

Fisher & Paykel
HEALTHCARE

INTERIM REPORT 2004

GROUP STRUCTURE

Fisher & Paykel Healthcare Corporation Limited

*FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED OWNS:

*Fisher & Paykel Healthcare Limited
*Fisher & Paykel Healthcare Pty Limited (Australia)
*Fisher & Paykel Healthcare Properties Limited
Fisher & Paykel Healthcare Limited (UK)
Fisher & Paykel Holdings Inc. (USA)

FISHER & PAYKEL HOLDINGS INC. (USA) OWNS:

Fisher & Paykel Healthcare Inc. (USA)

FISHER & PAYKEL HEALTHCARE LIMITED (UK) OWNS:

Fisher & Paykel Healthcare SAS (France)
Fisher & Paykel Holdings GmbH (Germany)

FISHER & PAYKEL HOLDINGS GMBH (GERMANY) OWNS:

Fisher & Paykel Healthcare GmbH & Co KG (Germany)

ALL COMPANIES ARE WHOLLY OWNED

*COMPANIES OPERATING UNDER A NEGATIVE PLEDGE AGREEMENT

DIRECTORS' DETAILS

The Directors of Fisher & Paykel Healthcare Corporation Limited at any time during or since the end of half year are as follows:

Gary Paykel	Chairman, Non-Executive
Michael Daniell	Chief Executive Officer and Managing Director
Michael Smith	Deputy Chairman, Non-Executive, Independent
Prof. Adrienne Clarke	Non-Executive, Independent
Sir Colin Maiden	Non-Executive, Independent
Dr Nigel Evans	Non-Executive, Independent
Lindsay Gillanders	Non-Executive

During the six months to 30 September 2003:

At the Annual Meeting of Shareholders held on 7 August 2003 Sir Colin Maiden and Lindsay Gillanders retired by rotation in accordance with the Company's constitution, and were re-elected to the Board.

EXECUTIVES' DETAILS

Michael Daniell, *Managing Director and Chief Executive Officer*

Senior Management

Lewis Gradon, *Senior Vice-President – Research and Development*
Paul Shearer, *Senior Vice-President – Sales and Marketing*
Tony Barclay, *Chief Financial Officer and Company Secretary*

DIRECTORY

The details of the Company's principal administrative and registered office in New Zealand are:

15 Maurice Paykel Place, East Tamaki, Auckland, New Zealand
Telephone: +64-9-574 0100
Facsimile: +64-9-574 0158

Postal Address

PO Box 14348, Panmure, Auckland, New Zealand

Internet Address

www.fphcare.co.nz

Email Address

investor@fphcare.co.nz

Share Registry

In New Zealand
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna, Auckland

Postal Address

Private Bag 92119, Auckland 1020, New Zealand
Telephone: +64-9-488 8777
Facsimile: +64-9-488 8787
Internet address: www.computershare.co.nz
Email: enquiry@computershare.co.nz

Stock Exchanges

The Company's ordinary shares are listed on the NZSX and the ASX.

Incorporation

The Company was incorporated in Auckland, New Zealand.

The details of the Company's registered office in Australia are:

36-40 New Street, Ringwood, Victoria 3134, Australia
Telephone: +61-3-9879 5022
Facsimile: +61-3-9879 5232

Postal Address

PO Box 167, Ringwood, Victoria 3134, Australia

In Australia

Computershare Investor Services Limited
Level 4, 60 Carrington Street, Sydney, NSW 2000

Postal Address

GPO Box 7045, Sydney, NSW 1115, Australia
Telephone: +61-2-8234 5000
Facsimile: +61-2-8234 5050
Internet address: www.computershare.com.au
Email: sydney.services@computershare.com.au

HALF YEAR REVIEW

At Fisher & Paykel Healthcare Corporation Limited, our purpose is to increase shareholder value by profitably developing, manufacturing, marketing and selling worldwide, healthcare devices which improve patient care and outcomes.

Our performance in the six months ended 30 September 2003 is consistent with this objective, with record revenue, successes with new products, additional investment in research and development, expansion of our international sales activities and an increased interim dividend.

