

Delivering
sustainable,
profitable

growth



**“Delivering
sustainable
growth is our
aspiration
and our
commitment.
We’re on
the journey.”**





Focus and discipline **now**

A disciplined focus on patient care and innovation means that today, nearly 50 years on from developing our first humidifier, we help in the care of an estimated 13 million patients in 120 countries each year.

As a world-class company on a global scale we value focus and discipline, and have a clear pathway to sustained growth over the coming decades.

We recognise our responsibility to be a sustainable, long-term partner for the many patients, doctors and nurses who we impact every day. We also have a business responsibility to our employees, suppliers, investors and other stakeholders to be clear on where the coming years will take us.

Sustainable growth for tomorrow

By taking a measured approach to achieving our long-term aspiration, our strategic plan and technology development framework is structured to deliver continual and sustainable growth.

Achieving this will rely on us extending our presence across the globe; designing even more effective products and technologies; and working with healthcare

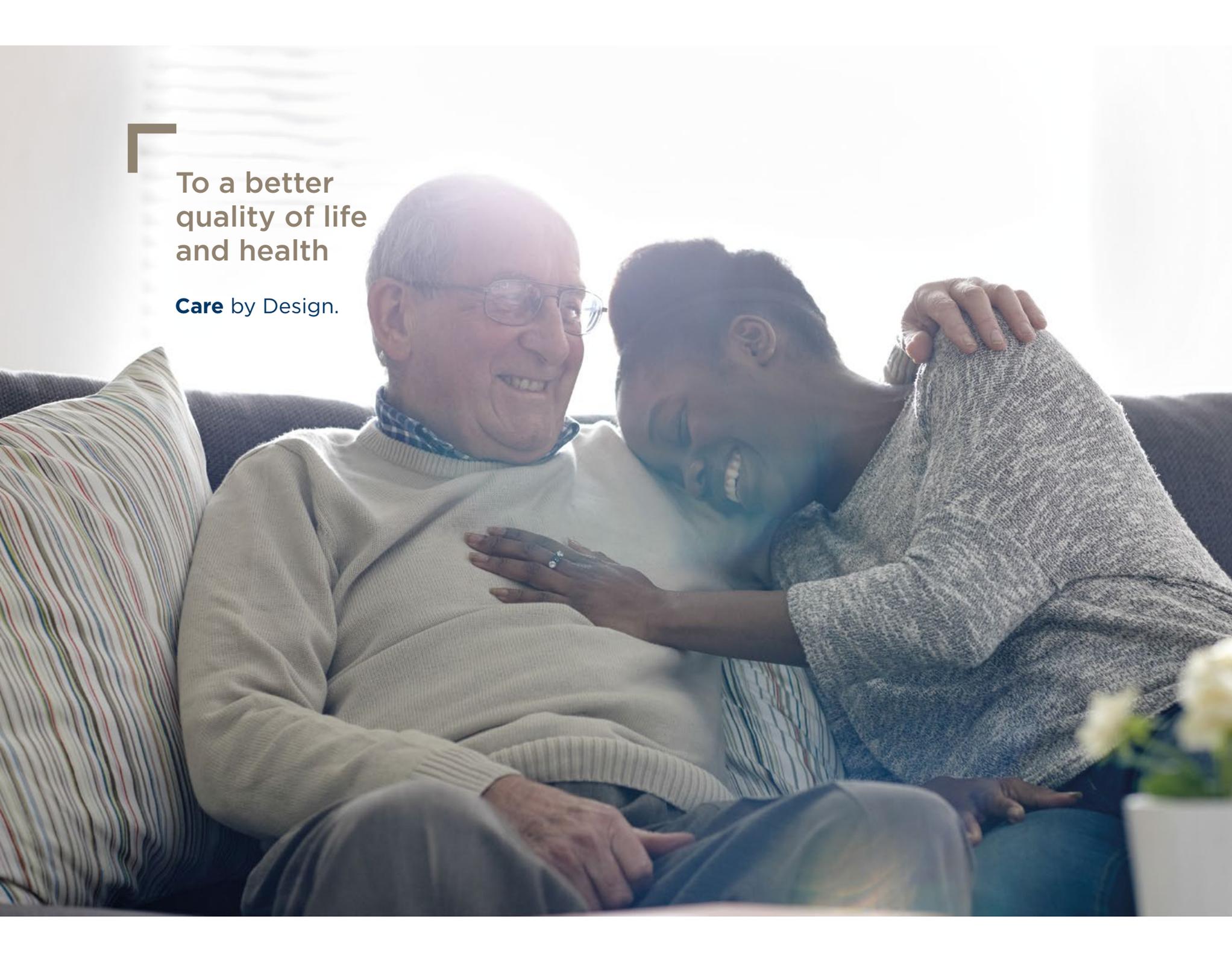
providers to develop new therapies that change clinical practice and reduce costs to healthcare systems.

We build on what we know, but look to the future too: a future where we believe we can help over 50 million patients throughout the hospital and in the home, every year.



From helping
enable a better
childhood





To a better
quality of life
and health

Care by Design.

Contents

FINANCIAL AND BUSINESS HIGHLIGHTS	12
CHAIRMAN'S REPORT	14
CEO'S REPORT	16
OUR STRATEGIES	20
- GLOBAL REACH	20
- CHANGE CLINICAL PRACTICE	22
- BETTER PRODUCTS	24
- SUSTAINABLE, PROFITABLE GROWTH	26
HOSPITAL / HOMECARE OVERVIEW	28
OUR BOARD	30
OUR EXECUTIVE MANAGEMENT TEAM	32
FINANCIAL COMMENTARY	34
FIVE YEAR SUMMARY	38
FINANCIAL STATEMENTS	42
NOTES TO FINANCIAL STATEMENTS	46
AUDITOR'S REPORT	73
CORPORATE GOVERNANCE AND STATUTORY INFORMATION	76
GLOSSARY	95
GRI CONTENT INDEX	96
DIRECTORY	99

This report is dated 28 May 2018 and is signed on behalf of Fisher & Paykel Healthcare Corporation Limited by Tony Carter, Chairman and Lewis Gradon, Managing Director and Chief Executive Officer.



TONY CARTER, CHAIRMAN



LEWIS GRADON, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Constant currency information contained within this report is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each financial year. A reconciliation between reported results and constant currency results is available on page 35 of this report. The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

About this report

This report is part of a suite of documents to meet the evolving needs and requirements of a wide range of stakeholders.

A digital version of this report is available at www.fphcare.co.nz/investor-reports.

Further information related to the 2018 financial year can be found here: <https://annualreport.fphcare.com>.

Information on our corporate responsibility and sustainability performance is available on our website at www.fphcare.co.nz/sustainability.

Our Corporate Governance Statement, Codes of Conduct, tax strategy and corporate policies are available at: www.fphcare.co.nz/corporategovernance.

We will continue to evolve and improve our reporting suite over the coming years and welcome feedback on this report. Please address any questions, comments or suggestions to investor@fphcare.co.nz.

OUR BUSINESS AT A GLANCE

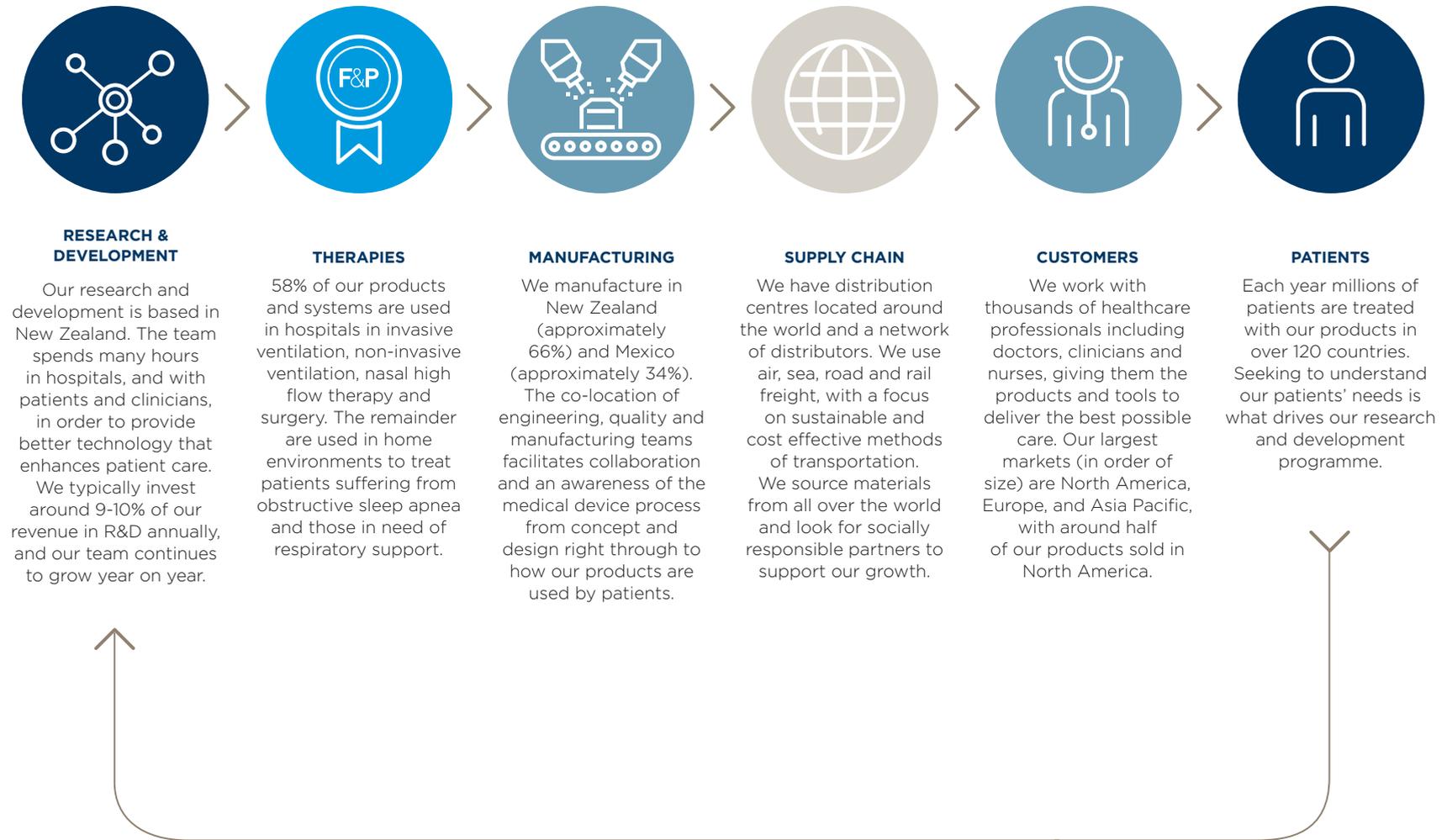
Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea.

Our medical devices and technologies are designed to help patients get better faster. We help patients transition to less acute care settings, help them recover more quickly and provide solutions that can assist them to avoid more acute conditions. We also provide the ability for some patients to be treated in the home rather than the hospital.

Product innovation is essential to our success. Since the 1970s, when we successfully introduced our first heated humidifier to market, we have focused on continuous development and innovation. Our aim is to lead the way in the development of medical devices and technologies, and our products are considered leaders in their respective fields.

We are driven by our purpose of improving care and outcomes through inspired and world-leading healthcare solutions. Assisting clinicians around the world to deliver the best possible patient care through continuous product improvement, pioneering new therapies and changing clinical practice is key to our success.

