do not expect the adoption of this standard to materially impact the amount or timing of our revenue going forward. An adjustment will be recorded to our

fiscal 2019 beginning retained earnings for the cumulative effect of the change. We intend to provide additional disclosures as required by the new standard, which we are currently assessing, in our quarterly report on Form 10-Q for the first quarter of fiscal 2019.

**Stock Compensation-** In March 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-09 "Compensation-Stock Compensation" (Topic 718), which changes the accounting for certain aspects of share-based payments to employees. The new guidance requires excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled. Additionally, cash flows related to excess tax benefits will no longer be separately classified as a financing activity and will be included as an operating activity on the consolidated statements of cash flows. We have elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The standard is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. We adopted this standard effective April 1, 2017 and it did not have a material impact on our consolidated financial statements.

**Inventory-** In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-11 "Simplifying the Measurement of Inventory" (Topic 330). Under the new guidance, inventory is measured at the lower of cost and net realizable value, and the new guidance eliminates the use of replacement cost and net realizable value less a normal profit margin as techniques to value inventory. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The new guidance will be applied prospectively for annual periods and interim periods within fiscal years beginning after December 15, 2016. We adopted this standard effective April 1, 2017 and it did not have a material impact on our consolidated financial statements.

**Financial Instruments-** In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-01 "Financial Instruments-Overall" (Subtopic 825-10), which amends the guidance on the classification and measurement of financial instruments. The amendment requires all equity investments to be measured at fair value with changes in the fair value recognized through earnings. The amendment also requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the credit risk when an entity has elected the fair value option. The guidance eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2017. Early adoption is permitted for certain provisions of the accounting standards update. Upon the adoption of the standard, an entity will be required to make a cumulative-effect adjustment to retained earnings as of the beginning of such reporting period. We are currently evaluating when to adopt this standard. Upon adoption, we do not anticipate this standard will have a material impact on our consolidated financial statements.

**Leases-** In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02 "Leases," which provides guidance on the recognition, measurement, presentation and disclosure on leases. Under the standard substantially all leases will be reported on the balance sheet as right-of-use assets and lease liabilities. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the requirements of the standard and have not yet determined its impact on our consolidated financial statements.

**Financial Instruments-** In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-13 "Financial Instruments-Credit Losses" (Topic 326), which amends the guidance on the impairment of financial instruments. The standard adds an impairment model, referred to as current expected credit loss, which is based on expected losses rather than incurred losses. The standard applies to most debt instruments, trade receivables, lease receivables, reinsurance receivables, financial guarantees and loan commitments. Under the guidance, companies are

required to disclose credit quality indicators disaggregated by year of origination for a five-year period. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. We do not anticipate this will have a material impact to our consolidated financial statements.

Statement of Cash Flows- In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-15 “Statement of Cash Flows” (Topic 230), which amends Topic 230 of the accounting standards codification (ASC) to add or clarify guidance on the classification of certain cash receipts and payments in the statement of cash flows. The standard addresses eight types of cash flows, some of which we believe could or will impact our financial statements upon adoption, including debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, and proceeds from the settlement of insurance claims. Under the guidance, cash payments for debt prepayment or extinguishment costs must be classified as cash outflows from financing activities. Contingent consideration payments that were not made soon after a business combination must be separated and classified in operating and financing activities. Cash

payments up to the amount of the contingent consideration liability recognized as of the acquisition dates, including any measurement-period adjustments, should be classified in financing activities, while any excess cash payments should be classified in operating activities. Cash proceeds from the settlement of insurance claims should be classified on the basis of the nature of the loss. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted for all entities. Entities must apply the guidance retrospectively to all periods presented but may be applied prospectively if retrospective application would be impracticable. We do not anticipate this will have a material impact to our consolidated financial statements.

## 2. Fair Value Measurements

**Fair Value.** We measure fair value based on authoritative accounting guidance, which defines fair value, establishes a framework for measuring fair value and expands on required disclosures regarding fair value measurements.

Inputs are referred to as assumptions that market participants would use in pricing the asset or liability. The uses of inputs in the valuation process are categorized into a three-level fair value hierarchy.

Level 1 — uses quoted prices in active markets for identical assets or liabilities we have the ability to access.

Level 2 — uses observable inputs other than quoted prices in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — uses one or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment.

Financial assets and liabilities with carrying amounts approximating fair value include cash, trade accounts receivable, accounts payable, accrued expenses and other current liabilities. The carrying amount of these financial assets and liabilities approximates fair value because of their short maturities. At March 31, 2018 and 2017, no assets or liabilities were valued using Level 3 criteria.

Information about our investments and long-term debt that is not measured at fair value follows:

	March 31, 2018		March 31, 2017		Valuation Technique
	Carrying Value	Fair Value	Carrying Value	Fair Value	
Financial Assets					
Certificates of deposits with maturities greater than 90 days	\$1,022	\$1,022	\$44,786	\$44,786	Level 2 - Market Approach
Financial Liabilities					
Outstanding principal amount of senior secured credit facility	\$225,000	\$225,000	\$81,000	\$81,000	Level 2 - Market Approach

At March 31, 2018 and 2017, the fair value of our variable rate term loan approximates its carrying value as we pay interest based on the current market rate. As the quoted price is only available for similar financial assets, the Company concluded the pricing is indirectly observable through dealers and has been classified as Level 2.

### Investments

During fiscal 2018 and 2017, the Company maintained term deposit accounts at several foreign financial institutions with whom we have established relationships. Maturities on these deposits are greater than 90 days and less than one year and accordingly are classified as investments. The Company concluded that since the interest rates for these term deposits are based on the quoted rates from the various financial institutions that the pricing is indirectly observable and has been classified as a Level 2 market approach.

### Acquisition Related Foreign Exchange Option

In connection with the execution of the purchase agreement for the THS acquisition on October 3, 2017, we entered into a combination of option contracts to secure the exchange rate of \$200,000 CAD that would be contributed by the Company at closing on October 30, 2017. The options were structured such that the \$200,000 CAD would be exchanged for no more than \$162,100 and no less than \$159,200 USD. At settlement date, Thermon took delivery of \$200,000 CAD for \$159,200. At closing of the THS acquisition, the Canadian dollar weakened such that the actual spot foreign exchange rate was \$155,900. The resulting difference of \$3,326 was recognized as realized loss on foreign exchange.

#### Cross Currency Swap

The Company has entered into a long term cross currency swap to hedge the currency rate fluctuations related to a \$112,750 intercompany receivable from our wholly-owned Canadian subsidiary, Thermon Canada Inc., maturing on October 30, 2022. Periodic principal payments are to be settled twice annually with interest payments settled quarterly through the cross currency derivative contract. We do not designate the cross currency swap as a cash flow hedge under ASC 815. As of March 31, 2018 we recorded \$1,540 of unrealized mark to market losses on the Cross Currency Swap, which is reported as "Other non-current liabilities", in the consolidated balance sheet. The mark to market valuation has been determined by actual quoted prices (Level 2).

#### Foreign Currency Forward Contracts

We transact business in various foreign currencies and have established a program that primarily utilizes foreign currency forward contracts to offset the risk associated with fluctuations of certain foreign currencies. Under this program, increases or decreases in our foreign currency exposures are offset by gains or losses on the forward contracts to mitigate foreign currency transaction gains or losses. These foreign currency exposures typically arise from intercompany transactions. Our forward contracts generally have terms of 30 days. We do not use forward contracts for trading purposes or designate these forward contracts as hedging instruments pursuant to ASC 815. We adjust the carrying amount of all contracts to their fair value at the end of each reporting period and unrealized gains and losses are included in our results of operations for that period. These gains and losses are intended to offset gains and losses resulting from settlement of payments received from our foreign operations which are settled in U.S. dollars. All outstanding foreign currency forward contracts are marked to market at the end of the period with unrealized gains and losses included in other expense. The fair value is determined by quoted prices from active foreign currency markets (Level 2). The consolidated balance sheets reflect unrealized gains within accounts receivable, net and unrealized losses within accrued liabilities. Our ultimate realized gain or loss with respect to currency fluctuations will depend on the currency exchange rates and other factors in effect as the contracts mature. As of March 31, 2018 and 2017, the notional amounts of forward contracts were as follows:

Notional amount of foreign exchange  
forward contracts by currency

	March 31, 2018	March 31, 2017
Russian Ruble	\$2,416	\$ 250
Euro	750	—
Canadian Dollar	4,000	—
South Korean Won	10,500	1,300
Mexican Peso	200	450
Australian Dollar	850	375
Total notional amounts	\$18,716	\$ 2,375

	March 31, 2018	March 31, 2017
	Fair Value	Fair Value
	Assets	Liabilities
	Assets	Liabilities
Foreign exchange contract forwards	\$229 \$ 25	\$62 \$ 10

Recognized foreign currency gains or losses related to our forward contracts in the accompanying consolidated statements of operations and comprehensive income were losses of \$96, \$453 and \$411 for fiscal 2018, fiscal 2017 and fiscal



2016, respectively. Gains and losses from our forward contracts are intended to be offset by transaction gains and losses from the settlement of transactions denominated in foreign currencies. Our net foreign currency losses were \$5,725, \$628, and \$550 for fiscal 2018, fiscal 2017, and fiscal 2016, respectively. Foreign currency gains and losses are recorded within other expense in our consolidated statements of operations and comprehensive income.