In US dollar terms, both revenue and operating profit increased by 27% over the prior comparable six month period. Operating profit in NZ dollars increased by 4% to NZ\$37.0 million and our operating margins continued to be very strong at 35.3% for the six months.

Profit after tax was NZ\$25.2 million. This compares with NZ\$24.7 million in the comparable prior half year period before unrealised foreign exchange gains in that period of NZ\$9.1 million after tax.

These positive results are due to the strong performance of our three core product groups: respiratory humidification, devices for treating obstructive sleep apnea (OSA), and neonatal and warming products. Revenue from these core product groups grew 28% in US dollar terms over the prior comparable period. Total revenue, including distributed products, was US\$60.3 million. This equates to NZ\$104.9 million, up 4% on last year despite a 22% appreciation of the NZ dollar against the US dollar.

Our performance is reflected in the Directors' approval of an increased dividend for the period of NZD 24 cents per ordinary share carrying full imputation credits. Non-resident shareholders will receive a supplementary dividend of 4.24 cents per share. The interim dividend will be paid on 5 December 2003, with a record date of 28 November and an ex-dividend date of 24 November for the ASX and 1 December for the NZX.

We anticipate being in a position to pay approximately 90% of our tax paid profit in the form of fully imputed dividends. It is the intention of the Directors to pay future dividends to this level, after taking into account other factors the Board deems relevant, such as our financial condition, operating results, current and anticipated cash needs, plans for expansion and banking covenants. Given our strong balance sheet and cashflow the payment of dividends to this level does not affect our ability to pursue growth opportunities.

Our performance in the six months ended 30 September 2003 is consistent with this objective, with record revenue, successes with new products, additional investment in research and development, expansion of our international sales activities and an increased interim dividend.

REVENUE BY PRODUCT GROUP

US DOLLARS Six Months Ended 30 September			NZ DOLLARS Six Months Ended 30 September			
Percentage variation	2002 US\$000	2003 US\$000	Product Group	2003 NZ\$000	2002 NZ\$000	Percentage variation
+37%	23,431	32,028	Respiratory humidification	55,746	50,034	+11%
+15%	18,917	21,833	Obstructive sleep apnea	37,924	40,442	-6%
+48%	2,709	4,001	Patient warming and neonatal care	6,951	5,771	+20%
+28%	45,057	57,862	Core products sub-total	100,621	96,247	+5%
+9%	2,263	2,467	Distributed	4,280	4,842	-12%
+27%	\$47,320	\$60,329	Total	\$104,901	\$101,089	+4%

RESPIRATORY HUMIDIFICATION

Spectacular growth in revenue of 37% in this product group saw revenue increase to US\$32.0 million. SARS-related sales contributed approximately US\$2 million to this figure.

Allowing for the effects of currency translation and SARS-related sales, the respiratory humidification product group generated very positive underlying growth of 15%. Growth was driven by strong market share gains in both adult and neonatal breathing circuits and the increasing acceptance of our sophisticated MR850 humidifier technology.

We believe that new consumable products, designed to be used with our humidification systems, will contribute to continuing growth in this product group. New consumables introduced include a non-invasive ventilation breathing circuit, a flexible catheter mount and a breathing circuit weaning kit. These new products have increased the range and value of the consumables we can supply for each respiratory patient, and they incorporate features to improve patient care.

OBSTRUCTIVE SLEEP APNEA

In the OSA product group our new HC221LE flow generator and HC211 convertible flow generator, introduced to the US market late in the half-year, made an important contribution to the growth achieved in our first six months. Our OSA product group revenue grew 15% to US\$21.8 million and we were particularly pleased to see 28% revenue growth in flow generators in the second quarter.

Mask revenue also grew strongly, with the biggest contribution from the Aclaim2 nasal mask incorporating our FlexiFit™ technology. A further new product, the HC405 FlexiFit™ nasal mask, looks set to contribute further to this growth following a positive reaction to the mask at September's European Respiratory Society meeting in Vienna and at MedTrade in Atlanta in October.

