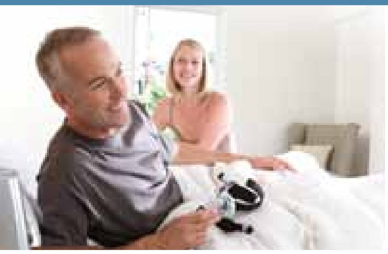
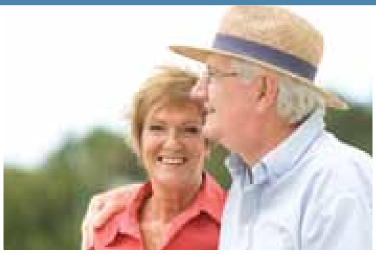
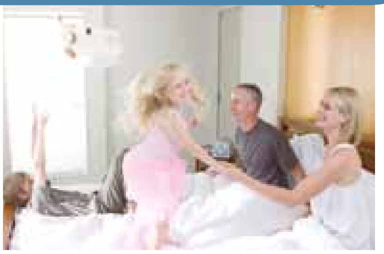
Annual Report
2011

Improving patient care and outcomes

Fisher & Paykel HEALTHCARE

Contents

Our consistent growth strategy is to provide an expanding range of innovative medical devices which can help to improve care and outcomes for patients in an increasing range of applications.


7:55













Vision

Our purpose is to increase shareholder value by profitably designing, developing, manufacturing, marketing and selling healthcare devices worldwide which improve patient care and outcomes.

Values

FUNDAMENTAL TO OUR SUCCESS ARE THESE BASIC VALUES

PATIENTS

We will employ our research capabilities, technical skills and clinical partnerships to design and develop innovative products and therapies which assist healthcare professionals to provide the best possible patient care and outcomes.

CUSTOMERS

Our goal is to be recognised by our customers as a high quality, innovative and efficient supplier. We will earn their respect as the "best to do business with" through our understanding of their current and future needs.

OUR PEOPLE

We value our family of employees as essential to the success of our company. We aim to develop a long-term trusting relationship with each employee, providing for their welfare, wellbeing and safety, encouraging their contributions and assisting in their personal development and education. In all dealings we will be fair and consistent.

QUALITY IMPROVEMENT

We believe in continuous improvement in everything we do, including our administration, marketing, sales, design, service, distribution and manufacturing. Continued innovation and improvement are critical to our ongoing growth.

SUPPLIERS

We view suppliers of goods and services, with whom we wish to develop long-term trusting relationships, as an extension of our company. We expect our suppliers to embrace our quality improvement philosophy in their dealings with us.

SHAREHOLDERS

We aim to be a company in whom our shareholders have trust and pride. We will keep our shareholders properly informed of our company's performance and prospects. We recognise the need to provide our shareholders with an excellent return on investment, consistent with long-term growth.

PLANNING

All short-term decisions will be consistent with long-term objectives that balance the needs of our people, customers, suppliers and shareholders. Each year these objectives will be widely communicated within our company.

ENVIRONMENT

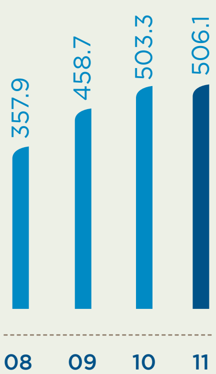
Reflecting our commitment to minimise the impact of our operations on the environment, we aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

SOCIETY

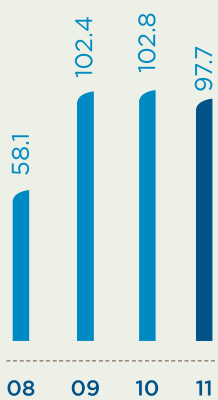
We will conduct our business at all times in a fair, ethical, consistent and professional manner. We accept our responsibility to be a trustworthy community neighbour and will continue to support community affairs.

Results in Brief

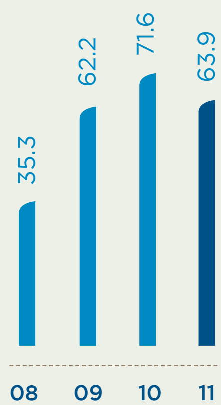
Operating Revenue
NZ$ MILLIONS



Operating Profit
NZ$ MILLIONS



Profit After Tax*
NZ$ MILLIONS



* Prior to one-off non-cash deferred tax charges (2011)

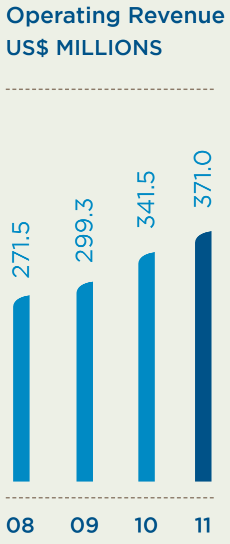
2011 Highlights

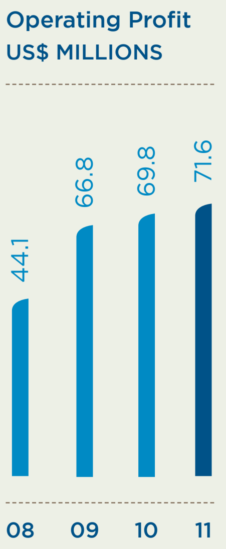
We have continued to make very encouraging progress in developing new opportunities for growth by expanding the range of applications for our medical devices.

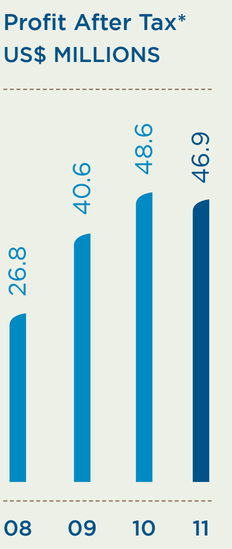
13% ↑
growth in respiratory and acute care product group revenue to US$185.6m

8% ↑
growth in obstructive sleep apnea product group revenue to US$173.5m

11% ↑
growth in research and development to 7.8% of operating revenue







* Prior to one-off non-cash deferred tax charges (2011)

$506.1m

NZ$506.1 million record operating revenue

30.6%

pre-tax return on average NZ$ shareholders' equity

12.4c

total dividend of NZ12.4 cents per share for the year, fully imputed

Chairman's Report

GARY PAYKEL CNZM CHAIRMAN

Our objective is to increase shareholder value by designing, developing, manufacturing, marketing and selling healthcare devices worldwide, which improve patient care and outcomes. Our strategy to achieve this goal has been to provide an expanding range of innovative medical devices for an increasing range of applications and to expand our global presence.

Our 2011 financial results demonstrate the continuing strength of our business and the successful execution of this strategy during the last year. They also build on a strong record of growth since we were listed as an independent public company in 2001.

OPERATING PERFORMANCE

For the year ended 31 March 2011 we achieved record operating revenue of NZ$506.1 million despite unfavourable exchange rate movements. In US dollar terms operating revenue grew 9% from US$341.5 million to US$371.0 million.

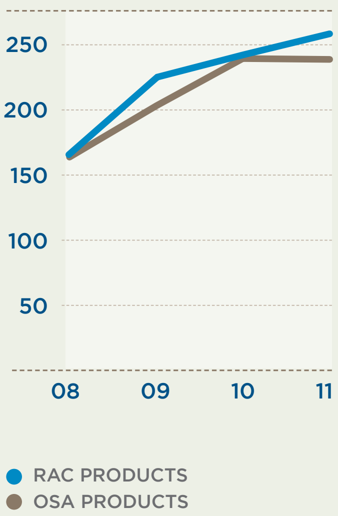
We achieved net profit after tax of NZ$63.9 million (prior to allowing for one-off non-cash deferred tax charges of NZ$11.5 million) compared to NZ$71.6 million for the prior year.

The reduction in the full year result primarily reflects the strength of the New Zealand dollar, which continues to be a challenge for the business, and expenses related to the establishment and expansion of manufacturing in Mexico. The non-cash deferred tax charges relate to the New Zealand government's removal of depreciation on building structure and the reduction in the New Zealand company tax rate. Reported net profit after tax was NZ$52.5 million.

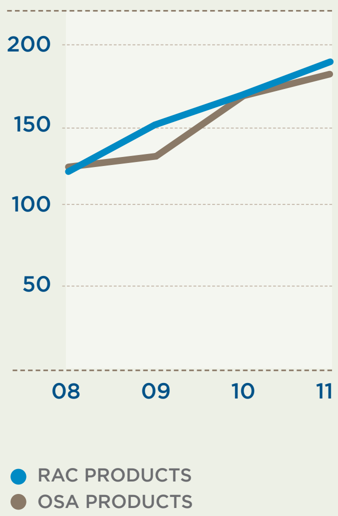
In the hospital setting we have steadily increased the range of applications for our devices beyond our traditional intensive care application.

Our two major product groups, respiratory and acute care (RAC) and obstructive sleep apnea (OSA), made good progress during the year with new products and new applications contributing to accelerating growth in the fourth quarter.

Revenue by Product Group
NZ$ MILLIONS



Revenue by Product Group
US$ MILLIONS



In the hospital setting we have steadily increased the range of applications for our devices beyond our traditional intensive care application. We have introduced devices that can be used in non-invasive ventilation, oxygen therapy, humidity therapy and surgery.

Revenue from these new applications grew rapidly, 32% in US dollar terms, and accounted for almost a third of our RAC consumable sales during the year.

Over the past five years we have expanded our range of continuous positive airway pressure (CPAP) flow generators and innovative face masks for the in-home treatment of OSA. This culminated in 2011 with the launch of the ICON™ flow generator into our key markets in North America and Europe.

The ICON range, which represents a significant advance in the treatment of OSA, has received very positive customer feedback and the early indications are that this platform will help us to continue to grow market share in the OSA market. It is a great example of the innovation that drives our business.

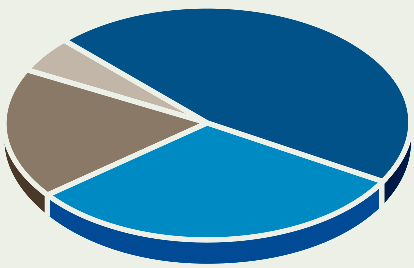
The ICON range, which represents a significant advance in the treatment of OSA, has received very positive customer feedback.

We expect innovation to continue to underpin our performance. We have under development an extensive pipeline of new products, which we believe will continue to support our growth. A number of these new products are scheduled for introduction in the next twelve months.

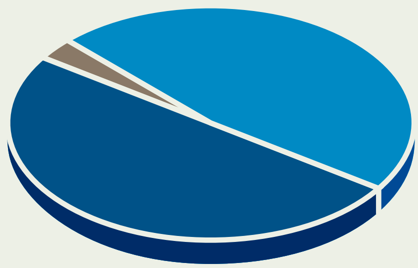
Meanwhile, we continue to expand our global sales network. In the last year we strengthened

Chairman's Report (continued)

Revenue by Region



Revenue by Product Group



our networks in Asia in particular. Our own people are now located in 32 countries with our products sold in over 120 countries.

DIVIDEND AND CAPITAL STRUCTURE

We recognise the need to provide our shareholders with a strong return on investment, consistent with long-term growth. Over the past five years we have delivered total gross dividends of NZ$430.4 million, which includes imputation credits of NZ$113.5 million, to our shareholders. A final dividend of 7.0 cents per share will be paid on 8 July 2011, bringing the total dividend for the year to 12.4 cents per share, carrying full New Zealand imputation credit.

The dividend reinvestment plan has again been offered for this dividend payment. Consistent with our intention to increase the equity base of the Company, a 3% discount will be applied to shares issued under the plan. The plan provides a convenient method for reinvesting all or part of your dividends in further Fisher & Paykel Healthcare shares free of brokerage charges.

We intend to progressively increase shareholders' funds to ensure that we have capacity to continue to implement our foreign currency hedging policy as we grow.

> We expect innovation to continue to underpin our performance. We have under development an extensive pipeline of new products.

We expect that the current dividend will be maintained in real terms, subject to earnings performance, until such time as the target capital structure is achieved. Longer term, the Directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.




CORPORATE GOVERNANCE

Your Board seeks to achieve the highest standards of corporate governance and so we were pleased to see in the Securities Commission July 2010 Review of Corporate Governance Disclosures that Fisher & Paykel Healthcare was one of three New Zealand issuers commended for the high quality of its disclosures. We have recently reviewed and updated our Corporate Governance policies and procedures to address the amendments made to the ASX Corporate Governance Principles and Recommendations. A full and separate statement of our governance policies has been provided later in this Annual Report.

We have an ongoing Board refreshment process. In February, Sir Colin Maiden retired from the board after 32 years of service as a director with Fisher & Paykel. Sir Colin joined the board of Fisher & Paykel in 1978, went on to serve as Chairman for 12 years and oversaw the reorganisation and separation of Fisher & Paykel Healthcare in 2001.

We recognise the need to provide our shareholders with a strong return on investment, consistent with long-term growth.

On behalf of the Board, I would like to express our deepest thanks to Sir Colin for the outstanding contribution that he has made to the Company during his years as a Director and as a longstanding member of the Audit & Risk, Nomination and Remuneration Committees.

We have been very fortunate to appoint an excellent replacement Director in Tony Carter. Tony has recently retired from his position as Managing Director of Foodstuffs New Zealand and is a non-executive director of Vector Limited, Fletcher Building Limited and Air New Zealand Limited. We believe that Tony's engineering background and considerable business experience will add to the strength of our Board.

Chairman's Report (continued)




OUR PEOPLE

The experience, capabilities and commitment of our more than 2,400 people worldwide and excellence in quality, research, development, manufacturing, marketing, sales, distribution and administration are fundamental to our ability to grow and to deliver the long-term growth in value expected by our shareholders.

The Board appreciates that our progress is a result of the combined efforts of our staff and the support we receive from our customers, distributors, suppliers and clinical partners. We thank them all for their commitment and hard work in the past year in the face of a difficult global economic environment.

LOOKING AHEAD

We believe that we remain well positioned to deliver strong underlying growth in the year ahead, both from our opportunities in the respiratory and acute care and obstructive sleep apnea markets and from increasing efficiencies in our operations in New Zealand, Mexico and around the world.

Gary Paykel CNZM
Chairman

Chief Executive Officer's Review

MICHAEL DANIELL
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Our consistent growth strategy is to provide an expanding range of innovative medical devices which can help to improve care and outcomes for patients in an increasing range of applications.

In homecare, we have continued to develop and expand our range of devices with the worldwide introduction of both our new ICON flow generator range for the treatment of obstructive sleep apnea (OSA) and our AIRVO™ humidity therapy product range for patients with chronic obstructive pulmonary disease (COPD).

In the hospital setting, as well as heated humidification systems for use in intensive care ventilation, we offer devices that can be used in non-invasive ventilation, oxygen therapy, humidity therapy and laparoscopic surgery. Over the year we achieved very encouraging progress, with revenue from those new applications accounting for approximately 30% of our respiratory and acute care consumables operating revenue.

As expected, growth accelerated late in the financial year as our new ICON flow generator range gained traction and demand for our respiratory consumables increased. In the fourth quarter respiratory and acute care (RAC) operating revenue grew 24% and OSA operating revenue grew 17% in US dollar terms, compared to the same period last year.

RAC products accounted for 50% of our total operating revenue, OSA products represented 47% and distributed and other products represented 3%. Recurring revenue from consumable and accessory products, such as humidifier chambers, breathing circuits and masks, accounted for 76% of total operating revenue.

RESPIRATORY AND ACUTE CARE

Our heated humidifier systems play an important role in improving patient care in the treatment of a variety of medical conditions which interfere with normal respiration. Warming and moistening of the gases delivered through mechanical ventilation, oxygen therapy or humidity therapy help to reproduce the normal functioning of the nose and upper airways and reduce airway moisture loss and the occurrence of adverse side effects.

Chief Executive Officer's Review (continued)

RAC product group operating revenue grew 13% to US$185.6 million. The devices we offer include humidifier controllers, chambers, breathing circuits (the tubing which conveys medical gases to and from the patient), filters, connectors and interfaces.

Our neonatal care devices include similar infant-sized respiratory systems as well as resuscitators and warmers. These devices are used to assist newborn babies (particularly those born prematurely) with breathing and temperature regulation.

We also offer a humidification system which humidifies the cold, dry carbon dioxide gas which is used to inflate the patient's abdomen during 'keyhole' or laparoscopic surgery.

Demand for our range of respiratory humidification system controllers was less than in the prior year, due to large purchases by our customers in the prior year in preparation for an anticipated H1N1 virus epidemic.

We have recently introduced additional breathing system consumables and we have more in development, with the objective of enabling improved care for more patients and further increasing the value of the devices we offer for treating each patient.

OBSTRUCTIVE SLEEP APNEA

OSA product group operating revenue increased by 8% to US$173.5 million, reflecting strong demand for our new ICON range following the completion of North American introduction late in the year.

Continuous positive airway pressure (CPAP) therapy is the most common treatment for OSA. CPAP therapy prevents the collapse and blockage of the patient's airway during periods of deep sleep, and is delivered using an air flow generator, humidifier, tubing and mask.

Most people with OSA do not realise that they have a condition which causes excessive daytime fatigue, is associated with cardiovascular disease and strokes and is directly linked to hypertension. In fact, tens of millions of people worldwide who have untreated OSA stop breathing for short periods many times each night while they are asleep.

We estimate that the worldwide market for OSA treatment devices and consumables is worth more than US$2.2 billion annually. Increasing diagnosis rates, better treatment devices and improving awareness of the condition are contributing to strong market growth.

Our innovative products are designed for ease of use and to help improve patient acceptance and compliance with CPAP therapy.

The ICON product range integrates our leading technologies into stylish, compact and intelligent devices to deliver a better night's sleep for OSA patients.

ICON combines both exceptional style and technology to fit unobtrusively into the home setting, has a very small footprint and incorporates our innovative technologies, including InfoUSB™, ThermoSmart™ and SensAwake™. The ICON also includes a digital clock, alarm and music playing capabilities to enhance patient adaptation to CPAP therapy.

The product range spans three models: Auto, Premo and Novo. The Auto detects interruptions to normal breathing and provides the appropriate positive airway pressure to meet the breath-by-breath needs of the patient with full efficacy and compliance reporting.

The Premo model provides fixed pressure therapy with efficacy and compliance reporting, while the Novo provides basic compliance reporting.

R&D INVESTMENT	2009	2010	2011
Investment in R&D	NZ$28.3M	NZ$35.3M	NZ$39.3M
R&D as % of operating revenue	6.2%	7.0%	7.8%
R&D staff	253	295	322
PATENTS AT 31 MARCH			
US granted	79	82	92
US applications pending (incl. PCTs*)	78	87	100
Rest of world granted	292	333	366
Rest of world applications pending (excl. PCTs*)	207	200	196

** PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions.*

The ICON range also includes our InfoSmart™ technologies, which will provide a full range of communication and compliance reporting options.

Our nasal and full face masks incorporate our patented FlexiFit™, FlexiFoam™ and Glider™ technologies which help to make them comfortable and easy to fit. Our nasal pillows mask, the Opus360™, is extremely small, light and quiet. To complement ICON, we have a range of new masks under development, which we expect to introduce progressively over the coming year.

RESEARCH AND DEVELOPMENT

Our research and development (R&D) expenses increased 11% to NZ$39.3 million and represented 7.8% of operating revenue. This investment ensured that we continued to expand the range of innovative medical devices that we provide to assist clinicians to improve patient care and outcomes.

Our R&D expenditure was directed to a broad range of projects in our core product groups, as we continued to develop our products and technology. New and improved products and processes, along with the development of new medical applications for our technologies, are critical drivers of our annual revenue and earnings growth. We remain committed to expanding our R&D activities.

We have recently completed the development of a broad range of new respiratory and acute care products including second generation Evaqua™ breathing circuits, neonatal bubble CPAP masks, infant resuscitator consumables and HumiGard™, a new humidification system for use in both laparoscopic and open surgery.

Our current new product development projects include a broad range of new CPAP and non-invasive ventilation masks, flow generators, humidifier systems and consumables.

Chief Executive Officer's Review (continued)

SALES AND MARKETING

Selling, general and administrative (SG&A) expenses were NZ$141.9 million, an increase of 3% over the prior year (or 7% excluding the effect of currency translations), reflecting an increased number of sales, marketing and operations staff to support our growth.

Our own people are currently located in 32 of the more than 120 countries where our products are sold. The growing number of staff in these markets helps us to ensure that our product range is well supported and new products or applications for our products are quickly brought to the attention of health professionals and our customers.

At the same time, a local presence enables us to identify local needs and opportunities, while allowing us to build the good relationships that support our business growth.

Our sales offices in the UK and Western Europe assist us to deal with the complexities of multiple languages, differing regulatory requirements and market preferences. We have sales offices and distribution centres in France, the UK, Germany and Sweden, with sales teams also located in Spain, Portugal, Italy, the Netherlands, Belgium, Ireland, Austria, Switzerland and Denmark. During the year we opened a sales office and distribution centre in Turkey.

In the rapidly growing economies of the BRIC countries we have continued to invest in the markets of India and China, where we have well-established distribution centres which provide immediate access to our product range. Each of them serves very large and diverse population groups and supports our in-market distributors, whilst in Brazil and Russia we have increased our in-market customer support.

We have an extensive network of distributors throughout Asia and the Middle East, who represent our products and are supported by our regional sales managers and product specialists based in New Zealand, Korea, Egypt and Saudi Arabia.

During the year we began operating new distribution and clinical sales support centres in Taiwan and Hong Kong while significantly expanding our operations in Japan. Our initiative to sell our products directly to hospital sub-distributors and homecare providers in Japan has resulted in developing new relationships and greater market understanding which will underpin our future growth in this very important market.

In the United States we continued to grow our sales teams to meet growing homecare provider demand and to support our partnership with CareFusion, our US hospital distributor. Our North American distribution centres in California, Kentucky and Quebec ensure efficient delivery to our distributors and to the thousands of homecare providers we work with.

Australia and New Zealand are especially important markets for us as they are often the first countries to receive our new products, enabling us to gauge initial customer acceptance and to develop marketing material ready for worldwide release.

The geographic contribution to revenue was North America 46%, Europe 31%, Asia Pacific and Other 23%.

QUALITY AND REGULATORY

Providing medical devices which are able to assist clinicians and caregivers to improve patient care and outcomes is fundamental to our success. Our products are used in the treatment of millions of people around the world each year. We are continuously improving our products and the way in which they are manufactured so that we achieve the highest levels of quality and reliability.

With the healthcare device industry regulated worldwide, the ability to meet stringent standards is vital to ensuring market acceptance of our products. We assist our compliance with these standards by operating a quality management system certified to a range of international standards which apply to both our manufacturing facilities and our sales network.