HOW OUR BUSINESS WORKS



RESEARCH & DEVELOPMENT

Our research and development is based in New Zealand. The team spends many hours in hospitals, and with patients and clinicians, in order to provide better technology that enhances patient care. We typically invest around 9-10% of our revenue in R&D annually, and our team continues to grow year on year.

THERAPIES

58% of our products and systems are used in hospitals in invasive ventilation, non-invasive ventilation, nasal high flow therapy and surgery. The remainder are used in home environments to treat patients suffering from obstructive sleep apnea and those in need of respiratory support.

MANUFACTURING

We manufacture in New Zealand (approximately 66%) and Mexico (approximately 34%). The co-location of engineering, quality and manufacturing teams facilitates collaboration and an awareness of the medical device process from concept and design right through to how our products are used by patients.

SUPPLY CHAIN

We have distribution centres located around the world and a network of distributors. We use air, sea, road and rail freight, with a focus on sustainable and cost effective methods of transportation. We source materials from all over the world and look for socially responsible partners to support our growth.

CUSTOMERS

We work with thousands of healthcare professionals including doctors, clinicians and nurses, giving them the products and tools to deliver the best possible care. Our largest markets (in order of size) are North America, Europe, and Asia Pacific, with around half of our products sold in North America.

PATIENTS

Each year millions of patients are treated with our products in over 120 countries. Seeking to understand our patients' needs is what drives our research and development programme.

The needs of our customers and their patients drive everything we do. We call this **Care by Design**.



37

Our people are located in 37 countries

1,314

People in North America

294

People in Europe

2,258

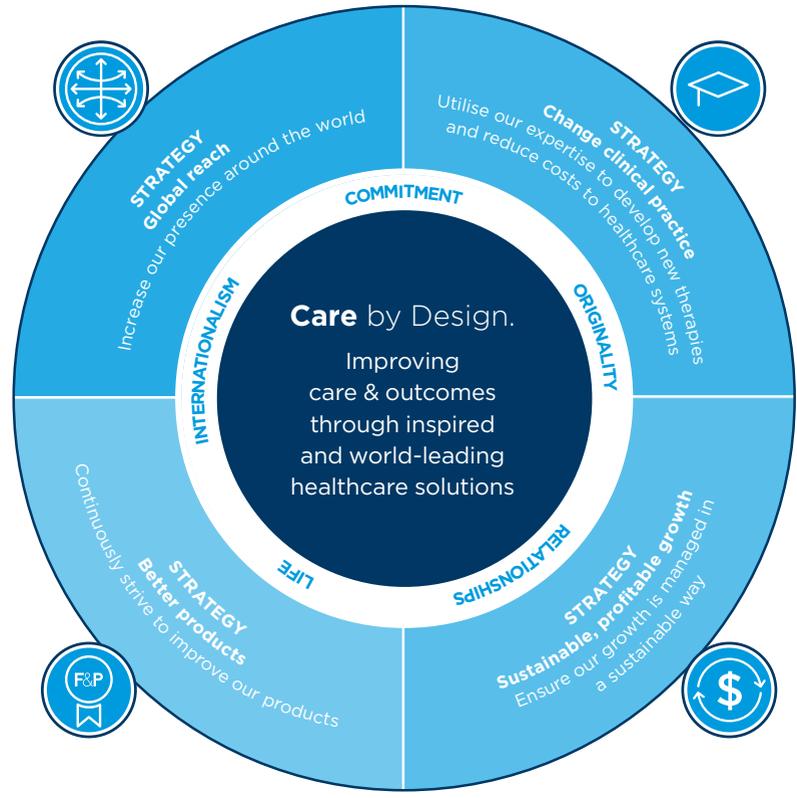
People in New Zealand

308

People in the rest of the world

Our inputs

- Our 4000+ people
- Over 45 years of trusted relationships
- Excellence in R&D
- Global supply networks
- Trusted brand



Our outputs

- Increased efficiency of care
- Improved care & outcomes for patients
- Increased shareholder value
- Benefits to our people
- Doubling our constant currency revenue every 5-6 years



HOW WE DELIVER VALUE

For many years, our business strategy has been consistent, centred on a clear premise of improving care and outcomes through inspired and world-leading healthcare solutions. It is an aspiration that draws our team of like-minded people together, and that attracts partners, suppliers and healthcare providers to work alongside us towards a shared goal.

We have a culture of Care by Design, which is a simple way of expressing the care and intentionality we put into everything we do. For a global team of over 4,000 people with different backgrounds, cultures and expertise, this is a philosophy that unites us.

We believe that by retaining this resolute focus on delivering the best for the patient, then the results – such as improved patient outcomes, career opportunities for our people and business success, will come.

Our medical devices are built and designed by people, for people. It is the care with which we operate that defines us.



DETERMINING OUR MATERIAL MATTERS

In 2018, we conducted a materiality assessment to determine our most material issues. Materiality in this context applies to the Global Reporting Initiative definition (see GRI 101: Foundation). This differs from financial and audit interpretations and NZX/ASX definitions of material information.

Results of the materiality assessment are shown in the matrix on the next page. **The highest ranking issues** have been grouped according to our core business strategies, as indicated below, and will be the focus of this report. Other issues have also been categorised, and are covered in this report, on its partnering website at <https://annualreport.fphcare.com> or at www.fphcare.co.nz/sustainability.



Global reach

CUSTOMER EXPERIENCE

LEGAL COMPLIANCE
ANTI-BRIBERY AND CORRUPTION
MARKET ACCESS RISK



Change clinical practice

PATIENT SAFETY

ETHICAL RESEARCH



Better products

PRODUCT INNOVATION PRODUCT QUALITY

CYBER SECURITY AND DATA PROTECTION
EMPLOYEE ATTRACTION, DEVELOPMENT AND RETENTION



Sustainable, profitable growth

SUSTAINABLE, FINANCIAL PERFORMANCE

HEALTH AND SAFETY
INTELLECTUAL PROPERTY
BUSINESS CONTINUITY
CORPORATE GOVERNANCE

Our materiality process

We engaged with a wide range of stakeholders globally, including our employees, customers, healthcare professionals, suppliers, investors (retail and institutional), media, community organisations and the environmental sustainability sector. There was strong alignment of views between internal and external stakeholders, and the results shown in the matrix are weighted equally.

We asked our stakeholders to rank issues according to what they believed should be the most important to our business.

- We consulted our business threats matrix, the UN sustainable development goals, Global Reporting Initiative (GRI) issues, and the UN Global Compact to identify relevant issues.
- We drew on our knowledge from regular consultation with customers, healthcare professionals, suppliers and investors. We also considered broader trends, such as the ageing population, healthcare demographics and disruptive technologies.
- Interviews were conducted internally with a cross-functional range of our people to refine our list of issues.

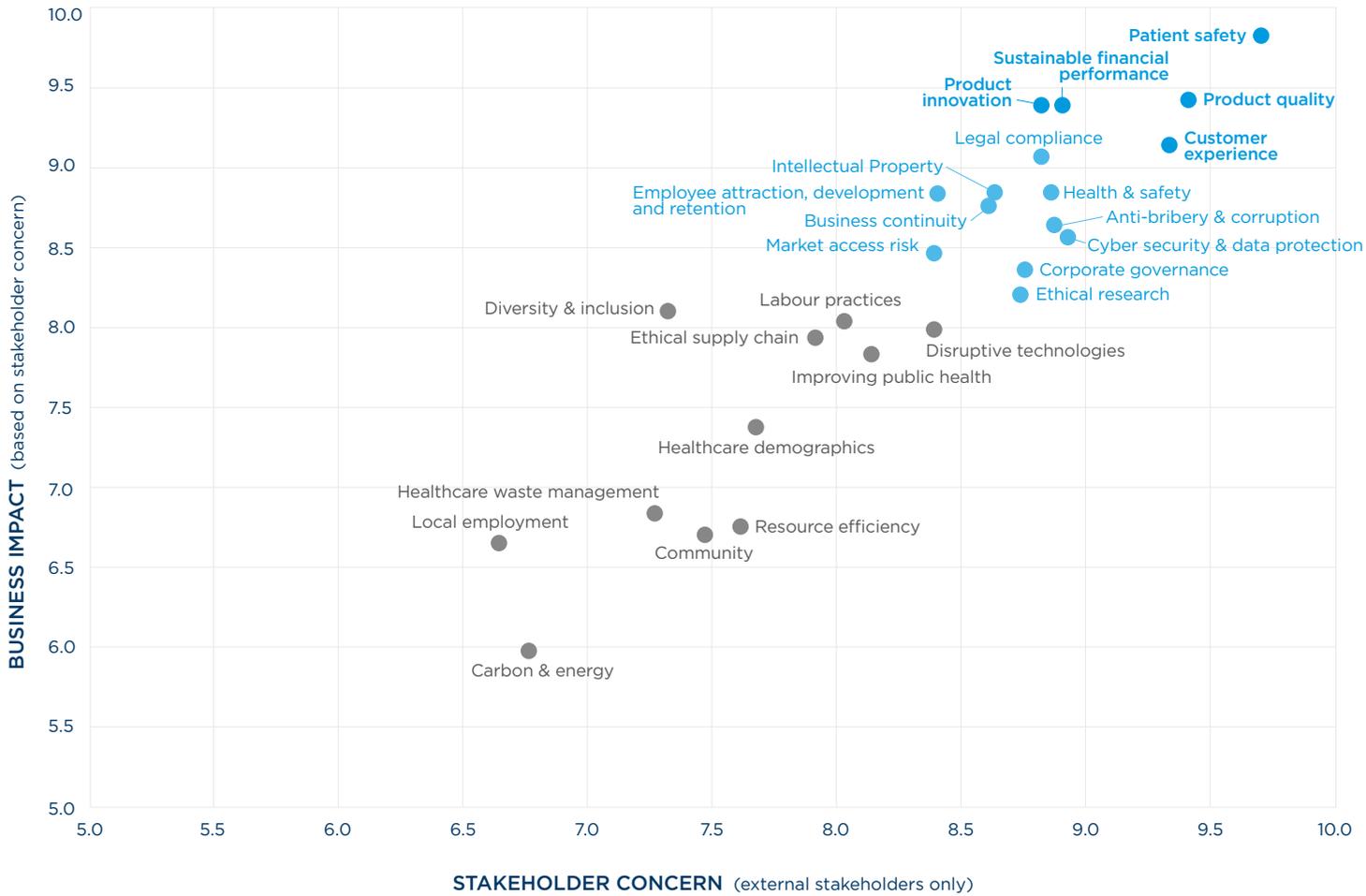
- A global survey was conducted with our internal and external stakeholders.
- We consulted and reflected on the results with members of our executive management team.

The approach taken to our materiality assessment and the content in this report has been informed by the principles of the GRI. A GRI reference index based on the GRI Sustainability Reporting Standards (2016) can be found on pages 96-98. We anticipate that future reports will be in accordance with the GRI Standard (core).

In 2015, the United Nations established the Sustainable Development Goals (SDGs) to encourage action to improve people's lives globally by building a sustainable future for our people and our planet. The 17 goals encompass targets that cover a broad range of sustainable development issues, such as ending poverty and hunger, improving health and education, making cities more sustainable and combating climate change. We have taken inspiration from these goals, and have highlighted below the SDGs to which we can contribute the most.