PATIENT WARMING AND NEONATAL CARE

Patient warming and neonatal care product group revenue grew an impressive 48% in US dollar terms to US\$4.0 million, reflecting very strong revenue growth from both warmers and neonatal breathing systems, including our infant CPAP system and our Neopuff infant resuscitator.

INTERNATIONAL SALES

We continue to develop our direct sales operations around the world, increasing our penetration in selected international markets with a strong local sales network. North America generated 43% of our revenues for the half-year, with Europe contributing 29% and Asia/Pacific 24%.

Our direct sales operations in Italy and Spain, established in April 2003 and supported by our distribution centre in Paris, have generated valuable sales growth in these important markets. Our Paris-based operation now operates sales teams in France, the Netherlands, Italy, Spain and Belgium.

Earlier in 2003 we established a representative office in Guangzhou, China with a dedicated country manager to support our network of distributors in this important market. Our team in China has focused initially on supporting the large quantity of humidifier systems that we supplied during the SARS crisis and developing the market with our network of distributors.

RESEARCH AND DEVELOPMENT

We continue to increase our investment in research and development. This is critical to our ability to increase earnings through the introduction of new products in our core product groups.

Research and development expenditure was 6.4% of revenue for the six months. This is a 20% increase, in NZ dollars, on our research and development expenditure in the first half of the 2003 financial year. The increase in R&D activity has seen several important new products introduced already this year.

Further significant new product introductions are planned over the coming six months. These include new flow generator models, including a device that will take advantage of technology transferred from our critical care products. We also have three additional masks planned in the OSA group, including a second generation Oracle oral interface.

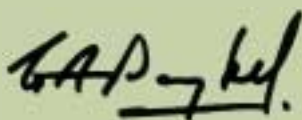
In the respiratory humidification group, we are close to the introduction of new breathing circuit technology that we believe will dramatically improve performance and ease of use in the hospital.

OUTLOOK

Our strong performance in the six months to 30 September 2003 coupled with the introduction of new products and growth in our international sales activities give us confidence of a positive result for the full year.

At 30 September we had in place a mix of foreign exchange contracts and call options, up to three years forward, with a face value of approximately NZ\$372 million. These instruments are at average exchange rates of approximately 0.45 US dollars and 0.41 Euros to the New Zealand dollar and are to protect the company from exchange rate volatility.

For the full year we expect a continuation of strong revenue growth, in US dollar terms, and we are expecting revenue for the 2004 financial year to be in the range of US\$120 million to US\$125 million.



Gary Paykel
Chairman



Michael Daniell
Managing Director
Chief Executive Officer

Accountants' Report

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have reviewed the interim consolidated financial statements. The interim consolidated financial statements provide information about the past financial performance and cash flows of the company for the period ended 30 September 2003 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 36 to 39 of the most recent Annual Report.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim consolidated financial statements that present fairly the financial position of the company as at 30 September 2003 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the interim consolidated financial statements presented by Management and the Directors in order to report whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim consolidated financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the interim consolidated financial statements and, accordingly, we do not express an audit opinion.