As manufacturers of medical devices we are required to comply with a wide range of country specific regulations and are routinely audited for compliance to the applicable regulations. Our products destined for the United States must comply with the US Food and Drug Administration Quality System Regulation and require market clearance prior to commercialisation. Similarly, our products destined for the EU, Canada or Japan must comply with the European Medical Device Directive, CMDCAS and JPAL respectively and require country specific market clearance prior to commercialisation. Underwriters Laboratories also carry out safety tests on products designed for the US market and certify our products' compliance with the IEC 60601-1 electrical safety standard.

During the year we continued to invest in, and further develop, our quality management systems to ensure that our processes and procedures meet both our business needs and changing international regulatory requirements. Continuous improvement ensures that our products and services meet the highest possible quality standards and surpass our customers' expectations.

TÜV Group, a European notified body, audits our New Zealand and Mexico facilities annually. This is required to maintain the certification that allows us to place a CE mark on our products which is necessary for entry into European Union markets and to meet Canadian, Japanese, Australian and other regulatory requirements.

MANUFACTURING AND OPERATIONS

During the year we invested NZ$43.3 million in capital expenditure. Approximately NZ$37.7 million was invested in New Zealand and included equipment for increased manufacturing capacity, new product tooling, replacement equipment and NZ$15.5 million for construction of the third building on our Auckland site.

On completion in late 2012 the new NZ$95 million building will provide increased R&D, laboratory, office, manufacturing and warehouse space, and will provide the capacity in the future to more than double our New Zealand-based R&D, clinical research and marketing activities.

The ramp up of manufacturing of consumable products at our facility in Tijuana progressed as expected, with NZ$5.6 million of capital invested over the year to expand capacity and the range of products manufactured in Mexico. We plan to increase capacity in Mexico as demand for our high volume consumables increases and expect to be manufacturing approximately half of our consumables volume there within five years.

Our facilities in Auckland and Mexico incorporate controlled working environments for the manufacture and assembly of our products. Production quality is continuously monitored, with our products rigorously tested before final packaging.

We operate an integrated enterprise resource planning system which is used for forecasting, scheduling, manufacturing, ordering components, processing orders and managing inventory. This system is used in all of our facilities, provides real time reporting of sales and assists with inventory management.

Chief Executive Officer's Review (continued)

Over the year we continued to implement design, purchasing and process improvements which will help offset cost increases and reduce our manufacturing costs. These improvements incorporated Lean techniques and also included the automation of some processes. We are committed to Lean and automation as a means of improving health and safety, reducing costs, enhancing our production capability and improving the quality and consistency of our products.

ENVIRONMENT

We strive to live up to the commitment we make in our values to minimise the impact of our operations on the environment. We aim to develop products and manufacturing processes which are as friendly to the environment as practicable.

Our New Zealand site environmental management system is certified to ISO14001, the international environmental management standard. We are audited annually against that standard and certified tri-annually by the Swiss-based European notified body, Société Générale de Surveillance.

We continue to improve our recycling processes and over the year recycled approximately 50% of our waste material.

Landscaped settlement ponds take rainwater runoff from the buildings, car parks and surrounding roads on our 40 hectare site at East Tamaki, Auckland. These settlement ponds help to minimise undesirable sediment entering the nearby Tamaki River.

Our Mexico manufacturing facility's proximity to our major markets not only means lower transport costs but also a decrease in air emissions as long distance transport of products from our New Zealand facility is reduced.

We again participated in responding to the Investor Group on Climate Change Australia and New Zealand Carbon Disclosure Project.

WORKPLACE HEALTH AND SAFETY

We are committed to providing all of our employees with a healthy and safe working environment. We continue to focus on achieving excellence in health and safety initiatives and work with local authorities and organisations as required. By adopting a philosophy of health and safety being the responsibility of all employees and by focussing on continuous improvement, we enjoy an environment that promotes active participation in our various health and safety programmes.

HUMAN RESOURCES

At the end of March 2011 we employed a total of 2,448 people, with 1,666 located in New Zealand and 782 located in 31 other countries. Our human resource strategy continues to be focused on attracting, retaining and developing our family of employees around the world. Our past progress and our expectation of further growth are a reflection of the calibre of our people around the world. Our people are in diverse workplaces and social settings which contribute to the fabric of our organisation and we continue to support equal employment opportunities for all of our employees.

Our vision and values, along with our philosophy of continuous improvement, are applied to all human resource initiatives and provide ongoing development opportunities for employees. Over the year we have continued to focus on initiatives that support our organisational capability and growth strategies.

FOREIGN EXCHANGE HEDGING AND TREASURY

We sell in a variety of currencies, with approximately 54% of our operating revenue generated in US dollars, 23% in Euros, 6% in Australian dollars, 4% in UK pounds, 4% in Japanese yen, 1% in New Zealand dollars and 8% in other currencies.

Exchange rates between the New Zealand dollar and the other currencies we receive revenue in were again very volatile during the year, with the New Zealand dollar appreciating substantially against the US dollar over the year. Our hedging policy again served us well, with hedging gains contributing NZ$38.4 million to operating profit.

As we increase our number of direct sales operations an increasing proportion of our revenue is generated in local currencies, reducing our operating revenue exposure to the US dollar. Our cost base is also becoming more diverse, as we increase our manufacturing output from Mexico.

The net cash generated from operating activities in the financial year was NZ$71.1 million. Operating cash flow was less than the prior year primarily due to the monetisation of US$66 million of forward exchange contracts in the prior year which resulted in a cash benefit of NZ$32 million before tax in the prior year.

Net cash used in financing activities of NZ$37.5 million primarily related to the NZ$63.8 million of interim and final dividends, offset by NZ$23.1 million retained under the Dividend Reinvestment Plan.

OUTLOOK

Our opportunities to expand in the respiratory care, acute care and OSA markets continue to be positive. We expect to continue to see an increasing contribution to growth from products for the treatment of patients in a range of additional applications, which include non-invasive ventilation, oxygen therapy, humidity therapy, resuscitation and laparoscopic surgery. In addition, we believe that our range of premium OSA treatment devices will continue to drive robust growth in that growing market.

The efforts and expertise of our dedicated teams around the world are reflected in our continuing growth. Sincere thanks to all of them and also to our Board, customers, suppliers, clinical partners, distributors and shareholders for their continued support and confidence in us.

Michael Daniell
Managing Director and Chief Executive Officer

Respiratory and Acute Care

KEY PRODUCTS

- MR850 Respiratory Humidifier System
- MR810 Respiratory Humidifier System
- MR880 Respiratory Humidifier System
- HC550 Respiratory Humidifier System
- MR860 HumiGard™ Surgical Humidifier System
- Single Use Respiratory Humidification Chambers
- Single Use Adult and Neonatal Breathing Circuits
- Single Use Non-Invasive Ventilation Mask Range
- Single Use Range of Optiflow™ Oxygen Therapy Interfaces
- Neopuff™ Infant Resuscitator
- Infant Bubble CPAP System
- AIRVO™ Humidifier with Integrated Flow Generator

RAC CASE STUDY

F&P Optiflow™

Optiflow™ is the delivery of humidified air and oxygen through the unique F&P Optiflow nasal cannula. It provides patients with a greater level of comfort than traditional therapies while delivering oxygen more effectively. This creates an ideal solution for the millions of patients each year in hospitals suffering from mild to moderate respiratory distress. The delivery system is made up of the nasal cannula, heated delivery tube, water chamber, heated humidifier and a flow source.

The following is a case study illustrating the effectiveness of Optiflow:

Mrs Foster* was a 55 year old female admitted to Cardiac Intensive Care for routine post-operative management following an aortic valve replacement. Initially Mrs Foster had a stable post-operative course and was extubated four hours after surgery onto low flow nasal cannula at 4 litres per minute.

On the day after the operation, Mrs Foster was in immense pain causing her oxygen levels to drop. She was having great difficulty breathing. Nursing staff worked to provide Mrs Foster with adequate pain relief, and commenced Optiflow (50% oxygen, 35lpm flow) to correct her breathing difficulties. Optiflow allowed nursing staff to react very quickly to Mrs Foster's changing respiratory needs before she deteriorated further. Optiflow worked well for Mrs Foster, and as her pain levels began to stabilise, nursing staff were able to reduce the amount of oxygen required.

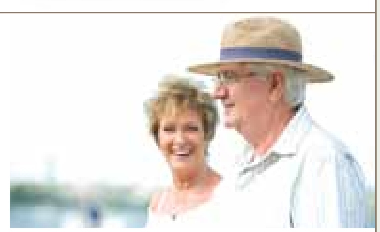
Over the following two days Mrs Foster continued to receive Optiflow for the management of her ongoing breathing difficulties. She was able to return to low flow nasal cannula before discharge to the ward. The use of Optiflow stopped Mrs Foster from deteriorating further, avoiding the use of noninvasive or invasive ventilation, which could have prolonged her intensive care admission.

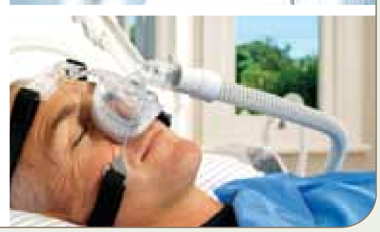
** Name and images have been changed to protect identity*

Obstructive Sleep Apnea

KEY PRODUCTS

- ICON™ Auto Flow Generator
- ICON™ Premo Flow Generator
- ICON™ Novo Flow Generator
- SleepStyle™ Flow Generators
- HC150 CPAP Heated Humidifier
- FlexiFit™ Nasal Mask Range
- FlexiFit™ Full Face Mask Range
- Zest™ Nasal Mask Range
- Forma™ Full Face Mask
- Opus360™ Nasal Pillows Mask
- Oracle™ Oral Mask
- Forma™ NIV Full Face Mask
- FlexiFit™ 407 NIV Nasal Mask
- HC300 Series Humidification Chambers
- InfoSmart™ Data Management Software
- LabPort™ and LabSmart™ Laboratory Titration System





OSA CASE STUDY

InfoTechnologies

At Fisher & Paykel Healthcare, we realise that today it takes a lot more than leading-edge CPAP and mask solutions to enable our healthcare partners to provide efficient care and follow-up. Sleep has become a complicated business. We have been working on several solutions to help simplify every step of the journey.

Since its introduction the ICON range has been changing the face of CPAP therapy. Healthcare providers require advanced technical solutions to capture, measure and report on adherence and receive continued reimbursement for treatment. F&P InfoTechnologies can efficiently provide a range of flexible and secure data monitoring solutions.

The first of our solutions is F&P InfoView™ which allows the patient to relay compliance data from the display screen of their CPAP device to their healthcare provider over the phone. The data is verified by a special code and an insurance compliant report is generated through F&P InfoSmart™ patient management software.

The second solution is through our unique USB removable media, F&P InfoUSB. The F&P InfoUSB stores more than a year's worth of device usage and 30 days of detailed treatment efficacy data. The F&P InfoUSB can be removed and sent in the mail or physically delivered to the provider by the patient at a clinic follow-up for download and report generation through F&P InfoSmart.

The third and newest solution allows the patient to conveniently send their CPAP data through to their provider via the internet. The patient simply inserts the F&P InfoUSB into their home computer and automatically uploads the data to their provider's online data management site via F&P InfoSmart Web™. InfoSmart Web features pre-programmed, customisable phone, email and text messages that the provider can set to remind the patient to complete the transfer in a timely manner to meet insurance deadlines.

With the array of solutions currently offered and more introductions planned, we aim to offer the most comprehensive range of data management solutions to simplify the journey to adherence, providing valuable insights along the way.

Board of Directors

GARY PAYKEL
CHAIRMAN

MICHAEL DANIELL
MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

TONY CARTER
DIRECTOR

NIGEL EVANS
DIRECTOR

ROGER FRANCE
DIRECTOR

LINDSAY GILLANDERS
DIRECTOR

ARTHUR MORRIS
DIRECTOR

GARY PAYKEL

Gary Paykel, 69, became Chairman upon completion of the reorganisation in November 2001. Mr Paykel has served as a Director of Fisher & Paykel Healthcare Corporation Limited (previously known as Fisher & Paykel Industries Limited) since August 1979. Mr Paykel served as Chief Executive Officer from December 1989 and Managing Director of Fisher & Paykel Industries Limited from April 1987 until the completion of the reorganisation of the Company. Mr Paykel joined Fisher & Paykel Industries in 1960 and, prior to his appointment to the position of sales director in 1985, held a variety of positions in the manufacturing, engineering, purchasing and sales departments. Mr Paykel has also served as a director of Team New Zealand Limited since March 2004 and is a Companion of the New Zealand Order of Merit.

MICHAEL DANIELL

Michael Daniell, 54, became Managing Director and Chief Executive Officer upon completion of the reorganisation in November 2001. Mr Daniell served as the General Manager of Fisher & Paykel Industries Limited's healthcare business from May 1990 until November 2001. From 1979 until May 1990, Mr Daniell held various positions in the healthcare business, including product design engineer and technical manager. Mr Daniell has more than 30 years of international healthcare business experience. Mr Daniell received his Bachelor of Engineering degree in electrical engineering with honours from the University of Auckland.

TONY CARTER

Tony Carter, 53, became a Director in December 2010. Mr Carter is a director of Vector Limited, Fletcher Building Limited, Air New Zealand Limited, is Chairman of the New Zealand Institute and is a trustee of the Maurice Carter Charitable Trust. He served as Managing Director of Foodstuffs New Zealand Limited for 10 years from 2001 to 2010. Mr Carter received his Master of Engineering degree from the University of Canterbury, New Zealand, and a Master of Philosophy degree from Loughborough University of Technology, United Kingdom.

NIGEL EVANS

Nigel Evans, 70, became a Director upon completion of the reorganisation in November 2001. Dr Evans has served as principal of Quark Technology since June 1987. Dr Evans held a variety of management positions with New Zealand Steel Limited from August 1966 to May 1987. Dr Evans received his Bachelor of Science degree from the University of New Zealand, a Master of Science degree from the University of Auckland, and a doctoral degree in physics from the University of Cambridge. Dr Evans has also attended the Senior Managers Program, Graduate School of Business Administration, Harvard University.

ROGER FRANCE

Roger France, 66, became a Director in February 2009. Mr France is Chancellor of the University of Auckland, Chairman of Tappenden Holdings Limited, Deputy Chairman of Air New Zealand Limited, a director of Blue Star Group Holdings Limited and was, until 2008, a director of Fonterra Co-operative Group Limited. He was a partner at PricewaterhouseCoopers and one of its predecessor firms, Coopers & Lybrand, for over 15 years and was the Chief Financial Officer of Allied Farmers Co-operative Limited and Freightways Holdings Limited for ten years. He was the Managing Partner of Coopers & Lybrand in Auckland for five years. Following the merger to form PricewaterhouseCoopers, he led the firm's Corporate Value consulting practice in the Asia Pacific region and served as a member of its Governance Board. Mr France received his Bachelor of Commerce degree from the University of Canterbury and is a Fellow of the New Zealand Institute of Chartered Accountants.

LINDSAY GILLANDERS

Lindsay Gillanders, 61, has served as a Director of Fisher & Paykel Healthcare Corporation Limited (previously known as Fisher & Paykel Industries Limited) since May 1992. Mr Gillanders has also served as a director of Rangatira Limited since October 2002, Auckland Packaging Company Limited since October 2002, Dunlop Living Limited since November 2004 and as Chairman of Auckland Packaging Company Limited since September 2003. Until completion of the reorganisation in November 2001, Mr Gillanders was responsible for Fisher & Paykel Industries' legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses. Mr Gillanders received his Bachelor of Law degree with honours from the University of Auckland.

ARTHUR MORRIS

Arthur Morris, 55, became a Director in February 2008. Dr Morris is a fellow of the Royal Australasian College of Pathologists, the Australasian Society for Microbiology and the Infectious Diseases Society of America. Dr Morris trained in Dunedin, Invercargill and Auckland before spending 3 years at Duke University Medical Centre, North Carolina, USA, returning to New Zealand in 1994. Dr Morris is Chairman of DNA Diagnostics Limited and the Chief Executive Officer of Diagnostic Medlab Limited. Dr Morris received his First Class Honours (Microbiology) and medical degrees from the University of Otago and his doctoral degree from the University of Auckland.

Directors' Report

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

Fisher & Paykel Healthcare Corporation Limited (the Company) is a world leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea.

GROUP PROFIT

An operating profit before tax of NZ$97.7 million (2010: NZ$102.8 million) was earned for the year ended 31 March 2011.

The profit after tax was NZ$63.9 million (prior to one-off non-cash deferred tax charges of NZ$11.5 million) (2010: NZ$71.6 million). Reported net profit after tax was NZ$52.5 million.

Basic earnings per share were 10.2 cents (2010: 14.0 cents).

SHAREHOLDERS' EQUITY

Shareholders' equity at 31 March 2011 totalled NZ$313.3 million (2010: $293.2 million).

SHARE ISSUES

During the year:

› 7,665,279 shares were issued under the Company's dividend reinvestment plan;

› 483,043 shares were issued under approved Employee Share Purchase Schemes in accordance with the Company's constitution;

› No shares were issued under Employee Share Option Plans upon the exercise of previously granted share options;

› No shares were issued under the Cancellation Offer Facility as approved by shareholders on 12 August 2004; and

› 4,766,100 share options were issued under an approved Employee Share Option Plan.

DIVIDENDS

The Directors approved a final dividend to be paid on 8 July 2011 of 7.0 cents per share carrying full NZ imputation credit at 28% (2010: 7.0 cents per share, full NZ imputation credit at 30%), resulting in total dividends for the year of 12.4 cents per share, carrying full NZ imputation credit (2010: 12.4 cents per share carrying full NZ imputation credit).

DIRECTORS

In accordance with the Company's Constitution, Gary Paykel and Lindsay Gillanders retire and, being eligible, offer themselves for re-election. In addition, Tony Carter who was appointed by the Directors during the year, retires and, being eligible, offers himself for election.

DISCLOSURE OF INTERESTS BY DIRECTORS

Directors' certificates to cover entries in the Interests Register in respect of remuneration, insurance, indemnities, dealing in the Company's shares, and other interests have been disclosed as required by the Companies Act 1993.

REMUNERATION OF DIRECTORS

Non-executive Directors received the following Directors' fees from the Company in the year ended 31 March 2011:

	NZ$
Gary Paykel	179,850
Tony Carter	28,233
Nigel Evans	99,550
Roger France	109,230
Lindsay Gillanders	80,557
Sir Colin Maiden	100,128
Arthur Morris	79,750
	677,298

The maximum total monetary sum payable by the Company by way of Directors' fees is $800,000 per annum as approved by shareholders at the 2007 Annual Meeting of Shareholders.

As approved at the 2004 Annual Meeting of Shareholders, the Board has resolved that it will not pay any future retirement benefits to non-executive Directors other than, at the Board's discretion, a retirement allowance of one year's Directors' fees to each non-executive Director in office at the time of the 2004 Annual Meeting of Shareholders, such amount being equal to the average of the annual fees paid to that Director in any three years prior to that Director's retirement or cessation of office, and payable on retirement or cessation of office.

Upon his retirement from the Board on 22 February 2011, Sir Colin Maiden received a retirement allowance of $170,000 (in addition to the Directors' fees paid to him for the year ended 31 March 2011 as set out opposite). The amount of the retirement allowance payable to Sir Colin Maiden was the amount previously resolved by the Board and agreed to by shareholders at the time of separation of the Fisher & Paykel Group into Fisher & Paykel Healthcare and Fisher & Paykel Appliances in 2001.

The following non-executive Directors' retirement allowances have been provided for by the Company as at 31 March 2011:

	NZ$
Gary Paykel	178,488
Nigel Evans	98,796
Lindsay Gillanders	79,415
	356,699

Michael Daniell, acting in his capacity as an employee of the Company, received fixed remuneration (inclusive of the value of benefits) in the year ended 31 March 2011 of $856,564.

In addition to this fixed remuneration, Michael Daniell also received performance-based at-risk components, both paid out and accrued, of $362,650. Michael Daniell was also issued 200,000 options on 3 September 2010 with a fair value of $30,864. These options were valued using a variant of the Binomial Options Pricing Model (the assumptions for this calculation are included in Note 23 of the Financial Statements).

Michael Daniell, in his capacity as an Executive Director, does not receive remuneration as a Director of the Company or any subsidiary company. No employee of the Company or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a Director.

Remuneration (inclusive of the value of other benefits) received by employees of the Company or its subsidiaries is included in the relevant bandings of employee remuneration exceeding $100,000 received in the year ended 31 March 2011 set out in the Statutory Information section of this Annual Report.

This Annual Report is dated 25 May 2011 and signed on behalf of the Board by:

Gary Paykel
Chairman

Michael Daniell
Managing Director and Chief Executive Officer

Corporate Governance

The Board and management of the Company are committed to ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board has agreed to regularly review and assess the Company's governance structures to ensure that they are consistent, both in form and in substance, with best practice.

The Company is listed on both the New Zealand and Australian stock exchanges. Corporate governance principles and guidelines have been introduced in both countries. These include the Australian Securities Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations, the New Zealand Stock Exchange Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the New Zealand Securities Commission's Corporate Governance Principles and Guidelines (collectively, the Principles).

The Governance Manual for the Company consists of various charters and policies. The Board considers that the Company's corporate governance practices and procedures substantially reflect the Principles. The full content of the Company's Corporate Governance policies, practices and procedures can be found on the Company's website (www.fphcare.com).

CODE OF CONDUCT (ETHICS)

The Company expects its employees and Directors to maintain high ethical standards. A Code of Conduct for the Company and a separate Directors' Code of Conduct set out these standards.

Both codes of conduct address, amongst other things:

› conflicts of interest;
› receipt of gifts;
› corporate opportunities;
› confidentiality;
› expected behaviours;
› delegated authority;
› reporting issues regarding breaches of the Code of Conduct, legal obligations and other policies of the Company; and
› obligations for a Director to act in good faith and in what the Director believes to be the best interests of the Company.

The Code of Conduct for the Company requires all employees to deal honestly with all professional advisers, customers and suppliers and to not accept or offer bribes or improper inducements to or from anyone.

The Code of Conduct for the Company states that employees shall not, without the prior consent of the Company, support a political party or organisation other than in a personal capacity. The Company also has a policy that it does not make corporate level political donations.

The full content of the Company's Codes of Conduct can be found on the Company's website (www.fphcare.com).

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The business and affairs of the Company are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

› establish the Company's objectives;
› develop major strategies for achieving the Company's objectives;
› manage risks;
› determine the overall policy framework within which the business of the Company is conducted; and
› monitor management's performance with respect to these matters.

The Board Charter regulates internal Board procedure and describes the Board's specific role and responsibilities.

The Board delegates management of the day-to-day affairs and responsibilities of the Company to the executive team under the leadership of the Managing Director to achieve the strategic direction and goals determined by the Board.

