Company Information for Investors

Public Documents

To view these files you need to have Adobe Acrobat Reader installed.

To view our 2001 HALF YEAR RESULTS click here

Rules of Non-Executive Directors Share Plan referred to in the Notice of Meeting for the Annual General Meeting to be held on Friday 13 October, 2000 at 11.00am: here

To view our 2000 ANNUAL REVIEW click here

To view our 2000 FINANCIAL STATEMENTS click here

To view our 1999 ANNUAL REPORT click here

To view our 1999 FINANCIAL STATEMENTS click here

To view our 1998 ANNUAL REPORT: YEAR IN REVIEW click here

To view our 1998 ANNUAL REPORT: FINANCIALS click here

Annual Report 1998

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Pacific Dunlop

PACIFIC DUNLOP

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Contents

The Annual General Meeting will be held in the John Batman Theatre at the Melbourne Convention Centre, corner Spencer Street and Flinders Street, Melbourne on 4 November 1998 at 2.15pm. Details of the business of the meeting are contained in the Notice of Meeting enclosed with this Annual Report.

Voting by proxy is the most effective way for shareholders to participate in the Company's affairs. All shareholders are therefore encouraged to complete and return the proxy form enclosed with the Notice of Meeting.

Our products are supported by strong brand recognition and, in most cases, have a predominant share of their markets. We recognise that success will be built on competitive advantage, a commitment to excellence, quality customer service and the delivery of attractive returns to our ***shareholders.***

Financial Results

$ million	*1998*	*1997*	*% change*
Revenue	***5,984***	*5,783*	*+3.5*
Operating profit before interest and tax	***326***	*337*	*−3.3*
Profit before abnormal items	***181***	*176*	*+2.8*
Abnormal (loss)/gain	***(156)***	*2*	*N/A*
Profit/(loss) after abnormals	***25***	*178*	*−86.0*
Assets employed	***5,342***	*5,593*	*−4.5*
Return on shareholders' equity before abnormals	***10.7%***	*9.5%*	*+12.6*
Average shares on issue (million)	***1,028***	*1,024*	*+0.4*
Earnings per share before abnormal items (cents)	***17.6***	*17.2*	*+2.3*
Dividends per share (cents)	***14.0***	*14.0*	*–*

All figures in A$ unless otherwise stated.

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Year in Summary

- *Pre-abnormals profit of $181 million, compared with $176 million in the previous year, an increase of 3 per cent.*
- *Sales increased by 3.5 per cent to $5.98 billion.*
- *Previously foreshadowed abnormal losses of $156 million.*
- *Profit after abnormals of $25 million.*
- *Earnings per share before abnormals up 2.3 per cent to 17.6 cents.*
- *Final dividend of 7 cents making 14 cents for the year (previous year 14 cents). The final dividend will be unfranked.*

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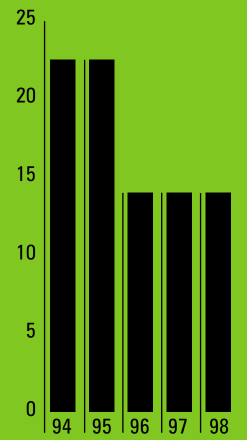
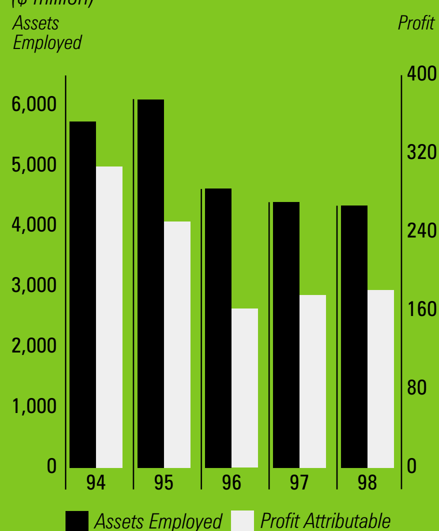
Performance Summary

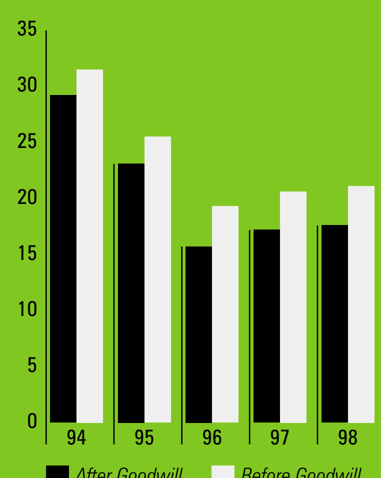
Dividends per Share *(cents)*

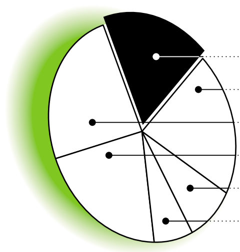


Profit Attributable to Shareholders before Abnormals / Assets Employed
($ million)



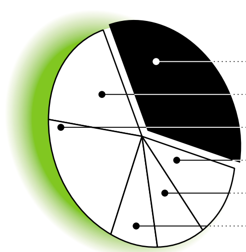
Earnings per Share before Abnormals *(cents)*





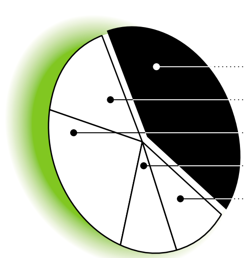
Operating Revenue

Ansell	*18.4%*
GNB Technologies	*21.1%*
Pacific Distribution	*24.5%*
Pacific Brands	*20.1%*
South Pacific Tyres (50%)	*9.0%*
Cables and Engineered Products	*6.9%*



Operating Profit

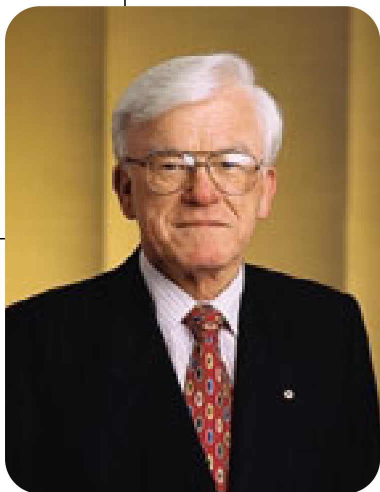
Ansell	*35.9%*
Pacific Distribution	*13.8%*
Pacific Brands	*20.8%*
GNB Technologies	*12.2%*
South Pacific Tyres (50%)	*8.8%*
Cables and Engineered Products	*8.5%*



Operating Profit post GNB

Ansell	*40.9%*
Pacific Distribution	*15.7%*
Pacific Brands	*23.7%*
Cables and Engineered Products	*9.7%*
South Pacific Tyres (50%)	*10.0%*

Chairman's Review



Mr John T Ralph
Chairman

Dear shareholder

Pacific Dunlop has been undergoing great change and this year we expect the benefits to start to become apparent.

The change process started two years ago with two purposes. One was to lift performance and with it the returns and value for shareholders. The second was to reshape Pacific Dunlop for the different, more globalised trading environment which businesses face today, and in doing so chart a course for the Company's future growth.

Progress had already been made in the previous year towards reducing costs and improving efficiency and productivity through rationalisation within business units. In the financial year ending 30 June 1998, this was carried further, but with one important addition – an evaluation of the future growth prospects of each business as well as their ability to generate acceptable returns.

This assessment now governs investment priorities for the Company. In a number of cases it will have a significant bearing on the strategic future of some businesses.

The recently-announced sale of GNB Technologies and the sale earlier of the communications cables operations are part of this new approach to the future. With their sale, two financially under-performing businesses will be removed from the Company. As a result we will have a better-performing asset base which is less diversified.

The sale of GNB will also lead to a greatly strengthened balance sheet. A substantial portion of the proceeds received from the sale of GNB will be used to retire debt, thereby enhancing the capacity for growth acquisitions and other capital requirements. Once debt is repaid, gearing will be down to its most conservative level in many years, providing the financial platform for future growth.

Another recent and equally important change has been the resolution, subject to certain court approvals, of nearly all outstanding litigation related to the Accufix Pacemaker Lead. The main agreement reached in July covers the claims made in the United States and follows earlier settlements in Canada and Australia. All settlements are without any admission of liability.

The situation leading to the litigation has been one of the most unfortunate in the Group's history and for more than three years has had a depressing effect on the Group as well as being a major distraction to management. We are pleased to see that this is nearly behind us. These developments are all helpful in clearing the way for better results ahead.

The reshaping of Pacific Dunlop, however, is based primarily on the recognition that the exciting potential of Ansell will be a key source of growth and earnings well into the future.

Ansell possesses a unique combination of technology, low-cost production and marketing power which has already given its products world leadership, and sales in more than 100 countries. Last year was excellent for Ansell. It strengthened its market hold, particularly in the United States, and passed $1 billion in sales. It also enlarged the capacity of its principal manufacturing facilities in South-East Asia and India.

Ansell has grasped the opportunity to become a truly global business as the worldwide demand for its products increases. Investment priority will be directed towards furthering this objective.

The excellent Ansell result offset disappointing returns from the domestic-based businesses, whose markets were mostly characterised by lower levels of demand, stronger import competition as a result of the Asian crisis and tighter margins. We are confident, however, of stronger performance as a result of better productivity and other profit improvement initiatives flowing through in the current year.

Profit after tax and abnormals was lower because of extra provisioning either necessary or considered prudent in relation to GNB environmental remediation and the Accufix settlement in the USA. The remediation provision is for contingencies over a period of at least five years.

A final dividend of 7.0 cents a share has been declared, which will be unfranked (1997 – 7.0 cents per share, 60 per cent franked). The total dividend for the year was 14.0 cents, the same as for the previous year, but without the benefit of franking. Dividends are likely to remain unfranked this year and next as international profit grows as a proportion of Pacific Dunlop's total profit, while at the same time, we take up previously deferred Australian tax losses.

The current year begins a new phase for Pacific Dunlop where the priority is growth and the immediate goal is improved earnings. The foundation is now in place for both to be achieved.

The preparation for this phase has called for an intensive effort by management and many others throughout the Company. On behalf of my Board colleagues, we thank them all.

John T Ralph
Chairman

Managing Director's Review

Mr Rod L Chadwick
Managing Director and Chief Executive

Management's main challenge in the past two years has been to reposition the Company so that it can begin growing shareholder returns again. Substantial progress has been made in meeting this challenge.

The process has been intensive, involving changes to strategic direction, improvement to operational effectiveness, and upgrading the people side of our skills and capabilities.

In the current year, the challenge becomes one of translating these changes into sustained higher performance and increased shareholder value. Many of the changes, particularly those of the past 12 months, make us confident that we can meet this challenge.

The changes can be summarised under the following five headings:

- *Ansell is and will continue to be Pacific Dunlop's global growth vehicle for the future.*
  Ansell's prospects are outstanding. It is in strong, high-volume growth markets in powder-free and critical environment gloves where its products are already clear world leaders. It has the necessary scale, technology, and globalised operations. Its aim is to be the lowest cost producer across its entire product range. We are driving hard towards this goal.

  All these advantages are now being reflected in an increasingly robust performance which last year saw a 26 per cent jump in sales and 46 per cent lift in profit.

  Ansell's aggressive marketing is taking it into new markets, and it is now a truly global business selling into more than 100 countries. In this regard it has been well supported by the successful move of its operational base from Australia to New Jersey in the USA, and by the investment of a further $110 million in additional manufacturing capacity to satisfy the growing demand. The investment includes two strategic acquisitions, announced since year end, in India and Thailand to add to our existing facilities in the region.

- *We have a narrower asset base of better-performing businesses.*
  This follows the implementation of a more active portfolio management policy which led to our decision to divest the GNB battery and the communications cables businesses, and some smaller operations. The flow-on is reduced debt, increased investment flexibility for growth opportunities, and greater management focus on the continuing businesses – as well as a higher-performing asset base going forward.

- *The overhanging Accufix litigation is provisionally settled.*
  The proposed settlement of all current and future US litigation relating to the Accufix Pacemaker Lead announced in July frees the Company from both a cost uncertainty and a major management distraction. Final approval is still subject to a court hearing in November 1998.

- *Many of our operations have been considerably restructured.*
  Accelerated restructuring has seen consolidation of much of the manufacturing operations of Pacific Brands and Cables into fewer but larger, more efficient facilities. This meant closing another eight plants last year as part of the process, with more rationalisation planned for this year. This has already led to improved productivity and greater efficiency.

  Changes made to Pacific Distribution are expected to deliver improved results this year, driven by the new management team under the leadership of Mr Joseph Farnik, who was appointed in June 1998. The move to new open-plan stores is lifting performance.

  South Pacific Tyres has improved its manufacturing efficiency and lowered costs. Coupled with guaranteed sales volume increases as a result of contracts won in the preceding year, this Division should show improvement in the current year.

- *New management has been introduced into many areas.*
  Extensive changes to management have recognised the need for new skills and energy in many areas. These include new senior appointments of highly credentialled, widely experienced executives to head Pacific Distribution, the Cables and Engineered Products group, the Global Manufacturing Excellence program, Strategic Sourcing and Shared Services. Of the 70 most senior executives at Pacific Dunlop, two-thirds have been in their positions for three years or less.

Performance Summary

Ansell had a year of strong growth, increasing sales by 26 per cent to exceed $1 billion for the first time, and earnings before interest and tax (EBIT) by 46 per cent to $162 million.

Ansell increased its American market share, added new markets in Latin America and Eastern Europe, and broadened its product range with new versions of its successful synthetic surgeon and examination gloves and low allergenic powder-free gloves. This included the release in June of the world's first surgical glove made from polyurethane.

The drive for product innovation continues to be a key factor in Ansell's market expansion.

Demand and market growth are being matched by an increase in production capacity, mainly in Asia. Ansell's emerging presence in the large Indian market was expanded with the acquisition of a majority interest in Kemwell International, a leading local medical glove manufacturer. In July, following the end of the year, the $50 million acquisition of the Thailand-based Suretex Group was announced, providing further modern condom and medical examination glove manufacturing facilities in southern Thailand and India, as well as further land for large-scale expansion.

Pacific Brands had a very disappointing second half through its exposure, directly and indirectly, to the Asian economic downturn. This included a negative currency impact on products imported from China at pegged US dollars for the Australian market, where softening retail demand limited price increases. The year's result was a 3 per cent decline in sales and a 10 per cent fall in earnings after a steady first half performance.

Sales of many clothing and some footwear product lines suffered in the second half. Against this, however, profits of the footwear operations of Grosby and the Import group improved with better sourcing and other efficiencies. The Leisure and Fitness business also performed strongly. This business was expanded with the acquisition of New Zealand's largest bicycle distributor, Roslyn Cycles and Fitness. Dunlop Slazenger also had a good year.

Both Dunlop Foam and Dunlop Bedding performed well. Vita Pacific, however, performed poorly and its manufacturing and distribution operations are being rationalised. During the year, the Vita Pacific plant in Adelaide was closed and Vita's interest in a Chinese manufacturing operation was sold. Since year end, plants in Hobart and Sydney have also been closed.

Continuing rationalisation and structural changes are expected to improve Pacific Brands’ performance in the current year. Changes in the past year have included the closure of plants in three States by Dunlop Slazenger, Berlei and Jockey; the rationalisation of Berlei’s Australian cutting operations and Holeproof New Zealand; and the consolidation or relocation of warehousing and other functions. Sourcing of clothing is continuing to move offshore.

South Pacific Tyres faced a challenging year and has emerged from it well, even though its profit of $79 million was down 14 per cent.

The major impact was from Asian tyre and car imports and a loss of market share in original equipment supply and the replacement tyre market. These factors overshadowed improvements made by the Division over the year in safety, waste reduction and working capital management.

A bright spot for the Division was its export business, with sales increasing by 20 per cent to more than $80 million, mainly to the UK and USA. Other markets included Europe, China and the Middle East.

The current year has already opened on a better note with significant new sales contracts and the progressive flow-on of cost improvement measures instituted last year. New sales include major contracts for the supply of automotive tyres to Ford, General Motors and Mitsubishi. South Pacific Tyres retains a very strong relationship with Ford, and now supplies more than 90 per cent of its new car tyres in Australia.

Pacific Distribution performed disappointingly for most of the year, but came back with an improved last quarter result.

A slowdown in mining and project activity affected electrical distribution. The automotive distribution business has changed dramatically, with older vehicles being replaced by new cheap imported vehicles with extended warranties. This has affected replacement automotive parts distributors and wholesalers.

The expensing of the substantial investment in converting stores to the new open-plan format during the year also impacted Repco’s results. The new stores are producing superior sales growth from both trade and do-it-yourself customers.The store conversion program for both distribution businesses will continue in the current year.

Cables and Engineered Products became a smaller but better-performing group in the second half with the decisions to divest the communications cables operations to Belden Inc. of the USA, for $23 million and to mothball the Indonesian plant (60 per cent owned) following the collapse of the Indonesian domestic market.

The group’s focus is now on the more profitable energy and construction markets in Australia. A high success rate in industry tenders established the Energy Division as market leader in the supply of power cable in Australia and New Zealand. Sales included major orders of extra high voltage cable for China, Japan and Vietnam.

Performance and competitiveness have also been improved with further factory rationalisation. This was highlighted by the closure of the obsolete Geebung plant in Queensland and the transfer of its operations to the state-of-the-art facility at Wetherill Park, Sydney. A similar move was made in Victoria with the closure of the Melton plant and the move of its operations to the existing Lilydale facility.

US Accufix Interim Settlement

The US District Court in Cincinnati in July gave interim approval to a proposed settlement by Pacific Dunlop subsidiary Accufix Research Institute Inc. (ARI) and the other defendants, including Pacific Dunlop, to resolve all current and future litigation in the USA arising out of the Accufix Atrial J Pacemaker Lead formerly manufactured by ARI.

The settlement provides for the payment by ARI of US$47.3 million (A$77.2 million) and Pacific Dunlop US$10 million (A$16.3 million) to a special Patient Benefit Fund to be established as part of the settlement agreement. The purpose of the Patient Benefit Fund is to satisfy present and future damages claims made by persons implanted with the Accufix Pacemaker Lead and their families, and to meet all future unreimbursed US medical costs and patient monitoring payments related to the Accufix Pacemaker Lead. The Fund will be administered by a Master appointed by the Court.

The Court decision halts 494 pending US lawsuits. It follows an earlier settlement by the insurers of all outstanding Accufix litigation in Canada in October, 1997, and the preliminary settlement announced in July 1998 of all claims of Australian patients whose Accufix Pacemaker Leads have been or will be explanted.

The settlement is subject to a formal review as to its fairness by the US District Court in Cincinnati on November 19, 1998. Approval at this hearing, subject to appeal, would make the settlement binding on all Accufix patients in the USA, including persons claiming through them, and will ensure that no further lawsuits relating to the Accufix Pacemaker Lead can be brought in the future.

In addition to the establishment of the Patient Benefit Fund, the settlement provides that the ARI's remaining cash will be applied to three further funds which:

- Allow ARI and the other defendants to utilise up to US$4 million (A$6.5 million) in a Reserve Fund to recoup any costs of enforcing the settlement against plaintiffs and their attorneys who attempt to continue to litigate.
- Allow ARI to retain US$6.7 million (A$11.1 million) in a special Litigation Fund to meet future non-Accufix product liability or other claims that may be made upon it.
- Allow ARI to utilise the remainder of its available funds of approximately US$20.5 million (A$33.5 million) for its continuing operation including clinical studies, patient management recommendations and compliance with regulatory authorities worldwide. ARI will deposit these funds in a separate Court-administered Operating Fund.

Any balance from the Litigation Fund and the Operating Fund will be either added to the Patient Benefit Fund or distributed to charity at the discretion of the Court Master in the event ARI is liquidated. Any balance from the Reserve Fund will be added to the Patient Benefit Fund three years after the final formal approval to the settlement is granted by the US District Court.

In summary, the settlement provides for payments of no more than A$144.6 million.

Further, an additional A$23.4 million will be provided to enable various members of the Group to meet future commitments of the former Telectronics business not related to this settlement.

Provisions of A$100.2 million already exist within ARI and other Group companies. As a result, a further amount of A$68 million after tax must be provided and this is recorded in the 1998 Group financial accounts as an abnormal charge.

Non-US Lawsuits

Settlement of the US litigation (following previous settlements by the insurers in Canada and Australia) leaves a total of 13 individual lawsuits pending in four countries and comprises one class action on behalf of persons with working leads in Australia and 12 individual actions (five in England, three each in France and Germany and one in Turkey).

GNB Technologies

GNB Technologies had an improved year, with increases in sales and profitability despite the continuing fierce competition in the North American automotive battery industry.

Significant improvement was experienced in the Industrial Division, particularly in the USA and Europe, with continuing strong sales of its Marathon/Sprinter batteries.

Good progress was also made in developing markets in Latin and South America, which helped offset a fall in demand in Asia, particularly Japan and Korea, as a result of the Asian economic slowdown.

Since the end of the year, agreements have been entered into for the sale of GNB Technologies to Texas-based Quexco Incorporated for US$550 million, subject to regulatory approvals in the USA, Australia and New Zealand. Settlement is scheduled during the first half of fiscal 1999.

2000 Olympics

A major highlight of the year was the signing in November 1997 of a Team Millennium Partner sponsorship for the Sydney 2000 Olympic Games.

The Pacific Dunlop sponsorship has been recognised by the Sydney Organising Committee for the Olympic Games (SOCOG) as unique. We will be the major supplier of product to the Games.

That supply agreement includes:

- Bonds providing 650,000 items of clothing for the army of volunteers and officials.
- Sleepmaker providing 23,000 beds – including custom-made beds for basketballers and weightlifters – for the Games village.
- Berlei being the official supplier to the Australian Olympic women's team.
- Dunlop and Goodyear providing all tyre fitting and servicing to the 3500-strong bus fleet.
- Ansell supplying all medical gloves for drug testing and personal products to the Games village.

A number of our businesses have also gained licensing agreements which will help drive sales in the lead-up to the Year 2000.

The sponsorship has been entered into with three very clear objectives:

1. To drive sales of our range of branded products.
2. To underpin our Personal Best program.
3. To build relationships with customers and suppliers.

Already this sponsorship is delivering strong results, with additional sales of more than $20 million being recorded from Olympic-based incentive programs and new product development.

Personal Best Program

In April 1998 a new program was launched at Pacific Dunlop which is designed to recognise those who can make the greatest difference to our Company – our 38,000 people around the world.

The Personal Best program underpins a very disciplined and rigorous approach to our business which is driving better performance throughout the organisation.

Many people have heard athletes talk about doing a Personal Best or a PB. It simply means someone doing something better than they have done it before. In athletic terms, to do a PB is to succeed, regardless of where you may have been placed in the field. At Pacific Dunlop, to do a PB now has the same meaning, and we are recognising and rewarding people as we drive cultural change throughout the Company.

Operational Safety

Operational safety continued to be the focus of special programs in the 1998 financial year.

At the start of the year, we set ourselves the goal of halving lost time injuries and days lost in three years. To drive achievement of this goal, targets were set over the three-year period – a reduction of 20 per cent by June 1998, 40 per cent by June 1999, reaching 50 per cent by June 2000.

I am pleased to report the goal for 1998 was exceeded by every operating group. Ansell and the Cables Group recorded improvements of more than 40 per cent, and GNB Technologies reached its three-year goal in the first year; truly remarkable achievements. Overall, Pacific Dunlop experienced a 38 per cent reduction in the number of Lost Time Injuries during the year.

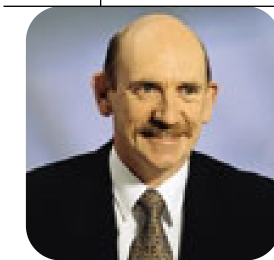
The comprehensive Occupational Health and Safety Program running across the Company involves management at every level. Every manager must conduct a safety inspection monthly. Safety performance is now a part of every manager's annual performance review. Every Pacific Dunlop factory, office or distribution centre is now promoting on-going safety awareness and promotion programs.

This program will be continually refreshed and refined with the aim of achieving world's best practice in all our facilities.

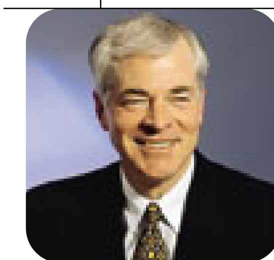
The successful operational safety program reflects Pacific Dunlop's belief that all incidents are preventable.

Rod L Chadwick
Managing Director and Chief Executive

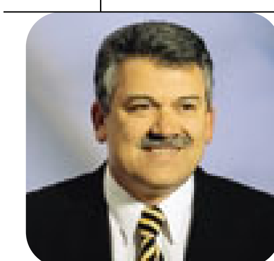
Corporate Head Office Executives



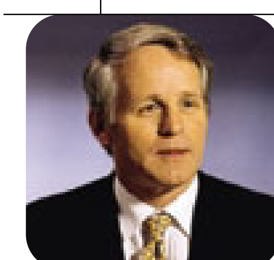
Paul Dainty
BA, GradDipMS, MSc, MBA, PhD (Philosophy)
Executive General Manager – Strategic Human Resources. Age 48.



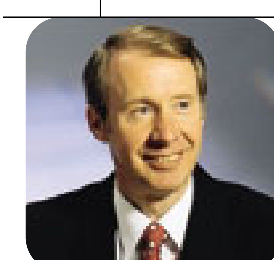
John Eady
Bsc (Hons), PhD, FTSE, FIEAust, CPEng
Executive General Manager – Manufacturing. Age 53.



Philip Gay
BA, CPA
Executive General Manager – Finance. Age 46.



John Rennie
LLB, FCIS
Company Secretary. Age 55.

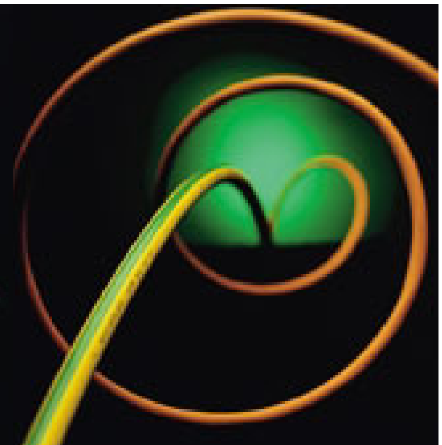


Ian Veal
DipBus, GradDipBus, FCPA
Executive General Manager – Strategic Direction. Age 47.