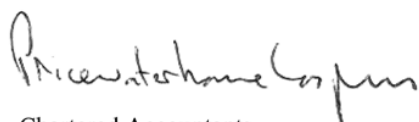
We have reviewed the interim consolidated financial statements of the company for the period ended 30 September 2003 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review, auditor's of the annual financial statements and providers of general advisory services.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements do not present fairly the financial position of the company as at 30 September 2003 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 10 November 2003 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS				NZ DOLLARS		
Year Ended 31 March 2003	Six Months Ended 30 September 2002	Six Months Ended 30 September 2003		Six Months Ended 30 September 2003	Six Months Ended 30 September 2002	Year Ended 31 March 2003
US\$000	US\$000	US\$000		NZ\$000	NZ\$000	NZ\$000
103,063	47,320	60,329	Operating revenue	104,901	101,089	208,420
33,412	15,189	17,769	Cost of sales	30,898	32,449	67,568
69,651	32,131	42,560	Gross profit	74,003	68,640	140,852
			Operating expenses:			
27,411	12,797	17,399	Selling, general and administrative expenses	30,255	27,338	55,432
5,704	2,645	3,890	Research and development expenses	6,764	5,650	11,535
33,115	15,442	21,289	Total operating expenses	37,019	32,988	66,967
36,536	16,689	21,271	Operating profit	36,984	35,652	73,885
			Other income (expenses), net:			
1,483	852	532	Interest income (expense), net	926	1,820	2,997
16,975	6,391	-	Foreign currency exchange profit	-	13,654	34,326
18,458	7,243	532	Total other income (expenses), net	926	15,474	37,323
54,994	23,932	21,803	Profit before taxation	37,910	51,126	111,208
(18,941)	(8,107)	(7,289)	Taxation	(12,674)	(17,319)	(38,304)
36,053	15,825	14,514	Profit after taxation	25,236	33,807	72,904
\$0.35	\$0.15	\$0.14	Basic earnings per share	\$0.25	\$0.33	\$0.71
\$0.35	\$0.15	\$0.14	Diluted earnings per share	\$0.24	\$0.33	\$0.70
102,367,449	102,353,221	102,436,799	Weighted average basic shares outstanding	102,436,799	102,353,221	102,367,449
103,960,399	103,874,888	103,917,466	Weighted average diluted shares outstanding	103,917,466	103,874,888	103,960,399

UNAUDITED CONSOLIDATED STATEMENTS OF MOVEMENTS IN EQUITY

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS				NZ DOLLARS		
Year Ended 31 March 2003	Six Months Ended 30 September 2002	Six Months Ended 30 September 2003		Six Months Ended 30 September 2003	Six Months Ended 30 September 2002	Year Ended 31 March 2003
US\$000	US\$000	US\$000		NZ\$000	NZ\$000	NZ\$000
75,766	75,766	106,724	Shareholders' equity at the beginning of the period	192,817	171,883	171,883
36,053	15,825	14,514	Group profit	25,236	33,807	72,904
17,866	4,092	7,437	Movement in currency translation reserve	(341)	(1,562)	(3,680)
53,919	19,917	21,951		24,895	32,245	69,224
403	88	-	Issue of share capital	-	188	814
13	-	-	Increase in equity from disposition of unallocated shares	-	-	27
(23,377)	(11,858)	(15,726)	Dividends	(27,658)	(25,587)	(49,131)
106,724	83,913	112,949	Shareholders' equity at the end of the period	190,054	178,729	192,817

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

31 March 2003	US DOLLARS		NOTES	NZ DOLLARS		
	30 September 2002	30 September 2003		30 September 2003	30 September 2002	31 March 2003
US\$000	US\$000	US\$000		NZ\$000	NZ\$000	NZ\$000
ASSETS						
Current assets						
7,381	10,494	13,795	Cash and bank balances	23,212	22,352	13,336
19,373	19,463	17,651	Short-term investments	29,700	41,455	35,000
32,654	19,403	28,195	Debtors and prepayments	3	47,442	41,328
12,095	10,472	14,622	Inventories	4	24,604	22,305
2,341	116	940	Taxation		1,581	247
199	741	177	Employee share ownership plans loans		298	1,578
74,043	60,689	75,380	Total current assets	126,837	129,265	133,773
Long-term assets						
39,546	32,612	42,794	Fixed assets	72,008	69,461	71,448
976	762	1,251	Patents and trademarks	2,105	1,622	1,764
1,695	1,524	1,404	Employee share ownership plans loans	2,362	3,247	3,063
4,851	735	6,434	Debtors and prepayments	3	10,827	1,565
1,209	1,116	1,184	Goodwill on consolidation		1,993	2,378
4,292	1,712	5,248	Deferred taxation		8,830	3,647
126,612	99,150	133,695	Total assets	224,962	211,185	228,752
LIABILITIES						
Current liabilities						
612	727	2,052	Bank overdrafts	3,453	1,548	1,106
4,803	3,992	6,307	Trade creditors	10,613	8,503	8,677
497	459	680	Provisions	1,145	978	898
1,107	2,508	1,189	Borrowings	2,001	5,341	2,000
1,091	712	1,201	Taxation	2,021	1,516	1,971
11,131	4,484	9,047	Other liabilities	5	15,221	9,553
19,241	12,882	20,476	Total current liabilities	34,454	27,439	34,766
Long-term liabilities						
210	16	270	Provisions	454	36	379
437	2,339	-	Other liabilities	5	-	4,981
19,888	15,237	20,746	Total liabilities	34,908	32,456	35,935
SHAREHOLDERS' EQUITY						
106,724	83,913	112,949	Shareholders' equity	190,054	178,729	192,817
106,724	83,913	112,949	Total shareholders' equity	190,054	178,729	192,817
126,612	99,150	133,695	Total liabilities and shareholders' equity	224,962	211,185	228,752