THE BOARD

Board Composition

At present, there are seven Directors on the Board. Six out of the seven Directors are non-executive Directors. Michael Daniell, the Managing Director and Chief Executive Officer, is the only executive Director on the Board. The Chairman of the Board is Gary Paykel.

The biography of each Board member, including each Director's skills, experience, expertise and the term of office held by each Director at the date of this Annual Report, is set out in the "Board of Directors" section of this Annual Report.

Independence of Directors

The factors that the Company will take into account when assessing the independence of its Directors are set out in its Charter, a copy of which is available on the Company's website (www.fphcare.com). No quantitative materiality thresholds have been adopted by the Company because it was considered more appropriate to determine independence on a case by case basis.

After consideration of these factors, the Company is of the view that:

1. No Director is a substantial shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial shareholder of the Company.
2. Michael Daniell is a Director who, within the last three years, has been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment.
3. Given that over nine years have elapsed since Gary Paykel was an executive of the former Fisher & Paykel Industries Limited, he is considered to be an independent Director of the Company.
4. No Director has been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with such service provider, within the last three years.
5. No Director is a material supplier or customer of the Company or other group member, or an Officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
6. No Director has a material contractual relationship with the Company or another group member other than as a Director of the Company.
7. No Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company. In this context, the Board specifically confirms that it has unanimously endorsed Gary Paykel's and Lindsay Gillanders' position as valued independent Directors of the Company.
8. All Directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Corporate Governance (continued)

Based on these assessments, the Company considers that, as at 31 March 2011, six of the seven current Directors are independent Directors, namely Gary Paykel, Tony Carter, Nigel Evans, Roger France, Lindsay Gillanders and Arthur Morris.

Committees

Specific responsibilities are delegated to the Audit & Risk Committee, the Remuneration Committee and the Nomination Committee. These Board committees support the Board by working with management on relevant issues at a suitably detailed level and then reporting back to the Board. Each of these committees has a charter setting out the committee's objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's website (www.fphcare.com).

Audit & Risk Committee

The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Company's risk management and internal control framework, the integrity of its financial reporting and the Company's auditing processes and activities.

Under the Audit & Risk Committee Charter, the Committee must be comprised of non-executive Directors, the majority of whom must be independent. Further, the Chair of the Committee must be an independent Director and cannot be the Chairman of the Board.

The current members of the Audit & Risk Committee are Roger France (Chairman), Tony Carter and Nigel Evans and their qualifications are specified in the "Board of Directors" section of this Annual Report. All members of the Audit & Risk Committee are independent non-executive Directors.

Further details are provided in the Audit & Risk Committee Charter available on the Company's website (www.fphcare.com).

Remuneration Committee

The Remuneration Committee's role is to assist the Board in establishing relevant remuneration policies and practices. The current members of the Remuneration Committee are Gary Paykel (Chairman), Lindsay Gillanders and Roger France. All members of the Remuneration Committee are independent Directors.

Nomination Committee

The procedure for the appointment and removal of Directors is ultimately governed by the Company's Constitution. A Director is appointed by ordinary resolution of the shareholders although the Board may fill a casual vacancy.

The Board has delegated to the Nomination Committee the responsibility for recommending candidates to be nominated as a Director and candidates for the committees. When recommending candidates to act as Director, the Nomination Committee takes into account such factors as it deems appropriate, including the diversity of background, experience and qualifications of the candidate.

As we operate in specialised international markets, the Board believes that it is important to have a board consisting of members with diverse backgrounds, experience and skills. The Board also seeks to have experience and knowledge which spans marketing, sales, finance, science, medicine, engineering, legal and/or regulatory to meet the demands of an international business.

The current members of the Nomination Committee are Gary Paykel (Chairman), Lindsay Gillanders and Roger France. All members of the Nomination Committee are independent Directors.

Board Processes

The Board held 10 meetings during the year ended 31 March 2011. The table below shows attendance at the Board and committee meetings. With the exception of January and June, Board meetings are held monthly, with other meetings to deal with matters of urgency occurring from time to time when necessary.

There is no formal procedure agreed by the Board to allow Directors to take independent professional advice at the expense of the Company. However, if circumstances arose where a Director needed to obtain independent advice, that Director would, as a matter of practice, be at liberty to seek such advice at the expense of the Company.

The Company also takes advice from independent consultants, and takes into account fees paid to directors of comparable companies in New Zealand and Australia as part of its assessment of the appropriate level of remuneration of Directors.

For details of Directors' remuneration, see the "Remuneration of Directors" section of the "Directors' Report" in this Annual Report.

Directors do not take a portion of their remuneration under an equity security plan but all Directors, except Arthur Morris, hold shares in the Company, details of which are set out in the "Directors' Shareholdings" section of this Annual Report. It is the Company's policy to encourage Directors to acquire shares on-market.

	BOARD		AUDIT & RISK COMMITTEE		REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Gary Paykel	10	10			2	2	2	2
Michael Daniell	10	10						
Tony Carter	3	3	1	1				
Nigel Evans	10	10	6	6				
Roger France	10	10	6	6	2	2	2	2
Lindsay Gillanders	10	9						
Sir Colin Maiden	9	9	5	5	2	2	2	2
Arthur Morris	10	10						

At the Company's Annual Meeting of Shareholders held on 27 August 2010, all of the then-serving Directors, with the exception of Sir Colin Maiden, attended the meeting.

DIRECTORS' REMUNERATION

The Remuneration Committee is responsible for establishing and monitoring remuneration policies and guidelines for Directors which enable the Company to attract, retain and motivate Directors to contribute to the successful governing of the Company and create value for shareholders.

No non-executive Director is entitled to receive a retirement payment unless eligibility for such payment has been agreed by shareholders and publicly disclosed during his or her term of Board service or such retirement payment is within the limits prescribed by the NZSX Listing Rules.

On the retirement of a Director, the NZSX Listing Rules allow for a discretionary payment by way of lump sum or pension to that Director, provided that the total amount of the payment does not

Corporate Governance (continued)

exceed that Director's total remuneration in their capacity as a Director in any three years chosen by the Company, and the Director was in office on or before 1 May 2004 and has continued to hold office since that date. Any payments made will be within the limits prescribed by the NZSX Listing Rules, subject to the discretion of the Board, and will take into account a range of factors, including the Director's length of service. The retiring Director does not participate in discussions concerning any retirement payment to be made to them.

The Board has resolved that it will not pay any future retirement benefits to non-executive Directors other than, at the Board's discretion, a retirement allowance of one year's Directors' fees to each non-executive Director in office at the time of the 2004 Shareholders' Meeting, such amount being equal to the average of the annual fees paid to that Director in any three years prior to that Director's retirement or cessation of office, and payable on retirement or cessation of office. Upon his retirement from the Board on 22 February 2011, Sir Colin Maiden received a retirement allowance of $170,000. The amount of the retirement allowance payable to Sir Colin Maiden was the amount previously resolved by the Board and agreed to by shareholders at the time of separation of the Fisher & Paykel Group into Fisher & Paykel Healthcare and Fisher & Paykel Appliances in 2001. This retirement payment met the NZSX Listing Rules criteria.

SENIOR MANAGEMENT REMUNERATION

The Remuneration Committee is responsible for reviewing the remuneration of the Company's senior management in consultation with the Managing Director of the Company.

The remuneration packages of senior management consist of a mixture of a base remuneration package, the Company-wide profit sharing bonus, a variable remuneration component based on relevant performance measures, participation in the Company's employee share purchase plan and share options plan.

The remuneration policy for senior management is designed to attract, motivate and retain high quality employees who will enable the Company to achieve its short and long term objectives. The policy includes providing performance incentives which allow executives to share in the long term success of the Company and share option plans intended to encourage the retention of senior management and increase the commonality between the interests of management and shareholders.

A general and wider disclosure of senior management remuneration is included in the "Employee Remuneration" section set out in the Statutory Information section of this Annual Report, where the Company has disclosed in various escalating remuneration bands the number of employees and former employees whose remuneration, including benefits, exceeds $100,000.

PERFORMANCE EVALUATION

The Board has a policy in place relating to the performance evaluation of the Board, the Board's committees, individual Directors and executives. During the year ended 31 March 2011, performance evaluations took place in relation to the Board in accordance with its policies. A summary of the Company's Performance Evaluation Policy is available on the Company's website (www.fphcare.com).

The Board Charter requires the Board to undertake an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter;

- reviews the performance of the Board's committees;
- sets forth the goals and objectives of the Company for the upcoming year; and
- effects any improvements to the Board Charter deemed necessary or appropriate.

RISK MANAGEMENT

The Company has a number of risk management policies for the oversight and management of financial and non-financial material business risks, as well as related internal compliance systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard the Company's assets and maintain its reputation;
- improve the Company's operating performance; and
- fulfil the Company's strategic objectives.

A summary of the Company's Risk Management Policy is available on the Company's website (www.fphcare.com).

The Board ultimately has responsibility for internal compliance and control.

At least twice a year, the Audit & Risk Committee receives an internal audit report. In addition, an annual internal audit plan is presented to and approved by the Audit & Risk Committee.

The Audit & Risk Committee in conjunction with management regularly reports to the Board on the effectiveness of the Company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

As the Company is not a company registered under the Corporations Act 2001 (Commonwealth) or a disclosing entity incorporated or formed in Australia for the purposes of that Act, the Chief Executive Officer and Chief Financial Officer are not required to provide a declaration to the Board with respect to the Company's financial statements under section 295A of the Act. However, the Audit & Risk Committee closely monitors financial reporting risks in relation to the preparation of the financial statements. The Audit & Risk Committee, with the assistance of management, works to ensure that the financial statements are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Audit & Risk Committee regularly reports to the Board in this regard.

POLICIES

The Company has in place a number of policies including those covering external financial auditors, remuneration, market disclosure, communication with shareholders, diversity, share trading, human resources and health and safety. Further information with respect to a number of these policies appears below.

Trading by Company Directors and Officers Policy

The Trading by Company Directors and Officers Policy identifies circumstances where Directors and Officers are permitted to trade, or prohibited from trading, Company shares. The Company is committed to complying with legal and statutory requirements with respect to ensuring Directors and Officers do not trade Company shares while in possession of inside information.

With respect to employee share purchase plans or equity-based remuneration schemes operating with respect to Company securities, no Director or employee is permitted to enter into financial products or arrangements which operate to limit the economic risk of their vested or unvested entitlements.

Corporate Governance (continued)

A summary of the Trading by Company Directors and Officers Policy is available on the Company's website (www.fphcare.com).

Market Disclosure Policy

The Company is committed to the promotion of investor confidence by ensuring that the trading of Company shares takes place in an efficient, competitive and informed market. The Company's Market Disclosure Policy establishes the Company's disclosure policies for meeting the continuous disclosure requirements of both the NZSX and the ASX. A summary of the Market Disclosure Policy is available on the Company's website (www.fphcare.com).

Shareholder Communication Policy

The aim of the Company's communication arrangements is to provide shareholders with information about the Company and to enable shareholders to actively engage with the Company and exercise their rights as shareholders in an informed manner. The Company's Shareholder Communication Policy facilitates communication with shareholders through written and electronic communication, and by facilitating shareholder access to Directors, management and the Company's auditors.

A summary of the Shareholder Communication Policy is available on the Company's website (www.fphcare.com).

Diversity Policy

The Company is committed to providing equal employment opportunities and as such, have a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences. The Company ensures that our selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

As part of the Company's initiatives for achieving greater gender diversity, the Company will be appointing a Diversity Manager. The Diversity Manager will be responsible for:

- Reviewing existing procedures and/or establishing new procedures to ensure that the Company's Diversity Policy is implemented properly; and
- Establishing an internal review process for reviewing and reporting on diversity.

The Board has delegated to the Nomination Committee the responsibility for reviewing the Company's Diversity Policy. On an annual basis, the Nomination Committee will review the Company's Diversity Policy, its diversity objectives and the Company's achievement against its diversity objectives, including the representation of women at all levels of the organisation.

As at 31 March 2011, 46% of employees of the Company were female employees. Female representation at senior management level was 19%. There were no female Board members.

The Company's Diversity Policy is available on the Company's website (www.fphcare.com).

Financial Information

Five Year Financial Summary (NZ$)

FOR THE YEARS ENDED 31 MARCH

	2007 NZ$000	2008 NZ$000	2009 NZ$000	2010 NZ$000	2011 NZ$000
					(EXCEPT AS OTHERWISE STATED)
FINANCIAL PERFORMANCE					
Sales revenue	342,978	345,966	485,516	474,755	467,680
Foreign exchange gain (loss) on hedged sales	4,179	11,927	(26,799)	28,567	38,394
Total operating revenue	347,157	357,893	458,717	503,322	506,074
Cost of sales	(151,298)	(177,811)	(212,087)	(231,939)	(228,372)
Gross profit	195,859	180,082	246,630	271,383	277,702
Gross margin	56.4%	50.3%	53.8%	53.9%	54.9%
Other income	–	–	3,000	4,269	1,200
Selling, general and administrative expenses	(95,909)	(97,859)	(118,929)	(137,541)	(141,882)
Research and development expenses	(20,668)	(24,091)	(28,310)	(35,272)	(39,277)
Operating profit before financing costs	79,282	58,132	102,391	102,839	97,743
Operating margin	22.8%	16.2%	22.3%	20.4%	19.3%
Net financing income (expense)	337	(3,822)	(17,353)	3,976	(4,929)
Profit before tax	79,619	54,310	85,038	106,815	92,814
Tax expense	(29,115)	(19,034)	(22,805)	(35,184)	(28,868)
Profit after tax*	**50,504**	**35,276**	**62,233**	**71,631**	**63,946**
Revenue by region:					
North America	169,689	165,685	208,861	234,035	233,706
Europe	107,938	115,999	151,907	161,723	159,438
Asia Pacific	53,412	58,287	71,787	81,404	90,115
Other	16,118	17,922	26,162	26,160	22,815
Total	**347,157**	**357,893**	**458,717**	**503,322**	**506,074**
Revenue by product group:					
Respiratory & acute care	160,235	163,550	226,866	242,419	253,303
Obstructive sleep apnea	161,059	165,378	202,604	237,012	236,654
Core products subtotal	321,294	328,928	429,470	479,431	489,957
Distributed and other	25,863	28,965	29,247	23,891	16,117
Total	**347,157**	**357,893**	**458,717**	**503,322**	**506,074**
FINANCIAL POSITION					
Tangible assets	305,283	313,667	371,520	387,288	422,064
Intangible assets	21,492	18,000	42,217	87,771	95,544
Total assets	326,775	331,667	413,737	475,059	517,608
Liabilities	(90,228)	(136,003)	(209,436)	(181,895)	(204,317)
Shareholders' equity	**236,547**	**195,664**	**204,301**	**293,164**	**313,291**
Net tangible asset backing (cents per share)	42.1	34.9	31.8	40.1	41.8
Pre-tax return on average total assets percentage	26.8%	16.5%	22.8%	24.0%	18.7%
Pre-tax return on average equity percentage	36.1%	25.1%	42.5%	42.9%	30.6%
CASH FLOWS					
Net cash flow from operating activities	56,346	44,351	62,065	137,449	71,053
Net cash flow (used in) investing activities	(16,745)	(13,457)	(22,368)	(48,189)	(43,237)
Net cash flow (used in) financing activities	(47,997)	(35,848)	(37,121)	(90,275)	(37,485)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	510,849,528	509,402,778	509,492,237	511,251,159	517,154,550
Weighted diluted average shares outstanding	524,759,124	524,856,394	527,363,056	529,793,292	536,265,092
Basic shares outstanding at end of the year	511,248,727	509,452,817	509,530,912	512,304,851	520,453,173

* Prior to one-off non-cash deferred tax charges of NZ$11.5m (2011)

Five Year Financial Summary (NZ$)

FOR THE YEARS ENDED 31 MARCH

	2007 NZ$000	2008 NZ$000	2009 NZ$000	2010 NZ$000	2011 NZ$000
					(EXCEPT AS OTHERWISE STATED)
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	7.0	7.0	7.0	7.0	7.0
Interim	5.4	5.4	5.4	5.4	5.4
Total ordinary dividends	12.4	12.4	12.4	12.4	12.4
Basic earnings per share	9.9	6.9	12.2	14.0	10.2
Diluted earnings per share	9.6	6.7	11.8	13.5	9.8
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	76	81	79	82	92
Number of United States patent applications (includes PCTs*)	71	66	78	87	100
Number of non-United States patents	208	246	292	333	366
Number of non-United States patent applications (excludes PCTs*)	218	250	207	200	196
RESEARCH AND DEVELOPMENT					
Research and development expenditure	20,668	24,091	28,310	35,272	39,277
Percentage of operating revenue	6.0%	6.7%	6.2%	7.0%	7.8%
CAPITAL EXPENDITURE					
Operational	17,079	11,025	19,581	43,006	25,290
Land and buildings	11,627	641	782	2,743	15,491
Total	28,706	11,666	20,363	45,749	40,781
Capital expenditure : depreciation ratio	2.2	0.9	1.3	2.9	2.0
NUMBER OF EMPLOYEES					
By function:					
Research and development	225	240	253	295	322
Manufacturing and operations	929	1,074	1,240	1,371	1,426
Sales, marketing and distribution	398	454	493	562	595
Management and administration	86	91	98	113	105
Total	1,638	1,859	2,084	2,341	2,448
By region:					
New Zealand	1,304	1,471	1,666	1,818	1,666
North America	131	142	151	208	441
Europe	133	157	166	182	197
Rest of World	70	89	101	133	144
Total	1,638	1,859	2,084	2,341	2,448
AVERAGE DAILY SPOT EXCHANGE RATES (NZ$1 =)					
USD	0.6568	0.7594	0.6524	0.6785	0.7330
AUD	0.8583	0.8750	0.8216	0.7970	0.7774
GBP	0.3468	0.3782	0.3773	0.4248	0.4708
EUR	0.5117	0.5367	0.4552	0.4796	0.5545
JPY	76.8310	86.7791	66.2058	62.8416	62.6944
INR	29.7180	30.5781	29.5846	32.1660	33.3994
CAD	0.7480	0.7854	0.7220	0.7377	0.7454
SEK	4.7169	4.9838	4.5255	4.9675	5.1453
CNY	5.1923	5.6626	4.4738	4.6374	4.9177
MXN	7.2381	8.2615	7.6642	8.8890	9.1310

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions

Five Year Financial Summary (US$)

FOR THE YEARS ENDED 31 MARCH

	2007 US$000	2008 US$000	2009 US$000	2010 US$000	2011 US$000
					(EXCEPT AS OTHERWISE STATED)
FINANCIAL PERFORMANCE					
Sales revenue	226,366	262,415	316,751	322,121	342,809
Foreign exchange gain (loss) on hedged sales	2,758	9,047	(17,484)	19,383	28,143
Total operating revenue	229,124	271,462	299,267	341,504	370,952
Cost of sales	(99,857)	(134,870)	(138,366)	(157,371)	(167,397)
Gross profit	129,267	136,592	160,901	184,133	203,555
Gross margin	56.4%	50.3%	53.8%	53.9%	54.9%
Other income	–	–	1,957	2,897	880
Selling, general and administrative expenses	(63,300)	(74,226)	(77,589)	(93,322)	(104,000)
Research and development expenses	(13,641)	(18,273)	(18,469)	(23,932)	(28,790)
Operating profit before financing costs	52,326	44,093	66,800	69,776	71,645
Operating margin	22.8%	16.2%	22.3%	20.4%	19.3%
Net financing income (expense)	223	(2,899)	(11,321)	2,698	(3,613)
Profit before tax	52,549	41,194	55,479	72,474	68,032
Tax expense	(19,216)	(14,437)	(14,878)	(23,872)	(21,160)
Profit after tax*	**33,333**	**26,757**	**40,601**	**48,602**	**46,872**
Revenue by region:					
North America	112,044	125,624	136,402	158,822	171,275
Europe	71,297	88,062	98,677	109,749	116,958
Asia Pacific	35,170	44,180	47,172	55,177	66,076
Other	10,613	13,596	17,016	17,755	16,643
Total	**229,124**	**271,462**	**299,267**	**341,503**	**370,952**
Revenue by product group:					
Respiratory & acute care	105,677	124,117	148,673	164,743	185,606
Obstructive sleep apnea	106,350	125,411	131,485	160,823	173,525
Core products subtotal	212,027	249,528	280,158	325,566	359,131
Distributed and other	17,097	21,934	19,109	15,937	11,821
Total	**229,124**	**271,462**	**299,267**	**341,503**	**370,952**
FINANCIAL POSITION					
Tangible assets	218,003	246,354	207,865	275,207	299,919
Intangible assets	15,347	14,137	23,620	62,370	67,894
Total assets	233,350	260,491	231,485	337,577	367,813
Liabilities	(64,432)	(106,817)	(117,179)	(129,255)	(145,188)
Shareholders' equity	**168,918**	**153,674**	**114,306**	**208,322**	**222,625**
Net tangible asset backing (cents per share)	30.0	27.4	17.8	28.5	29.7
Pre-tax return on average total assets percentage	26.5%	16.7%	22.6%	25.5%	19.3%
Pre-tax return on average equity percentage	35.8%	25.5%	41.4%	44.9%	31.6%
CASH FLOWS					
Net cash flow from operating activities	37,188	33,640	34,725	93,259	52,082
Net cash flow (used in) investing activities	(11,052)	(10,207)	(12,515)	(32,696)	(31,693)
Net cash flow (used in) financing activities	(31,678)	(27,191)	(20,769)	(61,252)	(27,477)
SHARES OUTSTANDING					
Weighted basic average shares outstanding	510,849,528	509,402,778	509,492,237	511,251,159	517,154,550
Weighted diluted average shares outstanding	524,759,124	524,856,394	527,363,056	529,793,292	536,265,092
Basic shares outstanding at end of the year	511,248,727	509,452,817	509,530,912	512,304,851	520,453,173

* Prior to one-off non-cash deferred tax charges of US$8.4m (2011)

Five Year Financial Summary (US$)

FOR THE YEARS ENDED 31 MARCH

	2007 US$000	2008 US$000	2009 US$000	2010 US$000	2011 US$000
					(EXCEPT AS OTHERWISE STATED)
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	4.4	5.2	4.6	4.7	5.1
Interim	3.7	4.2	3.5	3.7	4.0
Total ordinary dividends	8.1	9.4	8.1	8.4	9.1
Basic earnings per share	6.5	5.3	8.0	9.5	7.8
Diluted earnings per share	6.4	5.1	7.7	9.2	7.2
(i) Final dividend relates to the prior financial year.					
PATENTS					
Number of United States patents	76	81	79	82	92
Number of United States patent applications (includes PCTs*)	71	66	78	87	100
Number of non-United States patents	208	246	292	333	366
Number of non-United States patent applications (excludes PCTs*)	218	250	207	200	196
RESEARCH AND DEVELOPMENT					
Research and development expenditure	13,641	18,273	18,469	23,932	28,790
Percentage of operating revenue	6.0%	6.7%	6.2%	7.0%	7.8%
CAPITAL EXPENDITURE					
Operational	11,272	8,362	12,775	29,180	18,538
Land and buildings	7,674	486	510	1,861	11,355
Total	18,946	8,848	13,285	31,041	29,893
Capital expenditure : depreciation ratio	2.2	0.9	1.3	2.9	2.0
NUMBER OF EMPLOYEES					
By function:					
Research and development	225	240	253	295	322
Manufacturing and operations	929	1,074	1,240	1,371	1,426
Sales, marketing and distribution	398	454	493	562	595
Management and administration	86	91	98	113	105
Total	1,638	1,859	2,084	2,341	2,448
By region:					
New Zealand	1,304	1,471	1,666	1,818	1,666
North America	131	142	151	208	441
Europe	133	157	166	182	197
Rest of World	70	89	101	133	144
Total	1,638	1,859	2,084	2,341	2,448
AVERAGE DAILY SPOT EXCHANGE RATES (US$1 =)					
NZD	1.5225	1.3169	1.5328	1.4738	1.3643
AUD	1.3068	1.1522	1.2594	1.1746	1.0606
GBP	0.5279	0.4981	0.5783	0.6261	0.6423
EUR	0.7790	0.7067	0.6977	0.7069	0.7565
JPY	116.9755	114.2796	101.4804	92.6184	85.5312
INR	45.2457	40.2684	45.3473	47.4075	45.5653
CAD	1.1388	1.0343	1.1067	1.0873	1.0169
SEK	7.1815	6.5632	6.9367	7.3213	7.0195
CNY	7.9053	7.4571	6.8574	6.8348	6.7090
MXN	11.0200	10.8796	11.7478	13.1010	12.4570

* PCTs (Patent Cooperation Treaty) are unified patent applications across a number of jurisdictions

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INDEPENDENT AUDITORS' REPORT

to the shareholders of Fisher & Paykel Healthcare Corporation Limited

Report on the Financial Statements

We have audited the financial statements of Fisher & Paykel Healthcare Corporation Limited on pages 40 to 94 which comprise the balance sheets as at 31 March 2011, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 March 2011 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and providers of tax and other assurance services. These matters have not impaired our independence as auditor of the Company and Group.