Business Profile

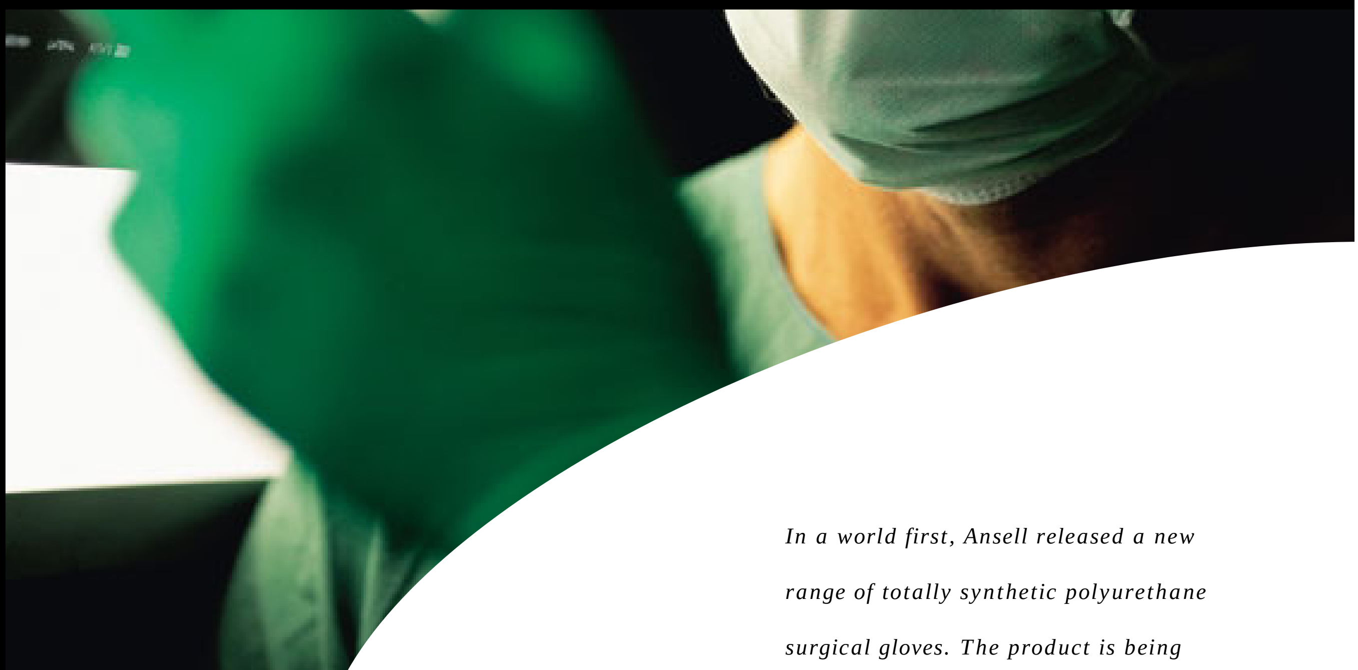

	Ansell	Pacific Brands
	Barrier protection products for healthcare, consumer and industrial markets *Sales of $1.1 billion*	*Clothing, footwear, sporting goods, bedding and foam products* *Sales of $1.2 billion*
Core Competencies	*Advanced technology low-cost thin barrier protection in natural and synthetic latex*	*Brands, marketing and logistics*
Brands	*Ansell, Perry, Edmont, Checkmate, Lifestyles, Mates, Manix, Gammex, Nutex, Nitrilite, Golden Needles, Encore, Elite, Ovation*	*Dunlop, Slazenger, Niblick, Maxfli, Repco, Malvern Star, Berlei, Holeproof, Red Robin, Jockey, Grosby, Dreamland, Bonds, Sleepmaker, Simmons, Dunlopillo, Tontine, Hang Ten, Jordache, Rio, Candy, Dr Scholl, Amco, Naturaliser, Enduro, Springtred*
Scale	*20 plants in the USA, the UK, Malaysia, Thailand, Sri Lanka and Mexico*	*50 plants in Australia, New Zealand, China, Vietnam, the Philippines and Malaysia*
Approximate Market Share	***USA*** *Medical gloves 15-20%* *Industrial gloves 30-35%* *Condoms 20-25%* ***Europe*** *Medical gloves 30-35%* *Industrial gloves 30-35%* *Condoms 10%* ***Australia*** *Medical gloves 70-75%* *Condoms 70-75%*	***Australia*** *Bras 25-30%* *Underwear 45-50%* *Socks 50-55%* *Footwear 20-25%* *Bicycles 40-45%* *Tennis balls 80-85%* *Golf balls 30-35%* *Beds 35-40%*
People	*Australia 55* *Europe 278* *America 3,464* *Asia-Pacific 5,763*	*Australia 4,770* *Europe 39* *Asia-Pacific 3,089* *New Zealand 354*
Scope	*Europe, North America, Japan, Asia-Pacific and Latin America* *More than 90 per cent of sales outside Australia*	*Australia, New Zealand and Asia-Pacific* *More than 13 per cent of sales outside Australia*





South Pacific Tyres	**Pacific Distribution**	**Cables and Engineered Products**
Passenger, light truck, truck, agricultural and industrial tyres	*Distribution of electrical and automotive products in retail and wholesale channels*	*Cables and industrial products for the power, construction and mining industries*
Sales of $1.1 billion	*Sales of $1.4 billion*	*Sales of $400 million*
Manufacture, marketing and distribution of tyres	*Product sourcing and distribution logistics*	*Technology, manufacturing and logistics in industrial products*
Dunlop, Goodyear, Olympic, Kelly Springfield, Beaurepaires for Tyres, McLeod Tyres, Goodyear Auto Service Centres	*Repco, Checkpoint, Traders Auto Spares, Auto Pro, Ashdown, Lawrence & Hanson, Auslec, Corys Frasers, Wattmaster, Lanson*	*Olex, National, Burton, Click, Kelani, Envirolex, Duratray, Diamond*
5 tyre plants, 19 retreading plants and 708 tyre outlets in Australia and New Zealand	*662 outlets in Australia and New Zealand*	*17 plants in Australia, New Zealand, China, Indonesia and Sri Lanka*
Australia *40-45%* ***New Zealand*** *35-40%*	***Australia*** *Automotive 15-20%* *Electrical 30-35%* ***New Zealand*** *Automotive 25-30%* *Electrical 25-30%*	***Australia*** *Building wire 50-55%* *Energy cable 45-50%* *Rubber hose 45-50%*
Australia 4,944 *Asia-Pacific 1,033*	*Australia 4,828* *New Zealand 905*	*Australia 1,468* *New Zealand 143* *Asia 736*
Australia, New Zealand and Papua New Guinea *More than 20 per cent of sales outside Australia*	*Australia and New Zealand*	*Australia, New Zealand, China, Indonesia and Sri Lanka* *More than 20 per cent of sales outside Australia*

Ansell is now the world's largest marketer and manufacturer of latex and synthetic barrier protective products.



In a world first, Ansell released a new range of totally synthetic polyurethane surgical gloves. The product is being very well received for its fitting and gripping properties.

Ansell

Ansell recorded a year of exceptional achievement and exceeded $1 billion in sales for the first time as it completed its transformation into a truly global organisation selling into more than 100 countries.

Harry Boon
LLB (Hons), BComm
Managing Director of Ansell.
Age 50.

As part of its globalisation strategy, Ansell's Corporate Head Office was moved in August 1997 from Glen Waverley, Victoria to Red Bank, New Jersey on the east coast of the USA. North America now accounts for 55 per cent of Ansell's worldwide turnover.

The Protective Products Division recorded major improvements, growth being particularly strong in Europe and North America. The Healthcare Division also outperformed last year, with its medical glove business in the USA outstanding.

Both Divisions had record increases in sales, margins, working capital management and safety and manufacturing performance.

Ansell launched a number of world-first new products, including the first totally synthetic polyurethane surgeons' glove range, 'Elite' and 'Ovation', reflecting its commitment to innovation and its focus on research and development.

Ansell is now clearly a key growth vehicle for the Company. Significant capital continues to be invested to achieve our stated objectives – aggressive development of powder-free medical glove markets; aggressive pursuit of the world market for critical environment gloves; and to be the lowest cost producer across the entire product range.

To that end, two acquisitions totalling more than $60 million have been announced recently in Thailand and India – the Suretex Group and Kemwell International – and a further $50 million is being invested in new production capacity in plants in Thailand, Malaysia, Sri Lanka and the USA. These capital expansions are expected to generate additional annual sales of more than $150 million within the next three years.

These investments are totally consistent with Ansell's long-term growth plans and the development of a world leader committed to outstanding performance.

Five Year Summary

$ million	***1998***	***1997***	***1996***	***1995***	***1994***
Sales Revenue	***1,078***	*856*	*825*	*714*	*674*
Depreciation	***30***	*27*	*28*	*25*	*27*
Operating Profit	***162***	*111*	*102*	*87*	*74*
Assets Employed	***831***	*723*	*671*	*743*	*708*
Capital Expenditure	***50***	*38*	*37*	*24*	*23*
Profit Margin (%)	***15.0***	*13.0*	*12.4*	*12.2*	*11.0*
People	***9,560***	*9,093*	*8,649*	*9,089*	*9,741*
Sales per Person ($'000)	***112***	*94*	*95*	*79*	*69*

Senior Management

Roland Nonnenmacher
President – Healthcare

Peter Cook
President – Protective Products

Gwynne Woodward
Senior Vice-President – Mergers, Acquisitions and Strategic Sourcing

Phil Corke
Senior Vice-President – Human Resources

Jeff Cox
Chief Financial Officer

Martin Turner
Group General Manager – Corporate Planning

Peter Soszyn
Chief Information Officer

Pacific Brands will sharpen its focus on logistics and brands this year.

Innovative and highly-visible advertising and sales programs, such as the relaunch of the Dunlop sport range, will help grow sales.

Pacific Brands

On a note of great significance to Pacific Dunlop, Chesty Bond turns 60 this year. Much will be seen and heard of this Australian icon this year and in the lead-up to the Sydney 2000 Olympics.

Robert B Hershan
BComm, ASA
Managing Director of Pacific Brands.
Age 50.

Pacific Brands responded to a very difficult second half environment with aggressive profit improvement programs.

The retail environment in Australia and New Zealand was characterised by diminishing consumer confidence throughout the year and a noticeable increase in imports as a result of the Asian slowdown. The greatest impact was felt in the Clothing and Household Products Divisions.

Both of these Groups have very strong improvement plans in place in sales, manufacturing and cost reduction, including significant further restructuring into fewer, larger, more automated facilities, more shared services and a much sharper focus on logistics and brands.

During the year, a substantial number of facilities were closed or rationalised, a program which is continuing.

Our overseas factories – particularly in China – are now recognised for their quality and productivity. This is underscored by contracts to supply leading international clothing brands such as Lane Bryant.

We are increasing our supply of clothing and footwear from those factories to the USA, UK, Europe, New Zealand and South Africa, and we expect strong growth over the years ahead.

To celebrate the 60th birthday of Chesty Bond, a range of new Bonds products including T-shirts and men's briefs were launched earlier this year. Bonds is just one of a stable of great and enduring brands which includes Berlei, Tontine, Dunlop, Slazenger, Maxfli, Grosby, Candy, Holeproof and Sleepmaker managed so successfully by Pacific Brands.

Five Year Summary

$ million	**1998**	**1997**	**1996**	**1995**	**1994**
Sales Revenue	**1,177**	1,214	1,275	1,228	1,160
Depreciation	**27**	25	26	23	20
Operating Profit	**94**	105	89	132	115
Assets Employed	**618**	624	711	685	638
Capital Expenditure	**26**	28	46	57	40
Profit Margin (%)	**8.0**	8.6	7.0	10.7	9.9
People	**8,252**	8,653	9,356	10,696	9,399
Sales per Person ($'000)	**143**	140	136	115	123

Senior Management

Paul Moore
Group Director – Operations

Malcolm Ford
Group Director –
Australian Footwear

Graham Nurse
Group Director –
Grosby and International Footwear

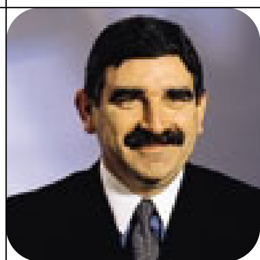
Geoff Davis
General Manager –
Finance and Administration

South Pacific Tyres is exporting to 44 countries around the world.

Among the markets for our product are the USA, the UK, Europe, China and the Middle East. Export orders are helping maintain the efficiency of our Australian factories.

South Pacific Tyres

Sales and marketing activities in both the original equipment and replacement tyre markets are being increased to drive market share gains.



John Gurrieri
DipBus, GradDipBus, CPA
Chief Executive of South Pacific Tyres.
Age 49.

South Pacific Tyres is anticipating an increase in market share to improve on a disappointing year which saw decreases in sales, margins and earnings partly offset by a reduction in operating costs.

Continuing strong sales of imported motor vehicles, particularly from Korea, an increase in Asian tyre imports, a fall in market share of original equipment supply and the flat domestic passenger replacement tyre market contributed to the result.

Unfortunately, these factors overshadowed improvements made by the Division over the year in safety, waste reduction and working capital management.

We are confident, however, that many of the steps are in place to meet the challenge of increased market share. Already, we have guaranteed sales volume increases for the current financial year based on new contracts with Ford, General Motors and Mitsubishi. Sales and marketing activities are also being increased, with a new Dunlop brand-positioning campaign, aggressive retail promotions through Beaurepaires for Tyres and independent, non-aligned tyre dealers and a number of high-profile new product launches being implemented in the current year.

A pleasing aspect during 1998 was the continued growth in exports from our Australian and New Zealand factories to 44 countries around the world, including the USA, the UK and Europe, reflecting the quality of the product. Exports were up more than 20 per cent to exceed $80 million, and we are looking for further growth in the current year.

Five Year Summary

$ million	***1998***	***1997***	***1996***	***1995***	***1994***
Sales Revenue	***1,049***	*1,075*	*1,083*	*1,056*	*1,035*
Depreciation	***36***	*37*	*34*	*35*	*32*
Operating Profit	***79***	*92*	*100*	*98*	*95*
Assets Employed	***658***	*664*	*679*	*668*	*650*
Capital Expenditure	***40***	*35*	*47*	*45*	*48*
Profit Margin (%)	***7.5***	*8.6*	*9.2*	*9.3*	*9.2*
People	***5,977***	*6,022*	*6,238*	*6,150*	*6,283*
Sales per Person ($'000)	***176***	*179*	*174*	*172*	*165*

These details represent 100% of this joint venture. Pacific Dunlop is entitled to a 50% proportional interest in sales and operating profit of the partnership with Goodyear Tire and Rubber Company (excluding the New Zealand operations).

Senior Management

Bryan Mears
General Manager – Manufacturing

Kevin Halpin
General Manager – Marketing

Kym Lewis
General Manager – SPT Retail

Mark Stewart
General Manager – Dunlop and Olympic Tyres

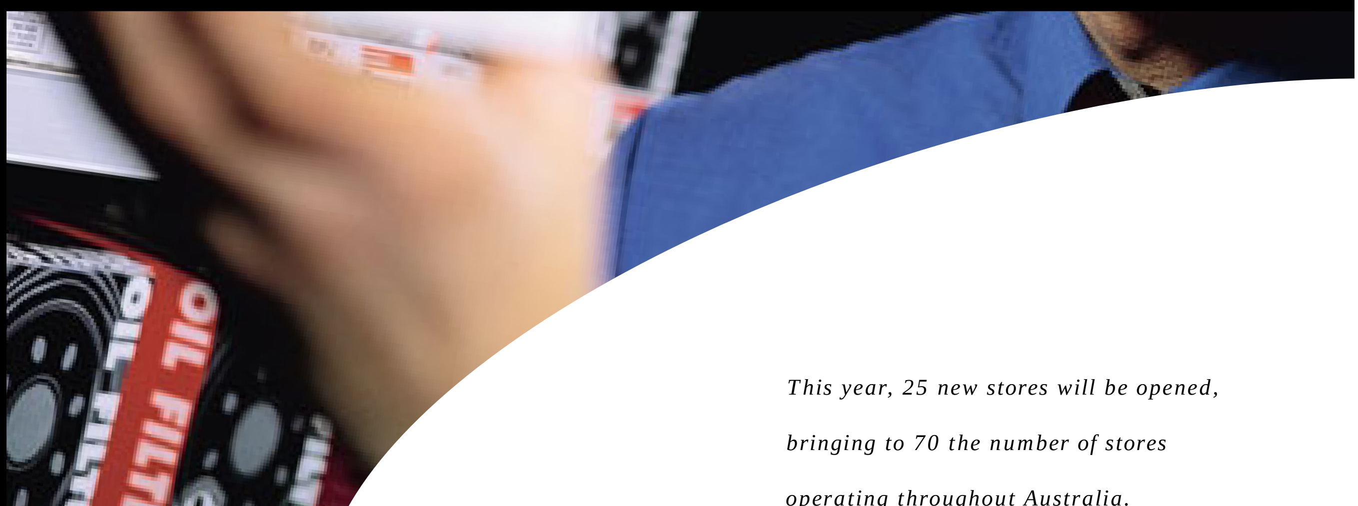
Bob Sutton
General Manager – Goodyear Tyre and Rubber

John Klein
General Manager – McLeod Tyres Wholesale

John Lindsay
Chief Executive – South Pacific Tyres New Zealand

Ken Fluke
General Manager – Finance

The Repco new format stores are making progress in sales and margin improvements.



This year, 25 new stores will be opened, bringing to 70 the number of stores operating throughout Australia. An improvement in retail activities is not having an adverse impact on our trade customers.

Pacific Distribution

A recognition of the need for new skills led to new appointments during the year of highly regarded executives in Pacific Distribution.

Joseph Farnik
BEcon
Managing Director of Pacific Distribution.
Age 44.

The new leadership team, appointed in the face of continued poor results, is driving dramatic and rapid change in our automotive and electrical distribution businesses.

In June, Mr Joseph Farnik, a former executive of The Shell Company with a first-class international track record in distribution and procurement, was appointed Managing Director. New General Managers were also appointed to electrical distribution in Australia and New Zealand.

Each of these senior managers is committed to restoring the fortunes of Pacific Distribution, and good progress is expected in the current year.

The replacement automotive parts businesses suffered due to record sales of new vehicles, particularly cheap imports from Korea. This trend, which is unlikely to abate, gives us confidence that our new format do-it-yourself stores, which supply motoring accessories as well as hard parts, is an appropriate strategy.

Results from these new format stores have been slower to flow through than expected, but by the year's end there was evidence of good progress being made in sales and margin improvement.

Importantly, this improvement in retail activity is not having an adverse impact on our traditional trade customer base. At 30 June 1998, 45 new format stores were operating, with a further 25 planned to be opened this year.

The Electrical group had a tough year, particularly in mining and major projects in Australia and New Zealand. However, significant industry rationalisation took place, with Rexel of France buying the Australian and New Zealand operations of GEC and the independent distribution group Ideal in New Zealand.

Five Year Summary

$ million	***1998***	***1997***	***1996***	***1995***	***1994***
Sales Revenue	***1,439***	*1,454*	*1,471*	*1,448*	*1,252*
Depreciation	***21***	*20*	*18*	*18*	*17*
Operating Profit	***62***	*79*	*79*	*83*	*66*
Assets Employed	***572***	*581*	*588*	*598*	*543*
Capital Expenditure	***26***	*32*	*17*	*29*	*25*
Profit Margin (%)	***4.3***	*5.4*	*5.4*	*5.7*	*5.3*
People	***5,733***	*6,007*	*6,181*	*6,112*	*6,087*
Sales per Person ($'000)	***251***	*242*	*238*	*237*	*206*

Senior Management

David Marginson
General Manager –
Electrical Australia and
New Zealand

Ralph Weston
General Manager –
Automotive Australia

Bob Wyeth
General Manager –
Automotive New Zealand

Kim Foster
General Manager –
Finance and Administration

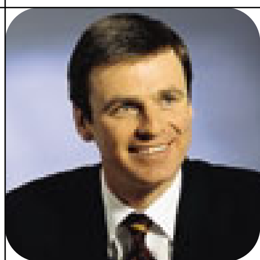
The Cables Group divested the communications cables business in February.

We believe the Cables Group is now the lowest cost producer across its product range in Australia, and is well placed for improvement.

Cables

& Engineered Products

The Cables Group continues as the major cable supplier to the main venues at Homebush Bay for the Sydney 2000 Olympic Games. This contract, to supply environmentally-friendly Envirolex cable to the main stadium and athletes' village, has been a showcase for the group's technological innovation.



Andrew Stobart
BEng, GradDipBAdmin
Managing Director Cables and Engineered Products.
Age 44.

In a year which saw a decline in mining activity, particularly in Western Australia, a halt to the further roll-out of optical fibre pay TV networks and the closure of the state-of-the-art factory in Indonesia as a result of that country's economic crisis, the Cables Group did well to achieve sales just below last year. Increased competition, however, resulted in severe margin pressure and a significant reduction in earnings.

However, the Cables Group is better placed than at any time in the past five years. Manufacturing operations have been rationalised into fewer, larger operations, with the Geebung, Queensland plant closed in the second half of the year. Further, in the 18 months to 30 June 1998 nearly $30 million was invested in factories at Lilydale in Victoria and Wetherill Park in New South Wales, providing a significant and sustainable competitive advantage – the group is now the lowest-cost domestic producer across its product range.

This fact, coupled with an anticipated sales volume increase in the current year as a result of electricity supply contracts won in preceding years, should underpin improvement in the years ahead under the stewardship of new Managing Director, Mr Andrew Stobart, who was appointed in February 1998.

The Cables Group now has seven of the 12 major electrical supply contracts in Australia, and has won a contract to supply a substantial amount of electrical cable to Mercury Energy of New Zealand as it rebuilds the power distribution system in Auckland.

The quality and productivity of the group's factories is underscored by export cable supply contracts from our Australian factories to China, Japan and Vietnam. While presently only a small part of the group's sales, exports are expected to grow strongly in the next three to five years.

Five Year Summary

$ million	***1998***	***1997***	***1996***	***1995***	***1994***
Sales Revenue	***406***	*412*	*384*	*383*	*368*
Depreciation	***19***	*18*	*18*	*14*	*18*
Operating Profit	***38***	*68*	*41*	*58*	*62*
Assets Employed	***334***	*390*	*341*	*395*	*338*
Capital Expenditure	***22***	*42*	*15*	*52*	*19*
Profit Margin (%)	***9.4***	*16.5*	*10.7*	*15.1*	*16.8*
People	***2,347***	*2,500*	*2,508*	*2,715*	*2,366*
Sales per Person ($'000)	***173***	*165*	*153*	*141*	*156*

Senior Management

Tony Wingrove
Group General Manager –
Sales and Marketing

Huat Tan
Group General Manager –
Asian Operations

Alan Sargeant
Group General Manager –
Engineered Products

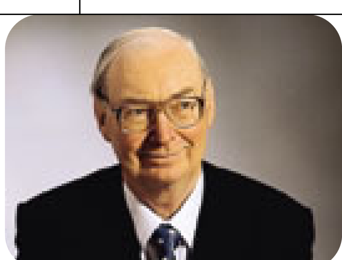
Ron McGillivray
General Manager –
Finance and Administration

Pacific Dunlop Board

Mr John T Ralph
AO, Hon LLD (Melb & Qld), FCPA
Chairman since August 1997 and a Non-Executive Director since 1994. He is Chairman of Foster's Brewing Group Limited, Deputy Chairman of the Commonwealth Bank of Australia and Telstra Corporation Limited, a Director of BHP and Pioneer International Limited; National Chairman of The Queen's Trust for Young Australia, President of the Australia-Japan Business Co-operation Committee, Chairman of the Australian Foundation for Science and a Member of the Board of Management of the Melbourne Business School. Resident Melbourne. Age 65.

Mr Rod L Chadwick
FCPA
Managing Director and Chief Executive since July 1996, and an Executive Director since 1990, prior to which he was Managing Director of South Pacific Tyres from 1987 to 1995. He is a National Councillor of the Australian Industry Group and a member of the Business Council of Australia. Resident Melbourne. Age 52.

Mr Anthony B Daniels
OAM
Appointed to the Board in March 1997, Mr Daniels was formerly Managing Director of Tubemakers of Australia. He is Chairman of the ANI Group, and a Director of Pasminco Limited, Orica Limited, IBJ Australia Bank and Capral Aluminium Limited. Resident Sydney. Age 63.



Mr Charles B Goode
BComm, MBA, FCPA
Non-Executive Director since 1987. He is Chairman of the Australia and New Zealand Banking Group Limited, and a Director of CSR Limited, Queensland Investment Corporation and Woodside Petroleum Limited. Resident Melbourne. Age 60.

Mr Robert B Hershan
BComm, ASA
Appointed an Executive Director in 1995. Managing Director of Pacific Brands since 1986. He is a Director of the Melbourne Fashion Festival Limited, President of the Textile Fashion Industry Association and a member of the Textiles, Clothing and Footwear Advisory Board. Joined the Company in 1978. Resident Melbourne. Age 50.

Ms Margaret A Jackson

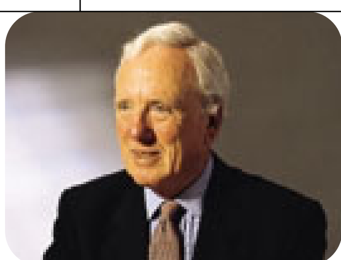
BEc, MBA, FCA

Non-Executive Director since 1992. She is Chairman of the Victorian Transport Accident Commission and of the Playbox Theatre Company Pty Ltd; a Director of the Australia and New Zealand Banking Group Limited, The Broken Hill Proprietary Co Limited and Qantas Airways Limited; Deputy Chairman of the Baker Appeal Committee, a Trustee of the Brain Imaging Research Foundation, a Patron of the Salvation Army Capital Appeal and a member of the French-Australian Industrial Research Program Steering Committee. Resident Melbourne. Age 45.

Mr Robert J McLean

BEc (Hons), MBA

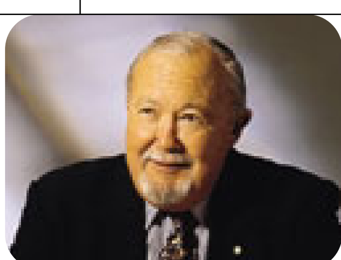
Appointed a Director in July 1997, Mr McLean was previously Managing Director of the Australian and New Zealand practice of McKinsey & Co., and Chairman of its Asia Pacific Council. He is a Director of CSR Limited, GS Private Equity Pty Ltd, The Centre for Independent Studies and the Benevolent Society of New South Wales. Resident Sydney. Age 52.



Professor David G Penington

AC, MA, DM, BCh, FRCP, FRACP, FRCPA

Non-Executive Director since 1991 and Vice Chancellor of Melbourne University from 1988 to 1995. He is Chairman of Cochlear Limited and of the Co-operative Research Centre for Cell Growth Factors; President of the Museum of Victoria, a Director of the Murdoch Institute for Research into Birth Defects, a Member of the Ernst and Young Advisory Board, and a principal of Foursight Pty Ltd. He was Chairman of the Premier's Drug Advisory Council in Victoria in 1995-96. Resident Melbourne. Age 68.



Mr Ian E Webber

AO, BEng

Non-Executive Director since 1991. A Director of Santos Limited and WMC Limited, he is a member of the General Motors Australian Advisory Council and of the Australian Advisory Board of Asea Brown Boveri Pty Ltd. Formerly Chairman of Mayne Nickless Limited, he was an Associate Commissioner to the Post 2000 Automotive Industry Review. Resident Adelaide. Age 63.

Corporate Governance

The Board works under a set of well-established corporate governance policies designed to protect further the best interests of shareholders.

The policies reinforce the responsibilities of all Directors in accordance with the requirements of the Corporations Law and the Australian Stock Exchange (ASX). In addition, many of the governance elements are enshrined in the Company's Constitution.

Responsibilities

The Board's responsibilities and duties include the following:

- reviewing and determining strategic direction and policies, allocation of resources, planning for the future and succession planning;
- appointing the Chief Executive Officer for the ongoing management task of developing and implementing suitable business strategies consistent with the Company's policies and strategic direction;
- regularly evaluating the performance of the Chief Executive Officer and senior management, and determining their remuneration;
- continuously monitoring and overseeing the Company's financial position including the audit process; and
- ensuring that the conduct of the Company and its officers is legally and ethically of the highest order, and that working practices in all operations give priority to safety.

Pacific Dunlop places high priority on risk identification and management throughout the Group's operations and has processes in place to review their adequacy. These include:

- a comprehensive risk control program which includes property protection and health, safety and environmental audits using underwriters, self-audits, engineering and professional advisers; and
- a process for the identification and measurement of business risk.

In carrying out its duties, the Board meets formally over one or two days at least nine times a year. Directors also participate in meetings of various Board Committees (see following page) which assist the full Board in examining particular areas or issues.

Board Composition

The Board's policy is that there should be a majority of 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. Maintaining a balance of experience and skills is an important factor in Board compositions.

The requirement under the Constitution is for at least twice as many Non-Executive Directors as Executive Directors. As an additional safeguard in preserving the value of Board independence, the office of Chairman cannot be held by an Executive Director.

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 and any resulting advice received.

Election Process

The Pacific Dunlop Board currently has nine Directors. Of these, seven are Non-Executive Directors (including the Chairman) and two are Executive Directors (including the Managing Director). The Constitution requires a minimum of five Directors, with a maximum of 15.

New Directors are nominated by the Board after a careful process referred to below, and then must face a vote of shareholders at the next Annual General Meeting in order to be confirmed in office. All Directors other than the Managing Director are required to face re-election by rotation every three years.

Remuneration

Non-Executive Directors are paid an annual fee within a fixed amount approved for all Non-Executive Directors by shareholders. The total annual amount approved for Pacific Dunlop is currently $750,000, which was approved in 1989.

The fees take into account what is paid by comparable companies and what is necessary to attract high calibre people. Retirement benefits based on period of service are paid in accordance with a schedule previously approved by shareholders and the Corporations Law.

As members of management, Executive Directors do not receive fees or Directors' retirement benefits. They are members of the Company's Superannuation Fund and, as such, they receive Company retirement benefits.

Directors' Dealings in Shares

Subject to the restriction that persons may not deal in any securities when they are in possession of price-sensitive information, Directors generally may only buy or sell Pacific Dunlop shares in the periods immediately following any price-sensitive announcements including the half-year and full-year results and Annual General Meeting. At other times, transactions must receive the approval of the Board.

Board Committees

The Board has five committees which are designed to add to the quality and depth of advice. Those committees, which are concerned with specific management-related matters, the structure of the Board, Director nominations and executive remuneration, are made up of Non-Executive Directors only.