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

Year Ended 31 March 2003	US DOLLARS		NOTES	NZ DOLLARS		Year Ended 31 March 2003
	Six Months Ended 30 September 2002	Six Months Ended 30 September 2003		Six Months Ended 30 September 2003	Six Months Ended 30 September 2002	
US\$000	US\$000	US\$000		NZ\$000	NZ\$000	NZ\$000
CASH FLOWS FROM OPERATING ACTIVITIES						
107,389	49,814	68,902	Receipts from customers	119,746	106,417	217,167
3	-	-	Dividends received	-	-	6
1,786	903	694	Interest received	1,207	1,930	3,612
(66,872)	(30,928)	(43,402)	Payments to suppliers and employees	(75,430)	(66,056)	(134,198)
(19,952)	(6,408)	(5,338)	Taxation paid	(9,278)	(13,689)	(40,348)
(142)	(49)	(32)	Interest paid	(56)	(105)	(288)
22,212	13,332	20,824	Net cash flow from operations	36,189	28,497	45,951
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES						
51	46	8	Sale of fixed assets	15	98	104
(8,139)	(4,681)	(2,762)	Purchase of fixed assets	(4,800)	(10,001)	(16,460)
56,618	17,571	36,963	Sale of short-term investments	64,238	37,537	114,496
(73,729)	(36,976)	(33,978)	Purchase of short-term investments	(59,051)	(78,992)	(149,099)
(25,199)	(24,040)	231	Net cash flow from (used in) investing activities	402	(51,358)	(50,959)
CASH FLOWS (USED IN) FINANCING ACTIVITIES						
1,663	657	459	Employee share purchase schemes	797	1,403	3,363
158	88	-	Issue of share capital	-	187	319
44	-	-	Disposition of unallocated employee share scheme shares	-	-	88
5,273	2,250	-	New borrowings	-	4,807	10,664
(7,788)	(3,253)	-	Repayment of borrowings	-	(6,949)	(15,749)
(23,377)	(11,977)	(15,914)	Dividends paid	(27,658)	(25,587)	(49,131)
(1,759)	(937)	(1,150)	Supplementary dividends paid to overseas shareholders	(1,998)	(2,001)	(3,697)
(25,786)	(13,172)	(16,605)	Net cash flow (used in) financing activities	(28,859)	(28,140)	(54,143)
(28,773)	(23,880)	4,450	Net increase (decrease) in cash	7,732	(51,001)	(59,151)
31,757	31,757	6,769	Opening cash	12,230	72,043	72,043
3,785	1,890	524	Effect of foreign exchange rates	(203)	(238)	(662)
6,769	9,767	11,743	Closing cash	19,759	20,804	12,230
RECONCILIATION OF CLOSING CASH						
7,381	10,494	13,795	Bank	23,212	22,352	13,336
(612)	(727)	(2,052)	Bank overdrafts	(3,453)	(1,548)	(1,106)
6,769	9,767	11,743		19,759	20,804	12,230