MATERIALITY MATRIX



Financial & business highlights

NET PROFIT AFTER TAX
NZ\$190.2 MILLION

↑12%

OPERATING PROFIT
NZ\$269.8 MILLION

↑12%

OPERATING REVENUE
NZ\$980.8 MILLION

↑10%

TOTAL DIVIDEND FOR YEAR
NZ 21.25CPS FULLY IMPUTED

↑9%

SPEND ON R&D NZ\$m
10% OF OPERATING REVENUE

\$94.7m

GROSS MARGIN
31 BASIS POINTS INCREASE

66.3%

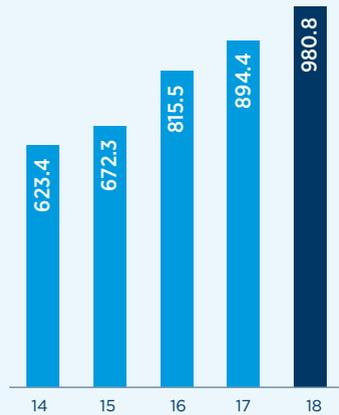
HOSPITAL REVENUE GROWTH
NZ\$572.1 MILLION

↑14%

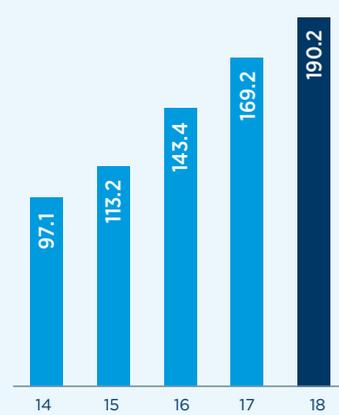
NEW APPLICATIONS CONSUMABLES
REVENUE GROWTH

↑22% (CONSTANT CURRENCY)

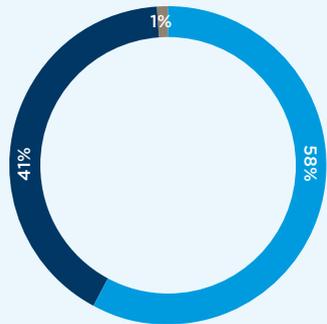
OPERATING REVENUE
NZ\$ MILLIONS



NET PROFIT AFTER TAX
NZ\$ MILLIONS



REVENUE BY PRODUCT GROUP
12 MONTHS TO 31 MARCH 2018



- Hospital
- Homecare
- Distributed & Other

GLOBAL PRODUCT SALES
2018



- North America
- Europe
- Asia Pacific
- Other

+ WELCOMED

significant new clinical research using our Optiflow™ Junior and myAirvo™ products

+ ENCOURAGED

by the publication of 259 new clinical studies in nasal high flow therapy in 2017

+ INTRODUCED

F&P SleepStyle™ CPAP device, F&P Nivairo™ non-invasive ventilation mask and Optiflow Junior 2 into global markets

+ INCLUDED

in the MSCI World investor index

+ CONTINUED

with the global roll out of our enterprise planning system (ERP) in Japan, Canada and Korea

+ PROGRESSED

with our building programmes in New Zealand and Mexico

+ AWARDED

prestigious product design awards, such as the Red Dot award for the F&P Brevida™ mask for OSA

+ IMPACTED

the lives of 13 million patients around the world

Report from the Chairman of the Board, **Tony Carter**



The 2018 financial year was another positive year for our company. We delivered a record financial result of \$190.2 million net profit after tax, up 12% on the previous year. Revenue growth for the financial year was up 10% to \$980.8 million.

Our global team continues to grow to meet the increasing demands of the healthcare sector. We remain dedicated to producing high quality, innovative medical devices that assist healthcare providers to deliver outstanding patient care, help people recover sooner, and where possible, be treated in the home rather than the hospital.

As healthcare systems strive to balance the need to provide excellent patient care with the growing costs of caring for ageing and growing populations, we will continue to support them with our technology innovations.

Update on building programmes

We are making good progress with construction of the fourth building on our Auckland site. Earthworks are now complete and foundations have started. The new building will have a total gross floor area of 35,700m² and consist of a mix of R&D, pilot manufacturing and warehousing

areas. We are on track to have the building operational by 2020.

In Tijuana, Mexico, work continues on our second manufacturing facility. We expect the building to be completed before the end of 2018. We currently have more than 1,000 employees in Tijuana, and have been manufacturing in a leased facility there since 2010. The new building will be additional to the existing facility.

Your Board

During the year we were pleased to appoint Pip Greenwood as a non-executive director to replace long-serving director Lindsay Gillanders on his retirement from the Board.

Arthur Morris has indicated that he will not seek re-election to the Board at this year's annual shareholders' meeting and will therefore be retiring from the Board at the meeting. Arthur has served as a non-executive director for 10 years and we have greatly benefited from his clinical background.

We will shortly commence a process to find a replacement director with the necessary skills and experience to complement the other Board members and will provide an update in due course.

We continue to be a supporter of the New Zealand Future Directors' programme and our third participant, Rachael Newsome, completed her term with us in March 2018. We have commenced the process to find our fourth participant and believe that this is a valuable programme that not only provides benefit to the company, but also grows the pool of director talent.

Chief Financial Officer change

We announced recently that our Chief Financial Officer, Tony Barclay, has decided to retire. Tony has been a key member of the executive team for many years and the Board would like to acknowledge his significant contribution to the company's financial position, stability, success and growth during that time. We wish Tony all the best for his future.

We have commenced a formal process to appoint Tony's successor and expect to be able to update the market later this year. Tony has also agreed to remain in a consulting role for a 12 month period following his retirement to assist with the transition.

Culture

Fisher & Paykel Healthcare is one of New Zealand's foremost technology companies. Starting from small, humble beginnings, we have evolved into a truly global medical device leader, impacting the lives of many millions of people every year. Despite our global nature, we have retained a unique, collaborative and modest culture that is replicated in each of our international offices.

Last year, the company adopted a new tagline called 'care by design'. The speed and enthusiasm with which this has been adopted right across the business, irrespective of background, nationality or role, demonstrates how the principle of care, coupled with excellence in design, has resonated with the global team.

Every day our people recognise how important our products are to the people who rely on them for their care and wellbeing.

Protection of intellectual property

Fisher & Paykel Healthcare has invested consistently in research and development throughout our 49 year history, and our R&D team now sits at over 500 scientists, engineers and researchers.

Investing to protect the intellectual property we have built up over time is crucial, and occasionally that means we may become engaged in intellectual property legal proceedings.

As you may be aware, we are currently involved in litigation with ResMed, one of our competitors in the obstructive sleep apnea (OSA) market. We believe that it is in the best interests of the company to vigorously defend our IP rights.

An update on the status of the litigation is provided on page 65 of this annual report.

Dividend

The Board has approved an increased final dividend for the year of 12.5 cps. This takes the total dividend for the financial year to 21.25 cps, an increase of 9% on the previous year.

This equates to a dividend pay-out ratio of approximately 65% of net profit after tax for the year.

The dividend reinvestment plan (DRP) will again be offered, without discount, under which eligible shareholders may elect to reinvest all or part of their cash dividends in additional shares.

Outlook

We are pleased to deliver this strong result for the year, and, at current exchange rates, look forward to achieving a significant milestone of more than NZ\$1 billion in operating revenue in our 50th year of operation.

The care and dedication of our employees, right around the world, is evident in the good outcomes we have achieved this year.



TONY CARTER, CHAIRMAN

Report from the Managing Director & Chief Executive Officer, **Lewis Gradon**



Our consistent long-term strategy has again delivered strong growth. Operating revenue grew 10% to \$980.8 million and net profit after tax grew 12% to \$190.2 million.

Operating revenue in our Hospital product group grew 14% to a record \$572.1 million. This was driven largely by growth in new applications of 23%, which includes our Optiflow nasal high flow therapy, non-invasive ventilation and surgery products.

It was particularly pleasing to report growth of 27% in new applications in the second half as more hospitals and clinicians choose to use our Optiflow nasal high flow therapy to treat a broader range of patients with respiratory complications.

Revenue growth of 4% in our Homecare product group was not as strong as the previous few years, but we are pleased with the response to our most recently

released mask, the F&P Brevida nasal pillows mask.

Our OSA masks incorporate market-leading technology and we look forward to expanding our innovative OSA mask range later this year.

Our products used in home respiratory support are growing well, although we are still at the very early stages of the product lifecycle. We are beginning to see clinical evidence supporting the use of Optiflow therapy in the home emerging with encouraging results.

About this report

This year we conducted a materiality assessment in which we asked a selection of our global internal and external stakeholders their views on various environmental, social and governance issues as they relate to Fisher & Paykel Healthcare. The resulting matrix is provided

“...more clinicians are choosing to use our Optiflow nasal high flow therapy to treat a broader range of patients with respiratory complications.”

on page 11, and the top ranking issues have been used to determine the focus of this report.

The materiality assessment was a valuable process, and has contributed to our decision to combine our sustainability disclosures with this annual report, rather than produce it separately, as we have done for the past three years.

This approach reflects the holistic view we have of sustainability as a medical device manufacturer, providing technologies that advance patient care and outcomes. Sustainability is integral to the way we do business, and the value that we provide through the nature of the work we do every day.

It is our hope that by integrating this information, our stakeholders will be able to consider a fuller picture of how we create value for our customers, our communities and our people.

In the interests of being able to easily locate information, we have paired this report with an accompanying website: <https://annualreport.fphcare.com>.

Executive changes

As referred to in Tony Carter’s report, our long-standing Chief Financial Officer, Tony Barclay, recently announced his retirement. Tony has been a key member of our leadership team for 22 years. He has been instrumental in the growth of the business, its financial performance and position. Over the years, he has worked closely with shareholders and the investment community, and is very highly regarded.

Tony retires at the end of May, but will remain in a consulting role to the business for a further 12 months. Andrea Blackie, who joined the business in January 2017, will take up the role of

Acting Chief Financial Officer from 1 June 2018.

We have commenced a formal process to appoint Tony’s successor and expect to make an announcement in the coming months. On behalf of the team, I would like to acknowledge Tony’s outstanding contribution to the company. He will be greatly missed.

Changing clinical practice

One of the key drivers of our business is changing clinical practice. In order to achieve this, we work closely with customers and clinicians to develop products and therapies that can help deliver improved patient care.

On the Hospital side of our business, a paper was recently published of a large multi-centre randomised controlled trial on the use of nasal high flow therapy for infants with bronchiolitis.

The study used our Optiflow Junior system, and found significant benefits of the therapy for pediatric patients requiring respiratory support. This study is an exciting addition to the influential and growing body of evidence showing the efficacy of nasal high flow therapy in both adult and paediatric populations.

In Homecare, two recent studies have also demonstrated the clinical efficacy of Optiflow nasal high flow therapy, this time in the home, using our myAirvo device.

Benefits included reduced hospital admissions, improved quality of life and reduced hypercapnia for patients with chronic obstructive pulmonary disease (COPD). It is expected that these studies will influence how patients with COPD are treated in the home in the future.

“All of these products have been extremely well received by customers and clinicians and we are pleased with the rate of adoption and are confident in their ability to generate long-term growth.”



It is exciting to see the research continuing to build, and the potential benefits this will bring to our patients. All of these studies are covered in further detail on pages 22-23.

Better products

Innovation in our research and development programme has always been very important to us. This year, we invested \$94.7 million into R&D, which is 10% of our revenue.

It has been a busy year with global product launches. During the year we launched Optiflow Junior 2 in the US, Canada, Europe and India after its New Zealand and Australian release last year. Our F&P 950™ respiratory humidification system for adults has been released in New Zealand, Australia, the UK and Hong Kong, and the neonatal version is currently available in New Zealand and Australia, with the roll out to other countries expected over the coming year.