### 3. Acquisitions

#### THS acquisition

On October 30, 2017, we, through a wholly-owned subsidiary, acquired 100% of the equity interests of CCI Thermal Technologies Inc. and certain related real estate assets for \$261,950 CAD (approximately \$204,235 USD at the exchange rate as of October 30, 2017) in cash. Such subsidiary and CCI Thermal Technologies Inc. amalgamated immediately after the closing of the acquisition to form Thermon Heating Systems, Inc. ("THS"), an indirect, wholly-owned subsidiary of the Company. THS is engaged in industrial process heating, focused on the development and production of advanced heating and filtration solutions for industrial and hazardous area applications and is headquartered in Edmonton, Alberta, Canada. THS markets its products through several diverse brands known for high quality, safety and reliability, and serves clients in the energy, petrochemical, electrical distribution, power, transit and industrial end markets globally. We believe we will be able to leverage our existing global sales force to further expand the reach of THS's product offerings. We recognized \$85,156 of goodwill in connection with the THS transaction. THS has contributed \$41,011 and \$7,266 of revenue and operating income, respectively, to our Condensed Consolidated Statements of Operations and Comprehensive Income for the twelve months ended March 31, 2018.

Pro forma financial information- The following table presents selected unaudited pro forma information for the Company assuming the acquisition of THS had occurred as of April 1, 2016. This pro forma financial information is presented for informational and illustrative purposes and does not purport to represent what the Company's actual results would have been if the acquisition had occurred as of the date indicated or what such results would be for any future periods. In addition, the unaudited pro forma results do not include any anticipated synergies or other expected benefits of the acquisition or costs necessary to obtain the anticipated synergies and benefits. The pro forma financial information includes the amortization associated with the acquired intangible assets, interest expense associated with debt used to fund the acquisition, amortization of the inventory step-up, removal of aircraft and rent expense for assets not assumed in the transaction, acquisition related expenses, and the income tax affected for the pro forma results.

	Pro Forma Financial Information (Unaudited) Twelve months ended March 31, 2018      2017	
Revenues	\$348,557	\$331,007
Net income available to Thermon Group Holdings, Inc.	5,303	3,318
Earnings per share:		
Basic	\$0.16	\$0.10
Diluted	\$0.16	\$0.10

The following table details the purchase price of the THS transaction:

Consideration to or on behalf of sellers at close	\$204,235
Fair value of total consideration transferred	\$204,235

The Company is in the process of obtaining all necessary information required to complete the THS acquisition accounting. Principal pending matters include receipt of final valuation estimates on acquired intangible and tangible assets, and final review of tax related matters. The following table summarizes the preliminary fair value of the assets

acquired and liabilities assumed:

68

---

## Assets acquired:

Cash	\$	1,534
Accounts receivable	14,351	
Costs and estimated earning in excess of billing on uncompleted contracts	450	
Inventories	20,085	
Other current assets	731	
Property, plant and equipment	29,464	
Identifiable intangible assets	79,002	
Goodwill	85,156	
Total assets	230,773	
Liabilities assumed:		
Current liabilities	6,712	
Other non-current liabilities	500	
Non-current deferred tax liability	19,326	
Total liabilities	26,538	
Total consideration	\$	204,235

In total, \$4,093 of transaction costs were incurred related to the THS transaction, all of which were incurred during the twelve months ended March 31, 2018. As of March 31, 2018 the final working capital adjustment for the THS transaction has not been finalized, however, the such working capital adjustment is not expected to be material.

Our provisional estimate of identifiable intangible assets at March 31, 2018 that were related to the THS transaction, inclusive of currency translation adjustments for the period, consisted of the following:

	Amortization period	Gross Carrying Amount at March 31, 2018	Accumulated Amortization	Net Carrying Amount at March 31, 2018
Products	10 years	\$ 64,611	\$ 2,692	\$ 61,919
Customer relationships	17 years	11,155	273	10,882
Backlog	1 year	3,230	1,346	1,884
Total		\$ 78,996	\$ 4,311	\$ 74,685

The weighted average useful life of acquired finite lived intangible assets related to THS transaction is 10.6 years.

## Industrial Process Insulators ("IPI") Transaction

On July 31, 2015, a wholly owned indirect subsidiary of the Company acquired 100% of the capital stock of Industrial Process Insulators ("IPI") for \$21,750, subject to a customary working capital adjustment. The results of IPI's operations have been included in the consolidated financial statements since that date. IPI is an insulation contractor serving the refining, petrochemical, power and energy, marine and pulp and paper industries in the United States, with

a significant presence in the Texas and Louisiana Gulf Coast region. Prior to the acquisition, IPI was formerly a customer and subcontractor to the Company for the past 17 years. The acquisition is expected to enhance our turn-key product offerings and strengthen our presence and relationships in the Gulf Coast region as IPI serves many of the same end-markets as those served by our core thermal solutions business. We recognized \$13,249 in goodwill associated with the IPI acquisition.

Our identifiable intangible assets at March 31, 2018, and March 31, 2017 that were related to the IPI transaction consisted of the following:

69

---

	Amortization period	Gross Carrying Amount at March 31, 2018	Accumulated Amortization	Net Carrying Amount at March 31, 2018	Gross Carrying Amount at March 31, 2017	Accumulated Amortization	Net Carrying Amount at March 31, 2017
Customer relationships	8 years	\$ 5,962	\$ 1,987	\$ 3,975	\$ 5,962	\$ 1,242	\$ 4,720
Trademark	8 years	1,820	607	1,213	1,820	379	1,441
Non-compete agreement	3 years	807	717	90	807	448	359
Total		\$ 8,589	\$ 3,311	\$ 5,278	\$ 8,589	\$ 2,069	\$ 6,520

The weighted average useful life of acquired finite lived intangible assets related to the IPI transaction is 7.2 years.

During fiscal 2017, we finalized our provisional purchase accounting for the IPI transaction. The table below summarizes our provisional estimates of the fair value of assets and liabilities assumed as well as the final fair value of assets and liabilities assumed:

	Provisional Fair Value	Final Fair Value
Customer relationships	\$ 10,720	\$5,962
Goodwill	10,204	13,249
Noncurrent deferred tax liability	4,962	3,249

We determined the useful lives of our customer relationships were 8 years, where we originally estimated the useful life to be 10 years. As a result of the change in the estimated fair value and useful life of our customer relationships, we recorded a cumulative reduction of amortization of intangible asset expense of \$299 during fiscal 2017.

At March 31, 2018, approximately \$3,026 of the purchase price was held in escrow to secure the sellers' indemnification obligations in the event of any breaches of representations and warranties contained in the definitive agreements.

#### Sumac Transaction

On April 1, 2015, Thermon Canada Inc., a wholly owned indirect subsidiary of the Company, acquired a 75% controlling interest in the business previously operated by Sumac Fabrication Company Limited ("Sumac") for \$10,956, (based on the Canadian Dollar to U.S. Dollar exchange rate on April 1, 2015) in cash, plus a non-interest bearing note ("performance based note") with a principal amount of \$5,905 (based on the Canadian Dollar to U.S. Dollar exchange rate on April 1, 2015) that matured on April 1, 2016, with the actual amount payable at maturity ranging from zero up to a maximum of \$7,500 Canadian Dollars, subject to the achievement of certain performance metrics during the 12 month period ended April 1, 2016. During fiscal 2017, we paid Sumac's principals \$5,805 to satisfy all of the Company's obligations under the performance based note.

Sumac is located in Fort McMurray, Alberta, Canada. Sumac's line of products and solutions are designed to provide a safe and efficient means of supplying temporary electrical power distribution and lighting at energy infrastructure facilities for new construction and during maintenance and turnaround projects at operating facilities. Sumac products include power distribution panels, master/slave sub-panels, power cords and lighting fixtures. Sumac products are sold to end-users operating in many of the same markets as our core thermal solutions, including heavy industrial settings, oil and gas refining and upgrading, power generation plants, petrochemical production facilities and mining

operations. We recognized \$7,992 of goodwill in connection with the Sumac acquisition that we expect will be partially deductible for Canadian taxation purposes.

Consideration to or on behalf of sellers at close	\$10,956
Fair value of total consideration transferred	\$10,956

70

---

The following table summarizes the fair value of the assets and liabilities assumed:

Assets acquired:

Accounts receivable	\$ 1,693
Inventories	1,299
Other current assets	33
Property, plant and equipment	1,316
Identifiable intangible assets	3,085
Goodwill	7,992
Deferred tax asset	111
Total assets	15,529

Liabilities assumed:

Current liabilities	935
Total liabilities	935
Non-controlling interests	3,638
Total consideration	\$ 10,956

In total, \$134 of transaction costs were incurred related to the Sumac transaction, all of which were incurred in the year ended March 31, 2015.

Our identifiable intangible assets at March 31, 2018 and 2017 that were related to the Sumac transaction consisted of the following:

Amortization period	Gross Carrying Amount at March 31, 2018	Accumulated Amortization	Net Carrying Amount at March 31, 2018	Gross Carrying Amount at March 31, 2017	Accumulated Amortization	Net Carrying Amount at March 31, 2017
Customer relationships 4 years	\$ 2,631	\$ 1,973	\$ 658	\$ 2,551	\$ 1,275	\$ 1,276
Total	\$ 2,631	\$ 1,973	\$ 658	\$ 2,551	\$ 1,275	\$ 1,276

The weighted average useful life of acquired finite lived intangible assets related to Sumac transaction is 3.6 years.