NOTES TO THE FINANCIAL STATEMENTS

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

1. ORGANISATION AND BASIS OF PRESENTATION

Fisher & Paykel Healthcare Corporation Limited and its subsidiaries ("the Company") is a leading designer and manufacturer of heated humidification products for use in respiratory care and the treatment of obstructive sleep apnea. The Company also offers an innovative range of patient warming devices and neonatal care products. The Company's headquarters and manufacturing operations are located in New Zealand, with products sold in over 90 countries worldwide. Principal distribution and sales sites are located in the United States, the United Kingdom, Australia and Europe.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Financial Reporting Standard No 24: Interim Financial Statements, issued by the Institute of Chartered Accountants of New Zealand, and are presented in NZ Dollars and US Dollars. The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by NZ GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended 30 September 2003 are not necessarily indicative of the results that may be expected for the financial year ending 31 March 2004.

2. ACCOUNTING POLICIES

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 March 2003.

US DOLLARS			NZ DOLLARS		
31 March 2003	30 September 2002	30 September 2003	30 September 2003	30 September 2002	31 March 2003
US\$000	US\$000	US\$000	NZ\$000	NZ\$000	NZ\$000

3. DEBTORS AND PREPAYMENTS

			CURRENT			
16,978	13,299	17,921	Trade debtors	30,155	28,326	30,673
(345)	(207)	(358)	Less allowance for doubtful accounts	(603)	(441)	(623)
16,633	13,092	17,563		29,552	27,885	30,050
10,689	5,298	6,594	Unrealised gain on foreign currency instruments	11,096	11,284	19,312
3,615	-	381	Foreign currency option premium prepaid	641	-	6,531
1,717	1,013	3,657	Other debtors and prepayments	6,153	2,159	3,103
32,654	19,403	28,195		47,442	41,328	58,996
			TERM			
3,970	735	5,475	Unrealised gain on foreign currency instruments	9,213	1,565	7,173
7	-	-	Foreign currency option premium prepaid	-	-	13
874	-	959	Other debtors and prepayments	1,614	-	1,578
4,851	735	6,434		10,827	1,565	8,764

4. INVENTORIES

3,289	2,890	4,146	Materials	6,976	6,155	5,942
9,506	8,181	11,340	Finished products	19,082	17,425	17,175
(700)	(599)	(864)	Provision for obsolescence	(1,454)	(1,275)	(1,265)
12,095	10,472	14,622		24,604	22,305	21,852

NOTES TO THE FINANCIAL STATEMENTS

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

US DOLLARS			NZ DOLLARS		
31 March 2003	30 September 2002	30 September 2003	30 September 2003	30 September 2002	31 March 2003
US\$000	US\$000	US\$000	NZ\$000	NZ\$000	NZ\$000

5. OTHER LIABILITIES

			CURRENT			
2,539	2,474	3,528	Employee entitlements	5,937	5,269	4,587
1,403	1,068	812	Unrealised loss on foreign currency instruments	1,365	2,274	2,535
4,396	-	2,842	Foreign currency option premium liability	4,782	-	7,942
2,793	942	1,865	Other creditors and accruals	3,137	2,010	5,050
11,131	4,484	9,047		15,221	9,553	20,114
			TERM			
343	2,259	-	Unrealised loss on foreign currency instruments	-	4,811	620
94	80	-	Other creditor	-	170	170
437	2,339	-		-	4,981	790

US DOLLARS			NZ DOLLARS		
Year Ended 31 March 2003	Six Months Ended 30 September 2002	Six Months Ended 30 September 2003	Six Months Ended 30 September 2003	Six Months Ended 30 September 2002	Year Ended 31 March 2003
US\$000	US\$000	US\$000	NZ\$000	NZ\$000	NZ\$000