The Nivairo non-invasive hospital mask was introduced into the US in the second half of the financial year. The new SleepStyle continuous positive airway

pressure (CPAP) device for OSA patients is available in New Zealand, Australia, Canada, the UK and Japan, among others.

All of these products have been extremely well received by customers and clinicians and we are pleased with the rate of adoption and are confident in their ability to generate long-term growth.

Currently, we are involved in ongoing legal proceedings with one of our OSA competitors, ResMed, for alleged patent infringement. This financial year, pre-tax net litigation related expenses of \$15.6 million were incurred. Based on current legal proceedings, we expect to incur litigation related expenses at a similar run rate during the 2019 financial year.

Global reach

Globally, we continue to expand and strengthen our sales teams. Every year, we invest in developing and training our sales representatives so they are well equipped to explain the clinical advantages of our products and encourage a change in clinical practice. Building trusting

relationships between our people and our customers is a critical part of our sales approach, right around the world. We now have almost 1,000 people in our sales, marketing and distribution teams in 37 countries.

Our ERP system continues to be rolled out globally, and is now in place in New Zealand, Mexico, and the majority of our offices in the Asia Pacific region. The new system has already proven beneficial, with global sales offices seeing improvements in stock management, demand planning and traceability across the supply chain.

Sustainable, profitable growth

With growing clinical evidence, continued investment in R&D and an expanding global sales team, we are well positioned to take advantage of the ample opportunities before us for continued, long-term growth. Our emphasis is on ensuring that we continue to grow in a profitable way that is sustainable for the long-term.

Gross margin and foreign currency

Our gross margin increased by 31 basis points to 66.3% in the 2018 financial year, largely due to product mix and our Mexican manufacturing facility. This is above our stated target of 65%. We expect to see gross margin stability in the 2019 financial year as most of the recent improvement factors have been substantially captured.

In terms of foreign currency, we experienced a tailwind to profit of approximately \$1 million compared to the previous financial year. We took opportunities during the year to add to our hedging cover in many currencies, including the US dollar, Euro and Mexican peso. The most significant hedging added related to the Euro where conditions allowed us to add cover for the long-term as far forward as five years.

Our gearing has continued to improve and at the end of the year we had a net cash position of \$49.9 million. This positions us well for the 2019 financial year where funds are required for the construction of the fourth building on our East Tamaki campus.

Outlook

At current exchange rates we expect full year operating revenue for the 2019 financial year to be approximately NZ\$1.05 billion and net profit after tax to be approximately NZ\$210 million.

In the 2018 financial year, we estimate that our medical devices and systems were used in the treatment of more than 13 million patients. This number grows every year, and is testament to the hard work and dedication of our skilled teams around the world. The care with which all of our 4,174 people approach their work is evidenced in the result we have announced today.

Our outlook is exciting and we are looking forward to another year of positive revenue and earnings growth. We are well positioned to meet the growing demand for our products from an increasing investment in healthcare across the globe.



LEWIS GRADON, MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER



Global reach

Increase our presence
around the world

MATERIAL ISSUE

CUSTOMER EXPERIENCE



SUPPORTING CLINICAL CHANGE

Louise Little, Fisher & Paykel Healthcare Territory Manager for the North East of England, has found first-hand the significant impacts of changing clinical practice with the Airvo™ respiratory device.

Louise works closely with the Freeman Hospital, which is a large teaching hospital in Newcastle, England, that regularly uses Optiflow nasal high flow therapy in its critical care unit. After seeing the positive impacts of the therapy in this part of the hospital, the critical care outreach team chose to run a year-long audit monitoring the Airvo's performance in the general wards.

Utilising two Airvo devices, the study covered 53 patients over a one year period. The results were outstanding, showing a significant improvement in patient outcomes by reducing escalation to higher acuity care environments, such as the intensive care unit (ICU) or the high dependency unit (HDU). This means that patients were able to stay with clinicians they knew, more time was available for patient assessment, and treatment plans could be more tailored for each individual. There were also economic benefits; by freeing up 103 critical care bed

SAVING A POTENTIAL

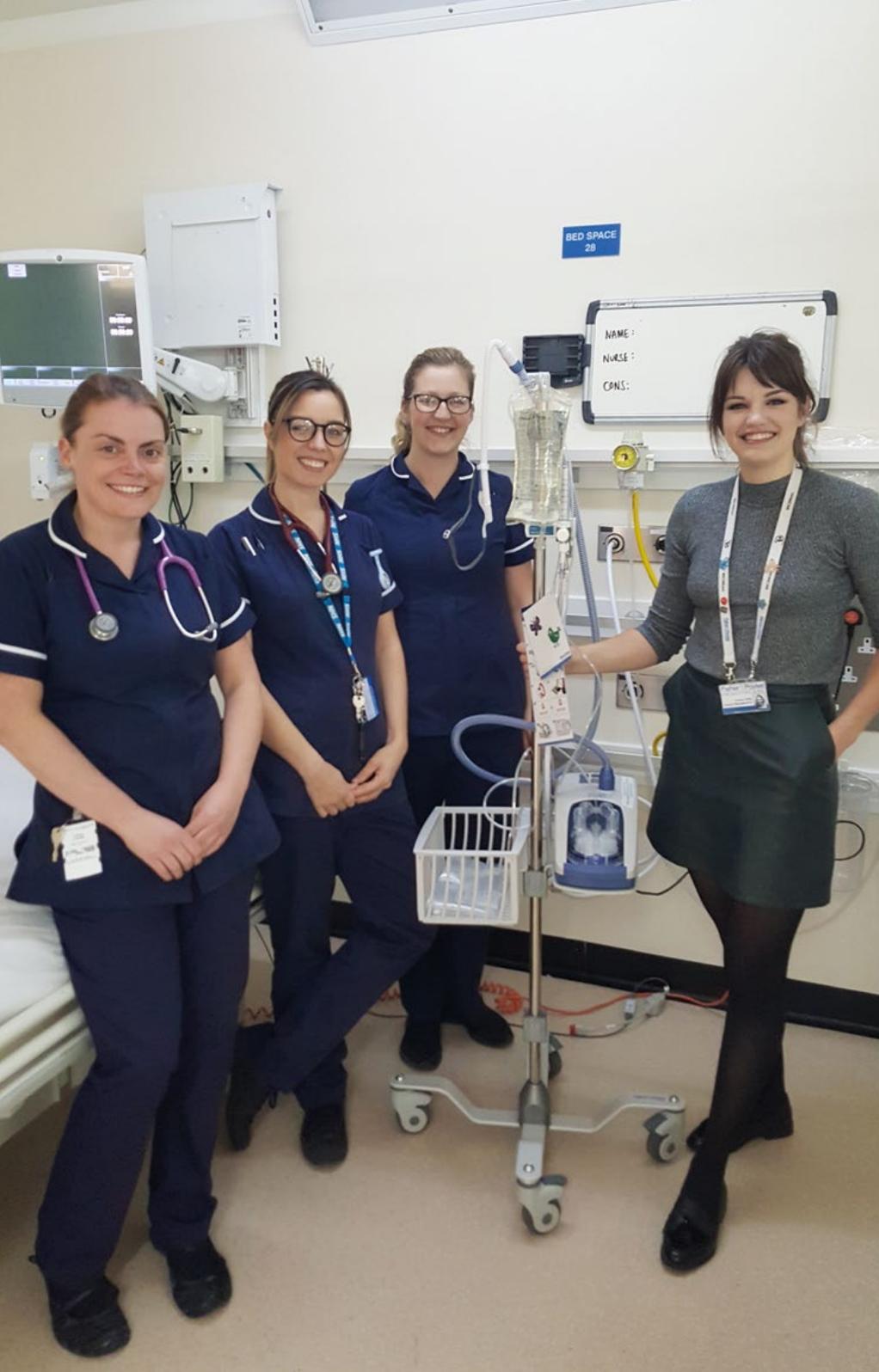
£82,000

IN ICU COSTS

days over the course of the audit, the hospital was able to save a potential £82,000 in ICU costs.

The team's results were presented at CARE, an annual airway and respiratory conference for UK clinicians. "It was a great opportunity for the team to share the results of what they had achieved," says Louise. "There were people queuing out the door to hear them present. To improve patient outcomes as well as reduce costs to the hospital so significantly was very compelling."

The critical care team at Freeman went on to acquire another six devices and ran a second audit to further monitor the effectiveness of the therapy. This audit involved 200 patients between 17-88 years of age with treatment times ranging from one hour to 73 days over a one year period. Patients included those on the wards who were at risk of escalation to a higher acuity care environment.



“Over the past five years, we believe that the nasal high flow therapy system has improved patient outcomes at the Freeman and has measurably improved the efficiency and quality of our critical care outreach programme.”

KIRSTY CROWTHER

Freeman Hospital Critical Care Outreach team.

“The therapy was used as an intervention,” says Louise. “It was hoped that by using nasal high flow therapy with the Airvo on the ward, patients normally at risk of needing to go into the ICU wouldn’t need to.”

Again, the results of the audit were excellent. It was found that 56% of patients were able to stay on the ward, and did not require escalation of care to an HDU or ICU environment. This prevented 479 critical care unit days, which equated to a potential cost saving of £380,000 over the year. It also meant those ICU beds were available for other patients.

For Louise, the support and training she was able to offer was rewarded. “I see my role as essentially being a support person. The project was led by the critical care team at Freeman so it was about me giving them the support they needed to see the impact of the therapy for themselves. It was important to me to always be available, to drop in to see how they were getting on, and generally be responsive to their needs,” says Louise.

The team now has eight Airvo machines and continues to share its results with other hospitals across the United Kingdom.

FROM FREEMAN HOSPITAL CRITICAL CARE OUTREACH TEAM (LEFT TO RIGHT):

Lindsay Armitage - Sister, Natalie Lawson - Sister, Carol Woods - Sister, Louise Little - Territory Manager, F&P Healthcare.



Changing clinical practice

Utilise our expertise to develop new therapies and reduce costs to healthcare systems

MATERIAL ISSUE

PATIENT SAFETY



CLINICAL COLLABORATION BRINGS BENEFITS

Clinical studies are an important element in building confidence in the efficacy of our products, particularly in new care settings. We support clinical research that validates improvements in patient outcomes that our products can deliver, and we work closely with clinicians and healthcare organisations to support their studies and identify ways in which our products can help them provide better healthcare solutions.

The collaboration evident in the following two case studies shows the impact of industry and hospitals working together to improve patient care and outcomes.

New hope for COPD patients

Recent studies have shown that nasal high flow therapy in the home, using Fisher & Paykel Healthcare's myAirvo respiratory device, has considerable benefits, such as reduced hospital admissions, improved quality of life and reduced hypercapnia for patients with COPD.

The first study, a randomised controlled trial undertaken in Denmark*, investigated the long-term effects of nasal high

flow therapy for COPD patients already being treated with long-term oxygen therapy.¹

The trial showed statistically significant results, with the primary outcome being a significant reduction in patients' exacerbation rate, or worsening of their condition (from 4.95 to 3.12 per patient per year, $p < 0.001$) for those being treated with nasal high flow therapy.

The study also showed for those patients using the myAirvo that all cause hospitalisation rates decreased from a rate of 1.39 to 0.79 per patient, over the course of the year, for those who followed the protocol. Other positive results included the treatment group (myAirvo) being better than the control group (standard care) in several quality of life assessments, less breathlessness, better mobility and lower carbon dioxide retention levels for these chronic patients.

