

Constant Currency Framework

Fisher & Paykel Healthcare Corporation Limited

Introduction and Purpose

The purpose of preparing Constant Currency (“CC”) information is to enable reporting of comparative financial performance without the impacts of foreign currency fluctuations. This framework sets out the principles and basis on which CC information is prepared.

Fisher & Paykel Healthcare Corporation Limited (“FPHC”) prepares annual and interim financial statements in accordance with international financial reporting standards (“IFRS”). These financial statements are presented in New Zealand dollars, with the translation of foreign currency transactions performed in accordance with the foreign currency accounting policy.

The Group is heavily exposed to movements in foreign exchange rates. Consequently, comparisons of line items in the income statement between different periods can be, and often are, impacted by differences in the exchange rates at which transactions in foreign currencies are recorded in those different periods.

To enable directors and management, and external stakeholders, to better understand underlying changes in financial performance, the Group prepares CC information each month for management reporting purposes. For CC information, the results of all reported periods are restated into New Zealand dollars based on “constant” exchange rates, typically the budgeted exchange rates for the current year.

Principles

Under the principles of this framework, the CC information should:

- provide a materially accurate picture of real comparative financial performance between all periods reported, based on the same (i.e. constant) exchange rates;
- provide materially the same picture of comparative financial performance between all periods reported, regardless of which direction(s) foreign exchange rates have moved i.e. the relative reported levels of financial performance should be materially indifferent to exchange rate movements; and
- contain a materially accurate reconciliation between reported (IFRS) profit and CC profit.

Financial statements and management accounts are based on information from a number of sources. It is impractical to restate every individual financial transaction to a CC basis and therefore a series of calculations are performed to present the financial results on a CC basis.

The principles of the framework are achieved by restating all income statement items to:

- materially reflect for each period disclosed, those items as if the foreign exchange rates equivalent to the constant exchange rates had prevailed;
- remove foreign exchange hedging results for each period disclosed;
- remove foreign exchange translational impacts for each period; and
- remove any other material foreign exchange rate impacts from each period.

The procedures undertaken to achieve this outcome should be reasonably practicable to perform on a monthly basis, be documented (in this Framework) and be available to the Board, management and the Company’s Auditors to enable review against these procedures at any time.

Reconciliation to IFRS based Income Statement

The reconciliation between the CC profit and the IFRS profit consists of three principal items:

- the elimination of the foreign exchange hedging result;
- the elimination of the balance sheet translation adjustments; and
- the “spot exchange effect”, comprising:
 - the estimated difference between the value of the transactions in foreign currencies converted at CC exchange rates and the value of those transactions at the actual exchange rates; plus/(less)
 - minor differences inherent in the restatement and estimation procedures followed in preparing the CC information.

Application of Framework

The Board of FPHC has approved this Framework. The Board may approve updates and amendments to this Framework from time to time, which may be implemented by posting on FPHC’s intranet.

Approved by the Board on 26 November 2019 effective 1 December 2019.

Fisher & Paykel Healthcare Corporation Limited reserves the right to amend, update or withdraw its corporate policies and procedures without prior notice.

Changes in exchange rates are due to many factors, for example, a country’s economic performance, interest rates and capital flows. Some of these factors are over the long term, and some the short term. Over the very long term, the value of a country’s currency is likely to be correlated to changes in its purchasing power relative to other currencies. In an environment where inflation rates of the countries in which the Group conducts the majority of its business are reasonably closely aligned to inflation rates in New Zealand during the periods covered by the CC information, that CC information should enable a fair and reasonable comparison of financial performance between those periods. However, if inflation rates in New Zealand and one or more of the countries in which the Group conducts the majority of its business diverge materially over a number of periods, the CC information may no longer provide reliable comparisons of underlying financial performance.