#### 4. Net Income per Common Share

Basic net income per common share is computed by dividing net income available to Thermon Group Holdings, Inc. by the weighted average number of common shares outstanding during each period. Diluted net income per common share is computed by dividing net income available to Thermon Group Holdings, Inc. by the weighted average number of common shares and common share equivalents outstanding (if dilutive) during each period. The number of common share equivalents, which includes options and both restricted and performance stock units, is computed using the treasury stock method. With regard to the performance stock units, we assumed that the associated performance targets will be met at the target level of performance for purposes of calculating diluted net income per common share. The reconciliations of the denominators used to calculate basic net income per common share and diluted net income per common share for fiscal 2018, fiscal 2017, and fiscal 2016, respectively, is as follows:

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Basic net income per common share			
Net income available to Thermon Group Holdings, Inc.	\$ 11,913	\$ 14,641	\$ 23,009
Weighted-average common shares outstanding	32,423,581	32,301,661	32,176,925

Basic net income per common share	\$ 0.37	\$ 0.45	\$ 0.72
-----------------------------------	---------	---------	---------

71

---



	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Diluted net income per common share			
Net income available to Thermon Group Holdings, Inc.	\$ 11,913	\$ 14,641	\$ 23,009
Weighted-average common shares outstanding	32,423,581	32,301,661	32,176,925
Common share equivalents:			
Stock options issued	218,693	216,041	241,529
Restricted and performance stock units issued	155,077	115,579	174,192
Weighted average shares outstanding – dilutive	32,797,351	32,633,281	32,592,646
Diluted net income per common share	\$ 0.36	\$ 0.45	\$ 0.71

For the years ended March 31, 2018, 2017 and 2016, 76,205, 59,950 and 49,097 equity awards, respectively, were not included in the calculation of diluted net income per common share since they would have had an anti-dilutive effect.

## 5. Inventories

Inventories consisted of the following at March 31:

	2018	2017
Raw materials	\$31,516	\$12,270
Work in process	7,186	1,769
Finished goods	27,204	21,310
	65,906	35,349
Valuation reserves (2,077 )	(1,329 )	
Inventories, net	\$63,829	\$34,020

The following table summarizes the annual changes in our valuation reserve accounts:

Balance at March 31, 2015	\$1,116
Additions in reserve	383
Charged to reserve	(212 )
Balance at March 31, 2016	1,287
Additions in reserve	348
Charged to reserve	(306 )
Balance at March 31, 2017	1,329
Additions in reserve	721
Charged to reserve	27
Balance at March 31, 2018	\$2,077

## 6. Property, Plant and Equipment

Property, plant and equipment consisted of the following at March 31:



	2018	2017
Land, buildings and improvements	\$50,808	\$23,812
Machinery and equipment	24,182	20,727
Office furniture and equipment	20,818	13,296
Internally developed software	4,069	3,188
Construction in progress	2,183	2,478
Property, plant and equipment at cost	102,060	63,501
Accumulated depreciation	(27,575 )	(20,235 )
Property, plant and equipment, net	\$74,485	\$43,266

Depreciation expense was \$7,962, \$6,060 and \$4,655, in fiscal 2018, fiscal 2017, and fiscal 2016, respectively.

Included within depreciation expense was amortization of internally developed software of \$495, \$496, and \$453, in fiscal 2018, fiscal 2017 and fiscal 2016, respectively.

## 7. Goodwill and Other Intangible Assets

The carrying amount of goodwill for all reporting segments as of March 31, 2018, 2017 and 2016 is as follows:

	United States	Canada	Europe	Asia	Total
Balance as of March 31, 2016	\$48,971	\$44,488	\$19,427	\$8,624	\$121,510
Purchase price adjustment	3,045	—	—	—	3,045
Foreign currency translation impact	—	(1,044 )	(990 )	—	(2,034 )
Balance as of March 31, 2017	\$52,016	\$43,444	\$18,437	\$8,624	\$122,521
Goodwill acquired	—	85,156	—	—	85,156
Foreign currency translation impact	—	167	2,722	—	2,889
Balance as of March 31, 2018	\$52,016	\$128,767	\$21,159	\$8,624	\$210,566

Goodwill is tested for impairment on an annual basis, and between annual tests if indicators of potential impairment exist. We perform a qualitative analysis to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If required, we also perform a quantitative analysis using the income approach, based on discounted future cash flows, which are derived from internal forecasts and economic expectations, and the market approach based on market multiples of guideline public companies. The most significant inputs in the Company's quantitative goodwill impairment tests are projected financial information, the weighted average cost of capital and market multiples for similar transactions. Our annual impairment test is performed during the fourth quarter of our fiscal year.

In prior years, we experienced sizable declines in revenue and operating results within our Canadian operations, and considered such to be an indication of potential goodwill and intangible asset impairment. These declines in operating results principally resulted from lower crude oil prices, which had a significant adverse impact on capital spending in Canada. During fiscal 2018, we have experienced increased revenues and operating results in Canada, and project continued growth. Accordingly, during the fourth quarter of fiscal 2018, we did not conclude a triggering event existed within our Canadian reporting unit requiring further analysis. We will continue to evaluate our Canadian operations and assess on a quarterly basis whether it is more likely than not that the fair value of the Canadian reporting unit is less than its carrying amount.

Similarly, based upon our qualitative analyses, we have not determined that it is more likely than not that the fair value of our U.S. reporting segment is less than its carrying amount; however, we have experienced losses in the U.S.

during fiscal 2018. If changes in estimates and assumptions used to determine whether impairment exists, or if we experience future declines in actual and forecasted operating results and/or market conditions in the United States, we may be required to reevaluate the fair value of our United States reporting unit, which could ultimately result in an impairment to goodwill and/or indefinite-lived intangible assets in future periods.

Our total intangible assets at March 31, 2018, and 2017 consisted of the following (including THS, IPI, Sumac, and Unitemp):

	Gross Carrying Amount at March 31, 2018	Accumulated Amortization	Net Carrying Amount at March 31, 2018	Gross Carrying Amount at March 31, 2017	Accumulated Amortization	Net Carrying Amount at March 31, 2017
Products	\$64,611	\$ 2,719	\$61,892	\$—	\$ —	\$—
Trademarks	46,156	832	45,324	44,563	521	44,042
Developed technology	10,160	4,106	6,054	9,796	3,454	6,342
Customer relationships	113,378	77,646	35,732	99,676	64,682	34,994
Certifications	458	—	458	442	—	442
Other	5,863	3,889	1,974	2,626	2,268	358
Total	\$240,626	\$ 89,192	\$151,434	\$157,103	\$ 70,925	\$ 86,178

Trademarks and certifications have indefinite lives with the exception of IPI and Unitemp trademarks, which have gross carrying amounts of \$1,820 and \$474, respectively, that are subject to amortization. The useful life of the trademarks amortized is estimated at 8 years. Developed technology, customer relationships and other intangible assets have estimated lives of 20 years, 10 years and 6 years, respectively. The weighted average useful life for the group is 10 years. Portions of intangible assets are valued in foreign currencies; accordingly changes in indefinite life intangible assets at March 31, 2018 and 2017 were the result of foreign currency translation adjustments.

The Company recorded amortization expense of \$16,458, \$11,772, and \$12,112 in fiscal 2018, fiscal 2017 and fiscal 2016, respectively for intangible assets. Annual amortization of intangible assets for the next five years and thereafter will approximate the following:

2019	\$20,857
2020	18,217
2021	9,703
2022	8,640
2023	8,635
Thereafter	41,100
Total	\$107,152

#### 8. Accrued Liabilities

Accrued current liabilities consisted of the following:

	March 31, 2018	March 31, 2017
Accrued employee compensation and related expenses	\$ 16,449	\$ 8,364
Accrued interest	1,154	—
Customer prepayment	519	168
Warranty reserve	300	300
Professional fees	1,854	1,631
Sales tax payable	1,546	1,573
Other	988	1,106
Total accrued current liabilities	\$ 22,810	\$ 13,142

#### 9. Short-Term Revolving Credit Facilities



The Company's subsidiary in the Netherlands has a revolving credit facility in the amount of Euro 4,000 (equivalent to \$4,928 at March 31, 2018). The facility is collateralized by such subsidiary's receivables, inventory, equipment, furniture and real estate. No amounts were outstanding under this facility at March 31, 2018 and 2017.

The Company's subsidiary in India has a revolving credit facility in the amount of 80,000 Rupees (equivalent to \$1,230 at March 31, 2018). The facility is collateralized by such subsidiary's receivables, inventory, real estate, a letter of credit and cash. No amounts were outstanding under this facility at March 31, 2018 and 2017.

The Company's subsidiary in Australia has a revolving credit facility in the amount of 230 Australian Dollars (equivalent to \$177 at March 31, 2018). The facility is collateralized by such subsidiary's real estate. No amounts were outstanding under this facility at March 31, 2018 and 2017.

Under the Company's senior secured revolving credit facility described below in Note 10, "Long-Term Debt," there were no outstanding borrowings at March 31, 2018 and 2017.

#### 10. Long-Term Debt

Long-term debt consisted of the following:

	March 31, 2018	March 31, 2017
Variable Rate Term Loan, due October 2024, net of deferred debt issuance costs and debt discounts of \$7,967 as of March 31, 2018	\$217,033	\$—
Variable Rate Term Loan, due April 2019, net of deferred debt issuance costs of \$524 as of March 31, 2017	—	80,476
Less current portion	(2,500 )	(20,250 )
	\$214,533	\$60,226

#### Senior secured credit facility

On October 30, 2017, the Company, as a credit party and a guarantor, Thermon Holding Corp. (the "US Borrower") and Thermon Canada Inc. (the "Canadian Borrower" and together with the US Borrower, the "Borrowers"), as borrowers, entered into a credit agreement with several banks and other financial institutions or entities from time to time (the "Lenders") and JPMorgan Chase Bank, N.A. as administrative agent (the "Agent"), that provides for a \$250,000 seven-year term loan B facility made available to the US Borrower and a \$60,000 five-year senior secured revolving credit facility made available to the US Borrower and the Canadian Borrower, which we refer to collectively as our "credit facility". The proceeds of the term loan B were used to (1) pay in full \$70,875 principal and interest on a previously issued term loan due April 2019; (2) repay \$6,000 in unpaid principal and interest on the US Borrower's revolving line of credit; (3) to fund approximately \$201,900 CAD of the purchase price of the acquisition of THS and certain related real estate assets for approximately \$164,900; and (4) pay certain transaction fees and expenses in connection with the THS transaction and the credit facility.