Further positive results have recently been published in the Annals of the American Thoracic Society. Led by Dr Kazuma Nagata of Kobe City Medical Centre General Hospital, this study² was a multi-centre trial in Japan with cross-over design, studying stable

* Fisher & Paykel Healthcare provided product support.



COPD patients with hypercapnia. This research also demonstrated a clinically significant improvement in quality of life for patients (the mean total score improved by 7.8 points, $p < 0.01$), and a decrease in hypercapnia levels for patients with stable hypercapnic COPD. This pilot trial had such positive outcomes that a larger trial has already commenced.

Together, these new studies add to the growing body of evidence showing the efficacy of Optiflow nasal high flow therapy in the home for COPD patients using the myAirvo device. We expect that these studies will strongly influence how patients with COPD are treated in the home, thereby driving clinical change and assisting with adoption of our myAirvo system.

Helping infants breathe

New research has been published in the prestigious *New England Journal of Medicine* that shows significant benefits of Optiflow nasal high flow therapy for pediatric patients requiring respiratory support.³

The Pediatric Acute Respiratory Intervention Study (PARIS) was conducted by the research team at Lady Cilento Children's Hospital in Brisbane, Australia, led by Ms Donna Franklin and Dr Andreas Schibler. The study is the largest nasal high flow (NHF) randomised controlled trial to date, aiming to investigate if the early use of NHF in less intensive settings can prevent the need for treatment escalation.

Results show that the use of NHF to treat bronchiolitis, the leading cause of pediatric hospital admissions to Emergency Departments (EDs) worldwide, is an effective strategy to reduce the level of care required in infants with bronchiolitis. 12% of infants in the NHF group required escalation of care, compared to 23% in the standard oxygen therapy group.

The PARIS trial shows how Optiflow Junior can be used early in the course of bronchiolitis to reduce the burden of this disease on patients, families and hospital systems. Because it is a large multicentre randomised controlled trial, published in one of the most highly regarded international medical journals, we expect the results to contribute to clinical practice worldwide and help drive an increased demand for our products and services.



PARIS study - Infants requiring escalation of care

NHF GROUP

12%

Required escalation of care

STANDARD OXYGEN THERAPY

23%

Required escalation of care

1 Storgaard L, Hockey H, Laursen B, Weinreich U. Long-term effects of oxygen-enriched high-flow nasal cannula treatment in COPD patients with chronic hypoxemic respiratory failure. *Int J Chron Obstruct Pulmon Dis*. 2018;13:1195-1205. Fisher & Paykel Healthcare contributed to equipment and some administration costs.

2 Nagata K, Kikuchi T, Horie T, Shiraki A, Kitajima T, Kadowaki T et al. Domiciliary High-Flow Nasal Cannula Oxygen Therapy for Patients with Stable Hypercapnic Chronic Obstructive Pulmonary Disease. A Multicenter Randomized Crossover Trial. *Ann Am Thorac Soc*. 2018;15(4):432-439.

3 <http://www.nejm.org/doi/full/10.1056/NEJMoa1714855>





Better products

Continuously strive
to improve our products

MATERIAL ISSUES

PRODUCT
INNOVATION

PRODUCT
QUALITY



ANDREW SOMERVELL
Vice President - Products & Technology



DESIGNING INNOVATION INTO R&D

Designing innovative and high quality products is a priority for Fisher & Paykel Healthcare. Andrew Somervell, Vice President - Products and Technology talks us through how we sustain innovation over the long term and the design controls that are put in place to prioritise patient safety.

How do we choose which R&D projects to invest in?

Often, the challenge for us is not in deciding what to do, but in what not to do. We have so many ideas and opportunities, but we need to challenge ourselves to select only those where we believe we can make the greatest impact.

Right from the outset of any R&D project, we are looking to create unique, differentiated medical devices that improve care and outcomes for patients, clinicians, payers and providers. Essentially, it's all about providing the best we can for patients, and ensuring that the product or system we are working on has the potential to lower costs for healthcare providers.

How do we ensure we continue to innovate?

Our product development approach is underpinned by a philosophy of always doing what is best for our patients. By focusing on developing products that better meet the fundamental needs of the patient, we are also developing devices and systems that become products of choice for clinicians and healthcare providers.

Success relies on our R&D teams having a deep understanding of the patients they are developing products for and the way their care is delivered. Building that level of knowledge takes time. To facilitate this, we organise our R&D teams into groups focused on a single patient type or therapy, and utilise our relationships with healthcare providers around the world to ensure those teams have easy access to the user environment. That way, the people developing the products gain first-hand knowledge of the problems that patients and their caregivers face and lets them develop the unique insights that lead to innovative new products and solutions.

Coming up with the ideal product can take many iterations. By providing an extensive range of prototyping and testing facilities we allow our teams to rapidly prototype ideas, test and learn. Often the challenge we face is how to manufacture the products in high volumes. Co-locating R&D with manufacturing at our Auckland site helps our engineers to solve those challenges.

How do we measure the success of our investment in R&D?

We invest around 9-10% of our revenue into R&D. As innovation is a priority for our business, we plan to grow our investment in R&D at the same rate as constant currency revenue growth over the long term.

Measuring R&D outcomes isn't straight-forward. Obviously sales are the ultimate measure, and we track the proportion of our revenue that comes from our most recent patent-protected products and therapies. All products undergo a number of clinical trials before being released to the market and the feedback we get from these allows us to gauge their success before launching them into the market.

How do we ensure that our products are of high quality and safe for patients?

We have a quality system that is set up to ensure the safety and efficacy of our products. But most importantly, it comes down to an attitude of doing the best for patients right from the beginning of the design process. One of our

first requirements for product design is that it must be safe. We have over 200 people in our Quality and Regulatory team, and they work closely with product design engineers to design safety into our products right from the start.





Sustainable, profitable growth

Ensure our growth is managed in a sustainable way

MATERIAL ISSUE

SUSTAINABLE FINANCIAL PERFORMANCE



SUSTAINABLE FINANCIAL PERFORMANCE

When we think about sustainability in the context of financial performance we are referring to the ability to grow our business profitably at a rate that can be maintained into the future.

We operate in an industry where clinical change can take time. It is frequently stated that it takes an average of 17 years for research evidence to reach clinical practice.¹

Given the long-term commitment required to effect changes in clinical practice, we look to manage all aspects of our business in a sustainable

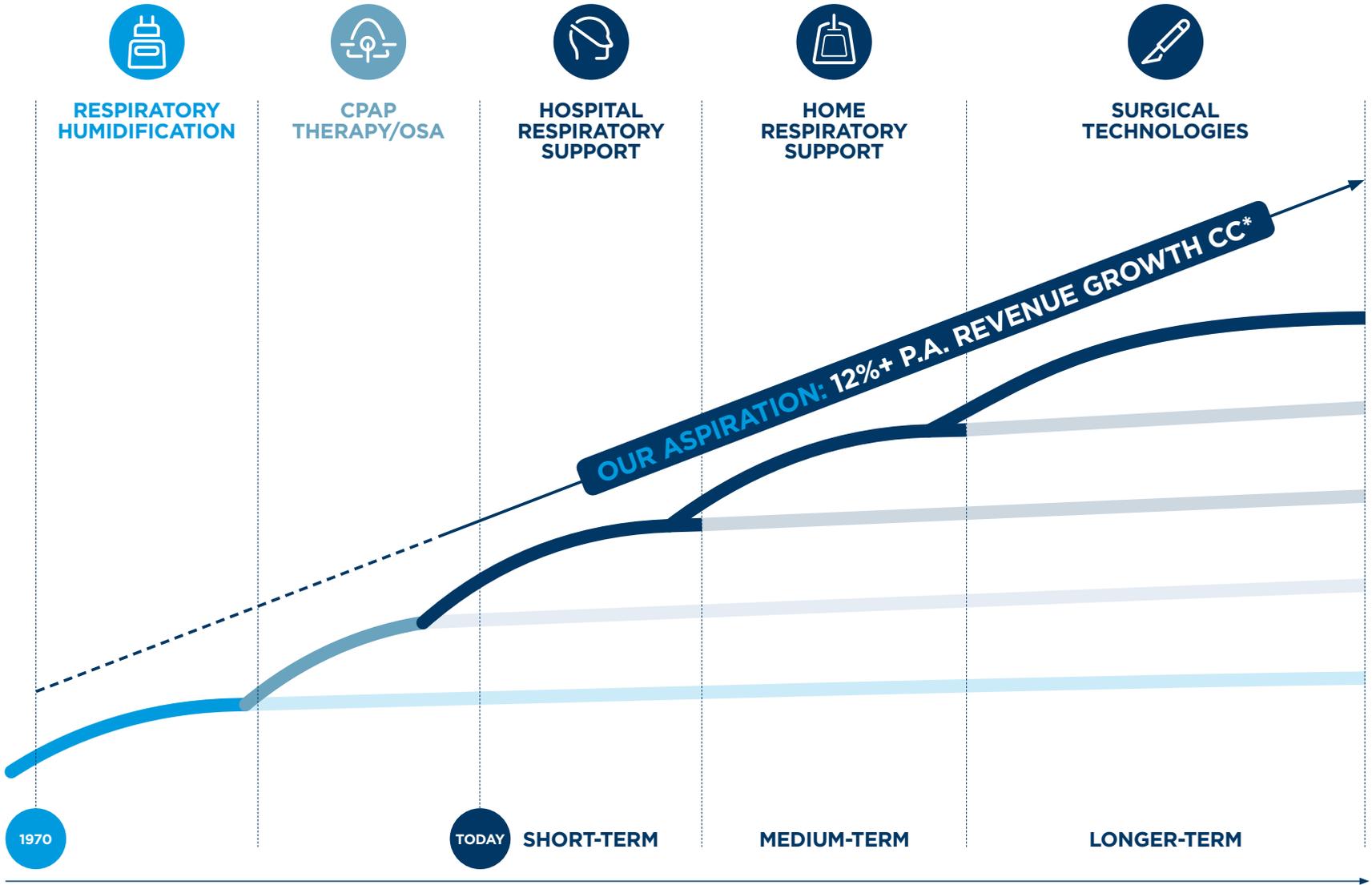
way, including our financial performance. If we do this we think we will be well positioned to assist in improving the lives of tens of millions of patients over the long term.

To measure the sustainability of our financial performance we have developed a suite of metrics which we believe are lead indicators of our continued sustainable, profitable growth.

We monitor these metrics on a regular basis and they are reviewed and updated as part of our annual business and long term planning processes.

¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3241518/>

OUR ASPIRATION: Sustainably DOUBLING our constant currency revenue every 5-6 years.



*CONSTANT CURRENCY



Hospital



Invasive ventilation

Our products for invasive ventilation provide warm, humidified air to intubated patients. This maintains the natural balance of heat and moisture in the airways.



Non-invasive ventilation

Non-invasive ventilation is a therapy which provides airway support for patients through a face mask. Heated and humidified gas flows can improve patient comfort and compliance, reduce airway drying and improve secretion clearance.



Optiflow nasal high flow therapy

Nasal high flow is a respiratory care therapy delivering high flows of air and oxygen through a unique F&P Optiflow nasal cannula. This allows comfortable, effective delivery of up to 100% oxygen for hypoxemic patients in mild to moderate respiratory distress.



Surgical technologies

Our surgical products provide warm, humidified CO₂ during surgery, which may protect patients from hypothermia and post-operative pain and reduce the risk of surgical site infections, adhesions and cancer metastasis.