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

Audit Committee

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

Audit Committee Membership at 10 September 1998
Ms Margaret Jackson (Chairman)
Mr Charles Goode
Mr Robert McLean

The Committee also liaises with the Company's internal and external auditors, reviews the external auditors' remuneration and advises the Board on their appointment. The Committee reviews the processes in place for the identification, management and reporting of business risk and reviews the findings reported. The Managing Director, Executive General Manager – Finance, Group Chief Accountant and principal external audit partner participate at meetings by invitation.

Corporate Conduct Committee

This Committee deals with ethical and public issues which may affect Pacific Dunlop and compliance with the rules and regulations which the Company must observe. These include corporate governance matters, ethics, risk management, insurance, public and product liability, environment, health and safety, taxation, trade practices and competition policy, fair dealing and insider trading.

Corporate Conduct Committee Membership at 10 September 1998
Professor David Penington (Chairman)
Mr Rod Chadwick (Managing Director)
Mr Tony Daniels

Donations Committee

This Committee advises on policy and recommendations for corporate donations covering education, medicine, the arts, welfare programs, youth training and times of national disaster.

Donations Committee Membership at 10 September 1998
Mr Charles Goode (Chairman)
Mr Rod Chadwick (Managing Director)
Ms Margaret Jackson
Professor David Penington

Nominations Committee

This Committee periodically reviews the structure of the Board and recommends 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 the candidate's personal qualities, professional and business experience, age, city and country of residence and availability.

Nominations Committee Membership at 10 September 1998
Mr John Ralph (Chairman)
Mr Ian Webber

Remuneration and Evaluation Committee

This Committee comprises only the Non-Executive Directors. Its brief is to consider matters including succession and senior executive compensation policy.

Remuneration and Evaluation Committee Membership at 10 September 1998
Mr John Ralph (Chairman)
Mr Tony Daniels
Mr Charles Goode
Ms Margaret Jackson
Mr Robert McLean
Professor David Penington
Mr Ian Webber

The Committee is also responsible for an appraisal of its own and the full Board's performance based on the experience of the Non-Executive Directors in other companies and fields, their own information and assessment received externally, and information received through management.

In these regards, the Committee has available independent professional advisers in line with Pacific Dunlop's policy of attracting high calibre people at all levels and to ensure that the terms and conditions offered by the Company are competitive with those offered by comparable companies.

The Committee meets at least twice yearly. The Executive General Manager – Strategic Human Resources attends by invitation the meetings concerned with remuneration matters.

Staff Superannuation

Ms Margaret Jackson, a Non-Executive Director, represents the Company on the Board of Trustees of the Company's staff superannuation funds in Australia.

Political Donations

Pacific Dunlop reviewed its policy on political donations during the year consistent with the current disclosure rules and the need to ensure a well-functioning democracy.

The Board decided that donations be made at the Federal and State levels to the major parties with a limit of $97,500 set by the Board.

Board and Committee Meetings

The number of Board and Committee meetings held during the period the Director was a member of the Board or Committee and the number of meetings attended during that period are set out below:

Attendance at Board and Board Committee Meetings during the year ended 30 June 1998

	Board		*Audit*		*Corporate Conduct*		*Remuneration*		*Nominations*		*Donations*	
	Held	*Attd*	*Held*	*Attd*	*Held*	*Attd*	*Held*	*Attd*	*Held*	*Attd*	*Held*	*Attd*
J B Gough	2	2					1	1				
J T Ralph	11	11					4	4	1	1		
I G Burgess	7	7			2	2	4	4	1	1		
R L Chadwick	11	11			3	3					1	1
A B Daniels	11	10			3	3	4	4				
C B Goode	11	11	3	3			4	4			1	1
R B Hershan	11	11										
M A Jackson	11	10	3	3			4	3			1	1
J J Kennedy	2	1			1	1	1	0				
R J McLean	11	11	3	3			4	4				
D G Penington	11	11			3	3	4	4			1	1
G G Spurling	8	8										
I E Webber	11	9					4	4	1	1		

Held – Indicates the number of meetings held during the period the Director was a Member of the Board and/or Committee.

Attd – Indicates the number of meetings attended during the period the Director was a Member of the Board and/or Committee. As a resident of the USA, Mr Spurling attended a number of meetings by video-conferencing.

Mr J J Kennedy retired on 8 August 1997. Mr J B Gough retired on 22 August 1997. Mr I G Burgess retired on 12 February 1998. Mr G G Spurling retired on 31 March 1998.

Relevant Interests

The relevant interests of each of those Directors in the share capital of the Company and any related body corporate as notified to the Australian Stock Exchange Limited pursuant to the provisions of section 235 of the Corporations Law are:

Particulars of shares held by Directors of the Company as at 10 September 1998, or in the case of Messrs. J B Gough, I G Burgess, J J Kennedy and G G Spurling, at the date of their respective retirements from the Board

	1	*2*	*3*	*4*
J B Gough	376,898	680,002	35,000	
J T Ralph	100	60,000		
I G Burgess	30,964		30,000	
R L Chadwick	97,790	303,610	220,000	
A B Daniels	5,000			
C B Goode	28,600	119,900	50,000	
R B Hershan	70,866		370,000	
M A Jackson	56,100	39,400		1,718,900
J J Kennedy	1,000			
R J McLean	10,000			
D G Penington	1,000	21,700	40,000	
G G Spurling	97,000		220,000	
I E Webber	8,465	58,800		

1 Beneficial in own name. *2* Beneficial, private company. *3* Beneficial, paid to 1 cent. *4* Non Beneficial.

Consolidated Operations

Sales Revenue for 1997/98 was $5,984 million, a 3.5 per cent increase over 1996/97, with sales from continuing operations increasing 5.4 per cent.

Earnings before Interest and Tax (EBIT) in 1997/98 was $326 million compared with $337 million in 1996/97, however, earnings from continuing operations improved for the year.

Group Operating EBIT margins before goodwill amortisation decreased from 6.4 per cent to 6.1 per cent, although the margin from continuing operations was 6.3 per cent.

Income Tax expense, as a percentage of operating profit before goodwill amortisation and abnormal items, was 17.3 per cent compared with 27.6 per cent in the previous year, due primarily to a favourable change in profit mix and utilisation of unbooked tax losses in the United States.

Profit after tax attributable to Pacific Dunlop Limited shareholders, before abnormal items, increased by 2.8 per cent to $181 million.

An abnormal loss after tax of $156 million was recorded in the current year because of extra provisioning either necessary or considered prudent in relation to GNB environmental remediation ($88 million) and the granting of a United States interim court approval of settlement proposals in relation to Accufix Pacing Leads litigation in that country ($68 million).

International Operations in 1997/98 contributed sales of $2,567 million, or 43 per cent of total sales, compared with $2,352 million, or 40 per cent of total sales in the previous year. International operating profit was $253 million, or 58 per cent of total operating profit, compared with last year's $180 million, or 40 per cent of total operating profit. Profits from Australia, New Zealand and Asia declined 20 per cent during the year, whilst improvement of 126 per cent in the Americas reflected a strong return from Ansell and an improvement in GNB's result.

Liquidity and Capital Reserves

Net cash provided by Operating Activities was $281 million in 1997/98, compared with $378 million in 1996/97. Working Capital for the Group, including GNB, increased by $70 million, compared with a net decrease of $101 million in the previous year. The majority of the adverse movements in the year was due to foreign exchange (FX) changes. Expenditure of $43 million from provisions for Telectronics exit costs and patient monitoring was also made during the year. This compares with $86 million for last year.

Net cash used in Investing Activities was $127 million. This included an inflow of $12 million in net proceeds from the sale and purchase of businesses. Sales included the Cables Group's communications business and the GNB Technologies' Environmental Services business (made early in 1997/98). There were no material outflows for the purchases of businesses during 1997/98, however, a further instalment was paid during the year in relation to the purchase by Ansell of the Golden Needles Knitting business made during 1996/97. No receipts relating to the sale of GNB Technologies were received prior to 30 June 1998. Additionally, $32 million was received from the sale of other plant and equipment and $24 million in loans were repaid to the Group. These net proceeds were offset by capital expenditure of $192 million during the year, compared with $190 million in 1996/97.

The Group's balance sheet was significantly impacted by the devaluation of the Australian dollar. Net Debt (borrowings, including trade bills, less cash) increased $246 million, of which $289 million was due to FX movements since 30 June 1997. Net Debt to Shareholders' Equity as a result increased from 55.8 per cent last year to 75.4 per cent this year (58.3 per cent excluding FX movements). Net Liabilities (total liabilities less cash) increased by $99 million during 1997/98, resulting in Net Liabilities to Shareholders' Equity moving from 138 per cent last year to 157 per cent (140 per cent excluding FX movements).

Following the receipt of the GNB sale proceeds and payment of the settlement monies in respect of the Accufix litigation, Debt to Equity would be 32.4 per cent, whilst Net Liabilities to Shareholders' Equity would reduce to 105 per cent.

The Group maintains substantial cash reserves in the form of deposits and other readily marketable money market investments resulting predominantly from its hedging policy. Foreign exchange funds are borrowed on debt securities equal to the value of US Dollar assets which substantially insulates the Group's Shareholders' Funds from adverse movement in US Dollar exchange rates. These funds are then converted to Australian dollars and invested through the local money market. Cash and deposits at 30 June 1998 were $997 million compared to $1,192 million at 30 June 1997. Based on this, it is more appropriate to assess the Company's borrowings position on a net rather than gross borrowings basis.

The Company has declared a final unfranked dividend of 7 cents (last year 7 cents franked to 60 per cent), making a full year dividend of 14 cents (14 cents franked to 60 per cent in the previous year). Parent Company retained profits of $296 million were available at 30 June 1998 for the payment of future dividends. There were also $1,266 million of parent company reserves including the share premium, capital redemption and asset revaluation reserves.

Ratings

The Company has maintained strong investment grade ratings from both Moody's Investor Services and Standard & Poor's. The current Moody's rating is P1 for short-term debt and A2 for long-term debt. However, this is under review for possible downgrade. Standard & Poor's ratings are A2 (short-term) and A– (long-term), with a negative outlook.

Interest Cost

Borrowings continue to be substantially derived by the Company issuing its own debt instruments in the form of commercial paper and medium-term notes in a range of local and international financial markets. Turnover in these markets for the year exceeded $7 billion. These facilities have been well supported by these financial markets over many years.

The facilities are backed up by fully committed long-term borrowing facilities, established with well-rated local and international banks. These facilities total $622 million (US$350 million and NZ$60 million).

Over recent months the borrowing book has been shortened and maturing long-term debt re-borrowed in the short-term markets. This was done to enable the prompt repayment of borrowings upon the receipt of the GNB sales proceeds. This has also resulted in the average maturity days falling from 626 days at 30 June 1997 to 475 days at 30 June 1998. The anticipated level of repayment of borrowings on receipt of the GNB proceeds will result in average days returning to around the June 1997 level.

The average interest cost from all sources was for the year, 6.77 per cent, compared with 6.82 per cent for the year ended 30 June 1997.

Net interest for the year increased by $14 million over 1996/1997, after allowing for $15 million, which was charged against the provision for loss on sale of businesses established the previous year.

Interest cover before goodwill amortisation was 3.7 times in 1997/98 against the previous year of 4.3 times.

Working Capital

The Company's average working capital to sales ratio in 1997/98 was 20.9 per cent compared with 22.3 per cent in 1996/97.

This is comprised of the following:

	1997/98	*1996/97*
Inventory to Sales (%)	**16.5**	17.2
Debtors to Sales (%)	**14.4**	15.0
Creditors to Sales (%)	**10.0**	9.9

The Company continues to actively pursue strategies to reduce investment in working capital and increase stockturns. Working capital for continuing operations increased by $29 million during the year before the adverse effect of foreign exchange movements. Most of the increase was at GNB.

Cash Value Added

Cash Value Added analysis continues to receive a high profile within monthly reporting at each business unit. For 1997/98, only one of the continuing business groups did not achieve returns in excess of the Company's weighted average cost of capital. The creation of Shareholder Value remains our primary objective.

Capital Expenditure

During 1997/98, the Company's capital expenditure totalled $192 million (excluding South Pacific Tyres), compared with the depreciation for the year of $150 million and the previous year's capital expenditure of $198 million. During the last three fiscal years, the Company has invested in property, plant and equipment at a rate of 1.3 times its annual depreciation charge.

Research and Development

Pacific Dunlop does not operate a central research and development function. Each business segment undertakes research and development appropriate for its needs. All associated costs are expensed as incurred.

Research and Development expenditure for continuing operations (excluding South Pacific Tyres) was $32 million in 1997/98, a 45 per cent increase on the $22 million spent last year.

Capital Expenditure (incl. Finance Leases)	*1998 $ million*	*1997 $ million*
GNB Technologies	**58**	41
Ansell	**50**	38
South Pacific Tyres (100%)	**40**	35
Cables and Engineered Products	**22**	48
Distribution	**26**	32
Pacific Brands	**26**	28
Other	**10**	11

Depreciation (incl. Amortisation Lease Assets)	*1998 $ million*	*1997 $ million*
GNB Technologies	**49**	46
Ansell	**30**	27
South Pacific Tyres (100%)	**36**	37
Cables and Engineered Products	**19**	22
Distribution	**21**	19
Pacific Brands	**27**	25
Other	**9**	10

Sales Revenue	*$ billion*
1994	7.0
1995	7.3
1996	6.5
1997	5.8
1998	**6.0**

Capital Expenditure	*$ million*
1994	312
1995	422
1996	226
1997	198
1998	**192**

Factories by Region	*1998*	*1997*
Australia	**77**	84
SE Asia and New Zealand	**38**	42
Americas	**27**	27
Europe	**1**	1
Total*	**143**	154

*includes 18 factories at GNB Technologies

Average Working Capital to Sales	
1994	21.0%
1995	21.9%
1996	22.8%
1997	22.3%
1998	**20.9%**

Net Liabilities to Shareholders' Equity Ratio	
1994	142%
1995	170%
1996	158%
1997	138%
1998	**157%**

Assets Employed by Region	
America	32%
Australia	48%
Europe	5%
SE Asia and New Zealand	15%

Financial *Statements 1998*

Pacific ***Dunlop***

PACIFIC DUNLOP

Five Year Summary

$ million	1998	1997	1996	1995	1994
Profit and Loss					
Sales	**5,984**	5,783	6,471	7,306	6,967
Depreciation	**155**	149	170	198	191
Operating EBIT	**366**	373	386	563	570
Goodwill amortisation	**40**	36	37	26	24
EBIT	**326**	337	349	537	546
Net interest expense	**100**	71	85	156	109
Income tax expense	**46**	83	94	122	125
Profit attributable	**181**	176	162	251	307
• for six months 30 June	**91**	92	44	100	156
• for six months 31 December	**90**	84	118	151	151
Abnormal items	**(156)**	2	(294)	(157)	(3)
Net profit/(loss) after abnormals	**25**	178	(133)	94	304
Dividends	**144**	144	143	242	240
Balance Sheet					
Current assets [a]	**2,446**	1,975	2,278	3,386	2,401
Property, plant and equipment	**735**	1,242	1,238	1,444	1,571
Investments	**163**	189	184	195	207
Goodwill	**427**	469	410	490	706
Brand names	**181**	171	167	178	319
Other non-current assets	**393**	355	344	405	530
Total assets	**4,345**	**4,401**	**4,621**	**6,098**	**5,734**
Current accounts payable	**592**	778	859	863	910
Current net borrowings	**422**	191	134	894	797
Other current liabilities	**505**	470	508	616	561
Non-current accounts payable	**11**	6	59	75	84
Non-current net borrowings	**848**	825	993	1,228	891
Other non-current liabilities	**275**	284	275	165	122
Total liabilities	**2,653**	**2,554**	**2,828**	**3,841**	**3,365**
Net assets	**1,692**	**1,847**	**1,793**	**2,257**	**2,369**
Paid-up capital	**515**	514	511	535	530
Reserves	**1,189**	1,182	1,501	1,662	1,611
Retained profits	**(38)**	116	(257)	12	197
Pacific Dunlop shareholders' equity	**1,666**	**1,812**	**1,755**	**2,209**	**2,338**
Outside equity interests	**26**	35	38	48	31
Total shareholders' equity	**1,692**	**1,847**	**1,793**	**2,257**	**2,369**
Total funds employed [b]	**2,968**	**2,877**	**3,010**	**4,479**	**4,186**
Share Information					
Earnings per share before abnormal items (cents)	**17.6**	17.2	15.7	23.1	29.2
Earnings per share excluding goodwill amortisation (cents)	**21.1**	20.6	19.3	25.5	31.5
Dividends per share (cents)	**14.0**	14.0	14.0	22.5	22.5
Dividend payout ratio (%)	**79.7**	81.8	88.5	96.1	78.3
Net assets per share ($)	**1.62**	1.76	1.72	2.06	2.21
General					
Cash received from divestments	**36**	303	1,331	53	2
Net cash from operating activities	**281**	378	354	461	377
Capital expenditure	**192**	198	226	422	312
Shareholders (no.)	**89,918**	94,218	111,426	122,724	112,463
Employees (no.) [c]	**37,619**	38,148	40,671	48,234	49,449
Ratios					
Return on shareholders' equity (%)	**10.9**	9.7	9.2	11.4	13.1
Return on funds employed (%)	**12.3**	13.0	12.8	12.6	13.6
Operating profit margin (%)	**6.1**	6.4	6.2	7.7	8.2
Average working capital to sales (%)	**20.9**	22.3	22.8	21.9	21.0
Interest cover (times)	**3.7**	4.3	3.3	3.6	5.2
Net liabilities to shareholders' equity (%) [d]	**157**	138	158	170	142
Number of shares at 30 June (million)	**1,024**	1,021	1,013	1,060	1,048

(a) Excludes cash at bank and short-term deposits.
(b) Total funds employed equals total shareholders' equity plus net borrowings, lease liabilities and bills payable.
(c) Includes 100% of South Pacific Tyres.
(d) Net liabilities equals total liabilities less cash at bank and short-term deposits.

Directors' Report

for the year ended 30 June 1998

This report by the Directors of Pacific Dunlop Limited ('the Company') is made for the year ended 30 June 1998 pursuant to Division 6 of Part 3.6 of the Corporations Law (as in force on that day) and is accompanied by financial statements for the period of the economic entity comprising the Company and the entities it controlled (as chief entity) from time to time during the period (referred to in this report as the 'Group'). The information set out below is to be read in conjunction with that appearing on pages 1 to 32 of this Annual Report and Note 26 in the Notes to the Accounts which are included in this report.

Directors

The Directors of the Company in office at the date of this report and the relevant interests of each of those Directors in the share capital of the Company and any related body corporate, that have been notified to Australian Stock Exchange under the provisions of section 235 of the Corporations Law, are as set out on page 29 of this Annual Report.

As shown in last year's report, Mr R J McLean was appointed a Director on 1 July 1997; Mr J J Kennedy retired from the Board on 8 August 1997; Mr J B Gough retired as Chairman and a Director on 22 August 1997, and was succeeded as Chairman on that date by Mr J T Ralph.

On 12 February 1998, Mr I G Burgess retired from the Board, and on 31 March 1998, Mr G G Spurling retired from the Board and as an Executive Officer of the Company.

Particulars of the qualifications, experience and special responsibilities (if any) of each Director as at the date of this report, and of their other Directorships, are set out on pages 24 and 25 of this Annual Report. Details of meetings of the Company's Directors (including Meetings of Committees of Directors), and Directors' attendance thereat, are set out on page 29 of this Annual Report. At the date of this report there is an Audit Committee of the Board comprising Ms M A Jackson (Chair), Mr C B Goode and Mr R J McLean.

Principal Activities

The principal activities of the entities in the Group during the year were undertaken in the following business units:

- Ansell
- Cables and Engineered Products
- GNB Technologies
- Pacific Brands
- Pacific Distribution
- South Pacific Tyres.

The significant changes in the nature of the principal activities of the Group during the year, included:

- *Cables and Engineered Products*
  A restructuring of the Cables Group, including the sale of its communications cables businesses and the closure of its building wire plant in Brisbane. (Refer pages 8 and 23.)
- *Ansell*
  The relocation of Ansell's Head Office from Melbourne to New Jersey in the United States, the acquisition by Ansell of a controlling interest in the Bangalore based Kemwell International for $12 million, and the expenditure by Ansell of $50 million during the second half in new production capacity in its plants in Thailand, Malaysia and Sri Lanka. (Refer pages 6, 7 and 15.)

An agreement for the sale of the GNB Technologies business was entered into subsequent to year end (refer paragraph (b) in 'Other Matters' on page 37).

Section 305 (12) of the Corporations Law

This report does not relate to an entity's activities, operations or state of affairs during the period throughout which the Company did not control the entity or to the results of such operations.

Profit After Tax

The consolidated operating profit of the economic entity comprising Pacific Dunlop Limited and its subsidiaries (controlled entities) and associates for the financial year ended 30 June 1998 attributable to the shareholders of Pacific Dunlop Limited, after providing for income tax, was $180.8 million before abnormal items and was $24.8 million after abnormal items.

Dividends

The following amounts have been paid by Pacific Dunlop Limited by way of dividends to its shareholders since the end of the previous financial year (each franked to the extent of 60 per cent for the purposes of the Income Tax Assessment Act):

- as shown in last year's report, an interim ordinary dividend of 7.0 cents per share in respect of the year ended 30 June 1997, paid on 1 July 1997, totalling $71,871,000;
- as shown in last year's report, a final ordinary dividend at the rate of 7.0 cents per share in respect of the year ended 30 June 1997, paid on 14 November 1997, totalling $71,967,000;
- an interim ordinary dividend of 7.0 cents per share in respect of the year ended 30 June 1998, paid on 1 July 1998, totalling $72,059,000.

In addition, a final ordinary dividend of 7.0 cents per share in respect of the year ended 30 June 1998 has been declared, payable on 4 November 1998, to shareholders registered on 6 October 1998. This dividend will be unfranked.

Share Capital

Executive Share Plan

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

During the financial year, the amounts outstanding on 2,836,500 existing Executive Plan shares were fully paid (of which 973,500 shares were shown in the previous year's report). Since the end of the financial year the amounts outstanding on a further 486,000 Executive Plan shares have been fully paid.

Employee Share Plan

During the financial year, the loan liability of members in respect of 697,860 fully paid ordinary shares of 50 cents each was discharged (of which 173,830 shares were shown in the previous year's report). Since the end of the financial year, the loan liability in respect of a further 139,539 fully paid shares has been so discharged. Under the Employee Share Plan, 10 cents was payable on subscription for each Plan share allotted to eligible employees, the balance of issue price being funded by way of interest-free loans from the Company to the member. No new shares were issued during the financial year or up to the date of this report under the Pacific Dunlop Employee Share Plan.

Executive Share Option Plan

On 11 December 1997, the Company granted to twenty Executives options to subscribe for up to 7,290,000 unissued ordinary shares in the Company (including 600,000 options granted to Mr R B Hershan, an Executive Director), in accordance with approvals received from shareholders at the Annual General Meeting on 14 November 1997, at an exercise price of $3.30 per share. This price may be increased by the amount (if any) by which the increase in the Consumer Price Index over the period of the options exceeds the dividend yield upon the Company's shares. The options expire on 11 December 2002, and are exercisable in three tranches of equal amount during a period commencing, in the case of tranche 1, on 13 November 2000; in the case of tranche 2 on 13 November 2001; and in the case of tranche 3 on 13 November 2002, and in each case ending on the expiry date, subject to satisfaction of a separate performance hurdle attaching to each tranche. The condition or 'hurdle' that must be satisfied before the options can be exercised is that the total return to shareholders (ie. growth in share price plus dividends reinvested) in respect of Pacific Dunlop shares exceeds the total return to shareholders in a selected group of major listed companies over comparable periods in respect of each tranche of options.

Subsequently, options in respect of 1,200,000 unissued ordinary shares in the Company have lapsed, the two Executives concerned having ceased to be employed by the Company.

Since the end of the financial year, on 22 July 1998, options in respect of 1,545,000 further unissued ordinary shares in the Company were granted to four Executives on the same terms and conditions (including exercise price) as the grant on 11 December 1997.

None of the options described above carry any right to participate in a share issue of any other body corporate and none of those options has been exercised at the date of this report.

This disclosure is made pursuant to Australian Securities Commission ('ASC') Class Order 97/1011 (as in force on 30 June 1998), which relieves Directors of listed companies from disclosing in the report the names of persons receiving options under approved employee incentive schemes. The names of all persons who currently hold options in respect of unissued shares in the Company are entered in the register of option holders held by the Company which may be inspected by any person free of charge.

Other Options

Options to subscribe for up to 1,800,000 unissued ordinary shares in the Company remain on issue to the Managing Director, in accordance with an approval received from shareholders at the Annual General Meeting on 15 November 1996, at an exercise price of $2.80 per share. The options expire on 14 November 2001 and are exercisable in three separate tranches of 600,000 options between 1 and 14 November 1999, 2000 and 2001, only where, in relation to each separate tranche of options, two separate performance conditions are satisfied, details of which were set out in last year's report. The options do not carry any right to participate in a share issue of any other body corporate.

Convertible Bonds

On 2 July 1997, the Company discharged its obligations under its US$75,000,000 Convertible Bond Issue made on 3 July 1987, by repaying in full bonds to the value of US$72,233,000.

The Company now has no Convertible Bonds on issue.

Other Matters

(a) A review of the operations of the Group during the financial year and the results of those operations is contained on pages 6 to 23 of this Annual Report.

In the opinion of the Directors, other than as referred to in this report and in the Managing Director's Review on pages 6 to 11 of this Annual Report, there were no significant changes in the state of affairs of the Group.

(b) Since the end of the financial year, the following matters or circumstances have arisen that have significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Company in subsequent financial years:

- Following an announcement on 19 March 1998 that the Company was evaluating the future of its GNB Technologies business, the Company announced on 6 July 1998 the sale of that business to Quexco Incorporated of the USA for US$550 million. The sale, which is subject to regulatory approvals in the USA, Australia and New Zealand, will result in an abnormal loss of $88 million after transaction costs and provisions.
- On 23 July 1998, the US District Court in Cincinnati gave interim approval to a proposed settlement by its subsidiary Accufix Research Institute Inc. ('ARI') and the other defendants, including the Company, to resolve all current and future litigation in the USA arising out of the Accufix Atrial J Pacemaker Lead formerly manufactured by ARI, full details of which are provided in Note 26 to the Accounts on pages 63 to 65 of this Annual Report.
- On 30 July 1998, the Company announced that Ansell will acquire the Thailand based Suretex Group for $50 million.

(c) Certain likely developments in the operations of the Group, and the expected results of those operations, in financial years subsequent to the financial year ended 30 June 1998 are referred to in paragraphs (a) and (b) above and in the Chairman's Review and Managing Director's Review on pages 4 to 11 of this Annual Report. In the opinion of the Directors it would be likely to result in unreasonable prejudice to the Company if further information which may be required by section 305(11) of the Corporations Law to be included in the report was so included, and that information has not been so included in accordance with section 306 of the Corporations Law.

(d) Directors have declared interests in contracts or proposed contracts with the Company by virtue of their association with the companies specified in the statement setting out particulars of the qualifications, experience and special responsibilities of each Director on pages 24 and 25 of this Annual Report. Some of these companies have transactions with the Company in the ordinary course of business.

There are no particulars of Directors' interests declared in contracts as described in section 307(1)(c) of the Corporations Law which are not otherwise disclosed in this report.

(e) No Director of the Company has received or become entitled to receive a benefit since the end of the previous financial year such as would be required to be disclosed pursuant to section 309 of the Corporations Law other than as set out in this report and Notes 28 and 35 to the Accounts, in accordance with ASC Class Order 97/2348 (as in force on 30 June 1998).

(f) No Director or Officer of the Company has been indemnified or entered into a relevant agreement to indemnify as would be required to be reported pursuant to section 309A of the Corporations Law except that:

- following his appointment as a Director, the Company entered into a Deed of Indemnity with Mr R J McLean in conformity with Article 138, in terms similar to Deeds of Indemnity that have previously been entered into with each of the Directors holding office during the period;
- as stated in previous reports, Article 138 of the Company's Articles of Association also provides an indemnity in favour of Officers (including the Directors and Company Secretary) of the Company against liabilities incurred while acting as such Officers to persons (excluding Group companies) to the extent permitted by law.

Rounding

Pacific Dunlop Limited is a company of the kind referred to in ASC Class Order 97/1005 (as in force on 30 June 1998) and, unless otherwise shown, amounts in the Accounts and in this Directors' report have been rounded off to the nearest one hundred thousand dollars.