Interest rates and fees. The US Borrower will have the option to pay interest on the term loan B at a base rate, plus an applicable margin, or at a rate based on LIBOR, (subject to a floor of 1.00%), plus an applicable margin. The applicable margin for base rate loans is 275 basis points and the applicable margin for LIBOR loans is 375 basis points. The US Borrower may borrow revolving loans in US dollars and the Canadian Borrower may also borrow revolving loans in Canadian dollars. Borrowings under the revolving credit facility (a) made in US dollars will bear interest at a rate equal to a base rate, plus an applicable margin of 225 basis points or at a rate based on LIBOR, plus an applicable margin of 325 basis points and (b) made in Canadian dollars will bear interest at a rate equal to a Canadian base rate, plus an applicable margin of 225 basis points or at a rate based on CDOR, plus an applicable margin of 325 basis points, provided that, following the completion of the fiscal quarter ending March 31, 2018, the applicable margins in each case will be determined based on a leverage-based performance grid, as set forth in the credit agreement. In addition to paying interest on outstanding principal under the revolving credit facility, the US Borrower is required to pay a commitment fee in respect of unutilized revolving commitments of 0.50% per annum. Following the completion of the fiscal quarter ending March 31, 2018, the commitment fee will be determined based on a leverage-based performance grid.

Maturity and repayment. The revolving credit facility terminates on October 28, 2022. The scheduled maturity date of the term loan facility is October 30, 2024. Commencing April 1, 2018, the term loan will amortize in equal quarterly installments of 0.25% of the \$250,000 term loan, with the payment of the balance at maturity. The US Borrower will be able to voluntarily prepay the principal of the term loan without penalty or premium (subject to breakage fees) at any time in whole or in part; provided that for the first six months after the October 30, 2017 closing date, the US Borrower is required to pay a 1%



premium for prepayments of the term loan with the proceeds of certain re-pricing transactions. The US Borrower is required to repay the term loan with certain asset sale and insurance proceeds, certain debt proceeds and, commencing for the fiscal year ending March 31, 2019, 50% of excess cash flow (reducing to 25% if the Company's leverage ratio is less than 4.0 to 1.0 but greater than or equal to 3.5 to 1.0 and 0% if the Company's leverage ratio is less than 3.5 to 1.0).

Accordion. The credit facility allows for incremental term loans and incremental revolving commitments in an amount not to exceed \$30,000 and an unlimited additional amount that would not cause the consolidated secured leverage ratio to exceed 4.0 to 1.0 (or, if less, the maximum consolidated leverage ratio permitted by the revolving credit facility on such date).

At March 31, 2018, we had no outstanding borrowings under our revolving credit facility. The interest rate had the Company had outstanding borrowings on March 31, 2018 would be 5.41%. As of March 31, 2018, we had \$55,384 of available borrowing capacity under our revolving credit facility after taking into account the borrowing base and letters of credit outstanding. The variable rate term loan bears interest at the LIBOR rate plus an applicable margin dictated by our leverage ratio (as described above). Commencing April 1, 2018, the Company will be required to make quarterly principal payments of the term loan of \$625 through July 31, 2024. The remaining balance will be due at maturity of the term loan facility on October 30, 2024. In the fourth quarter of fiscal 2018, the Company made an unscheduled repayment of principal on the term loan facility in the amount of \$25,000. From time to time, we may choose to make unscheduled principal repayments on the term loan credit facility based on available cash.

Guarantees; security. The term loan is guaranteed by the Company and all of the Company's current and future wholly-owned domestic material subsidiaries (the "US Subsidiary Guarantors"), subject to certain exceptions. Obligations of the US Borrower under the revolving credit facility are guaranteed by the Company and the US Subsidiary Guarantors. The obligations of the Canadian Borrower under the revolving credit facility are guaranteed by the Company, the US Borrower, the US Subsidiary Guarantors and each of the wholly owned Canadian material subsidiaries of the Canadian Borrower, subject to certain exceptions. The term loan and the obligations of the US Borrower under the revolving credit facility are secured by a first lien on all of the Company's assets and the assets of the US Subsidiary Guarantors, including 100% of the capital stock of the US Subsidiary Guarantors and 65% of the capital stock of the first tier material foreign subsidiaries of the Company, the US Borrower and the US Subsidiary Guarantors, subject to certain exceptions. The obligations of the Canadian Borrower under the revolving credit facility are secured by a first lien on all of the Company's assets, the US Subsidiary Guarantors' assets, the Canadian Borrower's assets and the assets of the material Canadian subsidiaries of the Canadian Borrower, including 100% of the capital stock of the Canadian Borrower's material Canadian subsidiaries.

Financial covenants. The term loan is not subject to any financial covenants. The revolving credit facility requires the Company, on a consolidated basis, to maintain certain financial covenant ratios. The Company must maintain a consolidated leverage ratio on the last day of the following periods: 5.5:1.0 for December 31, 2017 through September 30, 2018; 5.0:1.0 for December 31, 2018 through September 30, 2019; 4.5:1.0 for December 31, 2019 through September 30, 2020; and 3.75:1.0 for December 31, 2020 and each fiscal quarter thereafter. In addition, on the last day of any period of four fiscal quarters, the Company must maintain a consolidated fixed charge coverage ratio of not less than 1.25:1.0. As of March 31, 2018, we were in compliance with all financial covenants of the credit facility.

Restrictive covenants. The credit agreement governing our facility contains various restrictive covenants that, among other things, restrict or limit our ability to (subject to certain negotiated exceptions): incur additional indebtedness; grant liens; make fundamental changes; sell assets; make restricted payments; enter into sales and leasebacks; make investments; prepay certain indebtedness; enter into transactions with affiliates; and enter into restrictive agreements.

Maturities of long-term debt principal payments are as follows for the fiscal years ended March 31:

2019	\$2,500
2020	2,500
2021	2,500
2022	2,500

2023 2,500

2024 2,500

2025 210,000

Total \$225,000

11. Related-Party Transactions

76

---

In connection with the Sumac transaction, one of the former principals retained 25% of the ownership of the Sumac business unit. This individual is employed by the Company and serves as general manager of the Sumac business unit. During fiscal 2017, this individual, together with the two other former principals of Sumac, who are not employed by the Company were paid \$5,805 in the aggregate in full satisfaction of the Company's obligations under the \$5,905 non-interest bearing performance-based note issued in connection with the Sumac transaction. Since the acquisition by our former private equity sponsors that was completed on April 30, 2010, we have paid certain amounts to the Predecessor owners in settlement of CHS Transactions and have also received certain amounts that were identified as potential indemnity items at the time of the transaction. Certain members of our current management continue to be investors in the Predecessor ownership fund. Therefore, these payments made and received are considered to be related party transactions.

## 12. Employee Benefits

The Company has defined contribution plans covering substantially all domestic employees and certain foreign subsidiary employees who meet certain service and eligibility requirements. Participant benefits are 100% vested upon participation. The Company matches employee contributions, limited to 50% of the first 6% of each employee's salary contributed. The Company's matching contributions to defined contribution plans on a consolidated basis were approximately \$2,119, \$1,634, and \$1,684 in fiscal 2018, fiscal 2017, and fiscal 2016, respectively.

The Company has an incentive compensation program to provide employees with incentive pay based on the Company's ability to achieve certain profitability objectives. The Company recorded approximately \$6,656, \$2,324, and \$2,133 for incentive compensation earned in fiscal 2018, fiscal 2017, and fiscal 2016, respectively.

Thermon Europe B.V., our European subsidiary, maintains defined benefit pension plans for qualifying employees located in The Netherlands. The Company is currently under contract with an insurance company to fund a defined benefit (average pay) pension plan to provide for estimated post-retirement pension income. During the twelve months ended March 31, 2018, 2017 and 2016, the Company made cash payments of \$417, \$289 and \$295, respectively. Payments were made to the insurance company to fund the pension contract. As of March 31, 2018 and 2017, the plan had an estimated net benefit obligation of \$2,185 and \$1,611, respectively which is included in non-current liabilities. The obligation is based on an actuarial calculation of the pension obligation for the participants.

## 13. Commitments and Contingencies

At March 31, 2018, the Company had in place letter of credit guarantees and performance bonds securing performance obligations of the Company. These arrangements totaled approximately \$20,392. Of this amount, \$2,448 is secured by cash deposits at the Company's financial institutions and an additional \$4,616 represents a reduction of the available amount of the Company's short term and long term revolving lines of credit. Included in prepaid expenses and other current assets at March 31, 2018 and 2017, was approximately \$2,448 and \$1,450, respectively, of cash deposits pledged as collateral on performance bonds and letters of credit.