58%

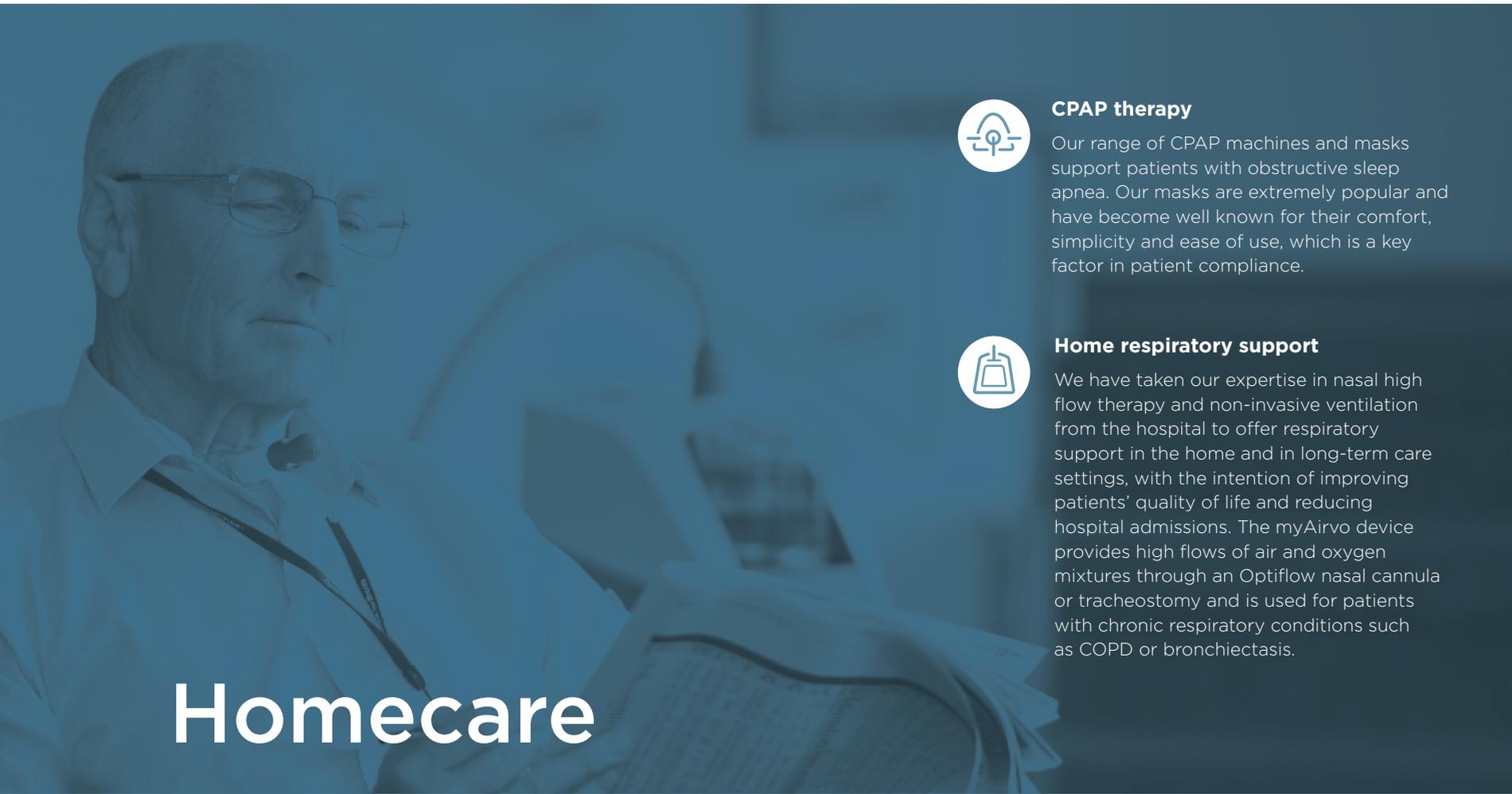
OF OPERATING REVENUE

OPERATING REVENUE GROWTH
(NZ\$572.1M)

↑ 14%

CONSTANT CURRENCY CONSUMABLE
REVENUE GROWTH FROM NEW
APPLICATIONS

↑ 22%



Homecare



CPAP therapy

Our range of CPAP machines and masks support patients with obstructive sleep apnea. Our masks are extremely popular and have become well known for their comfort, simplicity and ease of use, which is a key factor in patient compliance.



Home respiratory support

We have taken our expertise in nasal high flow therapy and non-invasive ventilation from the hospital to offer respiratory support in the home and in long-term care settings, with the intention of improving patients' quality of life and reducing hospital admissions. The myAirvo device provides high flows of air and oxygen mixtures through an Optiflow nasal cannula or tracheostomy and is used for patients with chronic respiratory conditions such as COPD or bronchiectasis.

41%
OF OPERATING REVENUE

OPERATING REVENUE GROWTH
(NZ\$398.1M)

↑ 4%

CONSTANT CURRENCY REVENUE GROWTH

↑ 4%



Tony Carter



Lewis Gradon



Michael Daniell



Pip Greenwood



Geraldine McBride



Arthur Morris



Donal O'Dwyer



Scott St John

Our Board

Tony Carter

Chair

TERM OF OFFICE:

Appointed December 2010, last re-elected 24 August 2017, appointed Chair in April 2012

Tony was managing director of Foodstuffs New Zealand Limited for ten years, until his retirement in 2010. Tony is also chairman of Air New Zealand Limited and Blues Management Limited, a director of Fletcher Building Limited and ANZ Bank New Zealand Limited, and a trustee of the Maurice Carter Charitable Trust.

Master of Engineering, MPhil (Engineering)

COMMITTEE RESPONSIBILITIES:

Member People and Remuneration Committee, Member Audit & Risk Committee, Member Quality, Safety and Regulatory Committee.

Geraldine McBride

Independent Director

TERM OF OFFICE:

Appointed August 2013, last re-elected 24 August 2017

Geraldine has been involved in the technology industry for 30 years and has a wealth of global experience. She has held senior executive roles at SAP AG and Dell Inc, and is a former President of SAP North America. She is a current director of National Australia Bank and Sky Network Television Ltd, and the founder and CEO of MyWave.

Bachelor of Science – Zoology

Lewis Gradon

Managing Director & Chief Executive Officer

TERM OF OFFICE:

Appointed 1 April 2016, elected 23 August 2016

Lewis became Managing Director & Chief Executive Officer in April 2016. Prior to that, he spent 15 years as Senior Vice President – Products & Technology, and six years as General Manager – Research and Development. During his 35 year tenure with Fisher & Paykel Healthcare he has held various engineering positions and overseen the development of our complete healthcare product range.

Bachelor of Science – Physics

Arthur Morris

Independent Director

TERM OF OFFICE:

Appointed February 2008, last re-elected 27 August 2015

Arthur 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 three years at Duke University Medical Centre, North Carolina, USA. He served as the Chief Executive Officer of Diagnostic Medlab Limited from 2005 until 2013. He is a director of Mercy Healthcare Auckland Limited, Southern Cross Hospitals Limited and a trustee of the Auckland School of Medicine Foundation. Arthur has indicated that he will not seek re-election to the Board at this year's annual shareholders' meeting and will therefore be retiring from the Board at the meeting.

Bachelor of Science – Microbiology (Hons), Doctor of Medicine

COMMITTEE RESPONSIBILITIES:

Chair Quality, Safety and Regulatory Committee.

Michael Daniell

Non-Executive Director

TERM OF OFFICE:

Appointed November 2001, elected 23 August 2016

Mike was Managing Director and Chief Executive Officer of Fisher & Paykel Healthcare from November 2001 to March 2016. He was General Manager of Fisher & Paykel's medical division from 1990 to 2001 and previously held various technical management and product design roles within the company. Mike is a member of the Council of the University of Auckland, a director of Tait Limited and the Medical Research Commercialisation Fund, and Chair of the Medical Technologies Centre of Research Excellence.

Bachelor of Engineering (Hons)

COMMITTEE RESPONSIBILITIES:

Member Audit & Risk Committee

Donal O'Dwyer

Independent Director

TERM OF OFFICE:

Appointed December 2012, last re-elected 23 August 2016

Donal is Chairman of Atcor Medical Pty Limited and a director of Cochlear Limited, Mesoblast Limited and nib Holdings Limited. From 1996 to 2003 he worked for Cordis Cardiology, initially as its president (Europe) and from 2000 to 2003 as its worldwide president. Prior to joining Cordis, Donal worked for 12 years with Baxter Healthcare, rising from plant manager in Ireland to president of the Cardiovascular Group, Europe, now Edwards Lifesciences.

Bachelor of Engineering, Master of Business Administration

COMMITTEE RESPONSIBILITIES:

Member Quality, Safety and Regulatory Committee, Member People and Remuneration Committee.

Pip Greenwood

Independent Director

TERM OF OFFICE:

Appointed June 2017, elected 24 August 2017

Pip became a director in June 2017. She is a director of Spark New Zealand, a current trustee of the Auckland Writers Festival and served as a member of the New Zealand Takeovers Panel from 2007 to 2011. Pip is a senior partner at Russell McVeagh and has previously served as the firm's Board Chair. Pip joined Russell McVeagh as a Partner in 2001 and has since advised on many market-leading transactions that have changed the face of different industries.

Bachelor of Laws

COMMITTEE RESPONSIBILITIES:

Chair People and Remuneration Committee.

Scott St John

Independent Director

TERM OF OFFICE:

Appointed October 2015, elected 23 August 2016

Scott is Chancellor of the University of Auckland, and a director of Mercury, the NEXT Foundation, Fonterra Cooperative Group Limited and Fonterra Shareholders' Fund. Scott was Chief Executive Officer of First NZ Capital from 2002 to March 2017. Scott is a member of Chartered Accountants Australia and New Zealand and a fellow of the Institute of Finance Professionals of New Zealand.

Bachelor of Commerce, Diploma in Business

COMMITTEE RESPONSIBILITIES:

Chair Audit & Risk Committee, Member People and Remuneration Committee.



Lewis Gradon



Debra Lumsden



Winston Fong



Paul Shearer



Andrew Somervell



Jonti Rhodes



Tony Barclay



Brian Schultz



Nicholas Fourie

Our Executive Management Team

Lewis Gradon

Managing Director & Chief Executive Officer

Lewis was appointed Managing Director & Chief Executive Officer in April 2016. He previously served as Senior Vice President – Products & Technology and General Manager – Research and Development. He has held various engineering positions within Fisher & Paykel's healthcare business, and has overseen the development of our complete healthcare product range. He received his Bachelor of Science degree in physics from the University of Auckland, New Zealand.

Paul Shearer

Senior Vice President – Sales & Marketing

Paul was appointed Senior Vice President – Sales & Marketing in 2001. Paul previously served as the General Manager – Sales and Marketing of Fisher & Paykel's healthcare business from 1996. From 1990 to 1998, Paul held various positions in the business and established our sales operations in the UK and US. He has held various positions with Computercorp Ltd, a computer systems integrator, and ICL Ltd., a multinational computer systems company. Paul received his Bachelor of Commerce degree in marketing from the University of Canterbury, New Zealand.