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

J T Ralph
Director

R L Chadwick
Director

Dated at Melbourne this 10th day of September 1998

Profit and Loss Accounts

of Pacific Dunlop Limited and Controlled Entities

for the year ended 30 June 1998	Notes	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Operating revenue					
Sales revenue	3	**5,983.5**	5,782.9	**2,004.5**	2,534.0
Other revenue	4	**1,007.0**	364.6	**377.6**	215.2
Total operating revenue		**6,990.5**	6,147.5	**2,382.1**	2,749.2
Operating profit/(loss) before abnormal items and income tax	3	**225.8**	265.8	**(83.2)**	96.2
Abnormal items before income tax	7	**(157.5)**	0.6	**(15.4)**	(5.1)
Operating profit/(loss) before income tax		**68.3**	266.4	**(98.6)**	91.1
Income tax attributable to operating profit/(loss)	8	**44.5**	81.5	**(91.7)**	7.6
Operating profit/(loss) after income tax		**23.8**	184.9	**(6.9)**	83.5
Outside equity interests in operating profit after income tax		**(1.0)**	7.1		
Operating profit/(loss) after income tax attributable to Pacific Dunlop Limited shareholders*		**24.8**	177.8	**(6.9)**	83.5
Retained profits/(accumulated losses) at the beginning of the financial year		**116.1**	(257.6)	**449.8**	169.9
Adjustment to retained profits at the beginning of the financial year on initial adoption of proposed revised AASB 1016 Accounting for Investments in Associates	2	**(23.3)**	–		
Aggregate of amounts transferred from reserves	6	**(11.6)**	339.7	**(2.8)**	340.2
Total available for appropriation		**106.0**	259.9	**440.1**	593.6
Dividends provided for or paid					
Interim and final dividends	9	**144.1**	143.7	**144.1**	143.7
Under provision for prior year interim and final dividends		**0.1**	0.1	**0.1**	0.1
(Accumulated losses)/retained profits at end of financial year		**(38.2)**	116.1	**295.9**	449.8
Summary of operating profit for the year					
*Operating profit/(loss) after income tax attributable to Pacific Dunlop Limited shareholders		**24.8**	177.8	**(6.9)**	83.5
Abnormal items after income tax attributable to Pacific Dunlop Limited shareholders	7	**(156.0)**	2.2	**(15.4)**	(7.1)
Operating profit after income tax before abnormal items attributable to Pacific Dunlop Limited shareholders		**180.8**	175.6	**8.5**	90.6
Earnings per share based on operating profit after income tax attributable to Pacific Dunlop Limited shareholders		***cents***	*cents*		
Basic earnings per share before goodwill amortisation and abnormal items	36	**21.1**	20.3		
Basic earnings per share before abnormal items	36	**17.6**	17.2		
Basic earnings per share inclusive of abnormal items	36	**2.4**	17.4		

The above profit and loss accounts should be read in conjunction with the accompanying notes.

Balance Sheets

of Pacific Dunlop Limited and Controlled Entities

for the year ended 30 June 1998		Consolidated		The Company	
	Notes	**1998 $ million**	1997 $ million	**1998 $ million**	1997 $ million
Current Assets					
Cash	11	**997.3**	1,191.8	**31.2**	33.3
Receivables	12	**1,603.3**	952.4	**2,299.8**	2,753.6
Inventories	13	**807.1**	954.0	**187.0**	217.3
Prepayments		**35.0**	68.1	**13.7**	15.6
Total Current Assets		**3,442.7**	3,166.3	**2,531.7**	3,019.8
Non-Current Assets					
Receivables	12	**69.4**	77.9	**48.5**	49.6
Investments	14	**163.4**	188.7	**3,065.0**	2,942.8
Property, plant and equipment	15	**734.9**	1,242.5	**181.1**	240.3
Intangibles	16	**607.8**	640.0	**46.4**	50.2
Future income tax benefit	17	**324.1**	277.5	**143.4**	66.5
Total Non-Current Assets		**1,899.6**	2,426.6	**3,484.4**	3,349.4
Total Assets		**5,342.3**	5,592.9	**6,016.1**	6,369.2
Current Liabilities					
Accounts payable	18	**591.7**	777.7	**1,852.5**	2,560.3
Borrowings	19	**1,419.4**	1,382.4	**1,167.0**	850.1
Provisions	20	**501.9**	452.6	**234.6**	199.7
Other	21	**2.8**	17.5	**2.5**	1.4
Total Current Liabilities		**2,515.8**	2,630.2	**3,256.6**	3,611.5
Non-Current Liabilities					
Accounts payable	18	**11.6**	6.3	**0.4**	0.7
Borrowings	19	**848.1**	825.3	**656.1**	497.1
Provisions	20	**239.3**	249.5	**5.9**	5.8
Other	21	**35.8**	34.8	**20.3**	21.6
Total Non-Current Liabilities		**1,134.8**	1,115.9	**682.7**	525.2
Total Liabilities		**3,650.6**	3,746.1	**3,939.3**	4,136.7
Net Assets		**1,691.7**	1,846.8	**2,076.8**	2,232.5
Shareholders' Equity					
Share Capital	5	**514.9**	513.6	**514.9**	513.6
Reserves	6	**1,188.9**	1,181.8	**1,266.0**	1,269.1
(Accumulated losses)/retained profits	6	**(38.2)**	116.1	**295.9**	449.8
Shareholders' equity attributable to Pacific Dunlop Limited shareholders		**1,665.6**	1,811.5	**2,076.8**	2,232.5
Outside equity interests in controlled entities	10	**26.1**	35.3		
Total Shareholders' Equity		**1,691.7**	1,846.8	**2,076.8**	2,232.5

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

Business Segments

of Pacific Dunlop Limited and Controlled Entities

for the year ended 30 June 1998	Notes	Operating Revenue 1998 $ million	Operating Revenue 1997 $ million	Assets Employed 1998 $ million	Assets Employed 1997 $ million	Operating Result 1998 $ million	Operating Result 1997 $ million
Industries							
Manufacturing							
Ansell (Protective and Healthcare Products)		**1,078.1**	856.1	**830.7**	723.0	**162.1**	110.7
GNB (Batteries)		**1,235.3**	1,144.4	**903.4**	936.4	**55.1**	34.1
South Pacific Tyres (Tyres)		**1,049.2**	1,075.4	**658.2**	663.8	**79.0**	91.6
Less: Goodyear Share (50%)		**524.6**	537.7	**329.1**	331.9	**39.5**	45.8
	30(a)	**524.6**	537.7	**329.1**	331.9	**39.5**	45.8
Cables and Engineered Products		**406.3**	411.6	**334.4**	389.5	**38.4**	68.1
Consumer							
Pacific Brands		**1,177.4**	1,214.1	**617.6**	623.9	**93.7**	105.4
Distribution							
Pacific Distribution (Automotive and Electrical Products)		**1,438.6**	1,453.8	**572.3**	581.0	**62.2**	78.7
		5,860.3	5,617.7	**3,587.5**	3,585.7	**451.0**	442.8
Non-Core Businesses		**91.2**	73.0	**61.5**	71.5	**(7.6)**	(4.0)
Discontinued Businesses		**46.5**	150.5	**76.4**	130.6	**(10.5)**	5.8
		5,998.0	5,841.2	**3,725.4**	3,787.8	**432.9**	444.6
Tyre Partnership Adjustments	30(b)	**(14.5)**	(58.3)	**(198.6)**	(186.0)	**(11.3)**	(11.8)
Unallocated Items	30(c)	**122.9**	364.6	**210.4**	159.3	**(56.1)**	(60.1)
Operating EBIT						**365.5**	372.7
Goodwill and Brand names				**607.8**	640.0	**(39.6)**	(35.4)
Earnings before Net Interest and Tax (EBIT)						**325.9**	337.3
Net Interest						**(100.1)**	(71.5)
Tax						**(46.0)**	(83.1)
Outside Equity Interests						**1.0**	(7.1)
Operating Results		**6,106.4**	6,147.5	**4,345.0**	4,401.1	**180.8**	175.6
Abnormals after tax and outside equity interests	30(d)	**884.1**				**(156.0)**	2.2
Cash	30(e)			**997.3**	1,191.8		
Total Consolidated		**6,990.5**	6,147.5	**5,342.3**	5,592.9	**24.8**	177.8
Manufacturing Regions							
Australia	30(a)	**3,431.0**	3,489.0	**1,790.4**	1,881.6	**180.3**	264.7
Asia and New Zealand		**574.2**	614.7	**567.5**	635.2	**109.0**	96.3
America		**1,695.2**	1,487.7	**1,195.5**	1,160.8	**135.5**	59.9
Europe		**297.6**	249.8	**172.0**	110.2	**8.1**	23.7
		5,998.0	5,841.2	**3,725.4**	3,787.8	**432.9**	444.6

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

Statements of Cash Flows

of Pacific Dunlop Limited and Controlled Entities

for the year ended 30 June 1998	Notes	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Cash Flows from Operating Activities					
Receipts from customers (excluding medical)		**6,023.6**	5,777.6	**2,035.3**	2,508.8
Payments to suppliers and employees (excluding medical)		**(5,637.0)**	(5,241.2)	**(2,048.0)**	(2,374.1)
Net receipts from customers (excluding medical)		**386.6**	536.4	**(12.7)**	134.7
Payments to suppliers and employees net of customer receipts (medical)		**(42.9)**	(86.1)	**(6.5)**	(1.2)
		343.7	450.3	**(19.2)**	133.5
Income taxes (paid)/refunded		**(62.7)**	(79.1)	**6.8**	(26.3)
Dividends received		**0.4**	7.0	**275.2**	103.4
Net Cash Provided by Operating Activities	31(d)	**281.4**	378.2	**262.8**	210.6
Cash Flow from Investing Activities					
Payments for businesses, net of cash acquired	31(a)	**(23.8)**	(87.6)	**–**	–
Payments for property, plant and equipment		**(192.3)**	(190.2)	**(44.0)**	(66.3)
Payments for acquisition of previously held finance leased assets		**–**	(80.1)	**–**	(22.3)
Proceeds from sale of businesses, net of cash disposed	31(a)	**36.0**	303.3	**24.9**	85.3
Proceeds from sale of plant and equipment in the ordinary course of business		**31.9**	29.6	**11.9**	4.0
Loans repaid		**23.6**	21.6	**5.2**	12.5
Net loans from controlled entities	31(f)			**(345.5)**	309.6
Proceeds from sale of other investments		**0.8**	0.2		
Payments for investments in controlled entities				**(134.8)**	–
Payments for other investments		**(3.1)**	(5.8)	**–**	–
Net Cash (Used in)/Provided by Investing Activities		**(126.9)**	(9.0)	**(482.3)**	322.8
Cash Flows from Financing Activities					
Proceeds from borrowings		**8,025.5**	5,094.6	**6,497.5**	2,230.7
Repayments of borrowings		**(8,190.7)**	(5,353.6)	**(6,030.8)**	(2,535.0)
Net (repayments of)/proceeds from borrowings		**(165.2)**	(259.0)	**466.7**	(304.3)
Proceeds from issues of shares		**3.6**	8.4	**3.6**	8.4
Lease payments		**(1.4)**	(9.9)	**(0.2)**	(5.4)
Dividends paid		**(148.7)**	(147.7)	**(143.8)**	(143.1)
Interest received		**53.4**	74.4	**4.5**	87.0
Interest and borrowing costs paid		**(156.5)**	(163.8)	**(115.5)**	(177.5)
Net Cash (Used in)/Provided by Financing Activities		**(414.8)**	(497.6)	**215.3**	(534.9)
Net Decrease in Cash Held		**(260.3)**	(128.4)	**(4.2)**	(1.5)
Cash at the beginning of the financial year		**1,171.7**	1,294.1	**27.2**	28.7
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the financial year		**33.1**	6.0		
Cash at the End of the Financial Year	31(e)	**944.5**	1,171.7	**23.0**	27.2

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

Note 1

Summary of Significant Accounting Policies

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

Basis of Preparation of the Accounts

The financial statements are a general purpose financial report prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and the Corporations Law.

The financial statements comprise the accounts of the chief entity – Pacific Dunlop Limited (referred to as 'the Company'), and the consolidated accounts of the economic entity comprising the Company, as the chief entity, and the entities it controlled at the end of, or during, the financial year.

The financial statements have been prepared in accordance with the conventions of historical cost accounting except, for certain non-current assets which, as noted, are included at valuation.

The carrying amounts of non-current assets have been reviewed to ensure that such assets are not carried at a value in excess of their recoverable amount. In determining recoverable amounts the relevant cash flows have not been discounted to their present value.

The accounting policies adopted in preparing the financial statements have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Comparative information is reclassified where appropriate to enhance comparability.

Principles of Consolidation

The consolidated accounts incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 1998 and the results of all controlled entities for the year then ended. Pacific Dunlop Limited and its controlled entities together are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Profit and Loss Account and Balance Sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Profit and Loss Account from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

Income Tax

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

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

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

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

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

Receivables

Trade Debtors

Trade debtors are recognised as at the date they are invoiced and are carried at amounts due less any provision for doubtful debts. Credit sales are principally on 30 day terms. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Other Amounts Receivable

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

Trade Bills Receivable

Trade bills receivable are stated at the lower of cost and net realisable value.

Inventories

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

Raw Materials and Other Stock

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

Finished Goods and Work in Progress

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

Obsolete and slow moving stocks are written down to net realisable value where such value is below cost.

Investments

Controlled Entities

Investments in controlled entities in the books of the Company that were acquired prior to 1 July 1987 were valued by the Directors at 30 June 1987 based upon their net tangible asset value at that date. Dividends and distributions are brought to account in the Profit and Loss Account when they are declared by the controlled entities.

Associated Companies

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

In the Company's financial statements, investments in associates are carried at Directors' valuation. Income from interim dividends is brought to account in the Profit and Loss Account as dividends received. Income from final dividends is brought to account as revenue at the time the dividends have been declared by the associate in a general meeting.

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

Other Companies

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

Interest in Partnerships

The interest in a partnership is carried at cost plus the economic entity's share of the partnership's result less drawings. The economic entity's share in the partnership's result for the year is included in the consolidated Profit and Loss Account.

Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as set out below.

Revaluations

Freehold and leasehold land and buildings are independently valued every three years using the bases of valuation set out in Note 15 and included in the financial statements at the revalued amounts.

Consideration of a provision for capital gains tax is not taken into account in determining revaluation amounts unless it is known that the asset is intended for sale.

Any related revaluation increment remaining in the asset revaluation reserve at the time of disposal is transferred to Retained Profits.

Depreciation and Amortisation

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

The expected useful lives are as follows:

Freehold buildings of the Company and all Australian controlled entities	40 years
Freehold buildings of overseas controlled entities	Allowable taxation rates
Leasehold buildings	Life of lease
Owned and leased plant and equipment	3-10 years

Leases

Finance leases are capitalised at the present value of the minimum lease payments. A corresponding lease liability is also established and each lease payment is allocated between the liability and finance charges.

Operating lease payments are expensed as incurred.

Brand Names

Brand names acquired since 1 July 1987 are recorded in the accounts at cost. Brand names are reviewed semi-annually and any diminution in value is charged to the Profit and Loss Account.

The Directors have reviewed the carrying value of brand names in the Balance Sheet as at 30 June 1998, and are of the opinion that no diminution in value of those brand names has occurred since 30 June 1997 and accordingly, no charge to the Profit and Loss Account has been made for the year. Further details are included in Note 16.

Accounts Payable

Trade and Other Creditors

Trade and other creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity. Trade liabilities are normally settled on 30 day terms.

Bills Payable

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

Borrowings

Bank and other loans are carried at their principal amount, subject to set-off arrangements. Interest is charged as an expense as it accrues.

Other Liabilities

Amounts due under contract

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

Note 1

Summary of Significant Accounting Policies (continued)

Provisions

Wages, Salaries and Annual Leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the economic entity has as a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

Long Service Leave and Post Retirement Health Benefits

The liability for employee entitlements to long service leave and post retirement health benefits represents the present value of the estimated future cash outflows to be made by the Company and the economic entity resulting from employees' services provided up to the balance date. Related on-costs have also been included in the liability.

Superannuation Funds

The Company and other controlled entities contribute to various defined benefit and accumulation superannuation funds as set out in Note 24. Employer contributions to these funds are charged against the operating profit as they are made.

Employee and Executive Share Plans

The Company currently maintains two plans for employees of the economic entity – the Pacific Dunlop Employee Share Plan and the Pacific Dunlop Executive Share Option Plan. A further Plan, the Pacific Dunlop Executive Share Plan, was discontinued in 1996. Further information on these plans is set out in Note 25. Other than the costs incurred in administering the plans which are expensed as incurred, the plans do not result in any expense to the Company or the economic entity.

Contingencies, Rationalisation and Restructure, Patient Monitoring, Explantation and Legal, Environmental Remediation and Insurance Claims

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

Accounting for Acquisitions

Acquired businesses are accounted for on the basis of the cost method. Fair values are assigned at date of acquisition to all the identifiable underlying assets acquired and to the liabilities assumed. Specific assessment is undertaken at the date of acquisition of any appropriate additional costs to be incurred. A liability for restructuring costs is recognised as at the date of acquisition of an entity or business when there is a demonstrable commitment to a restructuring of the acquired entity or business and a reliable estimate of the amount of the liability can be made.

Brand names acquired are recorded in the accounts at cost. Goodwill is capitalised and amortised to the Profit and Loss Account on a straight line basis over the future period of expected benefit. In determining the period of amortisation, each acquisition is separately assessed.

The benefits from the goodwill acquired may exceed 20 years but the goodwill is written off over periods not exceeding 20 years in compliance with Australian Accounting Standards. The unamortised balance of goodwill is reviewed semi-annually and any material diminution in value is charged to the Profit and Loss Account.

The bases of valuation of goodwill are detailed in Note 16.

Foreign Currency Translations

Transactions in foreign currencies are recorded at the rate of exchange ruling on the date of each transaction. At balance date, amounts payable and receivable in foreign currencies are converted at the rates of exchange ruling at that date. Where forward currency contracts have been arranged, the contract settlement rate (approximating the spot rate) is used.

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

The accounts of overseas controlled entities are converted using the current rate method. Variations occurring from year to year arising from this translation method are transferred to the foreign currency translation reserve.

Derivatives

The Company and economic entity use derivative financial instruments, principally foreign exchange and interest rate forwards, commodity and interest rate options and futures, forward rate agreements and interest rate and currency swaps to reduce its exposure to movements in foreign exchange rates, interest rates and commodity prices.

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

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

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

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

The Company and economic entity follow 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 on-balance sheet financial assets and liabilities, where internal controls operate.

Derivative instruments are not recorded on the Balance Sheet.

Note 1

Derivative Financial Instruments Held or Issued for Purposes other than Trading

On a continuing basis, the economic entity monitors its anticipated future exposures and on some occasions hedges all or part of these exposures. The transactions which may be covered are future profits of overseas controlled entities and future foreign exchange and commodity requirements.

These exposures are then monitored against continuing analysis of anticipated positions and may be modified from time to time. These transactions do not exceed 18 months duration and hedge transactions the economic entity expects to occur in this time frame.

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 Profit and Loss Account when the gain or loss arising on the related physical exposures are recognised in the Profit and Loss Account.

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

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

Derivative Financial Instruments Held or Issued for Trading Purposes

The Company and the economic entity also enter into a limited number of exchange rate, interest rate and commodity related derivative contracts for trading purposes. These transactions are undertaken under strict guidelines, limits and internal controls and with appropriate stop loss parameters. Trading activities include taking positions within authorised and clearly defined limits to benefit from expected moves in prices. The portfolio of derivative financial instruments held for trading purposes is valued at market rates with all gains and losses being recognised in the Profit and Loss Account for the current period.

Note 2

Change in Accounting Policy

The Directors have applied ASC Class Order 97/798 which provides relief from the requirements of the current AASB 1016 'Disclosure of Information about Investments in Associated Companies' on the condition that the requirements of the proposed revised AASB 1016 'Accounting for Investments in Associates' are complied with. Accordingly, the economic entity has applied the equity method in accounting for investments in associates for the first time from 1 July 1997.

The equity method requires the carrying amount of investments in associates to be adjusted by the economic entity's share of the associates' net profit or loss after tax and other movements on reserves. These amounts are recognised in the consolidated profit and loss account and consolidated reserves respectively. In previous years, investments in associates were valued in the Company and consolidated accounts at Directors' valuation.

To recognise the equity accounted amount of the investments on the initial application of the standard, consolidated retained profits were decreased by $23.3 million, the foreign currency translation reserve was decreased by $0.5 million, the asset revaluation reserve was increased by $1.5 million, the equity reserve was increased by $2.4 million and a dividend receivable of $1.6 million was reclassified to equity investments at the beginning of the financial year. This accounting policy has resulted in an increase of $1.8 million in consolidated profit after tax (net of dividends received) for the financial year ended 30 June 1998, reflecting the economic entity's share of the associates' current period results.

The consolidated carrying value of investments in associates decreased by $18.1 million to recognise the equity accounted amount of the investment on the initial application of the standard and increased by $1.8 million in respect of the profit (net of dividends received) for the financial year ended.

Note 3	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Operating Profit				
Sales Revenue	**5,983.5**	5,782.9	**2,004.5**	2,534.0
Dividend income	**0.4**	7.0	**275.2**	103.4
	5,983.9	5,789.9	**2,279.7**	2,637.4
Less: Operating expenses	**5,657.8**	5,444.9	**2,232.6**	2,449.5
Net foreign exchange gain/(loss)	**10.4**	0.5	**(18.5)**	(4.2)
Net (loss)/gain on sale of property, plant and equipment	**(10.6)**	(8.2)	**(2.9)**	0.1
Operating Profit before Net Interest and Income Tax	**325.9**	337.3	**25.7**	183.8
Net interest expense on net interest bearing debt	**100.1**	71.5	**108.9**	87.6
Operating Profit/(Loss) before Abnormal Items and Income Tax	**225.8**	265.8	**(83.2)**	96.2
Income tax attributable to operating profit before abnormal items	**46.0**	83.1	**(91.7)**	5.6
Outside equity interests in operating profit before abnormal items	**(1.0)**	7.1		
Operating Profit after Income Tax and before Abnormal Items Attributable to Pacific Dunlop Limited shareholders	**180.8**	175.6	**8.5**	90.6
Abnormal Items after income tax attributable to Pacific Dunlop Limited shareholders	**(156.0)**	2.2	**(15.4)**	(7.1)
Operating Profit/(Loss) inclusive of Abnormal Items Attributable to Pacific Dunlop Limited shareholders	**24.8**	177.8	**(6.9)**	83.5
Operating Profit inclusive of Abnormal Items and before Income Tax is arrived at after charging:				
Borrowing Costs				
Interest Paid or Due and Payable				
To wholly owned controlled entities			**8.2**	74.4
To others*	**153.2**	144.4	**105.2**	99.3
Finance Charges on Finance Leases	**0.4**	1.5	**–**	0.9
Other Borrowing Costs	**2.9**	3.3	**2.1**	2.9
**Excludes interest of Telectronics charged against the provision for holding losses*	–	*14.6*		

Note 3	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Operating Profit (continued)				
Depreciation				
Buildings	**5.7**	6.6	**0.6**	0.5
Plant and equipment	**144.4**	134.4	**47.0**	42.3
Amortisation				
Leasehold land and buildings	**4.6**	4.7	**0.9**	0.6
Leased plant and equipment	**0.3**	3.5	**0.3**	2.7
Goodwill	**39.6**	35.4	**4.3**	5.2
Research and Development Costs Expensed as Incurred	**32.0**	22.3	**1.9**	0.9
Net Bad Debts Expense	**5.3**	3.7	**3.1**	13.8
Amounts Set Aside to Provision for:				
Doubtful trade debts	**10.4**	7.5	**2.0**	0.1
Doubtful amounts owing by wholly owned controlled entities			**85.9**	–
Employee entitlements	**85.3**	93.7	**36.8**	37.6
Contingencies	**1.4**	14.8	**–**	(2.1)
Rationalisation and restructuring costs	**9.9**	0.5	**(0.9)**	(0.5)
Net charge following creation of Accufix Settlement Funds in the United States of America	**69.5**	–		
Rebates, allowances and warranty claims	**1.9**	8.4	**1.0**	0.9
Environmental remediation	**88.3**	1.0	**0.4**	–
Losses Arising from Sale of Property, Plant and Equipment	**17.8**	11.9	**5.5**	2.6
Operating Lease Rentals	**96.1**	84.4	**49.2**	43.4

	Consolidated 1998 $ thousand	Consolidated 1997 $ thousand	The Company 1998 $ thousand	The Company 1997 $ thousand
Auditors' Remuneration				
Amounts received and receivable for audit of accounts				
Auditors of Pacific Dunlop Limited and Australian entities	**2,758**	2,706	**1,928**	2,231
Other member firms of KPMG	**2,497**	2,273	**1**	–
For other services				
Auditors of Pacific Dunlop Limited and Australian entities	**2,170**	2,977	**1,628**	2,315
Other member firms of KPMG	**1,157**	475		
No other benefits were received by the auditors of Pacific Dunlop Limited or by the auditors of its controlled entities				

Note 4

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Other Operating Revenue				
Interest Received or Due and Receivable				
From wholly owned controlled entities			**0.5**	76.4
From partly owned controlled entities			**–**	1.9
From Directors of Pacific Dunlop Limited and controlled entities	**–**	0.1	**–**	0.1
From others	**53.5**	74.3	**4.0**	8.6
Income from Investments				
In shares in wholly owned controlled entities			**274.2**	93.0
In shares in partly owned controlled entities			**–**	4.9
In shares in associated companies	**–**	6.7	**1.0**	3.0
In shares in other companies	**0.4**	0.3	**–**	2.5
Share of Associates' Net Profit	**3.0**	–		
Proceeds Received and Receivable from the Sale of Businesses and Investments	**918.2**	253.7	**86.0**	13.8
Proceeds from the Sale of other Non-Current Assets in the Normal Course of Business	**31.9**	29.5	**11.9**	11.0
Total – Other Operating Revenue	**1,007.0**	364.6	**377.6**	215.2
Gains from the Sale of Property, Plant and Equipment in the Normal Course of Business	**7.2**	3.7	**2.6**	2.7

Note 5

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Share Capital				
Authorised Capital				
1,600,000,000 (1997 – 1,600,000,000) ordinary shares of 50 cents each	**800.0**	800.0	**800.0**	800.0
The 556,809,429 unissued ordinary shares are unclassified shares.				
Paid up Capital				
1,024,071,526 (1997 – 1,020,537,166) ordinary shares of 50 cents each, fully paid	**512.0**	510.3	**512.0**	510.3
5,582,645 (1997 – 6,280,505) ordinary plan shares of 50 cents each, fully paid	**2.8**	3.1	**2.8**	3.1
13,536,400 (1997 – 16,372,900) ordinary plan shares of 50 cents each, paid to 1 cent	**0.1**	0.2	**0.1**	0.2
	514.9	513.6	**514.9**	513.6

Options

On 11 December 1997 the Company granted options to subscribe for up to 7,290,000 unissued ordinary shares to certain executives in accordance with the specific terms of issue approved at the Annual General Meeting held on 14 November 1997. Refer Note 35(c) for further information.