The Company leases various property and equipment under operating leases. Lease expense was approximately \$3,738, \$3,441, and \$3,200 in fiscal 2018, fiscal 2017 and fiscal 2016, respectively. Future minimum annual lease payments under these leases are as follows for the fiscal years ended March 31:

2019	\$3,152
2020	2,434
2021	1,788
2022	1,531
2023	1,187
Thereafter	1,854

\$11,946

The Company has entered into information technology service agreements with several vendors. The service fees expense amounted to \$3,439, \$3,095, and \$1,865 in fiscal 2018, fiscal 2017 and fiscal 2016, respectively. The future annual service fees under the service agreements are as follows for the fiscal years ended March 31:

77

---

2019 \$902  
 2020 59  
 2021 28  
 2022 21  
 \$1,010

We are involved in various legal and administrative proceedings that arise from time to time in the ordinary course of doing business. Some of these proceedings may result in fines, penalties or judgments being assessed against us, which may adversely affect our financial results. In addition, from time to time, we are involved in various disputes, which may or may not be settled prior to legal proceedings being instituted and which may result in losses in excess of accrued liabilities, if any, relating to such unresolved disputes. As of March 31, 2018, management believes that adequate reserves have been established for any probable and reasonably estimable losses. Expenses related to litigation reduce operating income. We do not believe that the outcome of any of these proceedings or disputes would have a significant adverse effect on our financial position, long-term results of operations, or cash flows. It is possible, however, that charges related to these matters could be significant to our results of operations or cash flows in any one accounting period.

The Company has no outstanding legal matters outside of matters arising in the ordinary course of business that would materially impact our results of operations or our financial position. We can give no assurances we will prevail in any of these matters.

Changes in the Company's warranty reserve are as follows

Balance at March 31, 2015	\$429
Reserve for warranties issued during the period	490
Settlements made during the period	(459 )
Balance at March 31, 2016	\$460
Reserve for warranties issued during the period	143
Settlements made during the period	(303 )
Balance at March 31, 2017	\$300
Reserve for warranties issued during the period	281
Settlements made during the period	(281 )
Balance at March 31, 2018	\$300

#### 14. Stock-Based Compensation Expense

Since the completion of the CHS Transactions on April 30, 2010, the Board of Directors has adopted and the shareholders have approved two stock option award plans. The 2010 Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plans ("2010 Plan") was approved on July 28, 2010. The plan authorized the issuance of 2,767,171 stock options or restricted shares (on a post stock split basis). On April 8, 2011, the Board of Directors approved the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan ("2011 LTIP"). The 2011 LTIP made available 2,893,341 shares of the Company's common stock that may be awarded to employees, directors or non-employee contractor's compensation in the form of stock options or restricted stock awards. Collectively, the 2010 Plan and the 2011 LTIP are referred to as the "Stock Plans." The Company does not hold any shares of its own stock as treasury shares. Accordingly, the vesting of restricted stock units and performance stock units and the exercise of stock options result in the issuance of additional new shares of the Company's stock.

Unvested options outstanding are scheduled to vest over five years with 20% vesting on the anniversary date of the grant each year. Stock options must be exercised within 10 years from date of grant. Stock options were issued with an exercise price which was equal to the market price of our common stock at the grant date. We account for forfeitures as they incur, rather than estimate expected forfeitures.

Stock Options

A summary of stock option activity under our Stock Plans for fiscal 2018, fiscal 2017 and fiscal 2016 are as follows:

78

---

	Options Outstanding		Weighted Average Exercise Price
	Number of Shares		

Balance at  
March 31, 2015 465,042 \$ 8.12

Exercised (29,056 ) 8.25

Forfeited (2,260 ) 17.10

Balance at  
March 31, 2016 433,726 \$ 8.07

Granted 28,499 19.64

Exercised (47,484 ) 6.77

Forfeited (2,802 ) 19.58

Balance at  
March 31, 2017 411,939 \$ 8.94

Exercised (42,956 ) 7.00

Forfeited (1,412 ) 19.83

Balance at  
March 31, 2018 367,571 \$ 9.12

For fiscal 2018, fiscal 2017 and fiscal 2016 the intrinsic value of stock option exercises was \$648, \$627, and \$384, respectively.

	Unvested Options		Weighted Average Grant Date Fair Value
	Number of Shares		

Balance  
at March 31, 2015 \$73,449 \$ 7.19

Vested (30,379 ) 6.93

Forfeited (2,260 ) 7.53

Balance  
at March 31, 2016 \$40,810 \$ 7.39

Granted 28,499 19.64

Vested (28,678 ) 6.93

Forfeited (2,802 ) 7.53

Balance  
at March 31, 2017 \$37,829 \$ 8.86

Vested (17,417 ) 6.93

Forfeited (1,412 ) 19.83

Balance

at March \$19,000 \$ 5.89

31, 2018

For fiscal 2018, fiscal 2017 and fiscal 2016, we recorded stock based compensation of \$3,519, \$3,402, and \$3,749, respectively. Total unrecognized expense related to non-vested stock option awards was approximately \$117 as of March 31, 2018. We anticipate this expense will be recognized over a weighted average period of approximately 1.76 years.

The following table summarizes information about stock options outstanding as of March 31, 2018:

79

---



Exercise Price	Options Outstanding				Options Vested and Exercisable			
	Number Outstanding	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value at March 31, 2018	Number Vested and Exercisable	Weighted Average Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value at March 31, 2017
\$5.20	238,863	2.55	\$ 5.20	\$4,110,832	238,863	2.55	\$ 5.20	\$4,110,832
\$9.82	13,339	2.91	9.82	167,938	13,339	2.91	9.82	167,938
\$12.00	47,250	3.09	12.00	491,248	47,250	3.09	12.00	491,248
\$19.64	28,499	8.76	19.64	78,942	9,499	8.76	19.64	26,312
\$21.52	39,620	4.34	21.52	35,532	39,620	4.34	21.52	35,532
\$5.20-\$21.52	367,571	3.31	\$ 9.12	\$4,884,492	348,571	3.31	\$ 8.55	\$4,831,862

The aggregate intrinsic value in the preceding table represents the total intrinsic value based on our closing stock price of \$22.41 as of March 31, 2018, which would have been received by the option holders had all option holders exercised as of that date.

Stock options are valued by using a Black-Scholes-Merton option pricing model. We calculate the value of our stock option awards when they are granted. Accordingly, we update our valuation assumptions for volatility and the risk free interest rate each quarter that option grants are awarded. Annually, we prepare an analysis of the historical activity within our option plans as well as the demographic characteristics of the grantees of options within our stock option plan to determine the estimated life of the grants and possible ranges of estimated forfeiture. The expected life was determined using the simplified method for estimating expected option life, which qualify as "plain-vanilla" options. Due to the fact that the common stock underlying the options was not publicly traded for an equivalent period of the expected term of the options, the expected volatility was based on a comparable group of companies in conjunction with the historical volatility from traded shares of our stock. The risk-free interest rate is based on the rate of a zero-coupon U.S. Treasury instrument with a remaining term approximately equal to the expected term. We do not expect to pay dividends in the near term and therefore do not incorporate the dividend yield as part of our assumptions.

#### Restricted Stock Awards and Units

Restricted stock awards have been issued to members of our board of directors and restricted stock units have been issued to certain employees. For restricted stock awards, the actual common shares have been issued with voting rights and are included as part of our total common shares outstanding. The common shares may not be sold or exchanged until the vesting period is completed. For restricted stock units, no common shares are issued until the vesting period is completed. For restricted stock units, the Company allows its employees to withhold a portion of their units upon the vesting dates in order to satisfy their tax obligation. For both restricted stock awards and units, fair value is determined by the market value of our common stock on the date of the grant.

During fiscal 2015, we established a plan to issue our directors awards of fully vested common stock in lieu of restricted stock awards. During fiscal 2018 and fiscal 2017, we issued 20,216 and 19,824 fully vested common shares which had a total fair value of \$411 and \$385 based on the closing price of our common stock on the date of issuance, respectively. As of March 31, 2018, there were no outstanding restricted stock awards.

The following table summarizes the activity with regard to unvested restricted stock units issued to employees during fiscal 2018, fiscal 2017, and fiscal 2016.

Restricted Stock Units	Number of Shares	Weighted Average Grant Fair Value
Balance of unvested units at March 31, 2015	198,822	\$ 22.38
Granted	98,009	24.08
Released	(69,704 )	21.97
Forfeited	(34,906 )	22.53
Balance of unvested units at March 31, 2016	192,221	\$ 23.36
Granted	135,855	18.65
Released	(111,611 )	22.74
Forfeited	(8,319 )	21.25
Balance of unvested units at March 31, 2017	208,146	\$ 20.64
Granted	119,302	19.16
Released	(88,084 )	21.51
Forfeited	(10,252 )	20.05
Balance of unvested units at March 31, 2018	229,112	\$ 19.55

Based on our closing stock price of \$22.41, the aggregate intrinsic value of the unvested restricted stock units at March 31, 2018 was \$5,134. Total unrecognized expense related to unvested restricted stock awards was approximately \$2,841 as of March 31, 2018. We anticipate this expense to be recognized over a weighted average period of approximately 1.65 years.

Performance Stock Units. During fiscal 2018, fiscal 2017 and fiscal 2016, performance stock unit awards were issued to our executive officers and other members of management and had total estimated grant date fair values of \$1,420, \$881 and \$1,113, respectively. For the fiscal 2018 awards, the performance indicator for these awards is a combination of stock price and the Company's Adjusted EBITDA over a three year period. The target number of shares is 15,438 and 58,246 for the stock price awards and Adjusted EBITDA awards, respectively. The stock price indicator measures our stock price compared to a pre-determined peer group of companies with similar business characteristics as ours. Since the stock price indicator is market based, we prepared a Monte Carlo valuation model to calculate the probable outcome of the market for our stock to arrive at the fair value. The fair value of the market based units will be expensed over three years, whether or not the market condition is met. The Adjusted EBITDA indicator establishes target for the combined total of Adjusted EBITDA for the three years ending March 31, 2020. Since this is a performance based stock award, the Company will make estimates of periodic expense until the Adjusted EBITDA target is known and the expense for actual number of shares earned is determinable.