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Opinion

In our opinion, the financial statements on pages 40 to 94:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 31 March 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2011:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders for our audit work, for this report, or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants, Auckland
25 May 2011

Income Statements

FOR THE YEAR ENDED 31 MARCH 2011

PARENT				CONSOLIDATED	
2010 NZ$000	2011 NZ$000		NOTES	2010 NZ$000	2011 NZ$000
57,773	**59,769**	**Operating revenue**	4	**503,322**	**506,074**
		Cost of sales		(231,939)	(228,372)
57,773	59,769	Gross profit		271,383	277,702
–	–	Other income	5	4,269	1,200
(1,187)	(1,195)	Selling, general and administrative expenses		(137,541)	(141,882)
		Research and development expenses		(35,272)	(39,277)
56,586	**58,574**	**Operating profit before financing costs**		**102,839**	**97,743**
		Financing income		657	577
		Financing expense		(6,444)	(6,026)
		Exchange gain on foreign currency borrowings		9,763	520
–	**–**	**Net financing income (expense)**		**3,976**	**(4,929)**
56,586	**58,574**	**Profit before tax**	5, 7	**106,815**	**92,814**
(135)	(588)	Tax expense excluding the effect of legislative changes in May 2010	7	(35,184)	(28,868)
56,451	**57,986**	**Profit after tax excluding legislative changes**		**71,631**	**63,946**
–	(7)	Tax expense relating to legislative changes in May 2010	7	–	(11,480)
56,451	**57,979**	**Profit after tax**		**71,631**	**52,466**
(135)	(595)	Total tax expense	7	(35,184)	(40,348)
		Basic earnings per share	22	14.0 cps	10.2 cps
		Diluted earnings per share	22	13.5 cps	9.8 cps
		Weighted average basic ordinary shares	22	511,251,159	517,154,550
		Weighted average diluted ordinary shares	22	529,793,292	536,265,092

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

Statements of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2011

PARENT				CONSOLIDATED	
2010 NZ$000	2011 NZ$000		NOTES	2010 NZ$000	2011 NZ$000
56,451	**57,979**	**Profit after tax**		**71,631**	**52,466**
		Other comprehensive income			
		Cash flow hedge reserve – unrealised			
		Changes in fair value	21	74,423	33,155
		Transfers to net profit before tax	21	(3,592)	(26,439)
		Tax on movements	16, 21	(21,249)	(2,015)
		Effect of change in corporate tax rate	21	–	1,501
		Cash flow hedge reserve – realised			
		Monetised financial instruments	11, 21	31,813	–
		Tax on monetised financial instruments	12, 21	(9,544)	–
–	**–**	**Other comprehensive income, net of tax**		**71,851**	**6,202**
56,451	**57,979**	**Total comprehensive income**		**143,482**	**58,668**

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2011

	NOTES	SHARE CAPITAL NZ$000	TREASURY SHARES NZ$000	RETAINED EARNINGS NZ$000	ASSET REVALUATION RESERVE NZ$000	CASH FLOW HEDGE RESERVE – UNREALISED NZ$000	CASH FLOW HEDGE RESERVE – REALISED NZ$000	EMPLOYEE SHARE ENTITLEMENT RESERVE NZ$000	EMPLOYEE SHARE OPTION RESERVE NZ$000	TOTAL EQUITY NZ$000
Balance at 31 March 2009		**6,348**	**(2,272)**	**187,726**	**10,850**	**(1,765)**	**–**	**317**	**3,097**	**204,301**
Total comprehensive income		–	–	71,631	–	49,582	22,269	–	–	143,482
Dividends paid	21	–	–	(63,296)	–	–	–	–	–	(63,296)
Issue of share capital under dividend reinvestment plan	20	5,895	–	–	–	–	–	–	–	5,895
Issue of share capital	20	251	–	–	–	–	–	–	–	251
Movement in employee share entitlement reserve	21	–	–	–	–	–	–	(59)	–	(59)
Movement in employee share option reserve	21	–	–	–	–	–	–	–	(188)	(188)
Movement in treasury shares	21	–	50	–	–	–	–	–	–	50
Increase in share capital under share option schemes for employee services	20	1,724	–	–	–	–	–	–	–	1,724
Employee share scheme shares issued for employee services	20	1,004	–	–	–	–	–	–	–	1,004
Balance at 31 March 2010		**15,222**	**(2,222)**	**196,061**	**10,850**	**47,817**	**22,269**	**258**	**2,909**	**293,164**
Total comprehensive income		–	–	52,466	–	6,202	–	–	–	58,668
										–
Dividends paid	21	–	–	(63,807)	–	–	–	–	–	(63,807)
Issue of share capital under dividend reinvestment plan	20	23,088	–	–	–	–	–	–	–	23,088
Issue of share capital	20	253	–	–	–	–	–	–	–	253
Movement in employee share entitlement reserve	21	–	–	–	–	–	–	(105)	–	(105)
Movement in employee share option reserve	21	–	–	–	–	–	–	–	(348)	(348)
Movement in treasury shares	21	–	158	–	–	–	–	–	–	158
Increase in share capital under share option schemes for employee services	20	1,037	–	–	–	–	–	–	–	1,037
Employee share scheme shares issued for employee services	20	1,183	–	–	–	–	–	–	–	1,183
Balance at 31 March 2011		**40,783**	**(2,064)**	**184,720**	**10,850**	**54,019**	**22,269**	**153**	**2,561**	**313,291**

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

Parent Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2011

	NOTES	SHARE CAPITAL NZ$000	TREASURY SHARES NZ$000	RETAINED EARNINGS NZ$000	EMPLOYEE SHARE ENTITLEMENT RESERVE NZ$000	EMPLOYEE SHARE OPTION RESERVE NZ$000	TOTAL EQUITY NZ$000
Balance at 31 March 2009		**6,348**	**(2,272)**	**44,575**	**317**	**3,097**	**52,065**
Total comprehensive income		–	–	56,451	–	–	56,451
Dividends paid	21	–	–	(63,296)	–	–	(63,296)
Issue of share capital under dividend reinvestment plan	20	5,895	–	–	–	–	5,895
Issue of share capital	20	251	–	–	–	–	251
Movement in employee share entitlement reserve	21	–	–	–	(59)	–	(59)
Movement in employee share option reserve	21	–	–	–	–	(188)	(188)
Movement in treasury shares	21	–	50	–	–	–	50
Increase in share capital under share option schemes for employee services	20	1,724	–	–	–	–	1,724
Employee share scheme shares issued for employee services	20	1,004	–	–	–	–	1,004
Balance at 31 March 2010		**15,222**	**(2,222)**	**37,730**	**258**	**2,909**	**53,897**
Total comprehensive income		–	–	57,979	–	–	57,979
Dividends paid	21			(63,807)	–	–	(63,807)
Issue of share capital under dividend reinvestment plan	20	23,088	–	–	–	–	23,088
Issue of share capital	20	253	–	–	–	–	253
Movement in employee share entitlement reserve	21	–	–	–	(105)	–	(105)
Movement in employee share option reserve	21	–	–	–	–	(348)	(348)
Movement in treasury shares	21	–	158	–	–	–	158
Increase in share capital under share option schemes for employee services	20	1,037	–	–	–	–	1,037
Employee share scheme shares issued for employee services	20	1,183	–	–	–	–	1,183
Balance at 31 March 2011		**40,783**	**(2,064)**	**31,902**	**153**	**2,561**	**73,335**

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

Balance Sheets

AS AT 31 MARCH 2011

PARENT 2010 NZ$000	PARENT 2011 NZ$000		NOTES	CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
		ASSETS			
		Current assets			
		Cash and cash equivalents	8	6,891	6,110
44	41	Trade and other receivables	9	71,437	79,622
		Inventories	10	71,763	80,101
		Derivative financial instruments	11	27,672	20,225
4,724	4,332	Tax receivable	12	2,302	429
40,999	60,645	Intergroup advances	25		
45,767	**65,018**	**Total current assets**		**180,065**	**186,487**
		Non-current assets			
		Property, plant and equipment	13	233,278	254,265
		Intangible assets	14	4,891	5,390
8,768	8,768	Investments in subsidiaries	15		
		Other receivables	9	1,617	1,537
		Derivative financial instruments	11	44,197	61,095
154	100	Deferred tax asset	16	11,011	8,834
54,689	**73,886**	**Total assets**		**475,059**	**517,608**
		LIABILITIES			
		Current liabilities			
		Interest-bearing liabilities	17	24,502	17,110
279	190	Trade and other payables	18	58,546	57,964
		Provisions	19	4,183	3,370
		Tax payable	12	9,432	3,716
		Derivative financial instruments	11	1,149	2,018
279	**190**	**Total current liabilities**		**97,812**	**84,178**
		Non-current liabilities			
		Interest-bearing liabilities	17	59,610	81,937
		Provisions	19	1,694	1,971
513	361	Other payables	18	5,201	5,449
		Derivative financial instruments	11	2,361	3,580
		Deferred tax liability	16	15,217	27,202
792	**551**	**Total liabilities**		**181,895**	**204,317**

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

Balance Sheets (continued)

AS AT 31 MARCH 2011

PARENT				CONSOLIDATED	
2010 NZ$000	2011 NZ$000		NOTES	2010 NZ$000	2011 NZ$000
		EQUITY			
15,222	40,783	Share capital	20	15,222	40,783
(2,222)	(2,064)	Treasury shares	20, 21	(2,222)	(2,064)
37,730	31,902	Retained earnings	21	196,061	184,720
		Asset revaluation reserve	21	10,850	10,850
		Cash flow hedge reserve - unrealised	21	47,817	54,019
		Cash flow hedge reserve - realised	21	22,269	22,269
258	153	Employee share entitlement reserve	21	258	153
2,909	2,561	Employee share option reserve	21	2,909	2,561
53,897	**73,335**	**Total equity**		**293,164**	**313,291**
54,689	**73,886**	**Total liabilities and equity**		**475,059**	**517,608**

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

On behalf of the Board
25 May 2011

Gary Paykel
Chairman

Michael Daniell
Managing Director and Chief Executive Officer

Statements of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2011

PARENT 2010 NZ$000	PARENT 2011 NZ$000		NOTES	CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
		CASH FLOWS FROM OPERATING ACTIVITIES			
		Receipts from customers		514,649	501,167
		Receipts from derivative financial instruments monetised		31,813	–
		Receipt from distribution agency termination agreement compensation		3,221	–
56,605	56,538	Dividends received			
1,168	3,231	Interest received		571	478
(1,155)	(1,187)	Payments to suppliers and employees		(383,144)	(398,870)
		Tax paid		(23,332)	(25,620)
		Interest paid		(6,329)	(6,102)
56,618	**58,582**	**Net cash flows from operations**	26	**137,449**	**71,053**
		CASH FLOWS (USED IN) INVESTING ACTIVITIES			
		Sales of property, plant and equipment		67	66
		Purchases of property, plant and equipment		(45,749)	(40,781)
		Purchases of intangible assets		(2,507)	(2,522)
		Net cash flows (used in) investing activities		**(48,189)**	**(43,237)**
		CASH FLOWS (USED IN) FINANCING ACTIVITIES			
		Employee share purchase schemes		498	588
5,895	23,088	Issue of share capital under dividend reinvestment plan		5,895	23,088
1,090	253	Issue of share capital		1,090	253
		New borrowings		17,582	35,060
		Repayment of borrowings		(47,246)	(27,758)
4,491	(13,207)	Intercompany borrowings			
(63,296)	(63,807)	Dividends paid		(63,296)	(63,807)
(4,798)	(4,909)	Supplementary dividends paid to overseas shareholders		(4,798)	(4,909)
(56,618)	**(58,582)**	**Net cash flows (used in) financing activities**		**(90,275)**	**(37,485)**
–	–	Net (decrease) in cash		(1,015)	(9,669)
		Opening cash		(202)	(1,123)
		Effect of foreign exchange rates		94	(208)
		Closing cash		**(1,123)**	**(11,000)**
		RECONCILIATION OF CLOSING CASH			
		Cash and cash equivalents	8	6,891	6,110
		Bank overdrafts	17	(8,014)	(17,110)
		Closing cash		**(1,123)**	**(11,000)**

The accompanying Accounting Policies and Notes form an integral part of the Financial Statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 MARCH 2011

1. GENERAL INFORMATION

Fisher & Paykel Healthcare Corporation Limited ("Company" or "Parent") together with its subsidiaries (the "Group") is a leading designer, manufacturer and marketer of medical device products and systems for use in respiratory care, acute care and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 15 Maurice Paykel Place, East Tamaki, Auckland.

These consolidated financial statements were approved for issue by the Board of Directors on 25 May 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the year ended 31 March 2011 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The financial statements also comply with International Financial Reporting Standards (IFRS).

a. Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded where necessary to the nearest thousand dollars.

Entities reporting

The financial statements are the consolidated financial statements of the Group, comprising the Company and its subsidiaries. The Company and its subsidiaries are designated as profit-oriented entities for financial reporting purposes. The financial statements of the Parent are for the Company as a separate legal entity. Where subsidiaries have a balance date other than 31 March (refer Note 15) results for the year ended 31 March are included in the consolidated financial statements of the Group. Statutory audits are conducted for these subsidiaries at their respective balance dates.

Statutory base

The Company is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978 and the Financial Reporting Act 1993. The Company is also listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss and/or equity, and the revaluation of land at fair value through equity.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements.

Judgements

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are some transactions for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such matters are finalised. Refer further detail in Notes 7, 12 and 16.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

Estimates

Warranty

The Group tests annually whether the warranty provision as disclosed in Note 19 and calculated in accordance with the accounting policy stated in Note 2 (t) is sufficient to meet future obligations. The calculation of the provision requires estimates.

Fair value of derivative financial instruments

The Group holds significant amounts of derivatives which are hedge accounted. The estimation of fair values is determined in accordance with the accounting policy stated in Note 2 (m), and discussed in Note 3a (iv).

b. Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at balance date and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is an aggregate of the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the Income Statement.

Intercompany transactions and balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments

Investments in subsidiary companies are valued at cost in the Parent.

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the purposes of NZ IFRS 8 the CODM is a group comprising the Board of Directors (which includes the Chief Executive Officer), Senior Vice-President – Products and Technology, Senior Vice-President – Sales and Marketing and Chief Financial Officer. This has been determined on the basis that it is this group which determines the allocation of the resources to segments and assesses their performance.

d. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The Group operates as one integrated business. The financial statements are presented in New Zealand dollars, which is the Company's and its subsidiaries' functional currency. The Company's and Group's presentation currency is New Zealand dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using either the exchange rates prevailing at the dates of the transactions or at rates that approximate the actual exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

e. Revenue recognition

Revenue includes the fair value for the sale of products, net of sales taxes and other indirect taxes, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sale of products

Sales of products are recognised in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk pass to the customer.

Financing income

Financing income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Government grants

Government grants are recognised at fair value in the Income Statement over the same periods as the costs for which the grants are intended to compensate. Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

f. Goods and Services Tax (GST)

The Income Statements have been prepared so that all components are stated exclusive of GST. All items in the Balance Sheets are stated net of GST, with the exception of trade receivables and payables, which include GST invoiced.

g. Current and deferred income tax

The tax expense or tax income for the period is the tax payable or receivable on the current period's taxable income based on the income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and changes to any unused tax losses.

Current tax balances are calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

h. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the period of the lease.

i. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

j. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within current interest-bearing liabilities on the Balance Sheet.

k. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade receivable balances are reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within selling, general and administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling, general and administrative expenses in the Income Statement.

l. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes financing costs.

m. Derivatives

The Group generally hedge accounts derivative financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or (2) hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. The Group also documents their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Any ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated via other comprehensive income are recycled in the Income Statement in the period when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred via other comprehensive income are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. In the case of a hedging instrument sold, any cumulative gain or loss is recorded in the Cash Flow Hedge Reserve – Realised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the Income Statement.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments may not qualify for hedge accounting and hedge accounting may not be adopted for certain derivative instruments. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement.

n. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except for those assets with maturities greater than 12 months after the balance sheet date. Derivatives that are designated as hedges can be classified as non-current if they are in a long term relationship.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those assets with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the Balance Sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Income Statement within operating profit in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in Note 9.

o. Property, plant and equipment

Land is measured at fair value, based on periodic but at least triennial valuations by external independent valuers less any impairment losses recognised after the date of the revaluation.

All other property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings – structure	25 – 50 years
Buildings – fit-out and other	3 – 50 years
Leasehold improvements	2 – 20 years
Plant and equipment	3 – 15 years
Vehicles	5 years
Tooling	3 – 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its estimated recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are recognised in the Income Statement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

Revaluations of land

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the Income Statement, in which case the increment is recognised in the Income Statement.

Any revaluation decrement is recognised in profit or loss except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

p. Intangible assets

Patents and trademarks

Patents and trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents and trademarks over their anticipated useful lives of 5 to 15 years. In the event of a patent being superseded, the unamortised costs are written off immediately to the Income Statement.

Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 3 to 10 years.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Separately recognised goodwill is not amortised, instead it is tested annually for impairment or immediately if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

q. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

r. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

s. Financing expense

Financing expense comprises interest expense on interest-bearing liabilities calculated using the effective interest rate method, and other associated borrowing costs.

Financing expenses directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

t. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Currently warranty terms are 1 to 2 years for parts or parts and labour.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

u. Share capital

Ordinary shares are classified as capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

v. Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in other payables in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Equity-settled share-based compensation

Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share option reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Binomial Options Pricing Model, taking into account the terms and conditions upon which the options are granted. When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital. When any vested options lapse, upon employee termination or unexercised options reaching maturity, the amount in the share option reserve relating to those options is also transferred to share capital.

Employee share plans

The Employee Share Ownership Plans allow Group employees to acquire shares of the Company. The fair value of shares granted is recognised as an employee expense in the Income Statement with a corresponding increase in the employee share entitlement reserve. The fair value is measured at grant date and spread over the vesting periods. The fair value of the shares granted has been assessed as being equal to the discount provided on issue of the shares.

Interest-free loans are provided to employees in some jurisdictions to assist the employees to purchase the shares. The fair value of the interest-free component of the loan (i.e the benefit the employee receives) is recognised as an employee expense in the Income Statement with a corresponding financing income amount in the Income Statement. The fair value is measured at grant date and spread over the vesting periods. The fair value of the interest-free loan has been assessed by calculating the benefit provided to employees by discounting the payments on the loan at the estimated pre-tax financing rate of the employees.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

Superannuation plans

Companies within the Group contribute to defined contribution and defined benefit superannuation plans for the benefit of employees. Defined contribution plans receive fixed contributions from the Group, and the Group's legal and constructive obligation is limited to these contributions. Defined benefit superannuation plans provide defined lump sum benefits based on years of service and final average salary.

Defined contribution

Contributions to defined contribution superannuation plans are recognised as an expense in the Income Statement as they become payable.

Defined benefit

A liability or asset in respect of defined benefit superannuation plans is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund as at the reporting date, calculated by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with maturity and currency that match, as closely as possible, the estimated future cash outflows. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in retained earnings as incurred.

Past service costs are recognised immediately in profit and loss, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation are taken into account in measuring the net liability or asset.

w. Reserves

Nature and purpose of reserves

(i) Asset revaluation reserve

Refer accounting policy 2(o).

(ii) Cash flow hedge reserve – unrealised

The cash flow hedge reserve – unrealised is used to record gains or losses on hedging instruments in forward foreign currency cash flow hedges that are recognised directly in equity. Amounts are recognised in profit and loss when the associated hedged transactions affect profit and loss.

(iii) Cash flow hedge reserve – realised

The cash flow hedge reserve – realised is used to record gains or losses on hedging instruments in forward foreign currency cash flow hedges that have been closed out (monetised) and are recognised directly in equity while the cash flow being hedged remains. Amounts are recognised in profit and loss when the associated hedged transactions affect profit and loss.

(iv) Employee share entitlement reserve

The employee share entitlement reserve is used to recognise the fair value of shares granted but not vested. Amounts are transferred to share capital when the shares vest to the employee.

(v) Employee share option reserve

The employee share option reserve is used to recognise the fair value of options granted but not exercised or lapsed. Amounts are transferred to share capital when the vested options are exercised by the employee or lapse upon expiry.

(vi) Treasury shares

The treasury shares reserve is used to recognise those shares held and controlled by Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

x. Dividends

Provision is made for the amount of any dividend declared and approved on or before the balance date but not distributed at balance date.

y. Earnings per share

Basic earnings per share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during each period.