Note 6

	Notes	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Reserves and Retained Profits					
Share premium reserve		**1,229.6**	1,227.4	**1,229.6**	1,227.4
Capital redemption reserve		**28.0**	28.0	**28.0**	28.0
Asset revaluation reserve		**20.7**	32.8	**9.2**	7.2
General reserve		**4.8**	4.8		
Foreign currency translation reserve		**(94.2)**	(108.8)	**(0.8)**	6.5
Equity reserve in associate companies		**–**	(2.4)		
		1,188.9	1,181.8	**1,266.0**	1,269.1
(Accumulated losses)/retained profits		**(38.2)**	116.1	**295.9**	449.8
		1,150.7	1,297.9	**1,561.9**	1,718.9
Movements during the year					
Share Premium Reserve					
Balance at the beginning of the financial year		**1,227.4**	1,561.7	**1,227.4**	1,561.7
Premium on plan shares converted		**2.2**	5.9	**2.2**	5.9
Transfer to retained profits		**–**	(340.2)	**–**	(340.2)
Balance at the end of the financial year		**1,229.6**	1,227.4	**1,229.6**	1,227.4
Asset Revaluation Reserve					
Balance at the beginning of the financial year		**32.8**	32.7	**7.2**	7.8
Adjustment to asset revaluation reserve at the beginning of the financial year on initial adoption of proposed revised AASB 1016 Accounting for Investments in Associates	2	**1.5**	–		
Net decrement arising from revaluation of properties*		**(25.2)**	–	**(0.8)**	–
Transfer to retained profits		**11.6**	0.7	**2.8**	–
Revaluation decrement for property revalued to recoverable amount*		**–**	(0.6)	**–**	(0.6)
Balance at the end of the financial year		**20.7**	32.8	**9.2**	7.2
General Reserve					
Balance at the beginning of the financial year		**4.8**	5.0		
Transfer to retained profits		**–**	(0.2)		
Balance at the end of the financial year		**4.8**	4.8		
Foreign Currency Translation Reserve					
Balance at the beginning of the financial year		**(108.8)**	(123.7)	**6.5**	12.0
Adjustment to foreign currency translation reserve at the beginning of the financial year on initial adoption of proposed revised AASB 1016 Accounting for Investments in Associates	2	**(0.5)**	–		
Exchange fluctuations on assets and liabilities held in foreign currencies					
net gain/(loss) on translation of net assets		**150.7**	48.1		
net (loss)/gain on hedge borrowings		**(135.6)**	(33.2)	**(7.3)**	(5.5)
Balance at the end of the financial year		**(94.2)**	(108.8)	**(0.8)**	6.5

**This item has not been brought to account in determining the profit/(loss) for the year.*

Note 6

	Notes	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Reserves and Retained Profits (continued)					
Equity Reserve in Associated Companies					
Balance at the beginning of the financial year		**(2.4)**	(2.4)		
Adjustment to equity reserve in associated companies at the beginning of the financial year on initial adoption of proposed revised AASB 1016 Accounting for Investments in Associates	2	**2.4**	–		
Balance at the end of the financial year		**–**	(2.4)		
Retained Profits/(Accumulated Losses)					
Balance at the beginning of the financial year		**116.1**	(257.6)	**449.8**	169.9
Adjustment to retained profits at the beginning of the financial year on initial adoption of proposed revised AASB 1016 Accounting for Investments in Associates	2	**(23.3)**	–		
Transfer from reserves (net)		**(11.6)**	339.7	**(2.8)**	340.2
Trading profits		**180.8**	175.6	**8.5**	90.6
Abnormal items		**(156.0)**	2.2	**(15.4)**	(7.1)
Dividends provided+		**(144.2)**	(143.8)	**(144.2)**	(143.8)
Balance at the end of the financial year		**(38.2)**	116.1	**295.9**	449.8

+*The interim dividends and final dividends include under/over provision for dividends arising from movements in share capital after balance date but prior to books closing date of $92,000 under provision (1997 – $50,000 under provision).*

Note 7

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Abnormal Items (a)				
Net loss on sale of GNB (Batteries) Group*	**(88.0)**			
Net charge following creation of Accufix Settlement Funds in the United States of America	**(69.5)**		**(15.4)**	
Income tax benefit	**1.5**			
Net gain on sale of controlled entities and businesses		4.6		
Income tax benefit		6.3		2.6
Provision for rationalisation, restructuring* and relocation		(4.0)		(4.0)
Income tax benefit		0.5		0.5
Write down in value of:				
Receivables				(0.8)
Write off quarantined foreign tax losses		(5.2)		(5.2)
Other				(0.2)
Abnormal Items after Income Tax attributable to Pacific Dunlop Limited shareholders	**(156.0)**	2.2	**(15.4)**	(7.1)
Analysis of Abnormal Items				
Abnormal items before income tax	**(157.5)**	0.6	**(15.4)**	(5.1)
Income tax benefit/(expense) on abnormal items	**1.5**	1.6		(2.0)
Abnormal Items after Income Tax attributable to Pacific Dunlop Limited shareholders	**(156.0)**	2.2	**(15.4)**	(7.1)

(a) Certain amounts within abnormal items are also included in the Note 3 statutory disclosures.
**These expenses have not been tax affected.*

Note 8

	Consolidated		The Company	
	1998 $ million	1997 $ million	**1998 $ million**	1997 $ million
Income Tax				
Tax at Standard Rates on Operating Profit/(Loss)	**24.6**	95.9	**(35.5)**	32.8
Add increased taxation arising from:				
Goodwill amortisation	**8.8**	9.8	**1.6**	1.9
Net charge following creation of Accufix Settlement Funds in the United States of America	**23.5**	–	**5.5**	–
Other non-allowable permanent differences	**–**	19.5	**9.8**	12.3
Environmental provisions	**31.7**	–	**–**	–
Income tax over provided in prior years	**–**	–	**0.1**	–
Provision against amounts owing by wholly owned controlled entities			**30.9**	–
Deduct reduced taxation arising from:				
Tax rebate on dividends from investments	**0.1**	0.4	**104.1**	37.8
Tax exempt dividends from foreign companies	**0.1**	2.2		
Income tax under provided in previous years	**1.3**	1.8	**–**	1.6
Investment and export incentive allowances	**7.8**	0.1		
Net capital receipts not assessable	**(0.1)**	6.7		
Net lower overseas tax rates	**18.2**	27.3		
Other allowable permanent differences	**15.6**	5.2		
Share of associates' net profit	**1.1**	–		
Income Tax as per Profit and Loss Accounts Attributable to Operating Profit/(Loss)	**44.5**	81.5	**(91.7)**	7.6
Income tax provided comprises:				
Provision attributable to current year	**122.5**	108.1	**(14.1)**	7.1
Under provision in respect of previous years	**(6.6)**	(1.8)	**(1.0)**	(1.6)
Provision attributable to future years				
Deferred tax liability	**(14.4)**	(16.9)	**–**	–
Future income tax benefit	**(57.0)**	(7.9)	**(76.6)**	2.1
	44.5	81.5	**(91.7)**	7.6

Note 9

	The Company	
	1998 $ million	1997 $ million
Dividends Paid and Proposed		
Dividends paid or declared by the Company are:		
(a) an interim dividend of 7 cents (1997 – 7 cents) franked to 60 per cent (1997 – 60 per cent) was paid on 1 July 1998	**72.0**	71.8
(b) a final dividend of 7 cents (1997 – 7 cents) unfranked (1997 – 60 per cent) has been declared by the Directors	**72.1**	71.9

Dividend Franking Account

The balance of available franking credits in the franking account as at 30 June 1998 was $1.3 million (1997 – $0.3 million). The final dividend is unfranked. Sufficient franking credits are expected to arise during the year ending 30 June 1999 to cover the interim dividend paid in July 1998 which was franked to 60 per cent. No further franking credits are expected to arise during the year ending 30 June 1999.

Note 10

	Consolidated		The Company	
	1998 $ million	1997 $ million	**1998 $ million**	1997 $ million
Outside Equity Interests				
Outside equity interests comprise:				
Issued capital	**24.1**	24.5		
Reserves	**(3.9)**	(1.6)		
Retained profits at the beginning of the financial year	**12.4**	8.1		
(Losses)/profits for the year	**(1.0)**	7.1		
Dividends provided for during the year	**(4.9)**	(4.7)		
Outside equity interests (disposed)/acquired during the year	**(0.6)**	1.9		
Retained profits at the end of the financial year	**5.9**	12.4		
Total Outside Equity Interests	**26.1**	35.3		

Note 11

Cash				
Cash on hand	**1.6**	2.4	**0.1**	0.2
Cash at bank	**134.4**	124.3	**31.1**	33.1
Short-term deposits	**861.3**	1,065.1		
	997.3	1,191.8	**31.2**	33.3

Note 12

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Receivables				
Current				
Trade debtors	**671.9**	892.7	**162.6**	187.9
Less provision for doubtful debts	**34.1**	29.2	**7.8**	6.8
Less provision for rebates, allowances and warranty claims	**21.1**	34.4	**9.7**	8.0
	616.7	829.1	**145.1**	173.1
Amounts owing by wholly owned controlled entities			**2,161.1**	2,503.3
Less provision for doubtful debts			**85.9**	–
Amounts owing by partly owned controlled entities			**4.2**	33.2
Trade bills receivable	**–**	0.2		
Proceeds receivable on sale of GNB (Batteries) Group	**884.1**	–	**63.1**	–
Other amounts receivable	**102.5**	123.1	**12.2**	44.0
	1,603.3	952.4	**2,299.8**	2,753.6
Non-Current				
Trade debtors	**16.2**	20.3		
Other amounts receivable	**70.6**	74.8	**65.9**	66.8
Less provision for doubtful debts	**17.4**	17.2	**17.4**	17.2
	69.4	77.9	**48.5**	49.6
	1,672.7	1,030.3	**2,348.3**	2,803.2
Bad Debts Written Off against Provision for Doubtful Debts				
Trade debtors	**2.9**	6.0	**0.4**	0.4

	Consolidated 1998 $ thousand	Consolidated 1997 $ thousand	The Company 1998 $ thousand	The Company 1997 $ thousand
Included in other amounts receivable are:				
(i) Loans to employees in relation to the employee share plan				
– current	**782**	879	**782**	879
– non-current	**14,088**	16,710	**14,088**	16,710
(ii) Loans to Executive Directors of Pacific Dunlop Limited and Executives who are Directors of certain controlled entities secured under the Pacific Dunlop Housing Scheme repayable at a future date at concessional interest rates				
– current	**–**	42	**–**	42
– non-current	**1,050**	1,575	**1,050**	1,575
Repayments received	***767**	1,352	**767**	1,352
(iii) Other loans to Directors of controlled entities				
– current	**–**	14		
Repayments received	****14**	780		

**Repayments were received from H Boon, T Corcoran, I Campbell and G Spurling. A new loan was made to H Boon.*
***A Emerson repaid his interest free loan.*

Note 13

	Notes	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Inventories					
At Cost					
Raw materials		**89.5**	129.3	**31.7**	34.2
Work in progress		**53.8**	101.3	**19.7**	32.1
Finished goods		**596.3**	682.7	**129.7**	144.0
Other stock		**49.7**	14.3	**0.7**	0.9
		789.3	927.6	**181.8**	211.2
Net Realisable Value					
Raw materials		**3.9**	3.8	**2.3**	2.7
Work in progress		**0.9**	0.6	**–**	0.4
Finished goods		**12.4**	22.0	**2.9**	3.0
Other stock		**0.6**	–		
		17.8	26.4	**5.2**	6.1
		807.1	954.0	**187.0**	217.3

Note 14

	Notes	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Investments					
Shares in Controlled Entities					
Not quoted on a prescribed stock exchange:					
Pre 01/07/1987 – Directors' valuation 30/06/1987				**393.5**	394.5
Post 01/07/1987 – At cost				**2,645.1**	2,521.9
Total investment in controlled entities				**3,038.6**	2,916.4
Shares in Other Companies					
Quoted on a prescribed stock exchange:					
At cost		**–**	–	**–**	–
Not quoted on a prescribed stock exchange:					
At cost		**19.0**	9.9		
Directors' valuation			6.7		
Shares in Unlisted Associated Companies – Equity Accounted					
Equity Accounted	39	**26.5**			
Directors' valuation			46.4	**26.4**	26.4
Investment in Partnerships					
South Pacific Tyres		**115.0**	123.0		
Dunlop Skega		**2.9**	2.7		
		163.4	188.7	**26.4**	26.4
		163.4	188.7	**3,065.0**	2,942.8

Investments in controlled entities in the books of the Company that were acquired prior to 1 July 1987 were valued by the Directors at 30 June 1987 based on their net tangible asset value at that date.

The Directors consider that the carrying amount of the investments approximate their net fair value.

Note 15

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Property, Plant and Equipment				
(a) Freehold Land				
Independent valuation 31/12/1997	**54.3**		**9.9**	
Directors' valuation 31/12/1997	**4.6**		**1.0**	
Independent valuation 31/12/1994		60.7		6.0
Directors' valuation 31/12/1994		15.1		
At cost	**1.4**	16.4		3.7
	60.3	92.2	**10.9**	9.7
(b) Freehold Buildings				
Independent valuation 31/12/1997	**102.5**		**19.4**	
Directors' valuation 31/12/1997	**7.5**			
Independent valuation 31/12/1994		96.6		11.0
Directors' valuation 31/12/1994		16.4		0.7
	110.0	113.0	**19.4**	11.7
Less provision for depreciation	**1.6**	9.1	**0.3**	1.2
	108.4	103.9	**19.1**	10.5
At cost	**2.5**	112.8	**0.1**	5.4
Less provision for depreciation	**0.1**	10.8	**–**	0.1
	2.4	102.0	**0.1**	5.3
	110.8	205.9	**19.2**	15.8
(c) Leasehold Land and Buildings				
Independent valuation 31/12/1997	**48.7**			
Directors' valuation 31/12/1997	**6.7**			
Independent valuation 31/12/1994		61.7		
Directors' valuation 31/12/1994		3.4		
	55.4	65.1		
Less provision for amortisation	**0.8**	3.8		
	54.6	61.3		
At cost	**23.2**	37.7	**6.3**	3.5
Less provision for amortisation	**11.9**	14.4	**2.0**	1.5
	11.3	23.3	**4.3**	2.0
	65.9	84.6	**4.3**	2.0
(d) Plant and Equipment				
At cost	**1,044.9**	1,638.9	**343.2**	405.2
Less provision for depreciation	**590.1**	854.7	**204.4**	231.2
	454.8	784.2	**138.8**	174.0
(e) Leased Plant and Equipment				
At cost	**0.8**	1.8		1.0
Less provision for amortisation	**0.7**	1.0		0.4
	0.1	0.8		0.6
(f) Buildings and Plant under construction				
At cost	**43.0**	74.8	**7.9**	38.2
	734.9	1,242.5	**181.1**	240.3

The independent valuations of freehold and relevant leasehold land and buildings were undertaken as at 31 December 1997 by Richard Ellis (Victoria) Pty Ltd, on the basis of Market Value – Existing Use, subject to continued occupation by the operating entity or, where this was not the case, Market Value – Alternative Use. However, certain other freehold and leasehold properties, including both operative and idle sites, were valued at amounts different to these independent valuations. The latter are disclosed at Directors' valuation. The valuation has resulted in a reduction in land and buildings of $25.4 million and the consolidated asset revaluation reserve (after deducting outside equity interest) of $26.4 million.

Note 16

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Intangibles				
Brand Names				
At cost	**181.1**	171.5	**4.8**	4.8
Goodwill				
Directors' valuation 30/06/1992	**–**	39.2		
Directors' valuation 30/06/1996	**3.0**	4.1		
	3.0	43.3		
Less provision for amortisation	**0.8**	7.7		
	2.2	35.6		
At cost	**583.9**	550.5	**62.9**	62.9
Less provision for amortisation	**159.4**	117.6	**21.3**	17.5
	424.5	432.9	**41.6**	45.4
Total Goodwill	**426.7**	468.5	**41.6**	45.4
Total Intangibles	**607.8**	640.0	**46.4**	50.2

Capitalised brand names were subject to an independent valuation by Interbrand UK Limited as at 30 June 1997. The bases of the valuation used by the independent valuer were the earnings multiple basis and discounted cash flow basis. Both bases valued the brand names at a value in excess of the book value at 30 June 1997. The increment has not been booked and the brand names remain at cost.

Certain goodwill values were revalued downwards by the Directors at 30 June 1992 and at 30 June 1996. This resulted from the annual review of carrying values of goodwill performed as at those dates. The basis of valuation used to determine recoverable amount was the earnings multiple basis.

Note 17

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Future Income Tax Benefit				
Future income tax benefit arising from:				
Accumulated timing differences	**150.3**	141.2	**143.4**	63.4
Accumulated tax losses	**173.8**	136.3	**–**	3.1
	324.1	277.5	**143.4**	66.5

The Group has no unrecognised capital tax losses relating to controlled entities. Future income tax benefits of $125.2 million (1997 – $131.8 million) relating to trading tax losses of controlled entities have not been recognised in the accounts.

The benefit of those trading losses will only be obtained if:

(a) the controlled entities derive future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(b) the controlled entities continue to comply with the conditions for deductibility imposed by tax legislation; and

(c) no changes in tax legislation adversely affect the controlled entities in realising the benefits from the deductions for the losses.

Note 18

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Accounts Payable				
Current				
Amounts owing to wholly owned controlled entities			**1,611.9**	2,370.0
Amounts owing to partly owned controlled entities			**1.1**	5.4
Trade creditors	**427.7**	604.5	**99.6**	109.0
Bills payable	**4.2**	7.4	**–**	–
Other creditors	**159.8**	164.5	**139.9**	75.7
Lease liabilities	**–**	1.3	**–**	0.2
	591.7	777.7	**1,852.5**	2,560.3
Non-Current				
Trade creditors	**0.3**	0.8	**0.3**	0.2
Other creditors	**11.3**	2.5	**0.1**	–
Lease liabilities	**–**	3.0	**–**	0.5
	11.6	6.3	**0.4**	0.7
	603.3	784.0	**1,852.9**	2,561.0

Note 19

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Borrowings				
Current				
Bank overdrafts	**52.8**	20.1	**8.2**	6.1
Subordinated convertible bonds – US dollars	**–**	97.0	**–**	97.0
Bank loans repayable in:				
Canadian dollars	**8.9**	–		
New Zealand dollars	**8.5**	0.5		
US dollars	**22.9**	1.5		
Other currencies	**5.0**	6.3	**2.0**	–
Other loans repayable in:				
Australian dollars	**155.0**	380.3	**155.0**	349.7
Belgian francs	**–**	19.8	**–**	19.8
French francs	**24.3**	20.6	**24.3**	20.6
Malaysian ringgit	**0.2**	16.0	**–**	16.0
New Zealand dollars	**55.5**	29.1	**55.5**	20.9
Pounds sterling	**29.4**	–	**29.4**	–
Thai baht	**–**	29.0	**–**	29.0
US dollars	**1,056.4**	746.2	**892.6**	275.2
Other currencies	**0.5**	16.0	**–**	15.8
	1,419.4	1,382.4	**1,167.0**	850.1
Non-Current				
Bank loans repayable in:				
Other currencies	**0.9**	19.0		
Other loans repayable in:				
Australian dollars	**0.4**	1.1		
Malaysian ringgit	**0.2**	33.2	**–**	33.2
New Zealand dollars	**33.2**	48.2	**33.2**	48.2
Thai baht	**–**	27.4	**–**	27.4
US dollars	**800.0**	649.7	**610.3**	342.1
Other currencies	**13.4**	46.7	**12.6**	46.2
	848.1	825.3	**656.1**	497.1
	2,267.5	2,207.7	**1,823.1**	1,347.2

Note 19

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Borrowings (continued)				
Net Interest Bearing Debt				
Cash at bank and short-term deposits	**995.7**	1,189.4	**31.1**	33.1
Current borrowings	**1,419.4**	1,382.4	**1,167.0**	850.1
Current bills payable	**4.2**	7.4		
Current finance lease liabilities	**–**	1.3	**–**	0.2
Non-current borrowings	**848.1**	825.3	**656.1**	497.1
Non-current finance lease liabilities	**–**	3.0	**–**	0.5
Net interest bearing debt	**1,276.0**	1,030.0	**1,792.0**	1,314.8

The long-term foreign currency monetary liabilities predominantly represent the acquisition cost of investments in overseas countries and are therefore matched by assets in matching currencies. There are no material monetary assets or liabilities that are not effectively hedged for the next 12 months, except where this is not legally or economically feasible.

Note 20

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Provisions				
Current				
Provision for employee entitlements	**98.0**	118.3	**37.2**	38.7
Provision for contingencies	**53.2**	35.0	**32.6**	14.9
Provision for rationalisation and restructuring costs	**48.4**	50.5	**4.1**	5.1
Provision with respect to creation of Accufix Settlement Funds in the United States of America	**106.6**	–		
Provision for non-reimbursable patient monitoring costs, (where appropriate) non-reimbursable explantation costs, legal defence and other former Telectronics costs	**4.1**	26.1	**16.3**	0.4
Provision for environmental remediation	**25.2**	7.7	**–**	0.1
Provision for claims	**9.7**	10.5	**1.6**	1.6
Provision for dividend	**144.1**	143.7	**144.1**	143.7
Provision for income tax	**12.6**	60.8	**(1.3)**	(4.8)
	501.9	452.6	**234.6**	199.7
Non-Current				
Provision for employee entitlements	**51.8**	61.2	**5.9**	5.8
Provision with respect to creation of Accufix Settlement Funds in the United States of America	**38.2**	–		
Provision for non-reimbursable patient monitoring costs, (where appropriate) non-reimbursable explantation costs, legal defence and other former Telectronics costs	**19.3**	80.4		
Provision for environmental remediation	**90.7**	25.1		
Provision for deferred income tax	**39.3**	82.8		
	239.3	249.5	**5.9**	5.8
	741.2	702.1	**240.5**	205.5

Note 21

	Consolidated		The Company	
	1998 $ million	1997 $ million	**1998 $ million**	1997 $ million
Other Liabilities				
Current				
Deferred income	**1.4**	1.6	**1.1**	–
Amounts due under contractual arrangements	**1.4**	15.9	**1.4**	1.4
	2.8	17.5	**2.5**	1.4
Non-Current				
Deferred income	**–**	0.5	**–**	–
Amounts due under contractual arrangements	**35.8**	34.3	**20.3**	21.6
	35.8	34.8	**20.3**	21.6
	38.6	52.3	**22.8**	23.0

Note 22

	Consolidated		The Company	
Dissection of Liabilities				
Secured				
Bank overdrafts and other loans	**1.8**	11.1		
Unsecured				
Amounts owing to wholly owned controlled entities			**1,611.9**	2,370.0
Amounts owing to partly owned controlled entities			**1.1**	5.4
Bank overdrafts	**52.8**	20.1	**8.2**	6.1
Bank loans	**46.2**	27.3	**2.0**	–
Subordinated convertible bonds	**–**	97.0	**–**	97.0
Other loans	**2,166.7**	2,052.2	**1,812.9**	1,244.1
Lease liabilities	**–**	4.3	**–**	0.7
Trade creditors	**428.0**	605.3	**99.9**	109.2
Bills payable	**4.2**	7.4	**–**	–
Other creditors	**171.1**	167.0	**140.0**	75.7
Provisions (as per Note 20)	**741.2**	702.1	**240.5**	205.5
Other liabilities (as per Note 21)	**38.6**	52.3	**22.8**	23.0
	3,648.8	3,735.0	**3,939.3**	4,136.7
	3,650.6	3,746.1	**3,939.3**	4,136.7

Note 23	Consolidated		The Company	
	1998 $ million	1997 *$ million*	**1998 $ million**	1997 *$ million*
Expenditure Commitments				
(a) Contracts for Capital Expenditure for which no amounts have been provided				
Land and buildings	**1.1**	1.5	**0.1**	1.5
Plant	**12.8**	15.1	**0.9**	1.9
	13.9	16.6	**1.0**	3.4
Payable within one year	**12.1**	16.6	**1.0**	3.4
Later than one but within two years	**1.8**	–		
	13.9	16.6	**1.0**	3.4
(b) Lease Commitments				
Finance leases: Expenditure contracted and provided for				
Payable within one year	**–**	1.6	**–**	0.3
Later than one but within two years	**–**	1.5	**–**	0.2
Later than two but within five years	**–**	1.9	**–**	0.3
Minimum lease payments	**–**	5.0	**–**	0.8
Less future finance charges	**–**	0.7	**–**	0.1
Lease liability	**–**	4.3	**–**	0.7
Current portion (as per Note 18)	**–**	1.3	**–**	0.2
Non-current portion (as per Note 18)	**–**	3.0	**–**	0.5
	–	4.3	**–**	0.7
Operating leases: Expenditure contracted but not provided for				
Payable within one year	**55.3**	63.2	**16.6**	17.1
Later than one but within two years	**43.9**	48.6	**13.2**	14.4
Later than two but within five years	**68.6**	70.5	**23.5**	29.8
Later than five years	**64.8**	72.8	**25.8**	45.6
	232.6	255.1	**79.1**	106.9

Note 24

Superannuation

Pacific Dunlop Limited and certain controlled entities contribute to certain defined benefit and accumulation Superannuation Funds maintained to provide superannuation benefits for employees. A total of 22 Superannuation Funds have been established worldwide. The major defined benefit funds are listed below. Where applicable, amounts shown have been proportionately determined and are based on values extracted from the most recent financial reports of the respective funds.

	Pacific Dunlop Superannuation Fund *$ million*	Pacific Dunlop Executive Superannuation Fund *$ million*	GNB Incorporated Pension Plan *$ million*	Total of Major Funds *$ million*
Consolidated				
Net assets 30/06/1996	**167.3**	**163.8**	**152.7** (1)	**483.8**
Accrued benefits 30/06/1996	**163.4**	**124.7**	**134.4** (1)	**422.5**
Excess	**3.9**	**39.1**	**18.3** (1)	**61.3**
Net assets 30/06/1997	**192.8**	**195.8**	**231.5** (2)	**620.1**
Vested benefits 30/06/1997	**175.8**	**135.8**	**175.6** (2)	**487.2**
The Company				
Net assets 30/06/1996	**66.9**	**121.1**	–	**188.0**
Accrued benefits 30/06/1996	**63.0**	**82.0**	–	**145.0**
Excess	**3.9**	**39.1**	–	**43.0**
Net assets 30/06/1997	**84.9**	**145.7**	–	**230.6**
Vested benefits 30/06/1997	**68.4**	**85.7**	–	**154.1**
Country	Australia	Australia	USA	
Benefit type	Defined benefit/ Accumulation	Defined Benefit	Defined Benefit	
Basis of contribution	Balance of cost/ Defined Contribution	Balance of Cost	Balance of Cost	
Date of last actuarial valuation	01/07/1996	01/07/1996	31/03/1998	
Actuary	William M Mercer Pty Ltd	William M Mercer Pty Ltd	Towers Perrin	

(1) Amounts shown are based on values as at 31 March 1997.
(2) Amounts shown are based on values as at 31 March 1998. Accrued benefits as at 31 March 1998 were $199.5 million resulting in the fund having an excess of $32.0 million of net assets over accrued benefits.

In addition to the defined benefit plans described above, the GNB Incorporated Retirement Saving and Profit Sharing Plan operates in the USA and provides Accumulation type benefits on a defined contribution basis.

The liabilities of the Superannuation Funds in the event of termination of the funds or the voluntary or compulsory termination of employment of each employee are covered by the assets in the funds. The economic entity is obliged to contribute to the Superannuation Funds as a consequence of Legislation or Trust Deeds; legal enforceability is dependent on the terms of the Legislation or the Trust Deeds.

Note 24

Superannuation (continued)

Definitions

Balance of cost – The economic entity's contribution is assessed by the actuary by taking into account the members' contribution and the values of the assets.

Defined contribution – The economic entity's contribution is set out in the appropriate fund rules, usually as a fixed percentage of salary.

Accrued benefits – The present value of benefits which the fund is presently obliged to transfer in the future to members and beneficiaries as a result of membership of the fund to the calculation date.

Vested benefits – Benefits which are not conditional upon the continued membership of the respective fund or any factor other than resignation from the fund.

	Consolidated		*The Company*	
	1998 $ million	1997 $ million	**1998 $ million**	1997 $ million
Contributions made to defined benefit funds during the year	**22.2**	31.8	**11.7**	13.3
Contributions made to accumulation funds during the year	**5.6**	6.8	**4.8**	0.4

Note 25

Ownership-Based Remuneration Schemes

Executive and Employee Share Plans

The Company has operated two share plans for employees and Directors of the economic entity:

– the Pacific Dunlop Executive Share Plan ('Executive Plan'), and

– the Pacific Dunlop Employee Share Plan ('Employee Plan').

No issue of shares has been made under either Plan since February 1994 and the Board determined during 1996 that no further issues of shares will be made under the Executive Plan.

The Employee Plan permits full time and part time employees, who have completed three or more years continuous service within the economic entity and who do not participate in the Executive Plan (which at 30 June 1998 numbered 6,111), to acquire 100 ordinary shares of 50 cents each in the capital of the Company for each completed year of service. The shares are issued at market value as at the date of issue, payable as to 10 cents per share by the employee, the balance financed by an interest free loan from the Company repayable, at latest, on cessation of employment. The shares are not transferable while a loan remains outstanding, but carry a voting right and an entitlement to dividends (although dividends are applied in reduction of the loan). Invitations are made under the Employee Plan from time to time. As at reporting date no offer to employees was outstanding. The aggregate number of Employee Plan Shares on issue may not exceed 5 per cent of the total issued capital of the Company.