During fiscal 2018, there were no performance stock unit forfeitures. During fiscal 2017, performance stock awards that were scheduled to vest, did not meet the minimum market based indicator. Accordingly 50,799 previously outstanding performance stock units were forfeited. For performance stock units issued in fiscal 2018 and fiscal 2017, the performance period will end on the third fiscal year end subsequent to the award being granted. It will then be determined how many shares of stock will be issued. In each year of the performance period, the possible number of shares will range from zero percent to two hundred percent of the target shares.

The following table summarized the target number of performance stock units outstanding and the minimum and maximum number of shares that can be earned as of March 31, 2018.

Fiscal Year Granted	Target	Minimum	Maximum
Fiscal 2017	47,486	—	94,972
Fiscal 2018	73,684	—	147,368

The following table summarizes the number of awards earned and released during each fiscal year based on the results achieved for respective performance period:

Fiscal Year Earned	Number of Shares Earned	Number of Shares Withheld for Tax Obligation	Number of Shares Released
Fiscal 2016	31,658	8,669	22,989
Fiscal 2017	—	—	—
Fiscal 2018	—	—	—

At March 31, 2018, there was \$1,231 in stock compensation that remained to be expensed, which will be recognized over a period of 2.22 years.

## 15. Other Expense

Other expense consisted of the following:

Year Ended March 31, 2018	Year Ended March 31,	Year Ended March 31,
---------------------------	----------------------	----------------------

	2017	2016
Foreign currency transaction loss	\$(5,629)	\$(176) \$(139)
Loss on foreign exchange forwards	(96 )	(453 ) (411 )
Other	130	219 (126 )
	\$(5,595)	\$(410) \$(676)

82

---

## 16. Income Taxes

Income taxes included in the consolidated income statement consisted of the following:

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Current provision:			
Federal provision	\$3,937	\$1,588	\$4,185
Foreign provision	12,768	6,341	8,503
State provision	301	155	311
Deferred provision:			
Federal deferred benefit	(8,506 )	(1,907 )	(1,964 )
Foreign deferred benefit	(3,178 )	(2,025 )	(2,263 )
State deferred benefit	(152 )	(54 )	(56 )
Total provision for income taxes	\$5,170	\$4,098	\$8,716

Deferred income tax assets and liabilities were as follows:

	March 31, 2018	2017
Deferred tax assets:		
Accrued liabilities and reserves	\$1,987	\$1,617
Stock option compensation	821	932
Foreign deferred benefits	3,575	2,340
Net operating loss carry-forward	1,688	1,250
Inventories	371	440
Capitalized transaction costs	207	390
Interest rate swap included in Other Comprehensive Loss	—	18
Foreign tax credit carry forward	104	65
Valuation allowance	(878 )	(659 )
Total deferred tax assets	\$7,875	\$6,393
Deferred tax liabilities:		
Intangible assets	\$(9,498 )	\$(17,952 )
Intangible assets - foreign	(25,674 )	(7,452 )
Property, plant and equipment	(2,522 )	(3,637 )
Prepaid expenses	(104 )	(161 )
Unrealized loss on hedge	(45 )	(19 )
Undistributed foreign earnings	(859 )	(10 )
Total deferred tax liabilities	(38,702 )	(29,231 )
Net deferred tax asset (liability)	\$(30,827)	\$(22,838)



The U.S. and non-U.S. components of income (loss) from continuing operations before income taxes were as follows:

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
U.S.	\$(13,568)	\$(83 )	\$13,043
Non-U.S.	31,957	19,165	19,323
Income from continuing operations	\$18,389	\$19,082	\$32,366

The difference between the provision for income taxes and the amount that would result from applying the U.S. statutory tax rate to income before provision for income taxes is as follows:

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Notional U.S. federal income tax expense at statutory rate	\$5,792	\$6,679	\$11,328
Adjustments to reconcile to the income tax provision:			
Transition tax for United States tax reform	5,125	—	—
Impact on deferred tax liability for statutory rate change	(5,849 )	—	455
U.S. state income tax provision, net	111	45	150
Undistributed foreign earnings	1,786	—	—
Rate difference-international subsidiaries	(1,769 )	(2,622 )	(1,727 )
Charges/(benefits) related to uncertain tax positions	(533 )	(128 )	(1,227 )
Non-deductible charges	758	296	51
Foreign purchase price adjustment	—	(379 )	—
Change in valuation allowance	219	490	—
Other, net	(470 )	(283 )	(314 )
Provision for income taxes	\$5,170	\$4,098	\$8,716

On December 22, 2017, the United States enacted significant changes to U.S. tax law following the passage and signing of H.R.1, “An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018” (the “Tax Act”) (previously known as “The Tax Cuts and Jobs Act”). The Tax Act included significant changes to existing tax law, including a permanent reduction to the U.S. federal corporate income tax rate from 35% to 21%, a one-time repatriation tax on deferred foreign income (“Transition Tax”), deductions, credits and business-related exclusions.

On December 22, 2017, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin 118 (“SAB 118”). SAB 118 expresses views of the SEC regarding ASC Topic 740, Income Taxes (“ASC 740”) in the reporting period that includes the enactment date of the Tax Act. The SEC staff issuing SAB 118 (the “Staff”) recognized that a registrant’s review of certain income tax effects of the Tax Act may be incomplete at the time financial statements are issued for the reporting period that includes the enactment date, including interim periods therein. The Staff’s view of the enactment of the Tax Act has been developed considering the principles of ASC Topic 805, Business Combinations, which addresses the accounting for certain items in a business combination for which the accounting is incomplete upon issuance of the financial statements that include the reporting period in which the business combination occurs. Specifically, the Staff provides that the accounting guidance in ASC Topic 805 may be analogized to the accounting for impacts of the Tax Act. If a company does not have the necessary information available, prepared or analyzed for certain income tax effects of the Tax Act, SAB 118 allows a company to report provisional numbers and adjust those amounts during the measurement period not to extend beyond one year. The Company has recorded all known and estimable impacts of the Tax Act that are effective for fiscal year 2018. Future



adjustments to the provisional numbers will be recorded as discrete adjustments to income tax expense in the period in which those adjustments become estimable and/or are finalized.

Accordingly, our income tax provision as of March 31, 2018 reflects (i) the current fiscal year impacts of the Tax Act on the estimated annual effective tax rate and (ii) the following discrete items resulting directly from the enactment of the Tax Act based on the information available, prepared, or analyzed (including computations) in reasonable detail.

	Year Ended March 31, 2018
Transition Tax (provisional)	\$5,126
Net impact on U.S. deferred tax assets and liabilities (provisional)	(6,030 )
Net changes in deferred tax liability associated with anticipated repatriation taxes (provisional)	1,704
Net discrete impacts of the enactment of the Tax Act	\$800

Consistent with provisions allowed under the Tax Act, the \$5,126 estimated Transition Tax liability will be paid over an eight year period beginning in fiscal year 2019. The non-current portion of the estimated Transition Tax liability has been included in "Other liabilities- long term" in the Condensed Consolidated Balance Sheets.

The net benefit of \$6,030 related to deferred tax assets and liabilities is primarily associated with a reduction in deferred liabilities for unamortized intangible assets. Since these intangible assets are not tax deductible, the reduction of the liability is non-cash and will not reduce future tax payments.

Given the Tax Act's significant changes and potential opportunities to repatriate cash tax free, we have reevaluated our current permanent reinvestment position. Accordingly, we will no longer assert a permanent reinvestment position in most of our foreign subsidiaries. We expect to repatriate certain earnings which will be subject to withholding taxes. These additional withholding taxes are being recorded as an additional deferred tax liability associated with the basis difference in such jurisdictions. The uncertainty related to the taxation of such withholding taxes on distributions under the Tax Act and finalization of the cash repatriation plan makes the deferred tax liability a provisional amount.

We continue to review the anticipated impacts of the global intangible low taxed income ("GILTI") and base erosion anti-abuse tax ("BEAT"), which are not effective until fiscal year 2019. We have not recorded any impact associated with either GILTI or BEAT in the tax rate for fiscal year 2018.

Within the calculation of our annual effective tax rate we have used assumptions and estimates that may change as a result of future guidance, interpretation, and rule-making from the Internal Revenue Service, the SEC, and the Financial Accounting Standards Board and/or various other taxing jurisdictions. For example, we anticipate that the state jurisdictions will continue to determine and announce their conformity to the Tax Act which could have an impact on the annual effective tax rate.

As of March 31, 2018, the Company had foreign tax net operating loss carry-forwards ("NOLs") of \$5,731. Of this amount, \$4,024 may be carried forward indefinitely. As of March 31, 2018, the tax years 2014 through 2017 remain open to examination by the major taxing jurisdictions to which we are subject.

During the fiscal year ended March 31, 2018, the Company released its remaining reserve for uncertain tax positions as the tax periods to which they relate had closed. Activity within our reserve for uncertain tax positions as well as the penalties and interest are recorded as a component of the Company's income tax expense. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Year Ended March 31, 2018	Year Ended March 31, 2017
Beginning balance	\$ 533
Reductions for tax provisions of prior years Interest and penalties on prior reserves Reserve for uncertain income taxes	\$ 661
	(176 )
	48
	\$ 533

## 17. Segment Information

In connection with acquisitions made since fiscal 2015, the Company reviewed its determination of segments. Previously, we aggregated geographic markets into one reportable segment. Based on our review, we revised our segment reporting to four reportable segments based on four geographic countries or regions: United States, Canada, Europe and Asia. Within our four reportable segments, our primary products and services are focused on thermal solutions primarily related to the electrical heat tracing industry. Each of our reportable segments serves a similar class of customers including large EPC companies, international and regional oil and gas companies, commercial sub-contractors, electrical component distributors and direct sales to existing plant or industrial applications. Profitability within our segments is measured by operating income. Profitability can vary in each of our reportable segments based on the competitive environment within the region, the level of corporate overhead, such as the salaries of our senior executives, and the level of research and development and marketing activities in the region, as well as the mix of products and services. Since March 2015, we have acquired Unitemp, IPI, Sumac and THS. Both Unitemp and IPI offer thermal solutions and have been included in our Europe and United States reportable segments, respectively. Sumac provides temporary power products that differ from our core thermal solutions business. As our operating results from Sumac comprise less than 10% of our total sales and operating income, Sumac has been aggregated in our Canada segment. THS, recently acquired in October 2017, has similar economic characteristics as the core Thermon process heating operations. Management intends to integrate THS into the existing Thermon operations as soon as practicable. Therefore, THS has been aggregated in our Canada and United States segments. For purposes of this note, revenue is attributed to individual countries on the basis of the physical location and jurisdiction of organization of the subsidiary that invoices the material and services.