Tony Barclay

Chief Financial Officer

Tony was appointed Chief Financial Officer in 2001. He previously served as the financial controller of Fisher & Paykel's healthcare business since 1996. Tony held various positions with Arnotts Biscuits (NZ) from 1993 to 1996, and with Price Waterhouse in New Zealand and Papua New Guinea from 1987 to 1993. Tony has been a Chartered Accountant in New Zealand since 1990. He received his Bachelor of Commerce degree in accounting and finance from the University of Otago, New Zealand. Tony retires at the end of May 2018, but will remain in a consulting role to the business for a further 12 months. Andrea Blackie will take up the role of Acting Chief Financial Officer from 1 June 2018.

Debra Lumsden

Vice President - Human Resources & Privacy Officer

Debra was appointed Vice President - Human Resources in December 2016. Debra is from the United Kingdom and has over 20 years' experience working in HR across a variety of industries and sectors. Before joining Fisher & Paykel Healthcare, Debra was Vice President HR at Gilbarco Veeder-Root, where she headed up HR for Europe, the Middle East, Africa, and the Asia Pacific regions. She has also held senior roles with Insurance Australia Group, E2V Technologies and BAE Systems. She has a Bachelor of Science in Social Sciences from Brunel University and a Master of Business Administration from Warwick University, United Kingdom.

Andrew Somervell

Vice President – Products & Technology

Andrew was appointed Vice President – Products & Technology in April 2016. Since joining Fisher & Paykel Healthcare in 2006, he has held various product development and operations management roles, and most recently was General Manager - Product Groups. He has overseen the development of the OSA product range and managed research and development, marketing, clinical, manufacturing, and aspects of the supply chain. Before joining Fisher & Paykel Healthcare, Andrew was a Research Fellow at the University of Auckland, New Zealand, and holds a Doctorate in Physics from the same university.

Brian Schultz

Vice President – Quality & Regulatory

Brian was appointed Vice President - Quality & Regulatory Affairs in 2015. Brian previously served as Quality Manager for New Zealand Manufacturing since joining the company in 2011. Prior to joining Fisher & Paykel Healthcare, Brian held quality management positions within the medical device and pharmaceutical industries in Australia, Switzerland, the United Kingdom and the United States. He received his Bachelor of Science degree from Grand Valley State University, Michigan, United States.

Winston Fong

Vice President – Surgical Technologies

Winston was appointed Vice President – Surgical Technologies in 2017. Winston previously served as Vice President – ICT from 2010 and held various IT management, systems engineering and software development roles in the business since 1999. Winston received his Bachelor of Engineering degree with honours in Electronics & Software Engineering from Manukau Institute of Technology and Master of Business Administration from the University of Auckland, New Zealand.

Jonti Rhodes

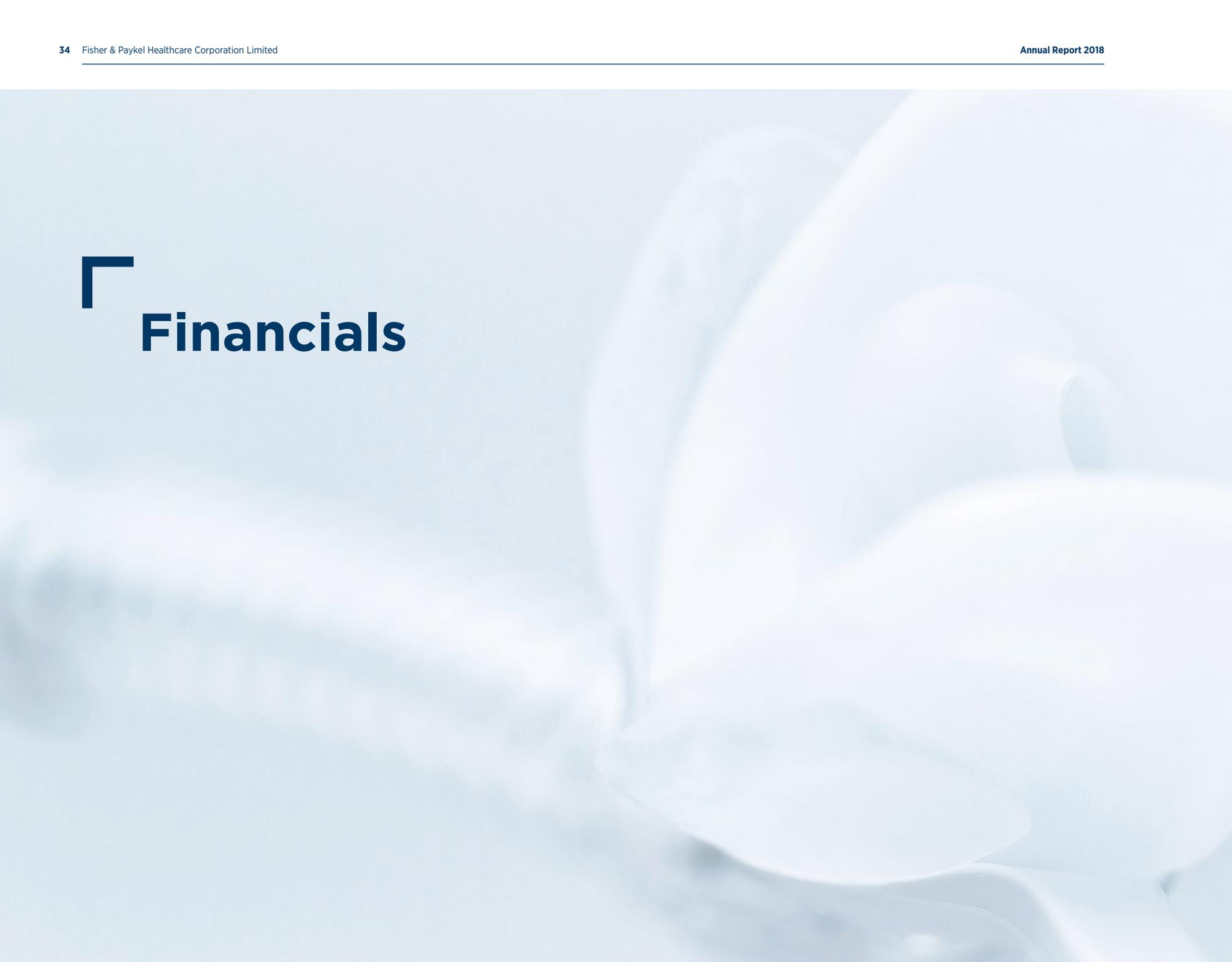
General Manager – Supply Chain

Jonti was appointed General Manager – Supply Chain in 2015. Jonti joined Fisher & Paykel Healthcare in 2007 as a product design engineer, and since that time has held several roles, both in New Zealand and the United States, in quality, regulatory, and most recently as Group Logistics Manager. Jonti has overseen the implementation of the New Zealand and US distribution hubs and played a key role in the development of our product surveillance system. He holds a Bachelor of Engineering (Mechanical) from Auckland University of Technology and a Master of Business Administration from the University of Auckland.

Nicholas Fourie

Vice President – Information & Communication Technology

Nicholas was appointed Vice President – Information & Communication Technology in February 2017. Nicholas has been with Fisher & Paykel Healthcare since 2007, and in that time has held various systems engineering and IT management roles, including his most recent position as ICT Manager – Development & Engineering. Prior to joining Fisher & Paykel Healthcare, he worked for the South African division of BHP Billiton. Nicholas holds a Diploma in Computer Engineering from Damelin School of Information Technology in South Africa.



Financials

FINANCIAL COMMENTARY

CONSTANT CURRENCY ANALYSIS

A constant currency income statement is prepared each month to enable the Board and management to monitor and assess the company's underlying comparative financial performance without any distortion from changes in foreign exchange rates. The table below provides estimated New Zealand dollar income statements for the relevant periods, which have all been restated at the budget foreign exchange rates for the 2018 financial year but after excluding the impact of movements in foreign exchange rates, hedging results and balance sheet translations. This constant currency analysis is non-conforming financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and assess the company's financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year.

The company's constant currency income statement framework can be found on the company's website at www.fphcare.com/ccis.

CONSTANT CURRENCY INCOME STATEMENTS

	Year ended 31 March 2016 NZ\$M	Year ended 31 March 2017 NZ\$M	Variation 2016 to 2017 %	Year ended 31 March 2018 NZ\$M	Variation 2017 to 2018 %
Operating revenue	774.3	880.8	+14	958.0	+9
Cost of sales	285.6	305.6	+7	329.1	+8
Gross profit	488.7	575.2	+18	628.9	+9
Gross Margin	63.1%	65.3%	+219bps	65.6%	+34bps
Other income	5.0	5.0	-	5.0	-
Selling, general and administrative expenses	233.4	272.4	+17	290.3	+7
Research & development expenses	73.3	86.0	+17	94.7	+10
Total operating expenses	306.7	358.4	+17	385.0	+7
Operating profit	187.0	221.8	+19	248.9	+12
Operating margin	24.2%	25.2%	+103bps	26.0%	+80bps
Financing expenses (net)	6.0	3.1	-48	2.1	-32
Profit before tax	181.0	218.7	+21	246.8	+13

The significant exchange rates used in the constant currency analysis, being the budget exchange rates for the year ended 31 March 2018, are USD 0.69, EUR 0.66, AUD 0.92, GBP 0.57, CAD 0.94, JPY 80 and MXN 13.50.

A reconciliation of the constant currency income statements above to the actual income statements by year is provided below.

RECONCILIATION OF CONSTANT CURRENCY TO ACTUAL INCOME STATEMENTS

	Year ended 31 March		
	2016 NZ\$M	2017 NZ\$M	2018 NZ\$M
Profit before tax (constant currency)	181.0	218.7	246.8
Spot exchange rate effect	20.0	0.4	5.6
Foreign exchange hedging result	(4.0)	22.1	14.7
Balance sheet revaluation	3.8	(2.7)	0.7
Profit before tax (as reported)	200.8	238.5	267.8

The reconciliation set out above illustrates that, when comparing the New Zealand dollar profit before tax shown in the actual income statement for the year to 31 March 2018 with the corresponding period for the prior year:

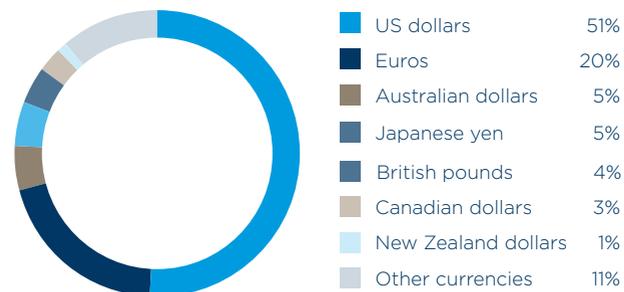
- the movement in average daily spot exchange rates had a favourable impact of NZ\$5.2 million; and
- the result of the company's foreign exchange hedging activities was lower by NZ\$7.4 million.

Overall, the net favourable effect of movements in exchange rates and the hedging programme was NZ\$1.2 million, including the impact of balance sheet revaluations.

FINANCIAL COMMENTARY CONTINUED

FOREIGN EXCHANGE EFFECTS

The company is exposed to movements in foreign exchange rates, with approximately 51% of operating revenue generated in US dollars, 20% in Euros, 5% in Australian dollars, 5% in Japanese yen, 4% in British pounds, 3% in Canadian dollars, 1% in New Zealand dollars and 11% in other currencies.



Compared to the prior year, the proportion of revenue which was generated in US dollars has reduced slightly to 51% from 52% which reflected no substantial changes in the company's operations. The company's cost base continued to be increasingly diverse, although manufacturing output from Mexico remained steady at 34% of total output.