As stated earlier, the Executive Plan is no longer available for new issues. Shares issued under that Plan to selected employees ('Executives') were paid up to 1 cent and were subject to restrictions for a determined period (for the 1993/1994 issue – 8¾ years). While partly paid, the shares are not transferable, carry no voting right 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. Market price at the date of the call is payable if an Executive ceases employment within the economic entity (other than for death, retrenchment or retirement) prior to expiration of the restriction period. Once restrictions cease the price payable upon a call being made will be the lesser of $2.00 ($0.50 for issues prior to 13 September 1991) and the last sale price of the Company's ordinary shares on Australian Stock Exchange Limited. No further issues of shares will be made under this Plan following a decision of the Board in 1996. The aggregate number of Executive Plan Shares on issue could not exceed 5 per cent of the total issued capital of the Company.

Note 25

Ownership-Based Remuneration Schemes (continued)

The Company's accounting policy in respect of the Employee Plan is to recognise the paid up capital and share premium 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 quantifiable at the time of issue. Once a call had been made upon the shares and paid, the Company recognised the increase in paid up capital and share premium. The number of Employee Share Plan Shares (ordinary plan shares paid to 50 cents) and the number of Executive Plan Shares (ordinary plan shares paid to one cent) as at balance date are shown in Note 5. A loss of $90,000 after tax in respect of the Employee Share Plan was recognised in the Company and the consolidated accounts for 1998 (1997 – $611,000 loss after tax).

The market price of the Company's shares as at 30 June 1998 was $2.63.

Executive Share Option Plan
The Executive Share Option Plan enables the Company to make issues of options to a limited number of senior executives in the Group subject to the total number of options (inclusive of options to the Managing Director and shares under the Company's Executive and Employee Share Plans) not exceeding 5 per cent of the listed ordinary shares in the capital of the Company. The executive options under the Plan will be available at the discretion of the Board with separate performance conditions governing the exercise of the options. The options are granted at no cost to executives and are exercisable at a price based on the weighted average price of the Company's shares during the five days up to and including the date of the grant of the options and will also be increased by the amount (if any) by which the increase in the Consumer Price Index over the period of the options exceeds the dividend yield upon the Company's shares. A copy of the full rules of the Plan are available to shareholders upon request.

During the year, 7,290,000 options were granted to twenty executives (including 600,000 to R B Hershan, an Executive Director), 1,200,000 have subsequently lapsed. The options issued under the Plan are in addition to the 1,800,000 options granted to the Managing Director on 25 November 1996, details of which are set out in Note 35(c).

No options were exercised during the period to 30 June 1998.

Note 26

	Consolidated		The Company	
	1998	1997	**1998**	1997
	$ million	*$ million*	***$ million***	*$ million*
Contingent Liabilities				
Secured				
Other amounts arising in the ordinary course of business	**4.8**	2.0		
Unsecured				
Other amounts arising in the ordinary course of business	**31.2**	37.1	**22.3**	21.1
	36.0	39.1	**22.3**	21.1

Pacific Dunlop Limited has guaranteed the performance of certain controlled entities that participate in commercial paper, medium term note and bond issues. The extent of the paper issued by these controlled entities as at 30 June 1998 was $355.6 million (1997 – $805.9 million).

Pacific Dunlop Limited has also guaranteed the performance of certain wholly owned controlled entities which have negative shareholders' funds.

Tax authorities in Australia and the United States of America have for some time been reviewing the affairs of Pacific Dunlop Limited and certain controlled entities. Certain issues raised by the tax authorities may eventually need to be tested in the Courts. The Australian tax authorities have issued protective amended assessments in respect of one of these issues. The Company has obtained Senior Counsel's opinion which strongly supports its position and will vigorously contest the assessments relating to this issue. As the issues have not been finalised there is no basis at this stage to estimate the likely outcome. However, it is considered that the probable outcome of these issues will not have a material effect on the Company, or its controlled entities.

Put and Call Options
Put and call options in relation to potential assets and liabilities of material significance to the economic entity as at 30 June 1998 relate to the acquisition of further equity interests in Meadow Gold Investment Co Ltd. Due to the period of the options and the variability of the factors upon which future transaction prices will be set, it is not possible to accurately quantify the potential financial effect on the carrying amounts of assets and liabilities and the effect on the profit in the accounts for the year ended 30 June 1998 in the event that the outcome differs from that brought to account.

Note 26

Contingent Liabilities (continued)

Year 2000 Systems Operations

The economic entity has plans in place to minimise any adverse impact in servicing its customers due to date-related issues to beyond the Year 2000. Broadly, plans cover four categories: Business systems, facilities and equipment, suppliers and customers. Potential exposures for each category have been identified and analysed, and appropriate compliance plans developed to address Year 2000 compliance. The additional expenditure for the replacement and modification of existing systems is budgeted to be $15.4 million over the three years to December 1999.

While the economic entity has taken broad steps to identify the potential contingency plan that would be required if Year 2000 compliance is not attained, current lead times are such that formal planning and implementation is not yet required. However, critical dates are being closely monitored and contingency plans will be put in place, if appropriate.

Indemnities and Guarantees

As previously disclosed, a wholly owned controlled entity provided indemnities in favour of Directors of entities involved in the float of Cochlear Limited during 1996 against civil liabilities that may be incurred through participation in the float and signing of the prospectus and, in one case, from continuing to act as a Director of a controlled entity. The Company provided a guarantee in support of certain of these indemnities.

As disclosed in Note 35(d), the Company has entered into Deeds of Indemnity with each of the Directors of the Company named in that Note and with certain officers of controlled entities, in relation to liabilities that they may incur (other than to Group companies) as Directors of the Company and Directors of certain controlled entities, respectively to the extent permitted by law and the Company's Articles of Association.

At this time, no liabilities the subject of any such indemnity have been identified and, accordingly, it is not possible to quantify any financial obligation of the economic entity under these indemnities and of the Company pursuant to its guarantee.

Accufix Litigation

As referred to in previous reports, claims have been made against Accufix Research Institute Inc. (formerly TPLC Inc.) ('ARI'), certain other wholly owned controlled entities of Pacific Dunlop Limited and, in some instances, Pacific Dunlop Limited (collectively 'the Defendants') relating to the Accufix Pacing Leads models 329-701, 330-801 and 033-812 manufactured by ARI, which were withdrawn in late 1994 following reports of fracture of the 'J' shaped retention wire, which forms part of the lead (the 'Accufix Pacing Leads').

Approximately 40,500 Accufix Pacing Leads were implanted worldwide between 1987 and 1994.

The first lawsuit arising out of these claims was filed on 18 January 1995 in the United States. Lawsuits were subsequently filed in Canada, Australia, France, Germany, the UK and Turkey.

In Canada, Australia and the United States the lawsuits principally took the form of class or representative action lawsuits.

Canada – On 3 October 1997 the Ontario Court of Justice in Canada approved a settlement between ARI and the plaintiffs in the Canadian class action comprising all persons (and their families) implanted with an Accufix Pacing Lead and resident in Canada, and also the plaintiffs in a related piece of litigation brought by certain hospitals in Canada.

The maximum amount payable under the settlement was C$23,140,000, and it has been met from proceeds to be received from ARI's insurers.

Australia – On 16 June 1998 the Group's insurers reached preliminary agreement to resolve all the claims of persons in Australia whose Accufix Pacing Leads have been, or will be, explanted. This settlement was granted formal approval by the Federal Court of Australia, sitting in Sydney, on 11 August 1998. It is expected that this settlement will also be covered by insurance.

The Australian settlement does not resolve the claims of persons with working leads ('the Australian Monitoring Class'). It is understood solicitors acting for this Group intend to press litigation seeking monetary compensation for these people.

United States of America – As of 1 July 1998, 494 lawsuits arising out of claims involving the Accufix Pacing Lead were pending in various States in the United States.

On 23 July 1998 the United States District Court for the Southern District of Ohio granted interim approval to a proposed settlement intended to resolve all current and future litigation in the United States arising out of the Accufix Pacing Leads. As part of this approval the Court issued an injunction temporarily halting all 494 pending lawsuits in the United States.

The settlement, if approved at a fairness hearing to be held in Cincinnati, Ohio on 19 November 1998 (subject to appeal) will bind all persons who are residents in or citizens of the United States, implanted with an Accufix Pacing Lead (and their families) and will ensure that no further lawsuits relating to the Accufix Pacing Leads can be brought in the future. As a consequence of the proposed settlement, four funds will be established:

– a Patient Benefit Fund of US$57.3 million (A$93.5 million) to satisfy all present and future damages claims made by US citizens and residents implanted with the Accufix Pacing Lead (and their families), and to meet all future unreimbursed US medical costs and patient monitoring payments related to the Accufix Pacing Lead;

Note 26

Contingent Liabilities (continued)

- a Reserve Fund to allow the Defendants to utilise up to US$4.0 million (A$6.5 million) to recoup the costs of enforcing the settlement against plaintiffs and their attorneys who attempt to continue to litigate;
- a special Litigation Fund of US$6.7 million (A$11.1 million) to meet all future non-Accufix Pacing Lead product liability or other claims made upon Accufix Research Institute Inc.; and
- an Operating Fund of approximately US$20.5 million (A$33.5 million) to be drawn on by Accufix Research Institute Inc. to meet its continuing operating needs (including clinical studies, patient management recommendations and compliance with regulatory authorities worldwide).

Accufix Research Institute Inc. will contribute US$78.5 million (A$128.3 million) to the four funds, thus applying all of its available cash resources. Pacific Dunlop Limited will contribute US$10.0 million (A$16.3 million) to the Patient Benefit Fund. Any surplus from the Litigation Fund and the Operating Fund will be either added to the Patient Benefit Fund, or distributed to charity at the discretion of the Court in the event Accufix Research Institute Inc. is liquidated. Any surplus from the Reserve Fund will be added to the Patient Benefit Fund three years after the final formal approval to the settlement is granted by the Court.

Rest of World – As at the date of this report there also remain pending 12 individual suits by a single plaintiff; five of these suits are in the UK, three each in Germany and France and one in Turkey.

Impact – The proposed settlement in the United States requires payments totalling A$144.6 million to be made. This sum has been fully provided for (see Note 20).

Product liability of the nature faced by the Group worldwide with respect to the Accufix Pacing Lead is complex, and in the case of the litigation to be maintained in Australia on behalf of the Monitoring Class, not covered by precedent and therefore uncertain in its outcome. Taking these factors into account, and recognising that the proposed settlement in the United States has yet to be finally approved, it is not possible to quantify the exposure of the Defendants further.

Encor Lead Litigation

On 17 March 1997, a putative class action lawsuit was filed in the United States District Court for the Eastern District of California, sitting in Sacramento, California, against ARI and affiliates, including Pacific Dunlop Limited, on behalf of all United States implantees of Telectronics' Encor 330-854 and Encor 033-856 bipolar passive fixation atrial 'J' pacemaker leads. The plaintiff has not filed a motion seeking class certification, and a class has not been certified.

The Encor bipolar passive leads were voluntarily withdrawn from the market in September 1995 as a precautionary measure following five reported incidents of protrusion of a 'J' shaped retention wire within the lead. All Defendants have filed answers to the plaintiff's complaint, and deny any liability to the plaintiff. This action is currently proceeding with discovery.

Of the Encor 330-854 bipolar passive leads, 9,049 were distributed in the United States between 1989 and the voluntary withdrawal. No Encor 033-856 bipolar passive leads were distributed in the United States.

Ansell Latex Allergy Litigation

As referred to in last year's report, Ansell Incorporated, Ansell Perry Inc., Ansell Edmont Industrial Inc., certain other wholly owned controlled entities of Pacific Dunlop Limited, and, in some instances, Pacific Dunlop Limited (collectively 'the Ansell Defendants') (along with a wide variety of manufacturers and distributors of latex gloves) are defendants in lawsuits filed in the United States since 1993 on behalf of individuals alleging personal injuries and lost wages as a result of their exposure to natural rubber latex gloves. The lawsuits claim that the Ansell Defendants and other manufacturers of latex gloves were negligent in the design and manufacture of the gloves and failed to give adequate warnings of the possibility of allergic reactions. As of 1 July 1998, there were approximately 148 such cases pending (two of these cases initially sought class action status but the class status applications have been withdrawn by plaintiffs' counsel) against one or more of the Ansell Defendants representing some 52 per cent of all cases filed. To date Ansell Defendants have been dismissed as a party in 13 separate cases, and in one case Pacific Dunlop Limited has specifically been released for lack of jurisdiction.

All of the latex glove cases are still in the early stages of the discovery phase of litigation. It is expected that during the next six months the focus of discovery will move from product identification issues to the discovery on the merits of the matters at issue. No trial date has yet been set in any case in which any of the Ansell Defendants are involved. With the uncertainty created by the multiplicity of defendants in these cases and the difficulty of determining whose natural rubber latex gloves were utilised by particular plaintiffs, the liability of the Ansell Defendants (if any) in relation to these claims cannot be quantified.

Divestments

Various entities within the Group are involved in disputes with purchasers of various businesses as to the balance of the purchase price payable. The claims are likely to proceed to independent determination. The financial impact of these disputes upon the Group cannot be quantified at this time, but each claim is being defended.

Note 27

Financial Instruments

Derivative Financial Instruments

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

(i) Forward/Future Contracts

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

(ii) Options

This is a contract between two parties, which gives the buyer of a put or call option the right, but not the obligation, to transact at a specified 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 these contracts are principally between two and five years.

Interest Rate Risk

Interest Rate Risk Exposures

The economic entity'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:

	Weighted Average Effective Interest Rate	Floating	Interest Rate, Fixed Maturities: 1 year or less	2 to 5 years	Over 5 years	Non Interest Bearing	Total
	%	$ million	$ million	$ million	$ million	$ million	$ million
Financial Assets							
On-Balance Sheet							
Cash on hand and at bank	3.2	134.4	–	–	–	1.6	136.0
Short-term deposits	5.4	193.2	668.1	–	–	–	861.3
Receivables – trade	n/a	–	–	–	–	632.9	632.9
Receivables – other	0.2	1.9	–	2.4	0.2	1,035.3	1,039.8
Investments (excl. associated companies)	1.3	10.0	–	–	–	126.8	136.8
Total Financial Assets 1998		339.5	668.1	2.4	0.2	1,796.6	2,806.8
Total Financial Assets 1997		439.4	758.0	–	–	1,160.3	2,357.7
Financial Liabilities							
On-Balance Sheet							
Payables – trade	n/a	–	–	–	–	428.0	428.0
Payables – other	n/a	–	–	–	–	171.1	171.1
Payables – bills	n/a	–	–	–	–	4.2	4.2
Bank overdraft	8.5	52.8	–	–	–	–	52.8
Bank and other loans	6.3	1,700.5	87.9	254.3	171.6	0.4	2,214.7
Provisions	n/a	–	–	–	–	474.3	474.3
Amounts due under contractual arrangements	n/a	–	–	–	–	37.2	37.2
Off-Balance Sheet							
Net forward rate agreements	6.0	25.0	(25.0)	–	–	–	–
Net interest rate swaps	6.2	30.6	(191.2)	176.9	(16.3)	–	–
Total Financial Liabilities 1998		1,808.9	(128.3)	431.2	155.3	1,115.2	3,382.3
Total Financial Liabilities 1997		2,229.4	(179.4)	90.6	67.1	1,131.1	3,338.8
Net Financial Assets/(Liabilities) 1998		(1,469.4)	796.4	(428.8)	(155.1)	681.4	(575.5)
Net Financial Assets/(Liabilities) 1997		(1,790.0)	937.4	(90.6)	(67.1)	29.2	(981.1)

Note 27

Financial Instruments (continued)

Interest Rate Risk (continued)

Provisions, including amounts contained within income tax, deferred income tax, contingencies, rationalisation and restructure, patient monitoring, explantation and legal, Accufix Settlement Funds, environmental remediation, insurance claims and certain employee entitlements amounting to $266.9 million (1997 – $405.2 million) are not included within the table on page 66 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 19 – Borrowings.

Credit Risk and Net Fair Value

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-Balance Sheet Financial Instruments

(i) Credit Risk

The credit risk on financial assets, excluding investments, of the economic entity which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

The economic entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various countries.

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

(ii) Net Fair Value

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

Off-Balance Sheet Financial Instruments

Credit risk on off-balance sheet 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 economic entity's exposure is almost entirely (over 99 per cent) to banks.

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 economic entity in the event that all counterparties who have amounts outstanding to the economic entity under derivative financial instruments fail to honour their side of the contracts. The economic entity's exposure is almost entirely to banks (see (iv) on page 68).

Amounts owed by the economic entity 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 owing to financial institutions under all derivative financial instruments would have been $21.9 million (1997 – $48.1 million) if all contracts were closed out on 30 June 1998.

Note 27		Face Value		Credit Risk		Net Fair Value	
		1998 $ million	1997 $ million	**1998 $ million**	1997 $ million	**1998 $ million**	1997 $ million
Financial Instruments (continued)							
Foreign Exchange Contracts							
Purchase/Sale Contracts	– US dollars	**1,278.0**	1,854.1	**95.7**	53.0	**10.3**	(13.8)
	– Australian dollars	**746.5**	1,083.8	**–**	–	**–**	–
	– Malaysian ringgit	**119.3**	101.6	**2.9**	2.2	**(2.9)**	(1.5)
	– Other currencies	**204.2**	542.5	**17.5**	23.9	**(0.1)**	0.3
Cross Currency Swaps	– US dollars	**145.3**	200.0	**18.3**	9.0	**(14.0)**	(14.8)
	– New Zealand dollars	**107.9**	142.5	**–**	–	**(3.2)**	(3.1)
	– Other currencies	**66.2**	194.5	**–**	–	**(8.8)**	(5.1)
Interest Rate Contracts							
Swap	– US dollars	**514.9**	393.3	**0.6**	–	**(3.3)**	(4.7)
	– Australian dollars	**500.0**	800.0	**1.2**	2.3	**1.2**	3.5
	– New Zealand dollars	**83.8**	87.3	**0.3**	–	**–**	(0.3)
	– Other currencies	**–**	20.4	**–**	–	**–**	(0.6)
Forward Rate Agreements	– Australian dollars	**75.0**	10.7	**0.1**	–	**0.1**	–
Commodity Contracts							
Futures	– US dollars	**43.0**	132.4	**0.9**	–	**(1.2)**	(7.4)
	– Other currencies	**–**	5.6	**–**	–	**–**	(0.6)
Total		**3,884.1**	5,568.7	**137.5**	90.4	**(21.9)**	(48.1)

(iv) Credit Risk by Maturity

The following table indicates the value of amounts owing by counterparties by maturity. It shows 90.2 per cent (1997 – 93.4 per cent) of the exposures have less than a 12 month maturity and therefore, 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 economic entity of the counterparty default loss is not material.

	Foreign Exchange Related Contracts		Interest Rate Contracts		Commodity Contracts		Total	
	1998 $ million	1997 $ million	**1998 $ million**	1997 $ million	**1998 $ million**	1997 $ million	**1998 $ million**	1997 $ million
Term								
0 to 6 months	**106.8**	63.8	**1.0**	1.5	**0.9**	–	**108.7**	65.3
6 to 12 months	**14.9**	19.2	**0.4**	–	**–**	–	**15.3**	19.2
1 to 2 years	**3.6**	–	**–**	0.8	**–**	–	**3.6**	0.8
2 to 5 years	**9.1**	3.5	**0.5**	–	**–**	–	**9.6**	3.5
5 to 10 years	**–**	1.6	**0.3**	–	**–**	–	**0.3**	1.6
Total	**134.4**	88.1	**2.2**	2.3	**0.9**	–	**137.5**	90.4

(v) Market/Liquidity Risk

The economic entity seeks to reduce the risk of:

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

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

by:

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

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

(vi) Historical Rate Rollovers

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

Note 27

Financial Instruments (continued)

Hedges and Anticipated Future Transactions

The following table shows the economic entity's deferred gains and (losses), both realised and unrealised, that are currently held on the Balance Sheet and the expected timing of recognition as revenue or expense:

	Interest Rate		*Foreign Exchange*		*Commodity*	
	1998 $ million	1997 *$ million*	**1998 $ million**	1997 *$ million*	**1998 $ million**	1997 *$ million*
Term						
Anticipated Exposures						
Less than 1 year			**0.3**	1.4	**0.9**	(1.2)
Realised Swaps Deferred						
Less than 1 year	**–**	(0.4)				
1 to 2 years	**–**	0.1				
2 to 5 years	**7.2**	7.0				
Greater than 5 years	**(0.9)**	(1.0)				

There were no amounts of unrecognised gains or losses at year end (1997 – Nil).

Note 28

	The Company	
	1998 $ thousand	1997 *$ thousand*
Directors' and Executives' Remuneration		
Directors		
Aggregate remuneration paid or payable to Directors: (a)(c)(d)		
Salaries of Pacific Dunlop Limited Executive Directors and Directors' fees	**2,333**	2,372
Performance-based bonuses paid to Executive Directors	**129**	56
Other benefits (d)	**620**	3,211
Total remuneration of Directors of Pacific Dunlop Limited	**3,082**	5,639

Consolidated – Remuneration of Directors of all Group companies:

1998 – $26,709,000 (d)

1997 – $32,284,000 (d)

	Consolidated		*The Company*	
	1998 $ thousand	1997 *$ thousand*	**1998 $ thousand**	1997 *$ thousand*
Executives				
Aggregate remuneration of the twelve Senior Executives: (a)(b)(c)(d)(e)				
Salaries	**5,141**	4,642	**3,825**	3,865
Performance-based bonuses	**632**	652	**129**	423
Other benefits (d)	**2,473**	1,254	**2,205**	1,127
Total remuneration of Executives	**8,246**	6,548	**6,159**	5,415

(a) The above values for Directors and Executives include amounts paid to superannuation funds in respect of their retirement.
(b) Includes Executive Directors of the Company disclosed within the remuneration of Directors.
(c) Any benefit arising from the grant of options to the Managing Director or other Executives which may subsequently be derived is not quantified and accordingly, has not been included in remuneration disclosed above. For details in relation to the options, refer Note 35(c).
(d) Includes retirement and/or statutory benefits paid to Directors and Executives.
(e) Executives for this disclosure include only those persons who are members of the reconstituted Executive Committee which determines the operational management and strategic direction of the economic entity. This disclosure is a change for 1997/98 and prior year values have been restated. As a result of this change, the disclosure includes two overseas-based Executives whose total remuneration in 1998 was $2.1 million (1997 – $1.1 million).

Note 28

Directors' and Executives' Remuneration (continued)

The number of Directors and Senior Executives whose total remuneration fell within the following bands.[(a)(b)(c)(d)(e)]

	Executives				Directors	
	Consolidated		The Company		The Company	
(Dollars)	**1998**	1997	**1998**	1997	**1998**	1997
0 to 10,000					**1**	
10,001 to 20,000						1
20,001 to 30,000					**1**	
40,001 to 50,000					**1**	
50,001 to 60,000					**1**	1
60,001 to 70,000					**4**	3
70,001 to 80,000						1
80,001 to 90,000						1
90,001 to 100,000					**1**	1
160,001 to 170,000					**1**	
200,001 to 210,000						1
310,001 to 320,000	**1**		**1**			
340,001 to 350,000	**1**		**1**			
350,001 to 360,000		1		1		
380,001 to 390,000	**2**		**2**			
390,001 to 400,000	**1**	1	**1**	1		
440,001 to 450,000		2		2		
480,001 to 490,000		1		1		
500,001 to 510,000		2		2		
530,001 to 540,000		1				
570,001 to 580,000	**1**		**1**		**1**	
590,001 to 600,000		1				
650,001 to 660,000		1		1		1
720,001 to 730,000		1		1		1
830,001 to 840,000[(d)]	**1**		**1**			
880,001 to 890,000	**1**		**1**		**1**	
890,001 to 900,000		1		1		1
950,001 to 960,000[(d)]	**1**		**1**		**1**	
1,030,001 to 1,040,000	**1**					
1,040,001 to 1,050,000	**1**					
1,070,001 to 1,080,000[(d)]	**1**		**1**			
2,620,001 to 2,630,000[(d)]						1
Total number of Directors and Executives	**12**	12	**10**	10	**13**	13

(a) The above values for Directors and Executives include amounts paid to superannuation funds in respect of their retirement.
(b) Includes Executive Directors of the Company disclosed within the remuneration of Directors.
(c) Any benefit arising from the grant of options to the Managing Director or other Executives which may subsequently be derived is not quantified and accordingly, has not been included in remuneration disclosed above. For details in relation to the options, refer Note 35(c).
(d) Includes retirement and/or statutory benefits paid to Directors and Executives.
(e) Executives for this disclosure include only those persons who are members of the reconstituted Executive Committee which determines the operational management and strategic direction of the economic entity. This disclosure is a change for 1997/98 and prior year values have been restated. As a result of this change, the disclosure includes two overseas-based Executives whose total remuneration in 1998 was \$2.1 million (1997 – \$1.1 million).

Note 29

Service Agreements

Provided for in the Accounts

The Company at 30 June 1998 had agreements with each of the Non-Executive Directors which provide for benefits upon termination. The full extent of the liabilities of the Company under these agreements has been undertaken by a superannuation fund of which the Company is employer sponsor.

Note 30

Notes to the Business Segments Statement

(a) Tyre Operations

Includes the economic entity's 50 per cent partnership share, viz:

	Total		*Australia*		*Asia*	
	1998 $ million	1997 *$ million*	**1998 $ million**	1997 *$ million*	**1998 $ million**	1997 *$ million*
Operating revenue	**457.5**	471.7	**453.0**	466.6	**4.5**	5.1
Assets employed	**291.1**	293.9	**288.3**	290.3	**2.8**	3.6
Operating profit	**31.9**	37.9	**31.7**	37.8	**0.2**	0.1

and the economic entity's interest in the underlying revenue, assets and profit of the New Zealand operation.

(b) Tyre Partnership Adjustments

Represents, in accordance with the requirements of Accounting Standards:

– the elimination of the economic entity's 50 per cent partnership share of the underlying total assets employed in such businesses;
– the recognition of the economic entity's 50 per cent partnership share of the underlying interest costs of such businesses;
– the elimination of the economic entity's interest in the underlying revenue and assets of the New Zealand operation;

and the recognition of the economic entity's investment in the Partnership and the New Zealand operation.

(c) Unallocated Revenue and Costs

Represents corporate costs and other costs not allocated to Operating Groups and non-sales revenue.

(d) Abnormal Items

The amount reported as Operating Revenue in respect of abnormal items represents the proceeds receivable on the sale of GNB (Batteries) Group.

(e) Cash

Includes Cash of Operating Groups.

(f) Industry Segments

Details of industry segments are described in the Review of Operations section of the Annual Report.

(g) Inter-Segment Transactions

Operating revenue is shown net of inter-segment values. Accordingly, the operating revenues shown in each segment reflect only the external sales made by that segment. The only significant inter-segment sales were made by Cables and Engineered Products – $88.0 million (1997 – $100.2 million), Asia and New Zealand – $300.3 million (1997 – $267.2 million) and America – $58.7 million (1997 – $45.0 million). Inter-segment sales are predominantly made at the same prices as sales to major customers.

(h) Manufacturing Regions

The allocations of Operating Revenue, Assets Employed and Operating Results reflect the geographical regions in which the relevant assets are employed and products manufactured.

Note 31

	Consolidated		The Company	
	Acquisitions $ million	**Disposals $ million**	**Acquisitions $ million**	**Disposals $ million**
Notes to the Statements of Cash Flows				
(a) Businesses Acquired and Disposed				
During the year a number of controlled entities and businesses were acquired and disposed. The details are as follows:				
Net assets acquired/(disposed)				
Property, plant and equipment	**4.8**	**(536.2)**	**–**	**(41.5)**
Investments	**–**	**(3.5)**	**–**	**(0.2)**
Future income tax benefit	**–**	**(40.3)**	**–**	**0.5**
Trade debtors and other amounts receivable	**1.2**	**(266.3)**	**–**	**(9.0)**
Inventories	**2.8**	**(225.9)**	**–**	**(31.8)**
Other assets	**–**	**(61.6)**	**–**	**–**
Bank and other loans	**(1.6)**	**–**	**–**	**–**
Creditors and other liabilities	**(2.2)**	**172.3**	**–**	**0.5**
	5.0	**(961.5)**	**–**	**(81.5)**
Goodwill	**4.5**	**(37.8)**	**–**	**–**
Outside equity interests	**(1.2)**	**–**	**–**	**–**
Net loss/(gain) (including cost of environmental provision on exit of GNB (Batteries) Group)	**–**	**81.9**	**–**	**(4.5)**
	8.3	**(917.4)**	**–**	**(86.0)**
Consideration				
Cash paid/(received)	**8.3**	**(33.3)**	**–**	**(22.9)**
Cash payable/(receivable)	**–**	**(884.1)**	**–**	**(63.1)**
	8.3	**(917.4)**	**–**	**(86.0)**
Outflow/(inflow) of cash				
Cash consideration	**8.3**	**(33.3)**	**–**	**(22.9)**
Less: Balances (acquired)/disposed				
Cash (net of overdrafts)	**–**	**–**	**–**	**–**
	8.3	**(33.3)**	**–**	**(22.9)**
Cash consideration paid/(received) during the year on prior year disposals	**15.5**	**(2.7)**	**–**	**(2.0)**
	23.8	**(36.0)**	**–**	**(24.9)**

	Consolidated		The Company	
	1998 $ million	1997 $ million	**1998 $ million**	1997 $ million
(b) Non-Cash Financing and Investing Activities				
(i) Plant and Equipment Fair value of assets acquired under finance leases	**–**	0.5	**–**	0.5

(ii) Convertible Bonds

In 1997, Convertible Bonds of $2,533 were converted to 1,185 fully paid ordinary 50 cent shares.
No Convertible Bonds were converted during the financial year ended 30 June 1998.