Diluted earnings per share is calculated by using the weighted average number of ordinary shares outstanding during each period, adjusted to include the potentially dilutive effect if securities or other contracts to issue ordinary shares were exercised or converted into shares.

z. Research & development

Research expenditure is expensed as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets only when all the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated that the product will generate future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available;
- the expenditure attributable to the product during its development can be reliably measured and is material.

Directly attributable costs capitalised as part of the product would include employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs recognised as an asset are amortised over their estimated useful lives.

aa. Advertising and sales promotion costs

All advertising and sales promotion costs are expensed as incurred.

ab. Statements of cash flows

The following are the definitions of the terms used in the Statements of Cash Flows:

(i) Cash comprises cash and bank balances.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and investments.

(iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.

(iv) Operating activities include all transactions and other events that are not investing or financing activities.

Cash flows from short-term borrowings, being durations of 3 months or less, are disclosed net, due to short-term maturities and volume of transactions involved.

ac. Financial guarantee contracts

A financial guarantee contract is a contract that requires a company within the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. Financial guarantees are subsequently measured at the greater of the initial recognition amount less amounts recognised as income or the estimated amount expected to have to be paid to a holder for a loss incurred.

ad. Changes to accounting policies

There have been no changes in accounting policies.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

ae. Standards, Interpretations and Amendments to Published Standards

The following amendment to standards became effective during the period:

NZ IFRS 3: Business Combinations (revised) and NZ IAS 27: Consolidated and Separate Financial Statements (revised)

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Income Statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The following are standards, amendments and interpretations to existing standards which are applicable to the Group but are not yet effective and have not been early adopted by the Group:

NZ IFRS 9, 'Financial instruments' (effective from 1 January 2013)

This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact, and has not yet decided when to adopt IFRS 9.

NZ IAS 24 (revised), 'Related party disclosures' (effective from 1 January 2011)

NZ IAS 24 supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party. When the revised standard is applied, the Group and the Parent will need to disclose any transactions between its subsidiaries and its associates. The Group will apply the revised standard from 1 January 2011.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and options, and interest rate swaps and swaptions to manage certain risk exposures.

The Board of Directors has approved policies and guidelines for the Group that identify and evaluate risks and authorise various financial instruments to manage financial risks. These policies and guidelines are reviewed regularly.

The Parent is not directly exposed to any significant financial risk.

a. Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, European Union euro, British pound, Australian dollar, Japanese yen, Canadian dollar and Mexican peso.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Refer to Notes 9 and 18 for receivables and payables denominated in foreign currencies.

The purpose of the Group's foreign currency risk management activities is to protect the Group from exchange rate volatility with respect to New Zealand dollar net cash movements resulting from the sale of products in foreign currencies to foreign customers, and the purchase of raw materials in foreign currencies from foreign and domestic suppliers. The Group enters into foreign currency option contracts and forward foreign currency contracts within policy parameters to manage the risk associated with anticipated sales or costs denominated principally in US dollars, European Union euros, British pounds, Australian dollars, Japanese yen, Canadian dollars and Mexican pesos. The terms of the foreign currency option contracts and the forward foreign currency contracts generally do not exceed five years. However, with Board approval, the foreign currency option contracts and the forward foreign currency contracts may have terms of up to ten years.

Foreign exchange contracts and options in relation to sales are designated at the Group level as hedges of foreign exchange risk on specific forecast foreign currency denominated sales.

Major capital expenditure in foreign currency may be hedged with forward exchange contracts and options and may be designated as hedges.

Balance sheet foreign exchange risk arising from net assets held by the Group may be hedged either by debt in the relevant currency, foreign currency swaps or by foreign currency option contracts and forward foreign currency contracts.

Refer to Note 11 for notional principal amounts and valuations of foreign exchange contracts and options outstanding at balance date. A sensitivity analysis of foreign exchange risk on the Group's financial assets and liabilities is provided in the table at Note 3a (v).

(ii) Price risk

The Group has no material exposure to price risk.

(iii) Interest rate risk

The Group's main interest rate risk arises from floating rate borrowings drawn under bank debt facilities. When deemed appropriate, the Group manages floating interest rate risk by using floating-to-fixed interest rate swaps and interest rate swaptions. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate swaptions give the right, but not the obligation, to enter into an interest rate swap at a fixed rate at a future date. Under the Group Treasury policy, the mix between economically fixed and floating debt is reviewed on a regular basis. Interest rate swaps are accounted for as cash flow hedges and management may also designate interest rate swaptions as cash flow hedges.

Refer to Note 11 for notional principal amounts and valuations of interest rate swaps and swaptions outstanding at balance date. A sensitivity analysis of interest rate risk on the Group's financial assets and liabilities is provided in the table at Note 3a (v). Refer to Note 17 for further details of the Group's borrowings.

(iv) Fair value

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The Group has no such financial instruments.

The fair value of derivatives that are not traded in an active market (for example, over the counter derivatives) is determined using appropriate valuation techniques, such as discounted cash flows. The fair value of forward exchange contracts, swaps and options are determined by mark to market valuations using market quoted information at the balance date. The fair value of these derivatives is checked against counterparty valuations.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The only financial instruments held by the Group that are measured at fair value are over the counter derivatives. These derivatives have all been determined to be within level 2 of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable (refer Note 2(m)).

(v) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk. A sensitivity of +/-15% for foreign exchange risk has been selected (2010: +/-15%). The Group's primary foreign currency exposure is the New Zealand dollar versus the US dollar, with other currencies as discussed above forming the balance of the exposure. The Group believes that an overall sensitivity of +/-15% is reasonably possible given the exchange rate volatility observed on a historical basis for the preceding 5 year period with a higher weighting given to exchange rate volatility over the preceding year and the range of market expectations for potential future movements. A sensitivity of +/-1% has been selected for interest rate risk. This sensitivity is based on reasonably possible changes over a financial year using the observed range of historical data for the preceding 5 year period.

Amounts are shown net of income tax. All variables other than the applicable interest rates and exchange rates are held constant. The tables assume a 15% (2010: 15%) movement in the New Zealand dollar against all currencies.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

		INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
		-1%		+1%		-15%		+15%	
CONSOLIDATED 2010	CARRYING AMOUNT NZ$000	PROFIT NZ$000	EQUITY NZ$000	PROFIT NZ$000	EQUITY NZ$000	PROFIT NZ$000	EQUITY NZ$000	PROFIT NZ$000	EQUITY NZ$000
Derivative Financial Instruments	68,359	(280)	(2,590)	280	2,311	(2,007)	(41,796)	1,483	31,064
Other Financial Assets:									
Cash and cash equivalents	6,891	(2)	–	8	–	783	–	(665)	–
Trade receivables	62,726	–	–	–	–	7,341	–	(6,240)	–
Other Financial Liabilities:									
Trade and other payables	41,745	–	–	–	–	(2,184)	–	2,570	–
Interest-bearing liabilities	84,112	560	–	(560)	–	(5,040)	–	5,930	–
Total increase/(decrease)		**278**	**(2,590)**	**(272)**	**2,311**	**(1,107)**	**(41,796)**	**3,078**	**31,064**
CONSOLIDATED 2011									
Derivative Financial Instruments	75,722	(552)	(2,594)	552	3,002	(1,969)	(46,912)	743	35,871
Other Financial Assets:									
Cash and cash equivalents	6,110	(1)	–	5	–	720	–	(612)	–
Trade receivables	70,616	–	–	–	–	8,470	–	(7,199)	–
Other Financial Liabilities:									
Trade and other payables	37,816	–	–	–	–	(2,001)	–	2,354	–
Interest-bearing liabilities	99,047	669	–	(669)	–	(6,174)	–	7,264	–
Total increase/(decrease)		**116**	**(2,594)**	**(112)**	**3,002**	**(954)**	**(46,912)**	**2,550**	**35,871**
PARENT 2010									
Other Financial Assets:									
Intergroup advances	40,999	(410)	–	410	–	–	–	–	–
Total increase/(decrease)		**(410)**	**–**	**410**	**–**	**–**	**–**	**–**	**–**
PARENT 2011									
Other Financial Assets:									
Intergroup advances	60,645	(425)	–	425	–	–	–	–	–
Total increase/(decrease)		**(425)**	**–**	**425**	**–**	**–**	**–**	**–**	**–**

For the effect on profit a positive number represents an increase to net profit after tax and a negative number represents a decrease to net profit after tax. For the effect on equity a positive number represents an increase in equity and a negative number represents a decrease in equity.

b. Credit risk

Credit risk is managed on a Group basis. Other than only operating in the medical devices industry, the Group has no significant concentration of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. If customers are independently rated, these ratings are used. If there is no independent rating, management assesses the credit quality of the customer taking into account the customer's financial position, past experience and other factors. The Group holds no collateral over its trade receivables.

Derivative counterparties, cash transactions and cash at banks are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution according to the credit rating of the financial institution concerned.

The Group's exposure to credit risk for trade receivables as at 31 March by geographic region is as follows:

	2010 NZ$000	2011 NZ$000
North America	28,803	31,369
Europe	22,241	23,316
Asia Pacific	10,280	14,476
Other	2,358	2,400
Provision for doubtful trade receivables	(956)	(945)
Total	**62,726**	**70,616**

The maximum potential exposure to credit risk is:

	2010 NZ$000	2011 NZ$000
Cash and cash equivalents	6,891	6,110
Trade receivables	62,726	70,616
Derivative financial instruments	71,869	81,320
Total	**141,486**	**158,046**

The Parent's exposure to credit risk relates to inter-group balances only. See Note 9 and 11 for further disclosure on credit risk.

c. Liquidity risk

Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flow. See Note 17 for details of available facilities.

The Parent's liquidity risk exposure is not significant other than in relation to its obligations under the Negative Pledge Deed. The maximum exposure under this deed is $90,913,000 (2010: $82,061,000). Management consider the net exposure to the Parent under this deed is minimal, as the exposure is offset by the Parent's right to control and call on the subsidiaries' assets.

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

AS AT 31 MARCH 2010	< 1 YEAR NZ$000	1 - 2 YEARS NZ$000	2 - 5 YEARS NZ$000	> 5 YEARS NZ$000	TOTAL NZ$000
Bank overdrafts	8,296	–	–	–	**8,296**
Trade and other payables	39,534	–	–	–	**39,534**
Borrowings	20,152	2,929	59,997	–	**83,078**
AS AT 31 MARCH 2011					
Bank overdrafts	17,110	–	–	–	**17,110**
Trade and other payables	37,816	–	–	–	**37,816**
Borrowings	4,814	58,147	29,465	–	**92,426**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

The Group enters into forward exchange contracts to manage the risk associated with foreign currency denominated receivables and also to manage the purchase of foreign currency denominated inventory and capital items. The Group enters into interest rate swaps to manage interest rate risk.

The tables below analyse the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. They are expected to occur and impact the Income Statement at various dates between Balance Date and the following 10 years:

AS AT MARCH 2010	< 1 YEAR NZ$000	1 - 2 YEARS NZ$000	2 - 5 YEARS NZ$000	> 5 YEARS NZ$000	TOTAL NZ$000	CARRYING AMOUNT NZ$000
Gross Settled Derivatives						
Forward foreign exchange contracts						
Inflow	152,816	58,021	250,641	14,329	475,807	
Outflow	(125,728)	(50,635)	(210,351)	(11,783)	(398,497)	
Net inflow	**27,088**	**7,386**	**40,290**	**2,546**	**77,310**	**70,574**
*Foreign currency option contracts**						
Inflow	–	–	–	–	–	–
Outflow	–	–	–	–	–	–
Net inflow	**–**	**–**	**–**	**–**	**–**	**–**
Net Settled Derivatives						
Interest rate swaps**						
Net inflow (outflow)	**(2,182)**	**(1,278)**	**(414)**	**1,352**	**(2,522)**	**(2,215)**
AS AT MARCH 2011						
Gross Settled Derivatives						
Forward foreign exchange contracts						
Inflow	199,319	93,852	224,652	6,926	524,749	
Outflow	(180,766)	(78,324)	(176,368)	(5,197)	(440,655)	
Net inflow	**18,553**	**15,528**	**48,284**	**1,729**	**84,094**	**79,256**
*Foreign currency option contracts**						
Inflow	–	–	–	–	–	–
Outflow	–	–	–	–	–	–
Net inflow	**–**	**–**	**–**	**–**	**–**	**–**
Net Settled Derivatives						
Interest rate swaps**						
Net inflow (outflow)	**(2,493)**	**(1,837)**	**(606)**	**1,253**	**(3,683)**	**(3,535)**

* There are no contractual cash flows in relation to foreign currency option contracts.

** The amounts expected to be receivable in relation to the interest rate swaps have been estimated using forward interest rates applicable at the reporting date.

d. Fair value estimation

The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of financial instruments for disclosure and recognition purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value estimates are compared to valuations prepared by the respective counterparties. Refer to Note 3a (iv) for further information on fair value estimation.

e. Capital risk management

The main objective of capital risk management is to ensure the Group operates as a going concern, meets debts as they fall due, maintains the best possible capital structure, and reduces the cost of capital. Group capital consists of share capital, other reserves and retained earnings. To maintain or alter the capital structure the Group has the ability to review the size of the dividends paid to shareholders, return capital or issue new shares, reduce or increase debt or sell assets.

As a result of a review of the Group's capital structure in May 2010, the Directors are intending to continue to progressively increase shareholders' funds to ensure that the Group has capacity to continue to implement its foreign currency hedging policy as it grows.

A target debt to debt plus equity ratio of 5% to 15% (excluding unrealised financial instrument gains or losses) has been established. The Group expects that, subject to earnings performance, the dividend will be maintained in real terms until such time as the target capital structure is achieved. Longer term, the Directors expect that a dividend payout ratio of greater than 60% will be appropriate to maintain target gearing.

Other than noted there has been no change in Group policies or objectives in relation to capital risk management since the prior year.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated monthly and reported to the banks semi-annually. The principal covenants relating to capital management are the interest cover ratio, the net tangible assets minimum requirement and total tangible assets ratio (refer Note 17 for a listing of the principal covenants). The consequences of a breach of these covenants would depend on the nature of the breach, but could range from an instigation of an event of review, to a demand for repayment. There have been no breaches of these covenants or events of review for the current or prior period.

4. OPERATING REVENUE

PARENT			CONSOLIDATED	
2010 NZ$000	**2011 NZ$000**		**2010 NZ$000**	**2011 NZ$000**
		Sales revenue	474,755	467,680
		Foreign exchange gain on hedged sales	28,567	38,394
56,605	56,538	Dividends		
1,168	3,231	Interest income on intergroup advances		
57,773	**59,769**	**Total operating revenue**	**503,322**	**506,074**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

5. NET OPERATING PROFIT

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
56,586	**58,574**	**Profit before tax**	**106,815**	**92,814**
		After charging the following specific expenses:		
		Auditors' fees:		
		Statutory audit	612	622
		Auditors' half year review	31	35
		Accounting standards advice	17	15
		Tax compliance fees	56	77
		Total auditors' fees	716	749
		Donations	10	4
		Depreciation:		
		Buildings – structure	1,009	1,010
		Buildings – fit-out and other	4,449	5,051
		Leasehold improvements	3	301
		Plant and equipment	10,053	13,581
		Total depreciation	15,514	19,943
		Inventory written off	2,235	1,735
		Movement in provision for obsolete inventory	(1,406)	963
		Rental expense	3,955	4,521
		Operating leases	3,833	3,795
		Amortisation:		
		Patents and trademarks	1,178	1,208
		Software	758	922
		Total amortisation	1,936	2,130
		Trade receivables written off	303	595
		Movement in provision for doubtful trade receivables	(102)	(11)
657	677	Directors' fees paid	657	677
–	170	Directors' retirement fee paid	–	170
24	(156)	Movement in accrual for Directors' retirement fees	24	(156)
		After crediting the following specific income:		
		Research and development tax credit	1,048	–
		Technology development grant	–	1,200
		Distribution agency termination agreement compensation	3,221	–
			4,269	**1,200**

Technology Development Grant

This government grant reimburses 20 per cent of eligible expenditure on the Group's R&D programme, up to a maximum of $2.4 million a year (excluding GST). The Group qualifies for this grant as its average annual R&D intensity (eligible R&D expenditure divided by revenue) was at least five per cent over the past three years, and average annual revenues exceeded $3 million a year. The Grant has been awarded for three years, commencing 1 October 2010.

6. EMPLOYEE BENEFITS

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Wages and salaries	158,332	166,419
		Other employment costs	8,355	10,822
		Employer contributions to defined contribution superannuation plans inclusive of tax	4,920	5,748
		Employer contributions to defined benefit superannuation plans inclusive of tax	6	10
		Movement in liability for long service leave	710	503
		Employee share purchase plans – discount on issue	142	156
		Employee share purchase plans – interest free loan	66	59
		Employee stock purchase plans	44	48
		Employee share option plans	772	689
			173,347	**184,454**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

7. TAX EXPENSE

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
56,586	**58,574**	**Profit before tax**	**106,815**	**92,814**
16,976	17,572	Tax expense at the New Zealand rate of 30% (2010: 30%)	32,045	27,844
		Adjustments to taxation for:		
		Research and development tax credit	(315)	–
(16,981)	(16,961)	Non-assessable income	(81)	(161)
73	13	Non-deductible expenses	357	491
		Foreign rates other than 30% (2010: 30%)	604	219
		Effect of foreign currency translations	2,504	420
67	(36)	Other	70	55
135	**588**	**Tax expense excluding the effect of legislative changes in May 2010**	**35,184**	**28,868**
–	7	Impact of reduction in tax rate from 30% to 28%	–	752
		Impact of statutory change in depreciation on buildings	–	10,728
–	**7**	**Tax expense relating to legislative changes in May 2010**	**–**	**11,480**
135	**595**	**Total tax expense**	**35,184**	**40,348**
		This is represented by:		
144	541	Current tax	35,379	26,700
(9)	54	Deferred tax	(195)	13,648
135	**595**	**Total tax expense**	**35,184**	**40,348**
0.2%	1.0%	Effective tax rate excluding the effect of legislative changes in May 2010	32.9%	31.1%
0.2%	1.0%	Effective tax rate	32.9%	43.5%

As a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27 May 2010 and is effective from 1 April 2011, the relevant deferred tax balances have been re-measured. Buildings are currently depreciated for tax purposes.
As a result of the change in tax legislation that was enacted on 27 May 2010, and is effective from 1 April 2011, the tax depreciation rate on building structure with an estimated useful life of 50 years or more will be reduced to 0%. This has significantly reduced the tax base of the Group's buildings, resulting in an increase to the deferred tax liability of $10,728,000, which has been recognised in the tax expense in the current period.

8. CASH AND CASH EQUIVALENTS

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
		Cash at bank – New Zealand dollar balances	227	180
		Cash at bank – foreign currency balances	6,564	5,865
		Cash on hand	100	65
			6,891	**6,110**
		Foreign currency risk		
		The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:		
		New Zealand dollars	280	186
		United States dollars	870	1,628
		European Union euros	2,315	1,010
		Australian dollars	1	6
		British pounds	155	11
		Indian rupees	660	463
		Chinese yuan	721	319
		Japanese yen	604	802
		Danish krone	294	202
		Canadian dollars	563	557
		Turkish lira	8	503
		Other currencies	420	423
			6,891	**6,110**

Fair value

Carrying amounts of cash and cash equivalents are equal to their fair values.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

9. TRADE AND OTHER RECEIVABLES

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
		Current		
		Trade receivables	63,682	71,561
		Less provision for doubtful trade receivables	(956)	(945)
			62,726	70,616
44	41	Other receivables	8,711	9,006
44	**41**		**71,437**	**79,622**
		Non-Current		
		Other receivables	1,617	1,537
			1,617	**1,537**
		Foreign currency risk		
		The carrying amounts of the Group's trade receivables are denominated in the following currencies:		
		New Zealand dollars	729	887
		United States dollars	32,622	32,628
		European Union euros	18,189	19,265
		Australian dollars	4,119	4,050
		British pounds	2,100	2,058
		Canadian dollars	3,584	3,806
		Japanese yen	767	7,226
		Taiwanese dollars	557	331
		Other currencies	1,015	1,310
			63,682	**71,561**

The Parent has no trade receivables.

Ageing of trade receivables beyond normal terms

The ageing analysis of consolidated trade receivables beyond normal terms is as follows:

	1-30 DAYS NZ$000	31-60 DAYS NZ$000	61-90 DAYS NZ$000	90+ DAYS NZ$000	TOTAL NZ$000
Past due but not considered impaired					
31 March 2010	9,810	1,629	38	75	11,552
31 March 2011	7,158	889	367	281	8,695
Past due and considered impaired					
31 March 2010	81	446	298	131	956
31 March 2011	29	301	295	320	945

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
		Movements in the provision for doubtful trade receivables are as follows:		
		Balance at beginning of the year	1,058	956
		Additional provision recognised	82	616
		Foreign exchange translation	(170)	(32)
		Trade receivables written off during the year as uncollectable	(14)	(595)
		Balance at end of the year	**956**	**945**

The creation and release of the provision for impaired trade receivables has been included in Selling, General and Administrative expenses in the Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The individually impaired trade receivables relate mainly to customers which are in difficult economic situations.

PARENT 2010	PARENT 2011		CONSOLIDATED 2010	CONSOLIDATED 2011
		Customer and receivable concentration		
		Five largest customers' proportion of the Group's:		
		Operating revenue	21.6%	21.1%
		Trade receivables	15.7%	16.8%

There is no history of default in relation to these customers.

Fair value

Carrying amounts of trade receivables are equivalent to their fair values.

10. INVENTORIES

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
		Materials	17,726	23,394
		Finished products	57,196	60,829
		Provision for obsolescence	(3,159)	(4,122)
			71,763	**80,101**

Inventory provisions are provided at year end for stock obsolescence.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

11. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED			
	2010		2011	
	NZ$000 ASSETS	NZ$000 LIABILITIES	NZ$000 ASSETS	NZ$000 LIABILITIES
Current				
Foreign currency forward exchange contracts – cash flow hedges	26,771	186	18,648	525
Foreign currency forward exchange contracts – not hedge accounted	67	2	165	2
Foreign currency option contracts – cash flow hedges	823	3	934	–
Foreign currency option contracts – time value	–	13	478	–
Interest rate swaps – cash flow hedges	11	945	–	1,491
	27,672	**1,149**	**20,225**	**2,018**
Non-Current				
Foreign currency forward exchange contracts – cash flow hedges	42,955	1	59,947	444
Foreign currency forward exchange contracts – not hedge accounted	–	–	55	–
Foreign currency option contracts – cash flow hedges	163	–	–	–
Interest rate swaps – cash flow hedges	1,079	2,360	1,093	3,136
	44,197	**2,361**	**61,095**	**3,580**

Refer to Note 3a (iv) for information on the calculation of fair values.

The Parent has no derivative financial instruments.