Total sales to external customers, inter-segment sales, depreciation expense, amortization expense, income from operations and total assets classified by major geographic area in which the Company operates are as follows:

	Year Ended March 31, 2018	Year Ended March 31, 2017	Year Ended March 31, 2016
Sales to External Customers:			
United States	\$ 114,548	\$ 119,791	\$ 126,033
Canada	94,427	41,721	56,925
Europe	68,352	71,133	65,370
Asia	31,282	31,485	33,600
	\$308,609	\$264,130	\$281,928
Inter-segment Sales:			
United States	\$50,155	\$45,966	\$50,807
Canada	7,294	3,610	3,886
Europe	1,614	1,580	2,367
Asia	1,668	1,407	435
	\$60,731	\$52,563	\$57,495
Depreciation Expense:			
United States	\$4,326	\$3,632	\$3,117
Canada	3,019	1,933	1,071
Europe	476	301	296
Asia	141	194	171
	\$7,962	\$6,060	\$4,655
Amortization of Intangibles:			
United States	\$6,018	\$5,860	\$6,080
Canada	7,979	3,538	3,543
Europe	1,398	1,310	1,426
Asia	1,063	1,064	1,063
	\$16,458	\$11,772	\$12,112
Income from Operations:			
United States	\$484	\$5,359	\$20,607
Canada (a)	26,198	8,040	7,302
Europe (b)	6,842	9,095	8,586
Asia	4,111	4,512	5,541
Unallocated:			
Public company costs	(1,378 )	(1,160 )	(1,526 )
Stock compensation	(3,519 )	(3,402 )	(3,749 )
	\$32,738	\$22,444	\$36,761
	March 31, 2018	March 31, 2017	
Fixed Assets:			
United States	\$37,112	\$34,563	
Canada	33,076	4,674	
Europe	3,567	3,532	
Asia	730	497	
	\$74,485	\$43,266	
Total Assets:			

Edgar Filing: ANSELL LTD - Form 20-F

United States	\$213,099	\$186,300
Canada	317,635	136,688
Europe	89,379	80,589
Asia	42,364	50,503
	\$662,477	\$454,080

87

---

(a) During the year ended March 31, 2016, the Canadian segment's operating income was negatively impacted by \$5,706 due to acquisition related contingent consideration accounted for as compensation. As part of the Sumac transaction, we issued the sellers a \$5,905 non-interest bearing note that matured on April 1, 2016. The terms of the performance-based note assume the continued employment of Sumac's principals, and as a result, the performance note payment is accounted for as compensation expense. The performance note was settled during the first quarter of fiscal 2017.

(b) During the year ended March 31, 2016, the European segment's operating income was negatively impacted by a \$1,713 impairment charge to Unitemp's goodwill and other intangible assets.

At March 31, 2018 and 2017, non-current deferred tax assets of \$3,490 and \$4,053 respectively, were applicable to the United States.

## 18. Quarterly Results (Unaudited)

The following quarterly results have been derived from unaudited consolidated financial statements that, in the opinion of management, reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such quarterly information. The operating results for any quarter are not necessarily indicative of the results to be expected for any future period. The unaudited quarterly financial data for each of the eight quarters in the two years ended March 31, 2018 are as follows:

	Three Months Ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Sales	\$ 102,582	\$ 92,660	\$ 61,631	\$ 51,736
Gross Profit	46,823	42,214	30,960	23,814
Income from operations	13,553	10,210	7,417	1,558
Net income available to Thermon Group Holdings, Inc.	\$ 6,057	\$ 599	\$ 4,778	\$ 479
Net income per common share				
Basic	\$ 0.19	\$ 0.02	\$ 0.15	\$ 0.01
Diluted	0.18	0.02	0.15	0.01

	Three Months Ended			
	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Sales	\$ 67,582	\$ 64,340	\$ 68,812	\$ 63,396
Gross Profit	28,274	28,619	28,924	26,114
Income from operations	5,280	7,299	5,675	4,190
Net income available to Thermon Group Holdings, Inc.	\$ 3,251	\$ 5,358	\$ 3,506	\$ 2,526
Net income per common share				
Basic	\$ 0.15	\$ 0.17	\$ 0.11	\$ 0.08
Diluted	0.15	0.16	0.11	0.08

The basic and diluted income per common share for each respective three month period is calculated independently. Therefore, the sum of the periods does not necessarily total the full year net income or loss per common share.

#### 19. Subsequent Events

On April 2, 2018, the minority shareholder of our Sumac business unit provided the Company notice that he was exercising his option to sell one-half (12.5%) of his remaining equity interest to the Company. The terms of the April 2015 Sumac purchase agreement prescribed a valuation formula for such a sale based on Sumac's financial results for the twelve months ending March 31, 2018. We estimate that Thermon will pay \$6,000 to purchase the 12.5% Sumac equity interest which is expected to be completed in June 2018.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

90

---

## ITEM 9A. CONTROLS AND PROCEDURES

### Controls and Procedures

#### Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act as of the end of the period covered by this annual report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this annual report, these disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management to allow timely decisions regarding required disclosure.

#### Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2018, based on the criteria set forth in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as of March 31, 2018, our internal control over financial reporting is effective.

The Company acquired CCI during fiscal 2018, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of March 31, 2018, CCI's internal control over financial reporting whose financial statements reflect 35 percent of total assets (of which approximately 24 percent represents goodwill and intangible assets included within the scope of the assessment) and 13 percent of total revenues of the related consolidated financial statement amounts of Thermon as of and for the year ended March 31, 2018.

KPMG LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements as of and for the year ended March 31, 2018 included in this annual report, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of March 31, 2018. The report is included in Item 8 in this annual report.

#### Changes in Internal Control

There have been no changes in the Company's internal control over financial reporting that occurred during the most recently completed fiscal quarter ended March 31, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



ITEM 9B. OTHER INFORMATION

None.

91

---

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors and executive officers is incorporated herein by reference to the "Directors and Executive Officers" section of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the "Section 16(a) Beneficial Ownership Reporting Compliance" section of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

Information regarding the audit committee financial expert and the audit committee is incorporated herein by reference to the sections entitled "Corporate Governance-Committees of the Board" and "Audit Committee Report" in our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

#### Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics, which we refer to as our "code of conduct," that applies to all of our employees, officers and directors. Our code of conduct is available on our Investor Relations website located at <http://ir.thermon.com>. Stockholders can also obtain a free copy of our code of conduct by writing to the Director of Investor Relations, Thermon Group Holdings, Inc., 100 Thermon Drive, San Marcos, Texas 78666. We will post any amendments to our code of conduct, and any waivers that are required to be disclosed pursuant to SEC or NYSE rules, on our Investor Relations website.

### ITEM 11. EXECUTIVE COMPENSATION

Information regarding executive and director compensation is incorporated by reference to the "Compensation Discussion and Analysis" section of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

The material incorporated herein by reference to the information set forth under the "Compensation Committee Report" in our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders shall be deemed furnished, and not filed, in this Annual Report on Form 10-K and shall not be deemed incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 as a result of this furnishing, except to the extent that we have specifically incorporated such materials by reference.

Information regarding compensation committee interlocks and insider participation is incorporated herein by reference to the information under the heading "Corporate Governance-Compensation Committee Interlocks and Insider Participation" section of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference to the "Security Ownership of Certain Beneficial Owners and Management" section of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

Information related to compensation plans under which our equity securities are authorized for issuance as of March 31, 2018 is set forth in the table below.



## Equity Compensation Plan Information

The following table sets forth information regarding our equity compensation plans as of March 31, 2018. Specifically, the table provides information regarding our 2010 Plan and the LTIP, described elsewhere in this annual report.

Number of securities to be issued upon exercise of outstanding equity awards	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuances under equity compensation plans (1)
Equity compensation plans approved by security holders (2)		
367,571	(3)	1,637,491
Equity compensation plans not approved by security holders (4)		
252,202	\$ 5.44	—

(1) Excludes securities reflected in the column entitled "Number of securities to be issued upon exercise of outstanding equity awards."

On April 8, 2011, our board of directors and pre-IPO stockholders approved the Thermon Group Holdings, Inc. (2)2011 Long-Term Incentive Plan ("2011 LTIP"). The 2011 LTIP authorized the issuance of 2,893,341 equity awards.

At March 31, 2018, the Company had outstanding under the LTIP: (i) 115,369 stock options, with a weighted average exercise price of \$17.16, (ii) 229,112 unvested restricted stock units, with a weighted average grant date fair value of \$19.55, and (iii) 159,256 performance units (assuming satisfaction of the performance metric at target and 318,512 at maximum), with a weighted average grant date fair value of \$20.30.