(c) Financing Facilities

The economic entity and the Company have fully committed long-term finance facilities of US$350 million – A$572 million (1997 – US$350 million – A$470 million) and NZ$60 million – A$50 million (1997 – NZ$80 million – A$73 million). At the end of the financial year, these facilities were unused.

Note 31

Notes to the Statements of Cash Flows (continued)

(c) Financing Facilities (continued)

The US dollar long-term facilities are all available as swingline or Euro Notes. They are underwritten by 15 banks and are all available to the Company and partially available to three wholly owned controlled entities. The NZ dollar facilities are available in the form of bank bill borrowings.

In addition, the economic entity has cash reserves (net of bank overdrafts) of $944.5 million (1997 – $1,171.7 million) available to support borrowings. The Company has cash reserves of $23.0 million (1997 – $27.2 million). See Note 31(e) for more details.

		Consolidated		*The Company*	
	Notes	**1998 $ million**	1997 *$ million*	**1998 $ million**	1997 *$ million*
(d) Reconciliation of net cash provided by Operating Activities to Operating Profit/(Loss) after Income Tax and Abnormal Items					
Operating profit/(loss) after income tax and abnormal items		**23.8**	184.9	**(6.9)**	83.5
Depreciation		**150.1**	141.0	**47.6**	42.8
Amortisation		**44.5**	43.6	**5.5**	8.5
Provision for doubtful debts – trade		**12.3**	15.9	**3.0**	1.0
Provision for doubtful debts – wholly owned controlled entities				**85.9**	–
Write down of non-current assets		**–**	12.3	**–**	–
Items classified as financing activities:					
Interest received		**(53.5)**	(74.4)	**(4.5)**	(87.0)
Interest and borrowing costs paid		**156.5**	163.8	**115.5**	177.5
Change in assets and liabilities net of effect from acquisitions and disposals of controlled entities and businesses:					
(Increase)/Decrease in trade debtors		**(92.0)**	(6.4)	**17.9**	(23.1)
(Increase)/Decrease in inventories		**(76.3)**	65.4	**(1.5)**	29.6
Decrease/(Increase) in prepaid expenses		**9.5**	(1.2)	**2.1**	2.0
Increase/(Decrease) in creditors and bills payable		**40.4**	(13.2)	**(6.9)**	3.8
(Decrease)/Increase in provisions and other liabilities		**(25.1)**	(132.4)	**91.9**	(10.8)
Increase/(Decrease) in provision for deferred income tax		**(16.2)**	(7.0)	**–**	–
(Increase)/Decrease in future income tax benefit		**(57.8)**	(15.8)	**(76.4)**	3.2
(Decrease)/Increase in provision for income tax		**55.8**	25.2	**(8.5)**	(21.9)
Other non-cash items:					
Loss/(Gain) on sale of investments, properties, plant and equipment		**10.6**	(4.1)	**2.9**	(0.1)
Loss/(Gain) on sale of controlled entities and businesses		**81.9**	(19.3)	**(4.5)**	0.7
Other		**16.9**	(0.1)	**(0.3)**	0.9
Net cash provided by operating activities		**281.4**	378.2	**262.8**	210.6
(e) Components of Cash					
For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash, at the end of the financial year, as shown in the Statements of Cash Flows, comprises:					
Cash on hand	11	**1.6**	2.4	**0.1**	0.2
Cash at bank	11	**134.4**	124.3	**31.1**	33.1
Short-term deposits	11	**861.3**	1,065.1	**–**	–
Bank overdrafts	19	**(52.8)**	(20.1)	**(8.2)**	(6.1)
		944.5	1,171.7	**23.0**	27.2

Note 31

	Consolidated 1998 $ million	Consolidated 1997 $ million	The Company 1998 $ million	The Company 1997 $ million
Notes to the Statements of Cash Flows (continued)				
(f) Net Loans from Controlled Entities				
In the Statements of Cash Flows of the Company, loan movements with controlled entities are disclosed as a net movement due to such transactions being large in number and rapid in turnover.				
(g) Cash Held Not Available for Use				
Details of cash held not available for use are as follows:				
Nature of restriction				
Proceeds from the sale of Telectronics under control of Court	**136.6**	118.7		

Note 32

Acquisition of Controlled Entities and Material Businesses

There were no material acquisitions during the year ended 30 June 1998.

Note 33

	Proceeds $ million	Net Tangible Assets Disposed Plus Costs of Sale $ million	(Loss)/Gain on Disposal after Tax $ million
Disposal of Controlled Entities and Material Businesses			
During the year the following controlled entities and material businesses were disposed of:			
GNB (Batteries) Group*	**884.1**	**972.1**	**(88.0)**
Olex Communications Division	**22.9**	**18.4**	**4.5**

*The sale price of GNB was struck upon the Balance Sheet of the business at 30 April 1998 and is subject to price adjustment for movements in certain working capital balances and capital spend subsequent to that date. The amount disclosed as proceeds above represents the receivable based upon the 30 June 1998 position, and has been included in the accounts of the economic entity at Note 12 as a Current Receivable. The loss on disposal is included in Note 7 as an Abnormal item, and is inclusive of $88.3 million environmental provisions established on disposal.

Note 34

Business Undertakings

Pacific Dunlop Tyres Pty Ltd carries on a partnership with Goodyear Tyres Pty Ltd in Australia and Papua New Guinea under the name of South Pacific Tyres. The principal activity of the partnership is the manufacture and sale of tyres and related products within the above territory. Pacific Dunlop Tyres Pty Ltd has a 50 per cent interest in the partnership and records its share of the revenue and profit of the partnership in its accounts and adjusts the carrying value of its investment accordingly. The partnership contributed $22.3 million to the operating profit after abnormal items before income tax of Pacific Dunlop Tyres Pty Ltd for the year (1997 – $28.5 million). Pacific Dunlop Tyres Pty Ltd and Goodyear Tyres Pty Ltd are jointly and severally liable for 100 per cent of all liabilities incurred by the South Pacific Tyres partnership. The assets of the partnership are sufficient to meet such liabilities. The partnership's liabilities not included in the consolidated accounts as at 30 June 1998 amount to $403.6 million (1997 – $381.3 million).

Note 35

Related Party Disclosures

Pacific Dunlop Limited is the chief entity of all those entities detailed in Note 38 to these financial statements and from time to time has dealings on normal commercial terms and conditions with those related entities, the effects of which are eliminated in the consolidated financial statements.

Disclosures in respect of certain transactions with controlled entities and related parties and amounts paid to or received therefrom are as set out in the details on pages 75 to78. Other transactions with related entities, which are eliminated on consolidation, include the lease of certain properties, the supply of materials and labour and the provision of both short and long-term finance in the form of varying financial instruments, all of which are conducted on normal commercial terms and conditions.

Note 35

Related Party Disclosures (continued)

The Directors of the Company during the year were:

John T Ralph
Rodney L Chadwick
Ian G Burgess (retired 12/02/98)
Anthony B Daniels
Charles B Goode
John B Gough (retired 22/08/97)
Robert B Hershan
Margaret A Jackson
James J Kennedy (retired 08/08/97)
Robert J McLean
David G Penington
Graham G Spurling (retired 31/03/98)
Ian E Webber

and details of transactions with these Directors or other Directors of other related entities (including entities deemed to be related to such Directors) and details of other related party transactions and amounts are set out in:

Note 3 as to interest paid to controlled entities;

Note 4 as to interest and dividends received from controlled entities and interest received from Directors of entities in the economic entity;

Note 12 as to amounts receivable from controlled entities and loans to Directors of entities in the economic entity;

Note 18 as to amounts payable to controlled entities;

Note 28 as to remuneration paid or payable to Directors of the Company and the allocation of those amounts to individual Directors within the bands of $10,000;

Note 29 as to agreements with certain Non-Executive Directors; and

Note 34 as to material related parties not being controlled entities or Directors.

(a) Transactions with Associated Companies

The Company and the economic entity hold investments in associated companies as set out in Note 39.

During the course of the year, the Company and the economic entity conducted financial transactions with these associated companies on normal commercial terms and conditions. The nature and amounts of these transactions are detailed as follows:

	Consolidated		*The Company*	
	1998 $ million	1997 *$ million*	**1998 $ million**	1997 *$ million*
Sale of goods and services				
South Pacific Tyres NZ Ltd	**7.6**	7.4		
Royalty revenue				
South Pacific Tyres NZ Ltd	**2.1**	2.1		
Dividend revenue				
Pacific Marine Batteries Pty Ltd	**1.0**	3.0	**1.0**	3.0
South Pacific Tyres NZ Ltd	**1.4**	3.7		
	2.4	6.7	**1.0**	3.0
Aggregate current amounts receivable [(a)]				
Pacific Marine Batteries Pty Ltd	**–**	1.7	**–**	1.7
South Pacific Tyres NZ Ltd	**0.5**	4.7		
	0.5	6.4	**–**	1.7
Aggregate non-current amounts receivable [(a)]				
Meadow Gold Investment Co Ltd	**17.2**	17.2	**17.2**	17.2

(a) Amounts included within Trade Debtors and other Amounts Receivable (Note 12).

Note 35

Related Party Disclosures (continued)

(b) Transactions with Partnerships

As detailed in Note 34, the economic entity carries on a partnership with Goodyear in Australia and Papua New Guinea under the name of South Pacific Tyres. The economic entity also carried on a partnership with Skega Pty Ltd in Australia under the name of Dunlop Skega. During the course of the year, the Company and the economic entity conducted financial transactions with these partnerships on normal commercial terms and conditions being:

	Consolidated		*The Company*	
	1998 *$ million*	1997 *$ million*	**1998 *$ million***	1997 *$ million*
Sales of goods and services				
South Pacific Tyres	**70.2**	116.5	**4.8**	12.8
Purchases of goods and services				
South Pacific Tyres	**1.8**	2.0	**1.7**	1.8
Other revenue				
Dunlop Skega	**0.3**	0.3	**0.3**	0.3
Other expenses				
South Pacific Tyres	**0.7**	1.1	**0.6**	1.1
Aggregate current amounts receivable [a]				
South Pacific Tyres	**5.3**	11.4	**4.4**	1.7
Dunlop Skega	**0.1**	–	**0.1**	–
	5.4	11.4	**4.5**	1.7
Aggregate current amounts payable [b]				
South Pacific Tyres	**0.2**	0.4	**0.2**	0.4

(a) Amount included within Other Amounts Receivable (Note 12).
(b) Amount included within Other Creditors (Note 18).

Aggregate amounts less than $50,000 were paid to and received from the South Pacific Tyres partnership in respect of interest in the period.

In addition, under the partnership agreement, South Pacific Tyres leases certain properties on a basis of equitable rentals mutually agreed by the partners. Lease payments of $0.3 million (1997 – $0.3 million) were made by South Pacific Tyres to the economic entity. The Company, through its corporate treasury operations, also provided on the basis of normal commercial terms and conditions forward exchange cover on behalf of the partnership.

(c) Transactions of Directors and Director-Related Entities Concerning Shares or Option Shares

The aggregate number of shares acquired* by Directors of the Company and their director-related entities in entities in the economic entity during the year ended 30 June 1998 was:

The Company – Nil fully paid ordinary shares (1997 – Nil).

In accordance with approval received from shareholders at the Annual General Meeting on 14 November 1997, the Company granted to Mr R B Hershan (an Executive Director) options to subscribe for up to 600,000 unissued ordinary shares in the Company on 11 December 1997. These options were issued on the same terms as options issued to other senior executives of the economic entity under the Pacific Dunlop Executive Share Option Plan. The exercise price of the options is $3.30 per share. The options expire on 11 December 2002 and are exercisable in three separate tranches of equal number of options during periods beginning 28 days before, respectively, the third, fourth and fifth anniversary of grant, subject to satisfaction of a separate performance condition attaching to each tranche.

The aggregate number of shares and share options disposed of by Directors of the Company and their director-related entities in the Company was 203,575 (1997 – Nil).

** The above reflects the position in the accounts of the Company and upon consolidation of the controlled entities. It only includes shares acquired from or disposed to an entity in the economic entity.*

Note 35

Related Party Disclosures (continued)

(c) Transactions of Directors and Director-Related Entities Concerning Shares or Option Shares (continued)

The aggregate number of shares and share options held directly, indirectly or beneficially by the Directors of the Company and their director-related entities in the Company as at balance date were:

822,531 fully paid ordinary shares (1997 – 2,260,770)

680,000 ordinary plan shares paid to one cent (1997 – 965,000)

2,400,000* share options (1997 – 1,800,000).

** 1,800,000 options were granted to Mr R L Chadwick, the Managing Director, on 25 November 1996, at an exercise price of $2.80 per share. These options expire on 14 November 2001 and are exercisable in three separate tranches of equal number of options between 1 and 14 November 1999, 2000 and 2001 respectively, upon satisfaction of two separate performance conditions attaching to each tranche, the first requiring a 10 per cent compound growth in the Company's share price, the second that the total return to shareholders on the Company's shares must exceed the average yield on a selected group of major listed companies. The other 600,000 options were granted to Mr R B Hershan on the terms outlined on page 76.*

(d) Other Transactions of Directors and Director-Related Entities

In addition to the transactions referred to above, the economic entity entered into the following transactions with Directors and former Directors and their director-related entities. All transactions were on normal commercial terms and conditions except where otherwise stated:

- A Pellen is a Director of Pacific Dunlop Insurances Pte Ltd. A director-related entity of A Pellen, Richard Oliver International Pte Ltd, provided management services to Pacific Dunlop Insurances Pte Ltd;
- R Wilczek is a Director of Pacific Dunlop Holdings Inc. A director-related entity of R Wilczek, Gardner, Carton & Douglas, provided legal services to numerous controlled entities within the economic entity;
- G Szalmuk is a Director of Vita Pacific Ltd. A director-related entity of G Szalmuk, Singan Investments Pty Ltd, leased premises to Vita Pacific Ltd. In addition consulting services were provided to the latter entity by Szalmuk Capital Limited, a director-related entity of G Szalmuk;
- G Boyd is a Director of Boydex International Pty Ltd. A director-related entity of G Boyd, Frank Boyd Nominees Pty Ltd, leased premises to Boydex International Pty Ltd;
- P Brass, the former Managing Director of the Company, provided consulting services to the Company in accordance with the agreement referred to in the previous report.

	Consolidated		*The Company*	
	1998 $ million	1997 *$ million*	**1998 $ million**	1997 *$ million*
Aggregate amounts of each of the above types of other transactions with Directors and their director-related entities were as follows:				
Transaction Type				
Provision of management and consulting services	**0.2**	1.2	**0.2**	0.6
Restraint payment	**–**	0.5	**–**	0.5
Rent of premises received by Directors and their director-related entities	**1.4**	0.9		
Sales of goods to Directors and their director-related entities	**–**	2.2		
Purchases of goods from Directors and their director-related entities	**–**	2.2	**–**	2.0
Provision of legal services	**12.8**	8.0	**4.5**	–
Other receivables from and payables to Directors of the Company and controlled entities and their director-related entities				
Aggregate amounts receivable from Directors and their director-related entities [(a)]				
Current	**–**	0.2		
Aggregate amounts payable to Directors and their director-related entities [(b)]				
Current	**9.8**	3.4	**0.5**	0.3

(a) Amount included within Other Amounts Receivable (Note 12).
(b) Amount included within Other Creditors (Note 18).

Note 35

Related Party Disclosures (continued)

The Company entered into a Deed of Indemnity with Mr R J McLean in conformity with Article 138 of the Company's Articles of Association, in terms similar to Deeds of Indemnity that have previously been entered into with each of the Directors of the Company holding office during the period. In addition Mr Clouthier, being a Director of Accufix Research Institute Inc. ('ARI'), received the benefit of a Deed of Indemnity from the Company on terms similar to Deeds of Indemnity that have previously been entered into with the other Directors of ARI.

In addition to the transactions referred to above, transactions entered into during the year with Directors of the Company and its controlled entities or with director-related entities which:
- occurred within a normal employee customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect would have been adopted if dealing with the Director or director-related entity at arm's length in the same circumstances;
- do not have the potential to affect adversely decisions about the allocation of scarce resources or the discharge of accountability of the Directors; and
- are trivial or domestic in nature;

include:
- provision of company services which have been fully reimbursed;
- minor purchases of goods at discount rates which are also available to other employees;
- purchases of company-owned motor vehicles at a value or net return to the Company or the economic entity of written down value; and
- contracts of employment with relatives of Directors on either full time, casual or work experience basis on normal commercial terms and conditions.

Note 36

	Consolidated	
	1998 $ million	*1997 $ million*
Earnings per Share		
Earnings used in the calculation of basic earnings per share:		
Before goodwill amortisation and abnormal items	**216.4**	208.2
Before abnormal items	**180.8**	175.6
After abnormal items	**24.8**	177.8
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,028.0**	1,024.2

Diluted Earnings per Share

Diluted earnings per share have not been disclosed as it is not materially different from basic earnings per share.

Conversion, Call, Subscription or Issue after 30 June 1998

Since the end of the financial year and pursuant to the Company's Executive Share Plan, 486,000 ordinary plan shares have been converted to fully paid ordinary shares.

Options

Options to purchase ordinary shares not exercised at 30 June 1998 have not been included in the determination of basic earnings per share, but have been included in the determination of diluted earnings per share.

Change in Accounting Policy

As detailed in Note 2, the Company changed its accounting policy with respect to accounting for investments in associates. The effect for the financial year ended 30 June 1998 has been to increase basic earnings per share by one-fifth of a cent as compared with the amounts of earnings per share that would have been determined using the previous accounting policy.

Note 37

Environmental Matters

The economic entity manufactures and markets a diverse range of products in many countries and consequently must comply with a variety of regulatory controls, mainly environmental regulations, product manufacturing and performance standards, occupational health and safety laws and regulations, import/export regulations, tariffs and quotas. The economic entity believes it is in substantial compliance with all applicable regulatory controls, and any lack of compliance is not expected to have a materially adverse effect on its financial condition.

As a manufacturer of, among other products, automotive and industrial batteries, polyurethane foam and tyres, as an operator of secondary lead and plastic recycling smelters, environmental protection has been and will continue to be an important factor affecting the economic entity's operations.

The economic entity provides for identified environmental costs when the amounts of such are reasonably determinable. GNB Technologies incurred expenditure for environmental remediation of approximately $13 million during 1997/98. A provision of $41.2 million was made in the 1995/96 accounts in respect of GNB Technologies' expenses associated with the environmental remediation of previously closed sites in the USA, some of them many years ago. The balance of the provision at 30 June 1998 was $27.6 million.

Further, the Group has provided an additional environmental provision of $88.3 million in respect of GNB following signing of an Agreement dated 5 July 1998 to sell the business subject to regulatory approval.

The economic entity has closely followed the development of Environmental Protection Authority ('EPA') initiatives related to lead batteries. Management believes that the US regulations regarding lead and smelter operations will not have a materially adverse effect on the competitive position of GNB Technologies, because the principal competitors of GNB Technologies in the areas of battery production and lead smelting are subject to similar regulatory requirements and because certain regulations encourage the recycling of lead. In addition, regular review of the economic entity's land and buildings, which are mainly manufacturing sites, is undertaken based on advice of independent appraisers.

In order to remain competitive within various business segments the economic entity monitors emerging environmental legislation and its anticipated impact on the applicable industries worldwide. For example, the Household Products Division has monitored initiatives regarding elimination of Chlorofluorocarbons ('CFCs'), which historically were involved in the manufacture of foam products in the industry. The primary initiative has been an international accord signed in 1993/94 by numerous member nations of the United Nations (the 'Montreal Protocol') which bans the production of CFCs from its operations. Elimination of CFC usage has not had a material adverse effect upon the economic entity's financial condition or operations. Management does not believe it will adversely affect the competitive position of the Household Products Division, because the principal competitors of the Division are also subject to the requirements of the Montreal Protocol.

In the ordinary course of business, the economic entity has maintained comprehensive general liability insurance policies covering its operations and assets. While generally such policies exclude coverage for most environmental liabilities, the economic entity continues to pursue appropriate coverage to the extent practicable.

Resource Recycling and Environmental Services

GNB Technologies has developed several recycling programs. Recycling helps overcome the threat to the environment posed by discarded batteries and reduces the amount of virgin (ie. newly-mined) lead that is introduced into the environment by making secondary (ie. recycled) lead available to manufacturers of batteries (including GNB Technologies) and other products incorporating lead. In the United States, GNB Technologies' 'Total Battery Management' recycling program collects used batteries and converts them into lead and plastic components for new battery manufacturing. GNB Technologies' three US recycling plants have capacity for recycling approximately 275,000 tons of lead per year. GNB Technologies also provides recycling programs for major customers, which encourage consumers to return used batteries for collection and reclamation of lead, plastic and acid by GNB Technologies. The Total Battery Management System is also being implemented in Australia and New Zealand.

Note 38

	Country of Incorporation	Beneficial Interest 1998 %	1997 %
Particulars Relating to Controlled Entities			
Pacific Dunlop Ltd	Australia		
Ansell GmbH	*Germany	**100**	100
Ateb Pty Ltd	Australia	**100**	100
Australian Battery Co (Aust) Pty Ltd	Australia	**100**	100
Bonds Industries Ltd	Australia	**100**	100
Mt Waverley Estates Pty Ltd	Australia	**100**	100
Boydex International Pty Ltd	Australia	**100**	100
Cliburn Investments Pty Ltd	Australia	**100**	100
Click Pty Ltd	Australia	**100**	100
Der Nibor Pty Ltd	Australia	**100**	100
Driburn Pty Ltd	Australia	**100**	100
Dunlop Olympic Manufacturing Pty Ltd (formerly Universal Holdings Pty Ltd)	Australia	**100**	100
Duratray Pty Ltd	Australia	**100**	100
FGDP Pty Ltd	Australia	**100**	100
Four 'N Twenty Pies (Vic) Pty Ltd	Australia	**100**	100
HC Sleigh Investments Pty Ltd	Australia	**100**	100
HC Sleigh Services Pty Ltd	Australia	**100**	100
International Canners Pty Ltd	Australia	**100**	100
International Sea Products Pty Ltd	Australia	**100**	100
J Hargreaves & Sons Pty Ltd	Australia	**100**	100
N Harvesters Pty Ltd	Australia	**100**	100
PSL Industries Ltd	Australia	**100**	100
Gardenland Frozen Food Pty Ltd	Australia	**100**	100
General Jones Pty Ltd	Australia	**100**	100
Herbert Adams Holdings Pty Ltd	Australia	**100**	100
Softwood Towns Pty Ltd	Australia	**100**	100
Raynfine Pty Ltd	Australia	**100**	100
Robur Tea Company Pty Ltd	Australia	**100**	100
Big Sister Foods Pty Ltd	Australia	**100**	100
FJ's Auto Plus Ltd	Australia	**100**	100
GNB Battery Technologies Ltd	Australia	**100**	100
Niblick Pty Ltd	Australia	**100**	100
Nucleus Ltd	Australia	**100**	100
AMBRI Pty Ltd	Australia	**100**	100
Pellias Pty Ltd	Australia	**100**	
AMBRI Project Pty Ltd	Australia	**100**	100
AMBRI R&D Pty Ltd	Australia	**100**	100
Maspas Pty Ltd	Australia	**100**	100
Project Array Pty Ltd	Australia	**100**	100
Medical TPLC Pty Ltd	Australia	**100**	100
N&T Pty Ltd	Australia	**100**	100
Nucleus Trading Pte Ltd	*Singapore	**100**	100
THLD Ltd	Australia	**100**	100
Jetbase Pty Ltd	Australia	**100**	100

Note 38

	Country of Incorporation	Beneficial Interest 1998 %	1997 %
Particulars Relating to Controlled Entities (continued)			
Project (X92) Pty Ltd	Australia	**100**	100
TPLC Pty Ltd	Australia	**100**	100
Societe de Management Financier SA	*France	**100**	100
TPLC SA	*France	**100**	100
TNC Holdings Pte Ltd	*Singapore	**100**	100
Olex Pty Ltd	Australia	**100**	100
Olex Focas Pty Ltd	Australia	**100**	100
Olympic General Products Pty Ltd	Australia	**100**	100
Foamlite (Australia) Pty Ltd	Australia	**100**	100
Park Avenue Furniture Pty Ltd	Australia	**100**	100
Optix Australia Ltd	Australia	**51**	51
Pacific Distribution Properties Ltd	Australia	**100**	100
Pacific Dunlop (Asia) Ltd	*Hong Kong	**100**	100
Dunlop Shelter Hong Kong Ltd	*Hong Kong	**100**	100
Fair King Properties Ltd	*Hong Kong	**100**	100
Gracemount Ltd	*Hong Kong	**100**	100
Grosby (China) Ltd	*Hong Kong	**100**	100
Pacific Dunlop Garments Ltd	*Hong Kong	**100**	100
Dongguan Pacific Dunlop Garments Co Ltd	*China	**80**	80
Pacific Dunlop Insurances Pte Ltd	*Singapore	**100**	100
Patron Trading Ltd	*Hong Kong	**100**	100
Shenzhen Olex Cables Ltd	*China	**100**	100
Shoe Talk Ltd	*Hong Kong	**100**	100
Pacific Dunlop Belting Pty Ltd	Australia	**100**	100
Pacific Dunlop Finance Pty Ltd (formerly Dunlop Olympic Manufacturing Pty Ltd)	Australia	**100**	100
Pacific Dunlop Holdings (China) Co Ltd	*China	**100**	100
Beijing Pacific Dunlop Textiles Ltd	*China	**71**	71
Pacific Dunlop Shanghai Ltd	*China	**100**	100
Shanghai Holeproof Garments Ltd	*China	**100**	100
Tianjin Olex Cables Ltd	*China	**70**	70
Pacific Dunlop Holdings (NZ) Ltd	*New Zealand	**100**	100
Holeproof Corporation Ltd	*New Zealand	**100**	100
Pacific Dunlop Japan KK	*Japan	**100**	100
Pacific Dunlop Linings Pty Ltd	Australia	**100**	100
Pacific Dunlop Tyres Pty Ltd	Australia	**100**	100
Pacific Dunlop (UK) Ltd	*UK	**100**	100
PD Holdings Pty Ltd	Australia	**100**	100
PD International Pty Ltd	Australia	**100**	100
Ansell Canada Inc.	*Canada	**100**	100
Ansell Lanka (Pvt) Ltd	*Sri Lanka	**100**	100
Ansell SA	*France	**100**	100
Laboratoires Degan SA	*France	**100**	100
Ansell (Thailand) Ltd	*Thailand	**100**	100
Edmont Europe NV	*Belgium	**100**	100