6. CASH FLOW RECONCILIATION

36,053	15,825	14,514	Profit after taxation	25,236	33,807	72,904
Add (deduct) non-cash items:						
3,767	1,594	2,258	Depreciation	3,924	3,405	7,619
220	87	87	Amortisation of patents	152	186	444
190	90	110	Amortisation of goodwill	192	192	385
66	3	5	Accrued interest income	22	18	159
454	228	243	Movement in provisions	322	439	702
(2,913)	(333)	(956)	Movement in deferred tax/future tax benefit	(1,075)	(518)	(4,626)
Movement in working capital						
8,094	(1,766)	2,182	Payables and accruals	(1,984)	(1,375)	9,370
(6,410)	3,132	281	Debtors and prepayments	3,293	7,376	(3,996)
(4,123)	(2,002)	(2,982)	Inventory	(1,930)	(3,090)	(1,736)
1,198	2,222	2,662	Provision for taxation net of supplementary dividends paid	4,697	4,832	3,000
(17,080)	(7,609)	1,655	Movement in unrealised revaluations of foreign currency instruments	4,386	(15,219)	(32,785)
2,696	1,861	765	Foreign currency exchange translation	(1,046)	(1,556)	(5,489)
22,212	13,332	20,824	Net cash flow from operations	36,189	28,497	45,951

NOTES TO THE FINANCIAL STATEMENTS

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED

7. FINANCIAL INSTRUMENTS

Through its importing and exporting activities, the Group generates a number of internal foreign currency hedges. General policy is to monitor current and anticipated future foreign currency trading cash flows, and advice is taken on likely foreign currency rate trends. The Company enters into foreign currency option contracts and forward foreign currency contracts in managing its foreign exchange risk.

The purpose of the Company's foreign currency hedging activities is to protect the Company from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currency to foreign customers, and the purchase of raw materials in foreign currency from foreign and domestic suppliers. The Company enters into foreign currency option contracts and forward foreign currency contracts to hedge anticipated net sales/costs originating in New Zealand and denominated principally in US dollars, Euros, British pounds and Australian dollars.

The terms of the foreign currency option contracts and forward foreign currency contracts generally do not exceed three years, however the foreign currency option contracts can be up to five years.

As at 1 April 2001 the Company adopted Statement of Financial Accounting Standards No 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended, which standardises the accounting for derivative instruments. The Company's hedging contracts were not designated as accounting hedges under SFAS 133 because of the restrictive definitions and therefore were marked to market with the resulting gains and losses being recognised in earnings in the period of change.

Unrealised gains or losses were recognised as incurred on the Statement of Financial Position as either other assets, within debtors and prepayments, or other liabilities and were recorded as gains or losses on the Statement of Financial Performance. Unrealised gains and losses on currency derivatives were determined based on dealer quoted prices.

As at 6 November 2002 the Company designated its hedging contracts and options as accounting hedges under Statement of Standard Accounting Practice No 21, "Accounting for the Effects of Changes in Foreign Currency Exchange Rates" (SSAP 21). As a result of this change in policy, the mark to market fair value recorded at 6 November 2002 under SFAS 133 is retained on the Statement of Financial Position and will be offset against the gain/loss on settlement of the contracts. Movements in the mark to market fair values subsequent to 6 November 2002 are deferred and will be reflected in the Statement of Financial Performance when the anticipated transactions occur. The foreign currency exchange rates used in the mark to market adjustment as at 6 November 2002 have become the effective hedge rates for the foreign currency option contracts and forward foreign currency contracts in place on this date.

Notional principals of foreign exchange and option agreements amounts outstanding were as follows:

US DOLLARS				NZ DOLLARS		
31 March 2003	30 September 2002	30 September 2003		30 September 2003	30 September 2002	31 March 2003
US\$000	US\$000	US\$000		NZ\$000	NZ\$000	NZ\$000
-	122	261	Purchase commitments forward exchange contracts	439	260	-
140,803	107,898	120,075	Sale commitments forward exchange contracts	202,044	229,814	254,387
101,541	112,392	100,836	Put option agreements purchased	169,672	239,387	183,453
-	-	-	Call option agreements sold	-	-	-

8. COMMITMENTS

There has been no material movement in capital expenditure or lease commitments from that disclosed in the 2003 Annual Report.

9. CONTINGENCIES

We are unaware of the existence of any contingencies that would have a material impact on the operations of the Company.