(4)The 2010 Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plans (the "2010 Plan") was approved by our board of directors on July 28, 2010. The 2010 Plan authorized the issuance of 2,767,171 equity awards and provides for the grant of non-qualified stock options and restricted stock. In connection with our May 2011 IPO, all 2,757,524 of the unvested stock options that were then outstanding under the 2010 Plan became fully vested and exercisable. The 2010 Plan will terminate as of the earlier of (i) the date on which all equity awards under the 2010

Plan have been issued, (ii) the termination of the 2010 Plan by our board of directors, or (iii) the tenth anniversary of the effective date of the 2010 Plan; however, no further grants or equity awards will be made under the 2010 Plan. Under the 2010 Plan, the compensation committee of our board of directors has the authority to designate participants in the plan, determine the form of awards, the number of shares subject to individual awards, and the terms and conditions, including the vesting schedule, of each award granted under the 2010 Plan. The term of any option shall be fixed by the compensation committee and shall not exceed ten years from the date of grant. At March 31, 2018, the Company had outstanding under the 2010 Plan 252,202 non-qualified stock options, with a weighted average exercise price of \$5.44.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding certain relationships and related transactions and director independence is incorporated herein by reference to the "Certain Relationships and Related Party Transactions" and "Corporate Governance-Director Independence" sections, respectively, of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding our principal accountant fees and services is incorporated herein by reference to the "Audit and Non-Audit Fees" section of our Definitive Proxy Statement for the 2018 Annual Meeting of Stockholders.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this annual report:

1. Financial Statements: Included herein at pages 54 through 89

2. Financial Statement Schedules: None. Financial statement schedules have been omitted because the required information is included in our consolidated financial statements contained elsewhere in this annual report.

3. Exhibits: See the Exhibit Index following the signature page of this annual report, which is incorporated herein by reference. Each management contract and compensatory plan or arrangement required to be filed as an exhibit to this annual report is identified in the Exhibit Index by a single asterisk following its exhibit number.

Certain of the agreements included as exhibits to this annual report contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

• should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

• have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in such agreement;

• may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

• were made only as of the date of the applicable agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments.

The registrant acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this annual report not misleading.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THERMON GROUP HOLDINGS, INC. (registrant)

Date: June 8, 2018 By: /s/ Jay Peterson

Jay Peterson

Chief Financial Officer, Senior Vice President, Finance and Assistant Secretary  
(Principal Financial and Accounting Officer)

## EXHIBIT INDEX

Exhibit Number	Description
2.1+	<u>Share Purchase Agreement, dated October 3, 2017, by and among 2071827 Alberta Ltd., Camary Holdings Ltd. and Rocor Holdings Ltd. (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on October 10, 2017)</u>
2.2+	<u>Employee Share Agreement, dated October 3, 2017, by 2071827 Alberta Ltd. and certain current and former employee shareholders of CCI Thermal Technologies Inc. (incorporated by reference to Exhibit 2.2 to the registrant's Current Report on Form 8-K filed on October 10, 2017)</u>
2.3	<u>Real Property Agreement, dated October 30, 2017, by and between 2071827 Alberta Ltd. and Whitemud Place Properties (incorporated by reference to Exhibit 2.3 to the registrant's Current Report on Form 8-K filed on November 3, 2017)</u>
3.1	<u>Second Amended and Restated Certificate of Incorporation of Thermon Group Holdings, Inc., effective as of May 10, 2011 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on May 13, 2011)</u>
3.2	<u>Amended and Restated Bylaws of Thermon Group Holdings, Inc., effective as of June 15, 2017 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on June 16, 2017)</u>
4.1	<u>Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 1, 2011)</u>
10.1	<u>Credit Agreement, dated October 30, 2017, by and among Thermon Group Holdings, Inc., Thermon Holding Corp, Thermon Canada Inc., and the several lenders from time to time parties hereto, Bank of Montreal and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed November 3, 2017)</u>
10.2	<u>Amended and Restated Securityholder Agreement, dated as of April 30, 2010, among Thermon Group Holdings, Inc. and the other parties identified therein (incorporated by reference to Exhibit 10.5 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)</u>
10.3	<u>Amendment No. 1, dated as of April 1, 2011 and effective May 10, 2011, to Amended and Restated Securityholder Agreement, dated as of April 30, 2010, among Thermon Group Holdings, Inc. and the other parties identified therein (incorporated by reference to Exhibit 10.24 to Amendment No. 2 to the registrant's Registration Statement on Form S-1 (File No. 333-172007) filed on April 1, 2011)</u>
10.4	<u>Amendment No. 2, dated as of May 4, 2012, to Amended and Restated Securityholder Agreement, dated as of April 30, 2010, as previously Amended by Amendment No. 1, dated as of April 1, 2011 and effective as of May 10, 2011, among Thermon Group Holdings, Inc. and the other parties identified therein (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K of Thermon Group Holdings, Inc. filed on May 10, 2012)</u>



- 10.5 Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan, as adopted on July 28, 2010 (incorporated by reference to Exhibit 10.7 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on August 18, 2010)\*
- 10.6 Amendment No. 1 to the Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan, as adopted on October 27, 2010 (incorporated by reference to Exhibit 10.9 to Amendment No. 3 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on November 22, 2010)\*
- 10.7 Form of Stock Option Agreement under Thermon Group Holdings, Inc. Restricted Stock and Stock Option Plan (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to Registration Statement on Form S-4 (File No. 333-168915) of Thermon Industries, Inc. and additional registrants named therein filed on October 22, 2010)\*
- 10.8 Amended & Restated Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 6, 2013)\*
- 10.9 Amendment No. 1 to the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan, as adopted on July 31, 2014 (incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q filed November 4, 2014)\*
- 10.10 Form of Option Award Notice and Stock Option Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.14 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)\*
- 10.11 Form of Employee Performance Unit Award Agreement under the Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q filed November 4, 2014)\*
- 10.12 Form of Non-Employee Director Restricted Stock Award Agreement under Thermon Group Holdings, Inc. 2011 Long Term Incentive Plan (incorporated by reference to Exhibit 10.15 to the registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2011)\*

Exhibit Number	Description
10.13	<u>Third Amended and Restated Employment Agreement, effective as of April 27, 2015 between Rodney Bingham and Thermon Holding Corp. (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed April 28, 2015)*</u>
10.14	<u>Third Amended and Restated Employment Agreement, effective as of April 1, 2015 between George Alexander and Thermon Holding Corp. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 1, 2015)*</u>
10.15	<u>Second Amended and Restated Employment Agreement, effective as of May 1, 2014, between Jay Peterson and Thermon Holding Corp. (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed May 8, 2014)*</u>
10.16	<u>Second Amended and Restated Employment Agreement, effective as of May 1, 2014, between Johannes (René) van der Salm and Thermon Holding Corp. (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed May 8, 2014)*</u>
10.17	<u>Employment Agreement, effective as of April 27, 2015 between Bruce Thames and Thermon Holding Corp. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed April 28, 2015)*</u>
10.18	<u>Form of Manager Equity Agreement among Thermon Group Holdings, Inc., CHS Private Equity V LP, and the management investors (incorporated by reference to Exhibit 10.17 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on February 2, 2011)*</u>
10.19	<u>Form of indemnification agreement for directors and certain officers of Thermon Group Holdings, Inc. (incorporated by reference to Exhibit 10.22 to Amendment No. 2 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 1, 2011)*</u>
10.20	<u>Form of Amendment No. 1 to the Manager Equity Agreement among Thermon Group Holdings, Inc. CHS Private Equity V LP, and the management investors (incorporated by reference to Exhibit 10.25 to Amendment No. 3 to Registration Statement on Form S-1 (File No. 333-172007) of the registrant filed on April 13, 2011)*</u>
10.21	<u>Form of Employee Restricted Stock Award Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.28 to the registrant's Annual Report on Form 10-K for the fiscal year ended March 31, 2012)*</u>
10.22	<u>Thermon Group Holdings, Inc. 2012 Short-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed on August 6, 2012)*</u>
10.23	<u>Form of Performance Unit Award Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q filed on November 13, 2012)*</u>
10.24	

Form of Restricted Stock Unit Award Agreement under Thermon Group Holdings, Inc. 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to registrant's Quarterly Report on Form 10-Q filed on November 13, 2012)\*

10.25 Employment Agreement, effective as of April 1, 2016, between Bruce Thames and Thermon Holding Corp. (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed May 13, 2016)\*

10.26 Form of Employee Adjusted EBITDA Performance Unit Award Agreement under Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.30 to the registrant's Annual Report on Form 10-K filed on May 31, 2016)\*

10.27 Form of Employee RTSR Performance Unit Award Agreement under Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.31 to the registrant's Annual Report on Form 10-K filed May 31, 2016)\*

10.28 Form of Employee Restricted Stock Unit Award Agreement under Thermon Group Holdings, Inc. Amended and Restated 2011 Long-Term Incentive Plan (effective as of fiscal 2017) (incorporated by reference to Exhibit 10.32 to the registrant's Annual Report on Form 10-K filed May 31, 2016)\*

10.29 Thermon Manufacturing Company Deferred Compensation Plan, effective as of July 1, 2016 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed June 21, 2016)\*

21.1\*\* Subsidiaries of Thermon Group Holdings, Inc.

23.1\*\* Consent of KPMG LLP

31.1\*\* Certification of Bruce Thames, Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2\*\* Certification of Jay Peterson, Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Description
32.1**	<u>Certification of Bruce Thames, Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2**	<u>Certification of Jay Peterson, Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101**	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations and Comprehensive Income (Loss), (iii) Consolidated Statements of Shareholders'/Members' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements

---

+ The schedules to this exhibit have been omitted in accordance with Regulation S-K Item 601(b)(2). A copy of any omitted schedule will be furnished to the Securities and Exchange Commission upon request.

\* Management contract and compensatory plan or arrangement

\*\* Filed herewith