Cash flows relating to cash flow hedges are expected to occur as follows:

AS AT 31 MARCH 2010	< 1 YEAR	1 - 2 YEARS	2 - 5 YEARS	> 5 YEARS
Foreign exchange derivative instruments inflows	133,215	58,021	250,641	14,329
Foreign exchange derivative instruments outflows	(106,173)	(50,635)	(210,351)	(11,783)
Interest rate derivative instruments net inflows (outflows)	(2,182)	(1,278)	(414)	1,352
AS AT 31 MARCH 2011				
Foreign exchange derivative instruments inflows	181,817	91,441	224,652	6,926
Foreign exchange derivative instruments outflows	(163,428)	(75,971)	(176,368)	(5,197)
Interest rate derivative instruments net inflows (outflows)	(2,493)	(1,837)	(606)	1,253

11. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Contractual amounts of forward exchange and option contracts outstanding were as follows:

	2010 NZ$000	2011 NZ$000
Purchase commitments forward exchange contracts	9,519	15,580
Sale commitments forward exchange contracts	446,525	489,480
Foreign currency borrowing forward exchange contracts	17,716	15,644
NZD call option contracts purchased	–	1,633
Collar option contracts – NZD call option purchased (i)	12,120	26,645
Collar option contracts – NZD put option sold (i)	13,116	28,943

(i) Foreign currency contractual amounts are equal.

Foreign currency contractual amounts hedged in relation to sales commitments were as follows:

FOREIGN CURRENCY	000s	000s
United States dollars	US$69,500	US$105,500
European Union euros	€ 109,170	€ 97,600
Australian dollars	A$9,900	A$16,600
British pounds	£220	£2,700
Canadian dollars	C$15,525	C$22,675
Japanese yen	¥1,100,000	¥2,640,000
Swedish kronor	KR0	KR2,500
Danish krone	KR0	KR750

As at 31 March 2011 forward exchange contracts with foreign currency contractual amounts totalling US$66 million had been monetised (closed out) with the NZ dollar benefit of $31,813,000 ($22,269,000 after tax) held within Cash Flow Hedge Reserve – Realised, on the Balance Sheet. The cash was applied to reduce interest-bearing liabilities during the 2010 financial year. The benefit will remain within Cash Flow Hedge Reserve – Realised, until the original maturity dates, during the 2012–2014 financial years, of the forward exchange contracts monetised.

Foreign currency contractual amounts hedged in relation to purchase commitments were as follows:

FOREIGN CURRENCY	000s	000s
Japanese yen	¥15,000	¥0
Mexican pesos	MEX$90,000	MEX$150,000

Contractual amounts of interest rate derivative contracts outstanding were as follows:

	NZ$000	NZ$000
Interest rate swaps	88,700	111,663

Interest rate swaps will expire from financial years 2013 through to 2021.

Credit Risk

The Group's exposure to credit risk from derivative financial instruments is limited because it does not expect non-performance of the obligation contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support derivative financial instruments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

12. CURRENT TAX

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Balance at beginning of the year		
		Tax payable	(593)	(9,432)
2,710	4,724	Tax receivable	8,702	2,302
2,710	**4,724**		**8,109**	**(7,130)**
(144)	(541)	Current portion of tax expense	(35,379)	(26,700)
		Tax expense on monetised financial instruments	(9,544)	–
		Tax paid	23,447	25,643
		Research and development tax credit	1,048	–
2,088	149	Supplementary dividend tax credit	4,798	4,909
70	–	Other movements	391	(9)
2,014	(392)		(15,239)	3,843
		Balance at end of the year		
		Tax payable	(9,432)	(3,716)
4,724	4,332	Tax receivable	2,302	429
4,724	**4,332**		**(7,130)**	**(3,287)**

A pre-tax gain of $31,813,000 was realised from US dollar forward exchange contracts monetised during the 2010 financial year. This gave rise to a tax liability of $9,544,000. The tax expense will be recorded in the Income Statement during the 2012–2014 financial years, based on the original maturity date of the forward exchange contracts.

13. PROPERTY, PLANT AND EQUIPMENT

	LAND		BUILDINGS		LEASEHOLD	PLANT &	CAPITAL PROJECTS		TOTAL
	COST	REVALUATION	STRUCTURE	FIT OUT/OTHER	IMPROVEMENTS	EQUIPMENT	BUILDINGS	OTHER	
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
Cost and revaluation									
Balance at 1 April 2009	59,200	10,850	49,475	53,399	998	86,988	986	17,895	279,791
Additions	–	–	–	5,412	366	14,282	2,797	21,441	44,298
Transfers	–	–	–	1,703	–	19,385	(1,703)	(19,385)	–
Disposals	–	–	–	–	–	(1,624)	–	–	(1,624)
Balance at 31 March 2010	**59,200**	**10,850**	**49,475**	**60,514**	**1,364**	**119,031**	**2,080**	**19,951**	**322,465**
Additions	–	–	–	724	40	2,365	16,195	22,104	41,428
Transfers	–	–	–	1,015	233	21,243	(1,015)	(21,476)	–
Disposals	–	–	–	–	(29)	(1,082)	–	–	(1,111)
Balance at 31 March 2011	**59,200**	**10,850**	**49,475**	**62,253**	**1,608**	**141,557**	**17,260**	**20,579**	**362,782**
Depreciation and impairment losses									
Balance at 1 April 2009	–	–	4,834	21,659	661	48,079	–	–	75,233
Depreciation charge for the year	–	–	1,009	4,449	3	10,053	–	–	15,514
Disposals	–	–	–	–	–	(1,560)	–	–	(1,560)
Balance at 31 March 2010	**–**	**–**	**5,843**	**26,108**	**664**	**56,572**	**–**	**–**	**89,187**
Depreciation charge for the year	–	–	1,010	5,051	301	13,581	–	–	19,943
Disposals	–	–	–	–	(37)	(576)	–	–	(613)
Balance at 31 March 2011	**–**	**–**	**6,853**	**31,159**	**928**	**69,577**	**–**	**–**	**108,517**
Carrying amounts									
At 1 April 2009	59,200	10,850	44,641	31,740	337	38,909	986	17,895	204,558
At 31 March 2010	59,200	10,850	43,632	34,406	700	62,459	2,080	19,951	233,278
At 31 March 2011	**59,200**	**10,850**	**42,622**	**31,094**	**680**	**71,980**	**17,260**	**20,579**	**254,265**

The independent valuation of land and buildings, excluding capital projects and leasehold improvements, by DTZ New Zealand Ltd as at 31 March 2011 was $157.500 million (2010: $148.100 million). The Parent holds no property, plant and equipment.

Land revaluation

Land, comprising 42.0238 hectares at East Tamaki, Auckland was revalued with an effective date of 31 March 2009. The independent valuers used were DTZ New Zealand Ltd. The valuation was made as at 31 March 2009 on the basis of recent market transactions on arm's length terms, with reference to the land's best use and highest value.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

14. INTANGIBLE ASSETS

	SOFTWARE NZ$000	PATENTS & TRADEMARKS & APPLICATIONS NZ$000	GOODWILL NZ$000	TOTAL NZ$000
Cost				
Balance at 31 March 2009	6,129	7,725	3,853	17,707
Additions	989	1,369	–	2,358
Disposals	(9)	–	–	(9)
Balance at 31 March 2010	**7,109**	**9,094**	**3,853**	**20,056**
Additions	894	1,735	–	2,629
Disposals	(50)	–	–	(50)
Balance at 31 March 2011	**7,953**	**10,829**	**3,853**	**22,635**
Amortisation and impairment losses				
Balance at 31 March 2009	4,857	5,558	2,823	13,238
Amortisation for the year	758	1,178	–	1,936
Disposals	(9)	–	–	(9)
Balance at 31 March 2010	**5,606**	**6,736**	**2,823**	**15,165**
Amortisation for the year	922	1,208	–	2,130
Disposals	(50)	–	–	(50)
Balance at 31 March 2011	**6,478**	**7,944**	**2,823**	**17,245**
Carrying amounts				
At 31 March 2009	1,272	2,167	1,030	4,469
At 31 March 2010	1,503	2,358	1,030	4,891
At 31 March 2011	**1,475**	**2,885**	**1,030**	**5,390**

There are no individually material intangible assets. The Parent holds no intangible assets.

Impairment test for goodwill

Goodwill relates to the acquisition of Fisher & Paykel Healthcare GmbH & Co KG, which is the cash generating unit to which the total amount of goodwill is allocated. The recoverable amount is based on a value-in-use calculation. That calculation uses cash flow projections based on budgets approved by the Board to March 2012, and a pre-tax discount rate of 12.4% (2010: 13.6%). Cash flows beyond March 2012 have been extrapolated using a constant growth rate of 10% (2010: 10%) to March 2016, which is conservative when compared to the compound annual growth rate of 14.3% (2010: 11.8%) over the past 5 years, and a terminal growth rate of 2% (2010: 2%) beyond March 2016. The calculation supports the carrying amount of the recorded goodwill. The Board believes that any reasonably possible change in the key assumptions used in the calculation would not cause the carrying amount to exceed its recoverable amount.

15. INVESTMENTS IN SUBSIDIARIES

PARENT 2010 NZ$000	PARENT 2011 NZ$000	
8,768	**8,768**	**Investments in subsidiaries**

The Parent's investment in subsidiaries comprises shares at cost. The assets and liabilities attributed to Fisher & Paykel Healthcare Corporation Limited are owned by the following subsidiaries:

SUBSIDIARIES	COUNTRY OF INCORPORATION	INTEREST HELD BY GROUP 2010	INTEREST HELD BY GROUP 2011	PRINCIPAL ACTIVITIES
*Fisher & Paykel Healthcare Limited	NZ	100%	100%	Manufacture & Distribution of Healthcare Products
*Fisher & Paykel Healthcare Properties Limited	NZ	100%	100%	Property Owning Company
*Fisher & Paykel Healthcare Treasury Limited	NZ	100%	100%	Treasury Management
Fisher & Paykel Healthcare Asia Limited	NZ	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Asia Investments Limited	NZ	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Americas Investments Limited	NZ	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	NZ	100%	100%	Employee Share Purchase Trustee Company
*Fisher & Paykel Healthcare Pty Limited	Australia	100%	100%	Distribution of Healthcare Products
Fisher & Paykel do Brasil Ltda	Brazil	100%	100%	Marketing Support
Fisher & Paykel Healthcare Limited	Canada	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare (Guangzhou) Limited	China	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare SAS	France	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare GmbH & Co KG	Germany	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Holdings GmbH	Germany	100%	100%	Non-Trading Holding Company
Fisher & Paykel Verwaltungsgesellschaft GmbH	Germany	100%	100%	Non-Trading Holding Company
Fisher & Paykel Healthcare Limited	Hong Kong	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare India Private Limited	India	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare K.K.	Japan	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare S.A. de C.V.	Mexico	100%	100%	Manufacture of Healthcare Products
Fisher & Paykel Healthcare AB	Sweden	100%	100%	Distribution of Healthcare Products
Fisher Paykel Saglik Urunleri Ticaret Limited Sirketi	Turkey	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	UK	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Inc.	USA	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Holdings Inc.	USA	100%	100%	Non-Trading Holding Company

All subsidiaries have a balance date of 31 March with the exception of Fisher & Paykel do Brasil Ltda, Fisher & Paykel Healthcare (Guangzhou) Limited and Fisher & Paykel Healthcare S.A. de C.V. which have a balance date of 31 December as required by local statutes.

* Fisher & Paykel Healthcare Corporation Limited together with those above companies marked with an asterisk are the companies in the Negative Pledge Deed (refer Note 17).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

16. DEFERRED TAX ASSET / LIABILITY

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		The balance comprises temporary differences attributable to:		
154	107	Provisions and accruals	17,512	14,737
		Depreciation	(1,872)	(13,060)
		Amortisation	1,321	1,505
–	(7)	Other	(674)	(543)
		Cash flow hedges	(20,493)	(21,007)
154	**100**		**(4,206)**	**(18,368)**
154	100	Deferred tax asset	11,011	8,834
		Deferred tax liability	(15,217)	(27,202)
154	**100**		**(4,206)**	**(18,368)**
		Movements		
		Balance at beginning of the year		
145	154	Deferred tax asset	16,848	11,011
		Deferred tax liability	–	(15,217)
		Credited (charged) to the Income Statements		
9	(47)	Provisions and accruals	1,975	(2,775)
		Depreciation	(1,144)	(11,188)
		Amortisation	158	184
	(7)	Other	(794)	131
9	(54)		195	(13,648)
		Credited (charged) to Other Comprehensive Income		
		Deferred tax on cash flow hedge reserve movements	(21,249)	(2,015)
		Effect of change in corporate tax rate	–	1,501
			(21,249)	(514)
		Balance at end of the year		
154	100	Deferred tax asset	11,011	8,834
		Deferred tax liability	(15,217)	(27,202)
154	**100**		**(4,206)**	**(18,368)**
		Timing of usage		
		The amount of the deferred tax asset expected to be used:		
		Within one year	10,508	8,638
154	100	Greater than one year	503	196
154	**100**		**11,011**	**8,834**
		The amount of the deferred tax liability expected to be used:		
		Within one year	(2,501)	9,291
		Greater than one year	(12,716)	(36,493)
			(15,217)	**(27,202)**

The deferred tax liability in relation to buildings has increased by $10,728,000 due to the legislative changes in May 2010.

17. INTEREST-BEARING LIABILITIES

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Current		
		Bank overdrafts	8,014	17,110
		Borrowings	16,488	–
			24,502	**17,110**
		Non-Current		
		Borrowings	59,610	81,937
			59,610	**81,937**
		Foreign currency risk		
		The carrying amounts of the Group's bank overdrafts are denominated in the following currencies:		
		United States dollars	1,756	1,817
		European Union euros	3,780	5,555
		Australian dollars	575	1,974
		British pounds	880	515
		Swedish kronor	624	722
		Japanese yen	256	6,271
		Other currencies	143	256
			8,014	**17,110**
		The carrying amounts of the Group's borrowings are denominated in the following currencies:		
		New Zealand dollars	34,033	39,244
		United States dollars	22,597	19,698
		European Union euros	15,209	14,864
		Australian dollars	4,259	5,831
		Canadian dollars	–	2,300
			76,098	**81,937**
		Borrowings due for repayment		
		Current	**16,488**	**–**
		One to two years	–	54,248
		Two to three years	57,709	15,000
		Three to four years	–	12,689
		Four to five years	1,901	–
		Non-Current	**59,610**	**81,937**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

17. INTEREST-BEARING LIABILITIES (CONTINUED)

These borrowings have been aged in accordance with the expiry dates of the facilities. At year end the weighted average interest rate is 5.9% (2010: 5.3%).

A Negative Pledge Deed has been executed, and certain of the Group's bankers have been provided undertakings under this Deed. The companies in the Group providing the undertakings under the Negative Pledge Deed are listed in Note 15. The negative pledge includes the covenant that security can be given only in limited circumstances.

The principal covenants of the negative pledge are that:

(a) the interest cover ratio for the Group shall not be less than 3 times;

(b) the net tangible assets of the Group shall not be less than $150 million; and

(c) the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

	CONSOLIDATED	
	2010 NZ$000	2011 NZ$000
Unused lines of credit		
Bank overdraft facilities	5,947	4,420
Borrowing facilities	95,985	87,751
	101,932	**92,171**

Fair value

Carrying amounts of interest bearing liabilities are equivalent to their fair values.

18. TRADE AND OTHER PAYABLES

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Current		
		Trade payables	22,812	21,117
		Employee entitlements	19,012	20,148
279	190	Other payables and accruals	16,722	16,699
279	**190**		**58,546**	**57,964**
		Non-Current		
		Employee entitlements	2,990	3,524
513	361	Other payables and accruals	2,211	1,925
513	**361**		**5,201**	**5,449**
		Foreign currency risk		
		The carrying amounts of the Group's trade and other payables are denominated in the following currencies:		
792	551	New Zealand dollars	39,504	35,962
		United States dollars	10,407	12,055
		European Union euros	7,402	7,694
		Australian dollars	2,082	2,031
		British pounds	1,653	1,840
		Japanese yen	1,253	1,583
		Other currencies	1,446	2,248
792	**551**		**63,747**	**63,413**

Fair value

Carrying amounts of trade and other payables are equivalent to their fair values.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

19. PROVISIONS

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Current		
		Warranty provision:		
		Balance at beginning of the year	2,203	4,183
		Current year provision	5,471	3,303
		Warranty expenses incurred	(3,491)	(4,116)
		Balance at end of the year	**4,183**	**3,370**
		Non-Current		
		Warranty provision:		
		Balance at beginning of year	1,160	1,694
		Current year provision	534	277
		Warranty expenses incurred		
		Balance at end of the year	**1,694**	**1,971**

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Currently warranty terms are 1 to 2 years for parts or parts and labour.

As the provision for warranty is based on historical warranty rates, the actual future warranty claims experienced by the Group may be different to that of the past. Factors that could impact the provision for warranty include the success of the Group's quality system, as well as future parts and labour costs. Where the Group is aware of specific product warranty issues these are included in the provision.

The total provision of $5,341,000 is expected to be fully utilsed during the 2012 and 2013 financial years. There will be no reimbursements.

20. SHARE CAPITAL

All shares are fully paid. All ordinary shares rank equally with one vote attached to each fully paid ordinary share. All ordinary shares have equal voting rights.

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
6,348	15,222	Share capital at beginning of the year	6,348	15,222
5,895	23,088	Issue of share capital under dividend reinvestment plan (i)	5,895	23,088
251	253	Issue of share capital	251	253
1,724	1,037	Increase in share capital under share option schemes for employee services	1,724	1,037
1,004	1,183	Employee share scheme shares issued for employee services	1,004	1,183
15,222	40,783	Share capital at end of the year	15,222	40,783
(2,222)	(2,064)	Less accounted for as treasury shares	(2,222)	(2,064)
13,000	**38,719**		**13,000**	**38,719**
		Number of authorised shares		
509,530,912	512,304,851	Number of shares on issue at beginning of the year	509,530,912	512,304,851
		Shares issued:		
1,934,824	7,665,279	Dividend reinvestment plan (i)	1,934,824	7,665,279
396,438	483,043	Employee share purchase schemes	396,438	483,043
243,833	–	Exercise of share options	243,833	–
198,844	–	Exercise of share options under cancellation facility	198,844	–
512,304,851	520,453,173	Total number of shares on issue	512,304,851	520,453,173
(867,717)	(842,816)	Less accounted for as treasury shares	(867,717)	(842,816)
511,437,134	**519,610,357**		**511,437,134**	**519,610,357**

(i) 7,665,279 (2010: 1,934,824) shares were issued under the Company's dividend reinvestment plan at an average price of $3.01 (2010: $3.05) per share.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

21. RESERVES

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Retained earnings		
44,575	37,730	Balance at beginning of the year	187,726	196,061
56,451	57,979	Profit after taxation	71,631	52,466
		Dividends: (i)		
(35,669)	(35,864)	Final 2010 (2009)	(35,669)	(35,864)
(27,627)	(27,943)	Interim 2011 (2010)	(27,627)	(27,943)
37,730	**31,902**	**Balance at end of the year**	**196,061**	**184,720**
		Asset revaluation reserve		
		Balance at beginning of the year	10,850	10,850
		Revaluation of land	–	–
		Balance at end of the year	**10,850**	**10,850**
		Cash flow hedge reserve – unrealised		
		Balance at beginning of the year	(1,765)	47,817
		Revaluation of derivative financial instruments	74,423	33,155
		Transfer to profit before tax	(3,592)	(26,439)
		Deferred tax	(21,249)	(514)
		Balance at end of the year	**47,817**	**54,019**
		Cash flow hedge reserve – realised		
		Balance at beginning of the year	–	22,269
		Monetised financial instruments	31,813	–
		Tax on monetised financial instruments	(9,544)	–
		Balance at end of the year	**22,269**	**22,269**
		Employee share entitlement reserve		
317	258	Balance at beginning of the year	317	258
142	156	Employee expense for the year	142	156
(201)	(261)	Transfer to share capital on vesting of shares to employees	(201)	(261)
–	–	Other movements	–	–
258	**153**	**Balance at end of the year**	**258**	**153**
		Employee share option reserve		
3,097	2,909	Balance at beginning of the year	3,097	2,909
772	689	Employee expense for the year	772	689
(960)	(1,037)	Transfer to share capital on exercise or lapse of vested options	(960)	(1,037)
2,909	**2,561**	**Balance at end of the year**	**2,909**	**2,561**
		Treasury shares		
(2,272)	(2,222)	Balance at beginning of the year	(2,272)	(2,222)
790	892	Treasury shares issued to employees share purchase plans	790	892
(740)	(734)	Shares transferred to employees	(740)	(734)
(2,222)	**(2,064)**	**Balance at end of the year**	**(2,222)**	**(2,064)**

(i) Supplementary dividends of $4,909,000 were paid (2010: $4,798,000). All dividends are recognised as distributions to shareholders.

(ii) There was no ineffectiveness in relation to cash flow hedges.