Note 38

	Country of Incorporation	Beneficial Interest 1998 %	1997 %
Particulars Relating to Controlled Entities (continued)			
GNB Technologies NV	*Belgium	**b**	
GNB Technologies GmbH	*Germany	**b**	
GNB Technologies Coy	*Finland	**b**	
GNB Technologies SARL	*France	**b**	
GNB Technologies SpA	*Italy	**b**	
Lanka Olex Cables (Pvt) Ltd	*Sri Lanka	**85**	85
Kelani Cables Ltd	*Sri Lanka	**64**	64
Kelani Olex Telecommunications Cables (Pvt) Ltd	*Sri Lanka	**64**	64
Kelani Electrical Accessories (Pvt) Ltd	*Sri Lanka	**64**	64
Luxafoam (Fiji) Ltd	*Fiji	**100**	
Medical Telectronics NV	*Netherlands Ant.	**100**	100
Medical Telectronics Holding & Finance (Holland) BV	*Netherlands	**100**	100
Pacific Dunlop Investments (USA) Inc.	*USA	**100**	100
Ansell Edmont Industrial de Mexico SA de CV	*Mexico	**100**	100
Ansell Perry de Mexico SA de CV	*Mexico	**100**	100
Pacific Dunlop Capital Inc.	*USA	**100**	
Pacific Dunlop Holdings (USA) Inc.	*USA	**100**	100
Ansell Edmont Industrial Inc.	*USA	**100**	100
Ansell Incorporated	*USA	**100**	100
Ansell Balloon Company	*USA	**100**	100
Ansell Perry Inc.	*USA	**100**	100
Olex Cables USA Inc.	*USA	**100**	100
Pacific Dunlop GNB Corporation	*USA	**b**	100
GNB Technologies Inc.	*USA	**b**	100
GNB Industrial Battery Company	*USA	**b**	100
GNB Battery Technologies Japan Inc.	*USA	**b**	100
New Enpak Inc.	*USA	**100**	100
Pacific Chloride Inc.	*USA	**100**	100
Pacific Dunlop Holdings Inc.	*USA	**100**	100
Pacific Dunlop USA Inc.	*USA	**100**	100
Pacific Dunlop Footwear Inc.	*USA	**100**	100
TPLC Holdings Inc.	*USA	**100**	100
Accufix Research Institute Inc.	*USA	**100**	100
Cotac Corporation	*USA	**100**	100
TPL Holdings Inc.	*USA	**100**	100
Pacific Dunlop Finance Company Inc.	*USA	**100**	100
Pacific Dunlop Holdings (Europe) Ltd (formerly Pacific Dunlop (Holdings) Ltd)	*UK	**100**	100
Ansell Glove Company Ltd	*UK	**100**	100
Golden Needles Knitting & Glove Co Ltd	*UK	**100**	100
GNB Technologies Ltd	*UK	**100**	
Mates Healthcare Ltd	*UK	**100**	100
Mates Vending Ltd	*UK	**100**	100
Pacific Brands (UK) Ltd	*UK	**100**	99
Pacific Dunlop Holdings (Singapore) Pte Ltd	*Singapore	**100**	100

Note 38

	Country of Incorporation	Beneficial Interest 1998 %	1997 %
Particulars Relating to Controlled Entities (continued)			
JK Ansell Ltd	*India	**50**	
PT Berlei Indonesia	*Indonesia	**100**	
PT Olex Cables Indonesia	*Indonesia	**60**	60
PD Holdings (Malaysia) Sdn. Bhd.	*Malaysia	**100**	100
Ansell Ambi Sdn. Bhd.	*Malaysia	**100**	100
Ansell (Kedah) Sdn. Bhd.	*Malaysia	**100**	100
Ansell (Kulim) Sdn. Bhd.	*Malaysia	**100**	100
Ansell Malaysia Sdn. Bhd.	*Malaysia	**75**	75
Ansell Medical Sdn. Bhd.	*Malaysia	**75**	75
Ansell NP Sdn. Bhd.	*Malaysia	**75**	75
Restonic (M) Sdn. Bhd.	*Malaysia	**50**	50
Dream Crafts Sdn. Bhd.	*Malaysia	**50**	50
Dream Products Sdn. Bhd.	*Malaysia	**50**	50
Dreamland Corporation (M) Sdn. Bhd.	*Malaysia	**50**	50
Dreamland (Singapore) Pte Ltd	*Singapore	**50**	50
Dreamland Spring Manufacturing Sdn. Bhd.	*Malaysia	**50**	50
Eurocoir Products Sdn. Bhd.	*Malaysia	**50**	50
Sleepmaker Sdn. Bhd.	*Malaysia	**50**	50
Roberts Flooring (Malaysia) Sdn. Bhd.	*Malaysia	**100**	100
PDOCB Pty Ltd	Australia	**100**	100
Ansell Medical Products Pvt Ltd	*India	**100**	100
Serenity Asia (Pvt) Ltd	*Pakistan	**100**	100
TPLC Ltd	*UK	**100**	100
TPLC Medizinptodkte GmbH	*Germany	**100**	100
TPLC Pty (Canada) Ltd	*Canada	**100**	100
Pacific Dunlop Finance (Aust) Pty Ltd	Australia	**100**	100
Pacific Dunlop Investments Pty Ltd	Australia	**100**	100
Pacific Dunlop Finance (No 2) Pty Ltd (formerly Pacific Dunlop Finance Pty Ltd)	Australia	**100**	100
PD Licensing Ltd	Australia	**100**	100
Project Defib Pty Ltd	Australia	**100**	100
Project Sub Pectoral Pty Ltd	Australia	**100**	100
Siteprints Pty Ltd	Australia	**100**	100
STP (Hong Kong) Ltd	*Hong Kong	**100**	100
Pacific Dunlop Holdings NV	*Netherlands Ant.	**100**	100
Pacific Dunlop (Netherlands) BV	*Netherlands	**100**	100
Slumberland (Australia) Pty Ltd	Australia	**100**	100
Sport Australia (Export) Pty Ltd	Australia	**100**	100
Textile Industrial Design & Engineering Ltd	Australia	**100**	100
The Distribution Group Holdings Ltd	Australia	**100**	100
Repco Auto Parts Pty Ltd	Australia	**100**	100
The Distribution Group Ltd	Australia	**c 100**	c 100
The Distribution Trust	Australia	**100**	100
Ashdown Enterprises (Wholesale) Pty Ltd	Australia	**100**	100
Union Knitting Mills Pty Ltd (formerly Red Robin Pty Ltd)	Australia	**100**	91

Note 38

	Country of Incorporation	Beneficial Interest 1998 %	1997 %
Particulars Relating to Controlled Entities (continued)			
Vision Cables Pty Ltd	Australia	**51**	51
Vita Pacific Ltd	Australia	**100**	100
Sleepmaker Europe SARL	*France	**100**	100
Wattmaster Alco Pty Ltd	Australia	**100**	100
Winigarap Pty Ltd	Australia	**100**	100
Xdds Pty Ltd	Australia	**100**	100
Controlled Entities Sold in Year ended 30 June 1998			
GNB Environmental Services Inc.	*USA	**a**	100
GNB Environmental Services Pty Ltd	Australia	**a**	100
Shanghai Serenity Consumer Products Co Ltd	*China	**a**	90
Controlled Entities in Voluntary Liquidation at 30 June 1998			
ACN 000 757 924 Pty Ltd	Australia	**100**	100
Super Cycle Pty Ltd	Australia	**100**	100
Xagb Pty Ltd	Australia	**100**	100
Xal Pty Ltd	Australia	**100**	100
Xbb Pty Ltd	Australia	**100**	100
Xdde Pty Ltd	Australia	**100**	100
Controlled Entities Voluntarily Liquidated during the Year			
ASP Co Ltd	#Japan	**–**	47
Dunlop Shelter Singapore Pte Ltd	*Singapore	**–**	60
Gordon Edgell Pty Ltd	Australia	**–**	100
Pacific Dunlop Finance	*Ireland	**–**	100
Pacific Dunlop Finance USD	*Ireland	**–**	100
TNC Medical Devices Pte Ltd	*Singapore	**–**	100
Zeugfang (Thailand) Ltd	*Thailand	**–**	100

Controlled Entities incorporated outside Australia carry on business in those countries.

** indicates controlled entities audited by other member firms of KPMG*
 # indicates controlled entities audited by other firms

(a) Controlled entities were sold during the year ended 30 June 1998. The results of these controlled entities to the date of disposal are included in the Pacific Dunlop Limited consolidated result. The net assets of these controlled entities are excluded from the consolidated Balance Sheet at 30 June 1998. No amounts of beneficial interest has been retained by the economic entity.

(b) GNB (Batteries) Group controlled entities are subject to a Sale Agreement entered into on 5 July 1998, conditional upon regulatory approval in the United States, Australia and New Zealand. The results of these controlled entities for the year ended 30 June 1998 are included in the Pacific Dunlop Limited consolidated result. The net assets of the controlled entities are excluded from the consolidated Balance Sheet as at 30 June 1998 and have been replaced with a Current Receivable based on the position as at 30 June 1998. The loss on disposal is included in Note 7 as an Abnormal item, and is inclusive of $88.3 million environmental provisions established on disposal.

(c) The trustee of The Distribution Trust is The Distribution Group Ltd. The beneficiary of the trust is Pacific Dunlop Limited. The profit for the year arising from the trust has been included in the accounts of Pacific Dunlop Limited and this treatment is consistent with previous years.

Note 39

	Consolidated 1998 $ million
Investments in Associates	
Results of associates	
Share of associates' operating profit before income tax	5.2
Share of associates' income tax expense attributable to operating profit	(2.2)
Share of associates' net profit – as disclosed by associates	3.0
Share of post acquisition retained profits and reserves attributable to associates	
Retained profits	
Share of associates' retained profits at the beginning of the financial year due to initial application of AASB 1016 Accounting for Investments in Associates	12.6
Share of associates' net profit	3.0
Dividends from associates	(2.9)
Share of associates' retained profits at the end of the financial year	12.7
Asset revaluation reserve	
Share of associates' asset revaluation reserve at the beginning of the financial year due to initial application of AASB 1016 Accounting for Investments in Associates	1.5
Share of decrement in asset revaluation reserves of associates	(0.6)
Share of associates' assets revaluation reserve at the end of the financial year	0.9
Foreign currency translation reserve	
Share of associates' foreign currency translation reserve at the beginning of the financial year due to initial application of AASB 1016 Accounting for Investments in Associates	1.9
Share of exchange fluctuations on assets and liabilities held in foreign currencies	(1.1)
Share of associates' foreign currency translation reserve at the end of the financial year	0.8
Movements in carrying value of investments	
Carrying amount of investments in associates at the beginning of the financial year	46.4
Adjustment on initial adoption of equity accounting	(18.2)
	28.2
Share of associates' net profit	3.0
Dividends received from associates	(2.9)
	28.3
Share of decrement in associates' asset revaluation reserve	(0.6)
Share of movement in associates' foreign currency translation reserve	(1.2)
Carrying amount of investment in associates at the end of the financial year	26.5
Commitments	
Share of associates' capital expenditure commitments contracted but not provided for and payable:	
Payable within one year	0.8
Later than one but within two years	0.3
Later than two but within five years	0.6
	1.7

Note 39

	Consolidated 1998 $ million
Investments in Associates (continued)	
Share of associates' operating lease commitments payable:	
Payable within one year	**2.1**
Later than one but within two years	**1.4**
Later than two but within five years	**2.2**
Later than five years	**0.7**
	6.4

Contingent liabilities

There are no material contingent liabilities in respect of associates at 30 June 1998.

Details of investments in associates

	Principal Activities	Balance Date	Consolidated Ownership Interest 1998 %	1997 %	Consolidated Investment Carrying Amount 1998 $ million	1997 $ million
South Pacific Tyres NZ Ltd	Manufacturing	30 June	**50**	50	**15.6**	20.0
Meadow Gold Investment Co Ltd	Manufacturing	31 December	**50**	50	**10.5**	26.2
Pacific Marine Batteries Pty Ltd	Manufacturing	30 June	**50**	50	**0.4**	0.2
					26.5	46.4

As equity accounting for investments in associates was applied for the first time in 1998, the carrying amount for 1997 is not calculated in accordance with the equity method, but is based on cost or valuation.

Dividends received from associates for the year ended 30 June 1998 by the economic entity amounted to $1.1 million (1997 – $6.7 million), and by the Company $1 million (1997 – $3.0 million).

	Consolidated 1998 $ million
Summary performance and financial position of associates	
The economic entity's share of aggregate assets, liabilities and profits of associates are as follows:	
Net profit – as reported by associates	**3.0**
Adjustments arising from equity accounting	**–**
Net profit – equity adjusted	**3.0**
Current assets	**29.8**
Non-current assets	**34.0**
Total assets	**63.8**
Current liabilities	**24.0**
Non-current liabilities	**15.3**
Total liabilities	**39.3**
Net assets – as reported by associates	**24.5**
Adjustments arising from equity accounting	
Preference Share adjustment	**2.0**
Net assets – equity adjusted	**26.5**

Note 40

Reconciliation to United States Generally Accepted Accounting Principles (US GAAP)

The consolidated financial statements of the Pacific Dunlop Group ('the Group') are prepared in accordance with accounting principles generally accepted in Australia (Australian GAAP).

Shareholders' Equity

Differences arise as a result of the accumulation of certain of the differences referred to below. The major difference arises because of Goodwill and Brand names acquired prior to January 1989 which are capitalised and amortised under US GAAP, but which were expensed in the Australian financial statements. The other significant difference is in respect of proposed final dividends for the year, which are not deducted from US GAAP, stockholders' equity until formally declared.

Outside Equity Interest

In accordance with US GAAP, outside equity interests are not presented as a component of shareholders' equity but as a liability.

Profit and Loss Account

Differences arise in the determination of profit for the year in respect of the items set out below. The majority of these items represent timing differences which will, over time, ultimately be reflected in shareholders' equity.

Goodwill/Brand Names

Certain goodwill, attributable to acquisitions which took place prior to January 1989, are capitalised and, together with brand names, are amortised over the useful lives of these assets, but not exceeding forty years.

Executive Shares and Options

Under Australian GAAP, no cost of partly paid executive shares or stock options has been recognised in the profit and loss statement. Under US GAAP, compensation cost arising from these shares or options has been determined and is amortised over the employees' remaining working life or the vesting period, whichever is the shorter.

Pension Plans

Under Australian GAAP, the Group charges against income, the contributions paid or payable to pension plans for the year. Under US GAAP the charge against income for the period is determined on an actuarial basis and such expense is determined regardless of when contributions to the fund are made.

Depreciation (revaluations) of Property, Plant and Equipment

Revaluations of property and investments are permitted in Australia with upward adjustments to the historical cost values reflected in a revaluation reserve which is part of shareholders' equity. Such property and investments are valued at historical cost for US GAAP. In the case of plant and equipment, the depreciation charged against income increases as a direct result of such a revaluation. Since US GAAP does not permit property to be valued at above historical cost, the Group depreciation charge has been restated to reflect historical cost depreciation.

Rationalisation and Restructuring Provisions

The US GAAP criteria for accruing costs associated with business restructure are consistent with those of Australian GAAP, other than the requirement for any plan to specifically identify the expected date of completion and that changes to the plans are not likely. Where this criterion is not satisfied an adjustment to earnings is included in the reconciliation of US GAAP.

Reduction in Carrying Value of Certain Properties

The Group regularly revalues certain properties in accordance with Australian GAAP. The net increases which have resulted therefrom have been recorded, under Australian GAAP, as a component of Shareholders' Equity. For US GAAP purposes, the impact of the revaluations have been considered on an individual, rather than net basis. Where the current valuations determined in the triennial exercise conducted under Australian GAAP at 31 December 1997 are lower than both the depreciated historical costs and expected recoverable values, the difference is brought to account as a charge against income for purposes of determining net earnings under US GAAP.

Dividends

Dividends are provided by Pacific Dunlop Limited in the year in respect of which they are declared by the Board of Directors. Under US GAAP, provisions for dividends are only recognised if they are declared prior to balance date.

Accounting Change

Effective 1 July 1997, the Group has applied the equity method of accounting for its associates for the first time. The cumulative effect of the change in accounting policy has been adjusted against retained profits at the beginning of the financial year in accordance with Australian GAAP. For US GAAP purposes the adjustment is charged against income.

Note 40

	1998 $ million	1997 $ million
Reconciliation to United States Generally Accepted Accounting Principles (US GAAP) (continued)		
Profit and Loss Account for years ended 30 June		
Operating profit after income tax before abnormal items attributable to Pacific Dunlop Limited shareholders as reported in the consolidated profit and loss account	**180.8**	175.6
Adjustment required to accord with US GAAP:		
add/(deduct):		
Amortisation of goodwill/brand names	**7.9**	1.2
Amortisation of Executive Shares and Options	**(0.6)**	(0.1)
Pension Plans	**4.2**	10.4
Revaluation of asset increment realised	**(0.6)**	–
Reduction in the carrying value of certain properties below depreciated historical cost	**(11.5)**	–
Depreciation	**0.3**	0.5
Rationalisation and Restructuring provisions	**–**	(2.0)
Hedging of anticipated exposures	**(0.9)**	(3.8)
Total Adjustments	**(1.2)**	6.2
Profit according to US GAAP before abnormal items and cumulative effect of accounting change	**179.6**	181.8
Abnormal items after tax attributable to Pacific Dunlop Limited shareholders as reported in the consolidated profit and loss account	**(156.0)**	2.2
Adjustment required to accord with US GAAP:		
add/(deduct):		
Goodwill written off – GNB (Batteries) Group	**(118.3)**	–
Abnormal items after tax according to US GAAP	**(274.3)**	2.2
(Loss)/profit according to US GAAP after abnormal items before cumulative effect of accounting change	**(94.7)**	184.0
Adoption of Australian Accounting Standard AASB 1016 'Accounting for Investments in Associates'	**(23.3)**	–
(Loss)/profit according to US GAAP	**(118.0)**	184.0
Shareholders' Equity of the Group as at 30 June	**1,691.7**	1,846.8
Deduct outside equity interests	**(26.1)**	(35.3)
Shareholders' equity attributable to Pacific Dunlop Limited	**1,665.6**	1,811.5
Adjustments required to accord with US GAAP:		
add/(deduct):		
Goodwill not capitalised for Australian GAAP	**149.5**	273.2
Amortisation of brand names – cumulative	**(28.1)**	(27.7)
Pension Plans	**1.4**	(2.8)
Dividends provided	**72.1**	71.9
Reserves attributable to Asset Revaluation	**(36.3)**	(47.8)
Rationalisation and Restructuring provisions	**20.0**	20.0
Other	**–**	(14.2)
Total Adjustments	**178.6**	272.6
Pacific Dunlop Limited Shareholders' Equity according to US GAAP	**1,844.2**	2,084.1
Basic earnings per share		
– before abnormal items and cumulative accounting change	**17.5¢**	17.7¢
– after abnormal items and cumulative accounting change	**(11.5)¢**	18.0¢
Dividend per ordinary fully paid share	**14.0¢**	14.0¢
Return on Pacific Dunlop Limited Shareholders' Equity		
– before abnormal items and cumulative accounting change	**10%**	9%
– after abnormal items and cumulative accounting change	**(6)%**	9%

Statement by Directors

In the opinion of the Directors of Pacific Dunlop Limited ('the Company')

(a) the accounts of the Company are drawn up so as to give a true and fair view of the profit of the Company for the year ended 30 June 1998 and the state of affairs of the Company as at 30 June 1998;

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due; and

(c) the consolidated accounts of the economic entity have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law and so as to give a true and fair view of the profit of the economic entity for the year ended 30 June 1998 and the state of affairs of the economic entity as at 30 June 1998.

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

John T Ralph
Director

Rodney L Chadwick
Director

Dated at Melbourne this 10th day of September 1998

Independent Auditors' Report

to the members of Pacific Dunlop Limited

Scope

We have audited the financial statements of Pacific Dunlop Limited for the financial year ended 30 June 1998 consisting of the profit and loss accounts, balance sheets, statements of cash flows, accompanying notes, and the statement by Directors set out on pages 38 to 89. The financial statements comprise the accounts of the Company and the consolidated accounts of the economic entity, being the Company and its controlled entities. The Company's Directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been planned and performed in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and Statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position, the results of their operations and their cash flows.

The names of the controlled entities audited by overseas KPMG member firms are set out in Note 38. We have received sufficient information and explanations concerning these controlled entities to enable us to form an opinion on the consolidated accounts. The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of Pacific Dunlop Limited are properly drawn up:

(a) so as to give a true and fair view of:

- (i) the state of affairs of the Company and the economic entity at 30 June 1998 and the results and cash flows of the Company and the economic entity for the financial year ended on that date; and
- (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;

(b) in accordance with the provisions of the Corporations Law; and

(c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the two sets of principles is presented in Note 40 to the consolidated financial statements. In so far as there are significant differences between such principles, the application of the United States principles would have affected the determination of consolidated net profit/loss for the years ended 30 June 1998 and 1997 and the determination of the consolidated financial position at 30 June 1998 and 1997 to the extent summarised in Note 40 to the consolidated financial statements.

KPMG

KPMG
Chartered Accountants

William J Stevens
Partner

Dated at Melbourne this 10th day of September 1998

Shareholders

Details of quoted shares held in Pacific Dunlop Limited as at 31 August 1998.

Distribution of Ordinary Shareholders and Shareholdings Size of Holding	Number of Shareholders		Number of Shares	
1 – 1,000	*34,691	39.40%	18,247,476	1.78%
1,001 – 5,000	41,403	47.02%	97,301,917	9.50%
5,001 – 10,000	7,407	8.41%	52,730,174	5.14%
10,001 – 100,000	4,285	4.87%	89,746,315	8.76%
100,001 and over	263	0.30%	766,617,463	74.82%
	88,049	100.00%	1,024,643,345	100.00%

**Including 4,468 shareholders holding a parcel of shares of less than $500 in value (159 shares), based on a market price of $3.14.*

Percentage of the total holding of the 20 largest shareholders – 58.12 per cent.

In addition to the foregoing, there were 4,654 members of the Employee Share Plan, holding 5,444,326 shares, and 1,863 members of the Executive Share Plan, whose shares are paid to one cent each, holding 13,102,900 Plan shares.

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.

Twenty Largest Shareholders	Number of Fully Paid Shares of 50 cents each	% of Issued Capital
Chase Manhattan Nominees Limited	110,768,995	10.81
Westpac Custodian Nominees Limited	72,736,222	7.10
Permanent Trustee Company Limited (BTF0014 Account)	58,570,798	5.72
ANZ Nominees Limited	57,329,997	5.60
National Nominees Limited	51,829,303	5.06
BT Custodial Services Pty Limited	43,164,249	4.21
BT Custodial Services Pty Limited (Sub Custodians Account)	30,163,679	2.94
Westpac Custodian Nominees Limited (ADR Account)	22,338,753	2.18
Queensland Investment Corporation	19,107,247	1.86
AMP Life Limited	18,356,081	1.79
MLC Limited	15,021,672	1.47
SAS Trustee Corporation	14,408,540	1.41
Perpetual Trustees Nominees Limited	12,943,685	1.26
BT Custodians Limited	11,950,829	1.17
Citicorp Nominees Pty Limited	11,631,174	1.14
Perpetual Trustee Company Limited (BT Growth Account)	10,223,035	1.00
Perpetual Trustees Nominees Limited	9,881,894	0.96
Perpetual Trustees Australia Limited	8,706,067	0.85
Permanent Trustee Company Limited (BTF0010 Account)	8,477,353	0.83
HKBA Nominees Limited	7,746,075	0.76
	595,355,648	58.12

Register of Substantial Shareholders

The names of substantial shareholders in the Company, and the number of fully paid ordinary shares in which each has an interest, as disclosed in substantial shareholder notices to the Company on the respective dates shown, are as follows:

25 November 1997	Bankers Trust Australia Limited and its related companies	162,047,764	15.76%
27 November 1997	Permanent Trustee Company Limited	76,451,822	7.43%
27 July 1998	Franklin Resources Inc. and its affiliates	98,933,546	9.66%

Investor Information

Annual Report

All shareholders are entitled to receive a copy of the Annual Report. Those who do not wish to receive the Annual Report can have their name deleted from the mailing list by advising the Company in writing.

Change of Address

Shareholders should notify the Company in writing immediately there is a change to their registered address. For added protection shareholders should quote their Account Number.

Dividend

A final dividend of 7 cents a share will be paid on 4 November 1998 to shareholders registered on 6 October 1998, bringing the full year dividend to 14 cents per share. The dividend will be unfranked.

Australian shareholders may elect to have cash dividends paid directly into any bank, building society or credit union account in Australia. Shareholders with registered addresses in New Zealand, the UK or the USA who receive cash dividends may elect to be paid by cheque in their respective currencies. Shareholders with a registered address in Canada can receive their dividends in US dollars.

Company Directory

The Annual Report is the main source of information for investors. Shareholders who wish to contact the Company on any matter relating to their shareholding are invited to contact the most convenient office listed below:

Australia
Pacific Dunlop Limited
Level 41, 101 Collins Street
Melbourne, VIC 3000
Telephone (61 3) 9270 7270
Facsimile (61 3) 9270 7300

United States
Pacific Dunlop Holdings Inc.
6121 Lakeside Drive
Suite #200
Reno, Nevada 89511, USA
Telephone (1 702) 824 4600
Facsimile (1 702) 824 4626

United Kingdom
Pacific Dunlop Holdings (Europe) Ltd
Ansell House
119 Ewell Road
Surbiton, Surrey KT6 6AL
Telephone (44 181) 481 1800
Facsimile (44 181) 481 1830

Hong Kong
Pacific Dunlop (Asia) Ltd
Level 16, Tower 11
The Gateway
Harbour City
Suites 1606-1611
25-27 Canton Road
Kowloon, Hong Kong
Telephone (852) 2956 6688
Facsimile (852) 2956 2155

Enquiries

Shareholders requiring information about their shareholdings should contact the Company's registry at:

Corporate Registry Services Pty Ltd
PO Box 2975EE
Melbourne, VIC 3001
Telephone (61 3) 9611 5711
Facsimile (61 3) 9611 5710

Listings

Pacific Dunlop's shares (Ticker symbol PDP) are listed on the Australian, New Zealand and London stock exchanges. In the USA, Pacific Dunlop shares are traded in the form of American Depositary Receipts (ADRs) on NASDAQ. Each ADR unit represents four ordinary Pacific Dunlop shares. Cash dividends for ADRs are paid in US dollar denominated cheques and stock dividends are issued in the form of ADRs by the administrator of the program. ADR investors requiring information concerning their shareholdings should contact:

The Administrator
Morgan Guaranty Trust Company
500 Stanton Christiana Road, 2/OPS2
New York DE 19713
USA
Telephone (1 302) 634 4622

Financial Calendar

1998

6 October
Record date for final dividend

4 November
Annual General Meeting

4 November
Payment of final dividend

1999

12 February
Announcement of result for half-year ending 31 December 1998

9 June
Record date for half-yearly dividend

1 July
Payment of interim dividend

Directory

Registered Office

Pacific Dunlop Limited
ACN 004 085 330
Level 41, 101 Collins Street
Melbourne, VIC 3000

Telephone (61 3) 9270 7270
Facsimile (61 3) 9270 7300

Secretary
John C Rennie

Auditors
KPMG

Solicitors
Freehill Hollingdale & Page

Head Office Directory

Ansell Corporate Headquarters
200 Schulz Drive
Red Bank NJ 07701
USA

Telephone 1 732 345 5400
Facsimile 1 732 345 9695

Pacific Dunlop Cables Group
207 Sunshine Road
Tottenham, VIC 3012
Australia

Telephone (61 3) 9281 4444
Facsimile (61 3) 9314 6183

South Pacific Tyres
170-180 Hume Highway
Somerton, VIC 3062
Australia

Telephone (61 3) 9305 0222
Facsimile (61 3) 9305 3168

Pacific Brands
25 Camberwell Road
Hawthorn East, VIC 3123
Australia

Telephone (61 3) 9252 2600
Facsimile (61 3) 9252 2622

The Distribution Group Limited
818 Glenferrie Road
Hawthorn, VIC 3122
Australia

Telephone (61 3) 9810 3900
Facsimile (61 3) 9818 5179

Share Registers

Principal Register
Corporate Registry Services Pty Ltd
Level 12, 565 Bourke Street
Melbourne, VIC 3000

Telephone (61 3) 9611 5711
Facsimile (61 3) 9611 5710

Branch Registers
Corporate Registry Services Pty Ltd
Level 2, 60 Carrington Street
Sydney, NSW 2000

Central Plaza One
Level 32, 345 Queen Street
Brisbane, QLD 4000

Level 11, 115 Grenfell Street
Adelaide, SA 5000

Level 2, Reserve Bank Building
45 St George's Terrace
Perth, WA 6000

Level 6, 54 Marcus Clarke Street
Canberra, ACT 2600

Level 2, National Mutual Centre
9-11 Cavenagh Street
Darwin, NT 0800

C/- Wise Lord & Ferguson, Solicitors
Level 4, 111 Macquarie Street
Hobart, TAS 7000

Note: All share correspondence should be directed to the Principal Register.

Designed and produced by Amanda Roach Design

PACIFIC DUNLOP