22. EARNINGS PER SHARE

	CONSOLIDATED	
	2010 NZ$000	2011 NZ$000
Basic		
Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the year.		
Profit after tax	71,631	52,466
Weighted average number of ordinary shares (000s)	511,251	517,155
Basic earnings per share (cents per share)	14.0 cps	10.2 cps
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Options are convertible into the Company's shares, and are therefore considered dilutive securities for diluted earnings per share.		
Profit after tax	71,631	52,466
Weighted average number of ordinary shares (000s)	511,251	517,155
Adjustment for share options (000s)	18,542	19,111
Weighted average number of ordinary shares for diluted earnings per share (000s)	529,793	536,266
Diluted earnings per share (cents per share)	13.5 cps	9.8 cps

23. SHARE BASED PAYMENTS

Employee share option plans

Options are granted to selected employees pursuant to the Share Option Plans and vest in three equal annual instalments commencing no earlier than the second anniversary of the grant date as long as the employee remains in the service of the Company, and all unexercised options expire on the fifth anniversary of the grant date. Options also become exercisable if a person, or a group of persons acting in concert, acquires more than half of the Company's outstanding ordinary shares. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Company's Board, the employees or, if applicable, the employees' executors will have three months to exercise all outstanding options. On a termination of employment for any other reason all outstanding vested and unvested options will lapse. As at 31 March 2011 options had been granted to 330 employees (2010: 304). Options granted to employees have no voting rights until they have been exercised and ordinary shares have been issued.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

23. SHARE BASED PAYMENTS (CONTINUED)

Movements in the number of share options outstanding and their exercise prices are as follows:

	YEAR OF ISSUE						
31 MARCH 2010	2005(i)	2006(ii)	2007(iii)	2008(iv)	2009(v)	2010(vi)	TOTAL
Balance at beginning of the year	4,230,008	3,671,100	3,697,800	3,764,100	3,939,000	–	**19,302,008**
Granted during the year	–	–	–	–	–	3,996,600	**3,996,600**
Exercised during the year (vii)	(2,864,155)	–	–	–	–	–	**(2,864,155)**
Lapsed during the year (viii)	(1,365,853)	(93,900)	(125,700)	(83,100)	(66,600)	(29,700)	**(1,764,853)**
Balance at end of the year	**–**	**3,577,200**	**3,572,100**	**3,681,000**	**3,872,400**	**3,966,900**	**18,669,600**

	YEAR OF ISSUE						
31 MARCH 2011	2006(ii)	2007(iii)	2008(iv)	2009(v)	2010(vi)	2011(vii)	TOTAL
Balance at beginning of the year	3,577,200	3,572,100	3,681,000	3,872,400	3,966,900	–	**18,669,600**
Granted during the year	–	–	–	–	–	4,766,100	**4,766,100**
Exercised during the year (viii)	–	–	–	–	–	–	**–**
Lapsed during the year (ix)	(3,577,200)	(59,400)	(143,000)	(152,600)	(106,400)	(87,000)	**(4,125,600)**
Balance at end of the year	**–**	**3,512,700**	**3,538,000**	**3,719,800**	**3,860,500**	**4,679,100**	**19,310,100**

i) Options expiring August 2009 at exercise prices based on future costs of capital and dividends using a base price of $2.63 per option.

ii) Options expiring September 2010 at exercise prices based on future costs of capital and dividends using a base price of $3.58 per option.

iii) Options expiring December 2011 have exercise prices based on future costs of capital and dividends using a base price of $4.26 per option.

iv) Options expiring December 2012 have exercise prices based on future costs of capital and dividends using a base price of $3.31 per option.

v) Options expiring September 2013 have exercise prices based on future costs of capital and dividends using a base price of $3.11 per option.

vi) Options expiring September 2014 have exercise prices based on future costs of capital and dividends using a base price of $3.29 per option.

vii) Options expiring September 2015 have exercise prices based on future costs of capital and dividends using a base price of $2.91 per option.

viii) The number of options exercised during the year also includes any options cancelled under the cancellation facility. The cancellation facility allows optionholders to cancel their options and receive in return ordinary shares equal in value to the gain on the options.

ix) The number of options that lapsed during the year includes options held by employees at resignation and options that lapsed upon expiry.

Out of the 19,310,100 outstanding options (2010: 18,669,600 options), 6,932,947 options (2010: 7,000,173 options) were exercisable.

There were no options exercised during the 2011 financial year. Options exercised in 2010 resulted in 243,833 shares being issued at a weighted average exercise price of $3.14. The related weighted average price at the time of exercise was $3.33 per share.

There were no options cancelled during the 2011 financial year. Total options cancelled in 2010 of 2,620,322 resulted in 198,840 shares being issued at a weighted average exercise price of $3.06 per share. The related weighted average price at the time of cancellation was $3.32 per share.

23. SHARE BASED PAYMENTS (CONTINUED)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

			OPTIONS	
FINANCIAL YEAR	EXPIRY	EXERCISE PRICE	2010	2011
2011	September 2010	Variable (i)	3,577,200	–
2012	December 2011	Variable (ii)	3,572,100	3,512,700
2013	December 2012	Variable (iii)	3,681,000	3,538,000
2014	September 2013	Variable (iv)	3,872,400	3,719,800
2015	September 2014	Variable (v)	3,966,900	3,860,500
2016	September 2015	Variable (vi)	–	4,679,100
			18,669,600	**19,310,100**

i) Options expiring September 2010 at exercise prices based on future costs of capital and dividends using a base price of $3.58 per option.

ii) Options expiring December 2011 at exercise prices based on future costs of capital and dividends using a base price of $4.26 per option.

iii) Options expiring December 2012 at exercise prices based on future costs of capital and dividends using a base price of $3.31 per option.

iv) Options expiring September 2013 at exercise prices based on future costs of capital and dividends using a base price of $3.11 per option.

v) Options expiring September 2014 at exercise prices based on future costs of capital and dividends using a base price of $3.29 per option.

vi) Options expiring September 2015 at exercise prices based on future costs of capital and dividends using a base price of $2.91.

The fair value of options granted during the period determined using the Binomial Options Pricing Model was $0.133 (2010: $0.183) per option or $634,000 (2010: $731,000) in aggregate.

The significant inputs into the model were:

	2010	2011
Share price at grant date	$3.29	$2.91
Base price at grant date	$3.29	$2.91
Expected/historical share price volatility	13.8%	13.2%
Dividends expected over option life (cents)	58.3	67.0
Option life (years)	5	5
Risk free interest rate	4.56%	4.28%
Cost of equity	9.50%	9.70%

The expected price volatility is derived by analysing the historical volatility over the most recent historical period corresponding to the term of the option.

	2010	2011
Total amount expensed in year for employee share option plans	$772,000	$689,000

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

23. SHARE BASED PAYMENTS (CONTINUED)

Employee share purchase plans

Shares are issued at a discount of 20% of market price, on terms permitted by the Schemes in accordance with sections DC13 and 14 of the New Zealand Income Tax Act 2007, with no interest being charged on the loans. All New Zealand and Australian full time employees are eligible to participate after a qualifying period. The qualifying period between grant and vesting date is 3 years. Dividends paid during the qualifying period on shares allocated to employees under the Schemes are paid to the employees. Voting rights on the shares are exercisable by the Trustees under the Schemes.

842,816 shares (2010: 867,717) are held by the Schemes, being 0.2% (2010: 0.2%) of the Company's issued and paid up capital. As at 31 March 2011, all shares were allocated to employees, except for 22,140 (2010: 17,164). Once vested an employee participant may elect to transfer the shares into his or her own name after which the shares are freely transferable.

All shares are allocated to employees at the time of issue, on the condition that should they leave the Company before the qualifying period ends, their shares will be repurchased by the Trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan.

Any such repurchased shares are held by the Trustees for allocation to future Schemes. Trustees of the Employee Share Purchase Schemes are appointed by the Company.

At 31 March 2011 the total receivable owing from employees was $1,371,000 (2010: $1,126,000).

Movements in the number of shares outstanding and their related weighted average issue prices are as follows:

	2010		2011	
	PRICE*	NUMBER	PRICE*	NUMBER
As at beginning of the year	$2.88	697,882	$2.56	850,553
Granted during the year	$2.61	420,670	$2.30	443,656
Vested during the year	$3.62	(223,893)	$2.51	(412,483)
Lapsed due to resignation	$2.66	(44,106)	$2.56	(61,050)
As at end of the year	**$2.56**	**850,553**	**$2.45**	**820,676**

*Weighted average

Shares outstanding at the end of the year have the following vesting dates and issue prices:

		ISSUE PRICE		SHARES	
FINANCIAL YEAR	VESTING	2010	2011	2010	2011
2010	June 2009	$3.63*	–	644	644
2011	December 2010 and February 2011	$2.51*	$2.53	434,615	5,170
2013	August 2012	$2.61*	$2.61	415,294	376,266
2014	December 2013 and March 2014	–	$2.30	–	438,596
				850,553	**820,676**

*Weighted average

The fair value of shares granted during the period has been determined as being the discount on issue and the present value of the interest free loan to the employee and is $329,000 (2010: $368,000).

	2010	2011
Total amount expensed in year for employee share purchase plans		
– Discount on issue	$142,000	$156,000
– Interest free loan	$66,000	$59,000

23. SHARE BASED PAYMENTS (CONTINUED)

Employee stock purchase plan

Shares are issued at a discount of 15% being the lower of the market price at the date of issue or the market price at the beginning of the annual offering period (normally 1 January) in accordance with section 423 of the US Internal Revenue Code, as amended. All North American employees working more than 20 hours per week are eligible after a qualifying period. Employees make regular payroll contributions to the plan with shares being issued to employees quarterly to the value of their accumulated contributions to the plan.

All shares are allocated to employees at the time of issue and vest immediately.

Shares issued in 2011 totalled 95,461 (2010: 93,793).

	2010	2011
Total amount expensed in year for employee stock purchase plans	$44,000	$48,000

24. RETIREMENT BENEFIT OBLIGATIONS

	CONSOLIDATED	
	2010 NZ$000	2011 NZ$000
Balance Sheet obligations for:		
Pension benefits asset	551	685
Pension benefits liability	–	–
Income Statement (credit):		
Pension benefits	(966)	(134)

All qualifying New Zealand based employees of the Group plus employees in certain other countries are entitled to superannuation benefits from the Group's defined contribution superannuation plans on retirement, disability, death or resignation. In addition to these Plans, 2 (2010: 2) New Zealand based employees have benefits on a defined benefit basis such that should their account balances under the Plan at the time a benefit is payable be below the defined benefit level, the Company makes a special contribution. The defined benefit arrangements provide a top-up lump sum benefit based on years of membership and final average salary.

	2010	2011
The amounts recognised in the Balance Sheet are determined as follows:		
Present value of the defined benefit obligation	256	285
Fair value of defined benefit plan assets	625	744
Present value of unfunded obligations	(369)	(459)
Adjustments or contributions tax	(182)	(226)
Net (asset) in the Balance Sheet	**(551)**	**(685)**
The major categories of the Plan's assets are as follows:		
Cash	34.3%	41.9%
Debt instruments	48.5%	42.2%
Equity instruments	15.8%	14.6%
Property	1.4%	1.3%
Other assets	0.0%	0.0%

Notes to the Financial Statements (continued)

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24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
The movement in the defined benefit obligation over the year is as follows:		
Balance at beginning of the year	810	256
Current service cost (Company)	14	14
Interest costs	31	10
Contributions by Plan participants	4	7
Actuarial losses (gains)	(466)	(2)
Benefits paid	(137)	–
Balance at end of the year	**256**	**285**
The movement in the fair value of Plan assets over the year is as follows:		
Balance at beginning of the year	532	625
Expected return on Plan assets	28	38
Actuarial gains	194	67
Contributions by Group companies	4	7
Contributions by Plan participants	4	7
Benefits paid	(137)	–
Balance at end of the year	**625**	**744**
The amounts recognised in the Income Statements are as follows:		
Current service cost	14	7
Interest costs	31	10
Expected return on Plan assets	(28)	(38)
Net actuarial losses (gains) recognised in year	(664)	(69)
Increase in allowance for tax funded by employer	(319)	(44)
Losses (gains) on curtailments and settlements	–	–
Total included in employee benefits expense	**(966)**	**(134)**

Of the total credit for 2010 $194,000, $243,000 and $529,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

Of the total credit for 2011 $27,000, $34,000 and $73,000 were included in cost of sales, selling, general and administrative expenses and research and development expenses respectively.

The actual return on Plan assets was $30,000 (2010: $60,000).

24. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	CONSOLIDATED	
	2010	2011
Discount rate	4.21%	4.05%
Expected return on Plan assets	6.00%	6.00%
Future salary increase	4.50%	4.50%

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of Plan assets to these major categories. This resulted in the selection of a 6.0% rate of return net of tax (and expenses).

During the 2008 year the defined benefit liabilities for all but three employees were curtailed, and the current liability was settled by the transfer to a defined contribution arrangement. At the same time the Company separately provided for a contingent liability in respect of providing for a minimum benefit level on retirement. The amount provided for at 31 March 2011 was $25,000 (2010: $51,000).

	2007 NZ$000	2008 NZ$000	2009 NZ$000	2010 NZ$000	2011 NZ$000
Historical Summary:					
Present value of the defined benefit obligation	7,372	448	810	256	285
Fair value of defined benefit plan assets	3,737	494	532	625	744
Present value of unfunded obligations	(3,635)	46	(278)	369	459
Employer Superannuation Contribution Tax	(1,790)	23	(137)	182	226
Surplus (deficit)	**(5,425)**	**69**	**(415)**	**551**	**685**
Experience adjustments arising on plan liabilities	131	(207)	323	(466)	(2)
Experience adjustments arising on plan assets	100	(41)	(10)	194	67

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

25. RELATED PARTY TRANSACTIONS

During the period the Group has not entered into any material contracts involving related parties or Directors' interests. No amounts owed by related parties have been written off or forgiven during the period.

During the period the Company advanced and repaid loans to its subsidiaries by way of internal current accounts. In presenting the financial statements of the Group, the effect of transactions and balances between fellow subsidiaries and those with the Parent have been eliminated. All transactions with related parties were in the normal course of business and provided on commercial terms.

The Parent entered into certain transactions with its subsidiaries as follows:

Material amounts outstanding between the Parent and its subsidiaries at year end were:

- Loans from the Parent to subsidiaries $60,645,000 (2010: $40,999,000).

These unsecured advances represent funding even though they are for no fixed term, are repayable on demand and bear interest at 8.88% (2010: 8.35%).

Material transactions between the Parent and its subsidiaries were:

- Interest charged in respect of the loans to subsidiaries of $3,231,000 (2010: $1,168,000).
- Dividends received by the Parent from its subsidiaries $56,538,000 (2010: $56,605,000).
- Payments from subsidiaries to Parent for options and shares issued to employees $893,000 (2010: $958,000).
- Proceeds from employee share purchase plans in respect of vested shares paid to the Parent from its subsidiaries $1,288,000 (2010: $1,059,000).

These amounts are not outstanding at balance date.

(a) Key Management and Director Compensation

Key management and Director compensation for the years ended 31 March 2010 and 2011 is set out below. The key management personnel include the Directors of the Company and those employees who the Company have deemed to have disclosure obligations under Section 19T of the Securities Markets Act 1988. Key management personnel did not receive and are not entitled to receive any post employment or long term benefits, other than contributions to defined contribution superannuation plans.

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Short-term benefits		
		Salaries and other short-term benefits	4,534	4,638
657	677	Directors' fees paid	657	677
–	170	Director's retirement fee paid	–	170
24	(156)	Movement in accrual for Directors' retirement fees	24	(156)
681	691	Total short-term benefits	5,215	5,329
		Post-employment benefits		
		Employer contributions to defined contribution superannuation plans	170	180
		Share-based benefits		
		Employee share purchase plans	2	2
		Employee share option plans	176	154
–	–	Total share-based benefits	178	156
681	**691**	**Total compensation**	**5,563**	**5,665**

The amounts of key management and Director compensation outstanding as at balance date are $973,000 (2010: $1,195,000) for the Group and $357,000 (2010: $343,000) for the Parent.

(b) Other Transactions with Key Management and Directors or Entities related to them

There have been no other material transactions with key management and Directors or entities related to them during the period.

26. CASH FLOW RECONCILIATIONS

PARENT 2010 NZ$000	PARENT 2011 NZ$000		CONSOLIDATED 2010 NZ$000	CONSOLIDATED 2011 NZ$000
56,451	**57,979**	**Profit after tax**	**71,631**	**52,466**
		Add (deduct) non-cash items:		
		Depreciation and writedown of property, plant and equipment to recoverable amount	15,514	19,943
		Amortisation of intangibles	1,936	2,130
		Accrued financing income / expense	(16)	13
		Movement in provisions	2,514	(536)
9	(54)	Movement in deferred tax asset / liability	(195)	13,648
		Movement in foreign currency option contracts time value	–	(478)
		Movement in working capital:		
(4)	3	Trade and other receivables	9,795	(8,105)
		Inventory	(1,817)	(8,338)
60	(241)	Trade and other payables	5,309	668
4,807	4,744	Provision for taxation net of supplementary dividend paid	20,037	1,066
(4,705)	(3,849)	Intercompany advances in relation to operating cashflows		
		Foreign currency translation	(9,528)	(1,424)
		Add non-Income Statement items:		
		Monetised cash flow hedges	22,269	–
56,618	**58,582**	**Net cash flows from operations**	**137,449**	**71,053**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

27. IMPUTATION CREDIT ACCOUNTS

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
46	18	Balance at beginning of the year	103	327
22,300	22,600	Imputation credits attached to dividends received		
		Imputation credits arising from taxation paid	22,552	23,000
(22,328)	(22,437)	Imputation credits attached to dividends paid to shareholders	(22,328)	(22,437)
18	**181**	**Balance at end of the year**	**327**	**890**
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	18	181
		Subsidiaries	309	709
		Balance at end of the year	**327**	**890**

28. CONTINGENT LIABILITIES

Periodically the Group is party to litigation including product liability and patent claims. To date such claims have been few in number and have been expensed or covered by our insurance. The Directors are unaware of the existence of any claim or other contingencies that would have a material impact on the operations of the Group.

The Parent has a contingent liability relating to guarantees of all subsidiary company indebtedness (refer Note 17).

29. COMMITMENTS

	CONSOLIDATED	
	2010 NZ$000	2011 NZ$000
Capital expenditure commitments contracted for but not recognised as at the reporting date:		
Within one year	5,612	56,587
Between one and two years	–	19,524
Between two and five years		
	5,612	**76,111**

Capital expenditure commitments are significantly larger in the current year as a result of the commitment to the third building on our East Tamaki site, as announced in December 2010.

	2010 NZ$000	2011 NZ$000
Gross commitments under non-cancellable operating leases:		
Within one year	5,169	5,351
Between one and two years	4,492	3,382
Between two and five years	3,505	2,960
Over five years	5,454	4,233
	18,620	**15,926**

Operating lease commitments relate mainly to building leases. There are no renewal options or options to purchase in respect of leases of plant and equipment.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

PARENT				CONSOLIDATED			
LOANS AND RECEIVABLES NZ$000	OTHER FINANCIAL ASSETS NZ$000	TOTAL NZ$000		LOANS AND RECEIVABLES NZ$000	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	TOTAL NZ$000
			31 March 2010				
			Assets as per Balance Sheets				
			Cash and cash equivalents	6,891	–	–	6,891
			Trade receivables	62,726	–	–	62,726
			Derivative financial instruments	–	67	71,802	71,869
40,999	–	40,999	Intergroup advances				
40,999	**–**	**40,999**	**Total**	**69,617**	**67**	**71,802**	**141,486**

NZ$000	NZ$000	NZ$000		LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST NZ$000	TOTAL NZ$000
			31 March 2010				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	–	–	84,112	84,112
			Trade and other payables	–	–	39,534	39,534
			Derivative financial instruments	15	3,495	–	3,510
			Total	**15**	**3,495**	**123,646**	**127,156**

LOANS AND RECEIVABLES NZ$000	OTHER FINANCIAL ASSETS NZ$000	TOTAL NZ$000		LOANS AND RECEIVABLES NZ$000	ASSETS AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	TOTAL NZ$000
			31 March 2011				
			Assets as per Balance Sheets				
			Cash and cash equivalents	6,110	–	–	6,110
			Trade receivables	70,616	–	–	70,616
			Derivative financial instruments	–	698	80,622	81,320
60,645	–	60,645	Intergroup advances				
60,645	**–**	**60,645**	**Total**	**76,726**	**698**	**80,622**	**158,046**

NZ$000	NZ$000	NZ$000		LIABILITIES AT FAIR VALUE THROUGH THE PROFIT AND LOSS NZ$000	DERIVATIVES USED FOR HEDGING NZ$000	OTHER FINANCIAL LIABILITIES MEASURED AT AMORTISED COST NZ$000	TOTAL NZ$000
			31 March 2011				
			Liabilities as per Balance Sheets				
			Interest-bearing liabilities	–	–	99,047	99,047
			Trade and other payables	–	–	37,816	37,816
			Derivative financial instruments	2	5,596	–	5,598
			Total	**2**	**5,596**	**136,863**	**142,461**

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

31. OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

PARENT			CONSOLIDATED	
2010 NZ$000	2011 NZ$000		2010 NZ$000	2011 NZ$000
		Fair value gains		
		Foreign exchange forward contracts	67	220
			67	**220**
		Fair value losses		
		Foreign exchange forward contracts	(2)	(2)
			(2)	**(2)**

Changes in fair values of foreign exchange contracts which have not been hedge accounted are recorded within Operating Profit.

32. SEGMENT INFORMATION

The operating segments of the Group have been determined based on the components of the Group that the CODM monitors in making decisions about operating matters. These components have been identified on the basis of internal reports that the CODM reviews regularly in order to allocate resources and to assess the performance of the Group.

The Group has four operating segments reportable under NZ IFRS 8, as described below, which are the Group's strategic business units or groupings of business units. All other operating segments have been included in 'New Zealand segments'.

The strategic business units all offer the same products, being medical device products and systems for use in respiratory and acute care and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide through the Group's distribution subsidiaries, third party distributors and original equipment manufacturers (OEMs), with these sales being managed geographically from New Zealand and other locations worldwide. It is the management of these worldwide sales relationships that forms the basis for the Group's reportable segments. The following summary describes the operations in each of the Group's reportable segments:

1) **North America.** Includes all activities controlled by entities or employees based in the United States of America and Canada, principally sales, distribution and administration activities.
2) **Europe.** Includes all activities controlled by entities or employees based in the United Kingdom, France, Germany, Sweden and Turkey, principally sales, distribution and administration activities. These sales and distribution hubs also distribute product into neighbouring European countries.
3) **Asia-Pacific.** Includes all activities controlled by entities or employees based in Australia, Japan, India, China, Taiwan and Hong Kong, principally sales, distribution and administration activities.
4) **New Zealand.** Includes all activities controlled by entities or employees based in New Zealand, principally research and development, manufacturing, marketing, sales and distribution and administration. The research and development activity relates to New Zealand. The manufacturing activity principally relates to New Zealand, however the Mexico manufacturing activity is also included in this segment as the Mexico facility is managed by New Zealand-based employees. The sales and distribution activity principally relates to New Zealand, Latin America, Africa, the Middle East and other countries in Asia not included in 3) above. Also included are sales made to countries within Europe and Asia-Pacific where the management of the sale is from New Zealand.

All minor or other activities have been included in the New Zealand segment as they are controlled by New Zealand entities or employees.

There are varying levels of integration between these geographical segments. This integration includes transfers of finished product, principally from New Zealand to other segments, and shared costs. The accounting policies of the reportable segments are the same as described in Note 2.

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment operating profit or EBIT. Segment profit is used to measure performance as the CODM believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within this industry. Inter-segment pricing is determined on an arm's length basis.

32. SEGMENT INFORMATION (CONTINUED)

Operating Segments 31 MARCH 2010	NEW ZEALAND NZ$000	NORTH AMERICA NZ$000	EUROPE NZ$000	ASIA- PACIFIC NZ$000	ELIMINATIONS NZ$000	TOTAL NZ$000
Sales revenue – external	73,076	216,162	140,236	45,281	–	474,755
Sales revenue – internal	288,539	–	438	14	(288,991)	–
Foreign exchange gain on hedged sales	28,567	–	–	–	–	28,567
Total operating revenue	**390,182**	**216,162**	**140,674**	**45,295**	**(288,991)**	**503,322**
Other income	1,048	–	–	3,221	–	4,269
Depreciation and amortisation	15,996	316	516	622	–	17,450
Reportable segment operating profit before financing costs	**72,668**	**4,636**	**5,398**	**5,732**	**14,405**	**102,839**
Financing income	2,518	–	3	15	(1,879)	657
Financing expense	(5,809)	(1,650)	(647)	(217)	1,879	(6,444)
Exchange gain on foreign currency borrowings	9,763	–	–	–	–	9,763
Reportable segment assets	**440,333**	**67,818**	**52,553**	**19,836**	**(105,481)**	**475,059**
Reportable segment capital expenditure	**46,753**	**562**	**693**	**248**	**–**	**48,256**
Operating Segments 31 MARCH 2011	NEW ZEALAND NZ$000	NORTH AMERICA NZ$000	EUROPE NZ$000	ASIA- PACIFIC NZ$000	ELIMINATIONS NZ$000	TOTAL NZ$000
Sales revenue – external	56,017	211,332	136,298	64,033	–	467,680
Sales revenue – internal	281,495	–	–	–	(281,495)	–
Foreign exchange gain on hedged sales	38,394	–	–	–	–	38,394
Total operating revenue	**375,906**	**211,332**	**136,298**	**64,033**	**(281,495)**	**506,074**
Other income	1,200	–	–	–	–	1,200
Depreciation and amortisation	20,784	344	391	554	–	22,073
Reportable segment operating profit before financing costs	**80,774**	**4,619**	**4,819**	**2,666**	**4,865**	**97,743**
Financing income	1,909	37	1	2	(1,372)	577
Financing expense	(5,264)	(1,057)	(763)	(314)	1,372	(6,026)
Exchange gain on foreign currency borrowings	520	–	–	–	–	520
Reportable segment assets	**468,752**	**61,851**	**55,197**	**29,537**	**(97,729)**	**517,608**
Reportable segment capital expenditure	**42,071**	**490**	**399**	**343**	**–**	**43,303**

Product Segments

The Group's products and systems are for use in respiratory care, acute care and the treatment of obstructive sleep apnea and are sold in over 120 countries worldwide. Revenues are managed on a regional basis, but a split by product group is set out below. Assets are not split by product group. Segment revenue is based on product SKUs.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 31 MARCH 2011

32. SEGMENT INFORMATION (CONTINUED)

Product Group Information

	YEAR ENDED 31 MARCH 2010 NZ$000	YEAR ENDED 31 MARCH 2011 NZ$000
Respiratory & acute care	242,419	253,303
Obstructive sleep apnea	237,012	236,654
Core products subtotal	479,431	489,957
Distributed and other	23,891	16,117
Total revenue	**503,322**	**506,074**

Major Customer

Revenues from one customer of the North America segment (being a distributor) represent approximately $57.8 million (2010: $56.7 million) of the Group's total revenues.

33. SIGNIFICANT EVENTS AFTER BALANCE DATE

In April and May 2011 forward exchange contracts with foreign currency contractual amounts totalling US$15 million were monetised (closed out). The NZ dollar benefit of $10,490,000 ($7,552,000 after tax) will be held within Cash flow hedge reserve – realised, on the Balance Sheet. The cash will be applied to reduce interest-bearing liabilities when received on 7 July 2011. The benefit will remain within Cash flow hedge reserve – realised until the original maturity dates of the forward exchange contracts, during the 2013 and 2014 financial years.

On 25 May 2011 the Directors approved the payment of a fully imputed 2011 final dividend of $36,433,171 (7.0 cents per share) to be paid on 8 July 2011.

Statutory Information

EMPLOYEE REMUNERATION

The Group operates in a number of countries where remuneration market levels differ widely. The offshore remuneration amounts are converted into New Zealand dollars. Of the employees noted in the table below, 68% are employed by the Group outside New Zealand. During the year ended 31 March 2011 a number of employees or former employees of the Group, not being Directors of the Company, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

REMUNERATION $	NUMBER OF EMPLOYEES
100,000 - 110,000	73
110,001 - 120,000	56
120,000 - 130,000	47
130,001 - 140,000	39
140,001 - 150,000	36
150,001 - 160,000	24
160,001 - 170,000	17
170,001 - 180,000	15
180,001 - 190,000	13
190,001 - 200,000	5
200,001 - 210,000	4
210,001 - 220,000	6
220,001 - 230,000	8
230,001 - 240,000	5
250,001 - 260,000	1
260,001 - 270,000	3
270,001 - 280,000	1
280,001 - 290,000	2
290,001 - 300,000	1
300,001 - 310,000	1
310,001 - 320,000	2
340,001 - 350,000	1
360,001 - 370,000	1
370,001 - 380,000	1
440,001 - 450,000	1
490,001 - 500,000	1
510,001 - 520,000	1
540,001 - 550,000	1
560,001 - 570,000	1
580,001 - 590,000	1
600,001 - 610,000	1
700,001 - 710,000	1
720,001 - 730,000	1
Total	**371**

Statutory Information (continued)

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

	NUMBER OF HOLDERS	%	NUMBER OF ORDINARY SHARES	%
1 to 999	3,199	16.64	1,588,887	0.30
1,000 to 4,999	9,641	50.14	22,627,128	4.35
5,000 to 9,999	3,401	17.69	22,313,691	4.29
10,000 to 99,999	2,853	14.84	57,075,238	10.97
100,000 and over	133	0.69	416,868,923	80.09
Total	19,227	100.00	520,473,867	100.00

The details set out above were as at 25 May 2011.

As disclosed in Note 23 of the Financial Statements, there were 19,310,100 options on issue to employees as at 31 March 2011.

The Company only has one class of shares on issue, ordinary shares, and these shares are listed on the NZSX and ASX. There are no other classes of equity security currently on issue. The Company's ordinary shares each carry a right to vote on any resolution at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney. Voting may be conducted by voice, by show of hands, or poll. There are no voting rights attaching to options.

There were 744 shareholders holding less than a marketable parcel, as defined by ASX Listing Rules, of the Company's ordinary shares, based on the market price as at 25 May 2011.

There are no restricted securities or securities subject to voluntary escrow on issue.

LIMITATIONS ON THE ACQUISITION OF SECURITIES

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act 2001 (Commonwealth) dealing with the acquisition of shares (i.e. substantial holdings and takeovers).

Limitations on the acquisition of the securities imposed by the jurisdiction in which the Company is incorporated (New Zealand) are:

(a) In general, securities in the Company are freely transferable and the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeovers, overseas investment and competition.

(b) The New Zealand Takeovers Code creates a general rule under which the acquisition of 20% or more of the voting rights in the Company or the increase of an existing holding of 20% or more of the voting rights of the Company can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances) or compulsory acquisition if a shareholder holds 90% or more of the shares of the Company.

(c) The New Zealand Overseas Investment Act 2005 and Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required where an "overseas person" acquires shares in the Company that amount to 25% or more of the shares issued by the Company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

(d) The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

SUBSTANTIAL SECURITY HOLDERS

According to notices given under the Securities Markets Act 1988, the substantial security holders in ordinary shares (being the only class of listed voting securities) of the Company and their relevant interests according to the substantial security holder file as at 25 May 2011, were as follows:

SUBSTANTIAL SECURITY HOLDERS	DATE OF NOTICE	ORDINARY SHARES	% AS AT 25 MAY 2011
The Capital Group Companies, Inc	20 May 2011	37,442,133	7.19
Cooper Investors Pty Limited	16 September 2010	33,258,131	6.39
AMP Capital Investors (New Zealand) Limited	1 April 2011	32,316,237	6.21
Caledonia (Private) Investments Pty Limited and its Associates	24 February 2009	32,115,810	6.17
Mondrian Investment Partners Limited	2 September 2010	25,923,963	4.98

The total number of ordinary shares (being the only class of listed voting securities) of the Company as at 25 May 2011 was 520,473,867.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders as at 25 May 2011 were:

	ORDINARY SHARES	%
HSBC Nominees (New Zealand) Limited	82,612,589	15.82
National Nominees New Zealand Limited	68,039,450	13.03
National Nominees Limited	28,953,659	5.54
JP Morgan Nominees Australia Limited	27,777,121	5.32
Citibank Nominees (New Zealand) Limited	19,708,317	3.77
Accident Compensation Corporation	15,368,362	2.94
New Zealand Superannuation Fund Nominees Limited	13,363,484	2.56
TEA Custodians Limited	12,664,167	2.42
Premier Nominees Limited – OnePath Wholesale Australasian Share Fund	9,042,804	1.73
AMP Investments Strategic Equity Growth Fund	8,873,446	1.69
Custodial Services Limited	6,853,613	1.31
Private Nominees Limited	6,066,956	1.16
HSBC Custody Nominees (Australia) Limited	5,599,713	1.07
Guardian Trust Investment Nominees (RWT) Limited	5,393,575	1.03
NZGT Nominees Limited – AIF Equity Fund	4,586,904	0.87
UBS Nominees Pty Limited	4,373,905	0.83
Masfen Securities Limited	4,308,805	0.82
FNZ Custodians Limited	4,227,797	0.80
Citicorp Nominees Pty Limited	4,008,361	0.76
Investment Custodial Services Limited	3,109,272	0.59

Statutory Information (continued)

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following shares in the Company as at 31 March 2011:

Gary Paykel	– beneficially owned	1,595,125
	– not beneficially owned	2,671,466
Michael Daniell*	– beneficially owned	733,517
	– not beneficially owned	815,739
Tony Carter	– beneficially owned	40,162
Nigel Evans	– beneficially owned	24,195
	– not beneficially owned	2,042,415
Roger France	– beneficially owned	15,480
Lindsay Gillanders	– beneficially owned	514,415
Arthur Morris	– beneficially owned	Nil

* Michael Daniell also had a beneficial interest in 860,000 options issued under the 2003 Share Option Plan.

SHARE DEALINGS BY DIRECTORS

In accordance with Section 148(2) of the Companies Act 1993, the Board has received disclosures from the Directors named below of acquisitions or dispositions of relevant interests in the Company between 1 April 2010 and 31 March 2011, and details of those dealings were entered in the Company's interests register. The particulars of such disclosures are:

Gary Paykel

- as director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (the trustee company of the Company's Employee Share Purchase Scheme), acquired and disposed of shares pursuant to the Company's Employee Share Purchase Scheme.
- is a trustee and beneficiary of the ANDSAR Family Trust which disposed of:

  (a) 400,000 ordinary shares, at an average price of $3.0812 per share, on 17 December 2010; and
  (b) 27,510 ordinary shares, at an average price of $3.0842 per share, on 22 February 2011.
- disposed of a non-beneficial interest in 6,840 shares held as a trustee for the Gillanders Family Trust, when the shares were transferred for nil consideration on 3 June 2010 to LRS Management Limited, the new sole trustee of the Gillanders Family Trust.

Michael Daniell

- as director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (the trustee company of the Company's Employee Share Purchase Scheme), acquired and disposed of shares pursuant to the Company's Employee Share Purchase Scheme.
- was granted 200,000 options for nil consideration, convertible into 200,000 shares in accordance with their terms on 3 September 2010 under the 2003 Share Option Plan.
- had 200,000 options lapse on 1 September 2010.

Tony Carter

- is a director of Loughborough Investments Limited which acquired:
  (a) 6,000 ordinary shares, at an average price of $3.01 per share, on 2 December 2010; and
  (b) 30,000 ordinary shares, at an average price of $3.19 per share, on 7 February 2011.
- is a trustee and beneficiary of the Antony Carter Family Trust No 2, which was issued with 72 ordinary shares, valued at $3.0506 per share, on 17 December 2010 under the Company's dividend reinvestment plan.
- had a beneficial interest in 4,090 ordinary shares held by FNZ Custodians Limited as custodian for the Antony Carter Family Trust No 2 as at 1 December 2010, being the date Tony Carter was appointed a Director of the Company.

Nigel Evans

Nigel Evans was issued with:

(a) 413 ordinary shares, valued at $2.9923 per share, on 9 July 2010 under the Company's dividend reinvestment plan; and
(b) 320 ordinary shares, valued at $3.0506 per share, on 17 December 2010 under the Company's dividend reinvestment plan.

Roger France

- Roger France is a trustee and beneficiary of the France Family Trust. FNZ Custodians Limited, as custodian for the France Family Trust, acquired 15,480 ordinary shares at an average price of $3.23 per share on 18 June 2010.

Lindsay Gillanders

- Lindsay Gillanders disposed of a non-beneficial interest in 6,840 ordinary shares held as a trustee for the Gillanders Family Trust, when the shares were transferred for nil consideration on 3 June 2010 to LRS Management Limited, the new sole trustee of the Gillanders Family Trust. Lindsay Gillanders retained a beneficial interest in the 6,840 ordinary shares, and is a director of LRS Management Limited.

Sir Colin Maiden

- was issued with:
  (a) 300 ordinary shares, valued at $2.9923 per share, on 9 July 2010 under the Company's dividend reinvestment plan; and
  (b) 232 ordinary shares, valued at $3.0506 per share, on 17 December 2010 under the Company's dividend reinvestment plan.
- is a trustee and beneficiary of the C J & J M Maiden Trust, which was issued with:
  (a) 934 ordinary shares, valued at $2.9923 per share, on 9 July 2010 under the Company's dividend reinvestment plan; and
  (b) 723 ordinary shares, valued at $3.0506 per share, on 17 December 2010 under the Company's dividend reinvestment plan.

STATUTORY DISCLOSURE

Subsidiary Company Directors

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by Directors and former Directors, and particulars of entries in the interests registers made during the year ended 31 March 2011.

Other than Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited, of which Gary Paykel is a director, no subsidiary has Directors who are not full-time employees of the Group.

The remuneration and other benefits of such employees (received as employees) totalling $100,000 or more during the year ended 31 March 2011, are included in the relevant bandings for remuneration disclosed at the beginning of the "Statutory Information" section of this Annual Report.

No employee of the Fisher & Paykel Healthcare Group appointed as a Director of Fisher & Paykel Healthcare Corporation Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a Director.

The persons who held office as Directors of subsidiary companies at 31 March 2010 are as follows:

Fisher & Paykel Healthcare Limited (NZ)

Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Properties Limited (NZ)

Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Treasury Limited (NZ)

Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Limited (NZ)

Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Investments Limited (NZ)

Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Americas Investments Limited (NZ)

Michael Daniell, Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)

Gary Paykel, Michael Daniell, Tony Barclay

Fisher & Paykel Healthcare Pty Limited (Australia)

Michael Daniell, Lewis Gradon, Paul Shearer, David Boyle

Statutory Information (continued)

Fisher & Paykel do Brasil Ltda (Brazil)

Brazilian law does not require directors. Decision making authority lies with the directors of its shareholders.

Fisher & Paykel Healthcare Limited (Canada)

Michael Daniell, Paul Shearer, Justin Callahan

Fisher & Paykel Healthcare (Guangzhou) Limited (China)

Michael Daniell, Paul Shearer, David Boyle, Zhiping Hou

Fisher & Paykel Healthcare SAS (France)

Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson

Fisher & Paykel Holdings GmbH (Germany)

Ian Hopkinson

Fisher & Paykel Healthcare GmbH & Co KG (Germany)

Ian Hopkinson, Peter Spoljaric

Fisher & Paykel Verwaltungsgesellschaft GmbH (Germany)

Ian Hopkinson, Peter Spoljaric

Fisher & Paykel Healthcare Limited (Hong Kong)

Michael Daniell, Paul Shearer, David Boyle, Zhiping Hou

Fisher & Paykel Healthcare India Private Limited (India)

Michael Daniell, Paul Shearer, David Boyle, Thekkanathu Paily Bastin

Fisher & Paykel Healthcare K.K. (Japan)

Michael Daniell, Paul Shearer, Kokichi Kitahara

Fisher & Paykel Healthcare S.A. de C.V. (Mexico)

Michael Daniell, Lewis Gradon

Fisher & Paykel Healthcare AB (Sweden)

Michael Daniell, Paul Shearer, Patrick McSweeny, Ian Hopkinson

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)

Michael Daniell, Paul Shearer, Ahmet Başaran

Fisher & Paykel Healthcare Limited (UK)

Michael Daniell, Paul Shearer, Jill Nelson

Fisher & Paykel Holdings Inc. (USA)

Michael Daniell, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Inc. (USA)

Michael Daniell, Paul Shearer, Justin Callahan

DISCLOSURE OF INTERESTS BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993, the Directors named below have made a general disclosure of interest, by a general notice disclosed to the Board and entered in the Company's interests register. General notices given by Directors which remain current as at 31 March 2011 are as follows:

Gary Paykel

Chairman of:

Milly Molly Group Holdings Limited

A director of:

ACG Capital (NZ) Limited
Endeavour Yachting Limited
Fisher & Paykel Appliances Holdings Limited
Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited
Howgate Holdings Limited
Keano Enterprises Limited
Lady Ruby Investments Limited
Levante Holdings Limited
Levante Marine Services Limited
New Zealand 93 Limited
Stonex Systems Limited
Team New Zealand Limited
The Friends of Milly Molly (NZ) Limited

A trustee of:

ANDSAR Family Trust
Endeavour Yachting Trust
Levante No. 2 Trust
Maurice Paykel Charitable Trust (Inc)
Maurice and Phyllis Paykel Trust (Inc)
Team New Zealand Trust

Michael Daniell

A director of:

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited

Tony Carter

A director of:

Vector Limited
Fletcher Building Limited
Air New Zealand Limited
Loughborough Investments Limited

A shareholder of:

Loughborough Investments Limited

A trustee of:

Foodstuffs Auckland Perpetuation Trust
Foodstuffs Auckland Protection Trust
Maurice Carter Charitable Trust
Antony Carter Family Trust No 2
Tony and Frances Carter Family Trust

Nigel Evans

A director of:
Quark Technology Limited

A trustee of:
Woolf Fisher Trust

Roger France

Chancellor of:
University of Auckland

Chairman of:
Tappenden Holdings Limited

A director of:
Air New Zealand Limited
Blue Star Group Holdings Limited
Blue Star Group Limited
Tappenden Management Limited

Lindsay Gillanders

Chairman of:
Auckland Packaging Company Limited

A director of:
LRS Management Limited
Rangatira Limited
Dunlop Living Limited

Arthur Morris

Chairman of:
DNA Diagnostics Limited

CEO of:
Diagnostic Medlab Limited

DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

The Group has arranged, as provided for under the Company's Constitution, policies of Directors' and Officers' Liability Insurance which, with a Deed of Indemnity entered into with all Directors, ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines which may be imposed in respect of breaches of the law.

USE OF COMPANY INFORMATION

There were no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

GROUP STRUCTURE

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED* OWNS:

Fisher & Paykel Healthcare Limited (NZ)*

Fisher & Paykel Healthcare Pty Limited (Australia)*

Fisher & Paykel Healthcare Treasury Limited (NZ)*

Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)

Fisher & Paykel Healthcare Limited (UK)

Fisher & Paykel Holdings Inc. (USA)

Fisher & Paykel do Brasil Ltda (Brazil)

Fisher & Paykel Healthcare (Guangzhou) Limited (China)

Fisher & Paykel Healthcare Asia Limited (NZ)

Fisher & Paykel Healthcare Americas Investments Limited (NZ)

FISHER & PAYKEL HEALTHCARE LIMITED* (NZ) OWNS:

Fisher & Paykel Healthcare Properties Limited (NZ)*

FISHER & PAYKEL HEALTHCARE ASIA LIMITED (NZ) OWNS:

Fisher & Paykel Healthcare Asia Investments Limited (NZ)

FISHER & PAYKEL HEALTHCARE ASIA INVESTMENTS LIMITED (NZ) OWNS:

Fisher & Paykel Healthcare India Private Limited (India)

Fisher & Paykel Healthcare K.K. (Japan)

Fisher & Paykel Healthcare Limited (Hong Kong)

FISHER & PAYKEL HEALTHCARE AMERICAS INVESTMENTS LIMITED (NZ) OWNS:

Fisher & Paykel Healthcare S.A. de C.V. (Mexico)

FISHER & PAYKEL HOLDINGS GMBH (GERMANY) OWNS:

Fisher & Paykel Healthcare GmbH & Co KG (Germany)

Fisher & Paykel Verwaltungsgesellschaft GmbH (Germany)

FISHER & PAYKEL HEALTHCARE LIMITED (UK) OWNS:

Fisher & Paykel Healthcare SAS (France)

Fisher & Paykel Holdings GmbH (Germany)

Fisher & Paykel Healthcare AB (Sweden)

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)

FISHER & PAYKEL HOLDINGS INC. (USA) OWNS:

Fisher & Paykel Healthcare Inc. (USA)

FISHER & PAYKEL HEALTHCARE INC. (USA) OWNS:

Fisher & Paykel Healthcare Limited (Canada)

* Companies Operating Under a Negative Pledge Deed

Statutory Information (continued)

DIRECTORS' DETAILS

The persons holding office as Directors of Fisher & Paykel Healthcare Corporation Limited at any time during, or since the end of, the year ended 31 March 2011 are as follows:

Gary Paykel	Chairman, Non-Executive, Independent
Michael Daniell	Managing Director and Chief Executive Officer
Tony Carter	Non-Executive, Independent
Nigel Evans	Non-Executive, Independent
Roger France	Non-Executive, Independent
Lindsay Gillanders	Non-Executive, Independent
Sir Colin Maiden	Non-Executive, Independent
Arthur Morris	Non-Executive, Independent

During the 12 months to 31 March 2011:

- At the Annual Meeting of Shareholders held on 27 August 2010, Nigel Evans and Arthur Morris retired by rotation in accordance with the Company's Constitution, and were re-elected to the Board.
- At the Board meeting held on 23 November 2010, Tony Carter was appointed as a Director effective from 1 December 2010.
- At the Board meeting held on 22 February 2011, Sir Colin Maiden resigned as a Director.

EXECUTIVES' DETAILS

Michael Daniell	Managing Director and Chief Executive Officer

Senior Management

Lewis Gradon	Senior Vice-President – Products & Technology
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:

Physical address: 15 Maurice Paykel Place, East Tamaki,
Auckland 2013, New Zealand
Telephone: +64 9 574 0100
Facsimile: +64 9 574 0158
Postal address: PO Box 14348, Panmure, Auckland 1741, New Zealand
Internet address: www.fphcare.com
Email address: investor@fphcare.co.nz

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

Physical address: 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

SHARE REGISTRAR

In New Zealand:

Computershare Investor Services Limited
Physical address: Level 2, 159 Hurstmere Road, Takapuna, Auckland, New Zealand
Postal address: Private Bag 92119, Auckland 1142, New Zealand
Facsimile: +64 9 488 8787
Investor enquiries: +64 9 488 8777
Internet address: www.computershare.co.nz
Email: enquiry@computershare.co.nz

In Australia:

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STOCK EXCHANGES

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

INCORPORATION

The Company was incorporated in Auckland, New Zealand.

Our International Presence

Our own people are now located in 32 countries and our products are sold in over 120 countries. This helps us to ensure that our product range is well supported and new products or applications for our products are quickly brought to the attention of health professionals and our customers.

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