On average over the reporting period there were opposing movements in relation to our largest exposures, with the Euro strengthening and the US dollar weakening against the New Zealand dollar. Previously placed US dollar hedges protected our US dollar receipts and resulted in an improved conversion rate compared to the prior year. With regard to our Euro conversion rate our very favourable hedging ended in the prior year so that even though the Euro spot rate moved in our favour our conversion rate deteriorated a little against the prior year. This drop in the Euro spot rate has, however, enabled us to top up our Euro cover for future years, specifically FY21 through FY23 at rates significantly below current levels.

The hedging policy again served us well during the year, which resulted in a foreign exchange hedging gain of NZ\$14.7 million (2017: NZ\$22.1 million) to operating profit.

The average daily spot rate and the average conversion exchange rate (i.e. the accounting rate, incorporating the benefit of forward exchange contracts entered into by the company in respect of the relevant financial year) of the main foreign currency exposures for the years ended 31 March 2017 and 2018 are set out in the table opposite.

	Average daily spot rate		Average conversion exchange rate	
	Year ended 31 March		Year ended 31 March	
	2017	2018	2017	2018
USD	0.7090	0.7148	0.6957	0.6823
EUR	0.6467	0.6115	0.5935	0.5999

The effect of balance sheet translations of offshore assets and liabilities for the year ended 31 March 2018 resulted in an increase in operating revenue of NZ\$1.8 million (2017: NZ\$3.7 million decrease) and an increase in profit before tax of NZ\$0.5 million (2017: NZ\$2.0 million decrease).

Foreign exchange hedging position

The hedging position for our main exposures, the US dollar and Euro, as at the date of this report is:

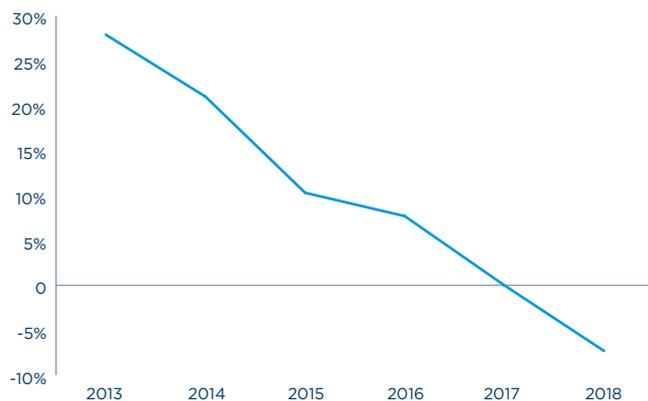
	Year to 31 March				
	2019	2020	2021	2022	2023
USD % cover of expected exposure	70%	55%	20%	0%	0%
USD average rate of cover	0.675	0.659	0.628	-	-
EUR % cover of expected exposure	80%	55%	25%	25%	25%
EUR average rate of cover	0.608	0.575	0.536	0.519	0.507

FINANCIAL COMMENTARY CONTINUED

BALANCE SHEET

Gearing¹ at 31 March 2018 was -7.3%, lower than the 0.0% gearing at 31 March 2017. The decrease in gearing since 31 March 2017 was a result of strong operating cash flow, generated from improved earnings, assisted by the timing of capital expenditure. Gearing is below the debt to debt plus equity target range of +5% to -5%, however is forecast to be back within the target range by 31 March 2019 due to the significant building programme in New Zealand and Mexico.

Gearing¹



FUNDING

The company had total available committed debt funding of NZ\$225 million as at 31 March 2018, of which approximately NZ\$165 million was undrawn, and cash and short-term investments on hand of NZ\$132 million. Bank debt facilities provide all available funding. Over the next 12 months debt facilities totalling NZ\$30 million will mature. As at 31 March 2018 the weighted average maturity of borrowing facilities was 2.3 years.

Debt maturity

The average maturity of the debt of NZ\$66 million was 2.7 years and the currency split was 79% US dollars; 13% Euros; 5% Australian dollars and 3% Canadian dollars (with no New Zealand dollar denominated debt).

Interest rates

Approximately 84% of all borrowings were at fixed interest rates with an average duration of 2.7 years and an average rate of 2.4%. Inclusive of floating rate borrowings, the average interest rate on debt was 2.4%. All interest rates are inclusive of margins but not fees.

Cash flow

Cash flow from operating activities was NZ\$247.8 million compared with NZ\$193.6 million for the year ended 31 March 2017. The increase in cash flow from operating activities was at a faster pace than earnings growth. The main reason for this was that working capital, in particular inventory, did not grow as fast as earnings. The increase also included a benefit in the timing of tax payments.

Capital expenditure for the year was NZ\$98.7 million compared with NZ\$63 million in the prior year. The increase in capital expenditure related predominantly to new building projects, both in New Zealand and Mexico, of NZ\$41.4 million with the balance being product tooling and manufacturing equipment costs. Intangible capital expenditure related predominantly to patent acquisition costs as well as ERP implementation costs of NZ\$4.1 million.

1. Net interest-bearing debt (debt less cash and cash equivalents and short-term investments) to net interest-bearing debt and equity (less hedging reserves). Gearing ratios have been calculated at 31 March of each financial year.

FIVE YEAR FINANCIAL SUMMARY

For the years ended 31 March

	2014 NZ\$M	2015 NZ\$M	2016 NZ\$M	2017 NZ\$M	2018 NZ\$M
					(except as otherwise stated)
FINANCIAL PERFORMANCE					
Sales revenue	568.6	644.0	818.5	869.5	964.5
Foreign exchange gain (loss) on hedged sales	54.8	28.3	(3.0)	24.9	16.3
Total operating revenue	623.4	672.3	815.5	894.4	980.8
Cost of sales	(258.0)	(261.4)	(293.8)	(304.0)	(330.4)
Gross profit	365.4	410.9	521.7	590.4	650.4
Gross margin	58.6%	61.1%	64.0%	66.0%	66.3%
Other income	3.7	5.0	5.0	5.0	5.0
Selling, general and administrative expenses	(171.5)	(180.9)	(242.3)	(269.3)	(290.9)
Research and development expenses	(54.1)	(65.0)	(73.3)	(86.0)	(94.7)
Total operating expenses	(225.6)	(245.9)	(315.6)	(355.3)	(385.6)
Operating profit before financing costs	143.5	170.0	211.1	240.1	269.8
Operating margin	23.0%	25.3%	25.9%	26.8%	27.5%
Net financing expense	(6.8)	(11.3)	(10.3)	(1.6)	(2.0)
Profit before tax	136.7	158.7	200.8	238.5	267.8
Tax expense	(39.6)	(45.5)	(57.4)	(69.3)	(77.6)
Profit after tax	97.1	113.2	143.4	169.2	190.2
Revenue by region:					
North America	261.6	290.7	385.9	433.0	458.5
Europe	211.8	223.4	253.7	272.0	297.6
Asia Pacific	118.9	127.2	142.6	154.8	181.0
Other	31.1	31.0	33.3	34.6	43.7
Total	623.4	672.3	815.5	894.4	980.8
Revenue by product group:					
Hospital products	336.9	357.2	436.3	500.4	572.1
Homecare products	270.0	302.0	365.8	381.5	398.1
Core products subtotal	606.9	659.2	802.1	881.9	970.2
Distributed and other products	16.5	13.1	13.4	12.5	10.6
Total	623.4	672.3	815.5	894.4	980.8

FIVE YEAR FINANCIAL SUMMARY CONTINUED

For the years ended 31 March

	2014 NZ\$M	2015 NZ\$M	2016 NZ\$M	2017 NZ\$M	2018 NZ\$M
					(except as otherwise stated)
FINANCIAL POSITION					
Tangible assets	551.5	589.8	667.5	755.5	884.3
Intangible assets	78.8	80.0	99.3	122.7	140.8
Total assets	630.3	669.8	766.8	878.2	1,025.1
Liabilities	(224.2)	(198.6)	(225.1)	(216.6)	(263.7)
Shareholders' equity	406.1	471.2	541.7	661.6	761.4
Net tangible asset backing (cents per share)	73.0	79.7	86.3	105.6	121.4
Pre-tax return on average total assets percentage	21.9%	24.4%	28.0%	29.0%	28.1%
Pre-tax return on average equity percentage	35.1%	36.2%	39.7%	39.6%	37.6%
CASH FLOWS					
Net cash flow from operating activities	99.5	146.8	144.6	193.6	247.8
Net cash flow from investing activities	(31.9)	(53.6)	(65.7)	(62.9)	(198.5)
Net cash flow from financing activities	(62.1)	(91.0)	(74.7)	(87.8)	(79.1)
SHARES OUTSTANDING					
Weighted average basic shares outstanding	547,094,526	555,542,677	561,036,045	566,124,701	570,023,436
Weighted average diluted shares outstanding	565,973,595	569,548,997	572,037,753	574,339,178	576,449,637
Basic shares outstanding at end of the year	551,110,270	557,940,257	563,841,265	567,686,436	571,230,264
DIVIDENDS AND EARNINGS PER SHARE (CENTS PER SHARE)					
Dividends paid:					
Final (i)	7.00	7.00	8.00	10.00	11.25
Interim	5.40	5.80	6.70	8.25	8.75
Total ordinary dividends	12.40	12.80	14.70	18.25	20.00
Basic earnings per share	17.7	20.4	25.6	29.9	33.4
Diluted earnings per share	17.1	19.9	25.1	29.5	33.0

(i) Final dividend relates to the prior financial year.

FIVE YEAR FINANCIAL SUMMARY CONTINUED

For the years ended 31 March

	2014 NZ\$M	2015 NZ\$M	2016 NZ\$M	2017 NZ\$M	2018 NZ\$M (except as otherwise stated)
PATENTS					
Number of United States patents	111	118	138	161	186
Number of United States patent applications (includes PCTs(i))	220	287	329	357	385
Number of non-United States patents	459	496	559	714	870
Number of non-United States patent applications (excludes PCTs(i))	306	410	582	732	912
RESEARCH AND DEVELOPMENT					
Research and development expenditure	54.1	65.0	73.3	86.0	94.7
Percentage of operating revenue	8.7%	9.7%	9.0%	9.6%	9.7%
CAPITAL EXPENDITURE					
Operational	24.0	38.1	46.3	44.1	41.8
Land and buildings	3.3	1.2	1.7	3.8	41.4
Total	27.3	39.3	48.0	47.9	83.2
Capital expenditure : depreciation ratio	1.0	1.4	1.6	1.5	2.4
NUMBER OF EMPLOYEES					
By function:					
Research and development	403	433	509	563	572
Manufacturing and operations	1,743	1,818	1,992	2,405	2,386
Sales, marketing and distribution	727	738	907	948	994
Management and administration	139	162	179	196	222
Total	3,012	3,151	3,587	4,112	4,174
By region:					
New Zealand	1,904	1,943	2,142	2,307	2,258
North America	681	751	922	1,231	1,314
Europe	217	221	258	271	294
Rest of World	210	236	265	303	308
Total	3,012	3,151	3,587	4,112	4,174

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

FIVE YEAR FINANCIAL SUMMARY CONTINUED

For the years ended 31 March

	2014	2015	2016	2017	2018
AVERAGE DAILY SPOT EXCHANGE RATES (NZ\$1 =)					
USD	0.8208	0.8098	0.6786	0.7090	0.7148
AVERAGE CONVERSION EXCHANGE RATES (NZ\$1 =)(ii)					
USD	0.6740	0.7896	0.7235	0.6957	0.6823
EUR	0.4998	0.5259	0.5794	0.5935	0.5999
GBP	0.5153	0.4953	0.4718	0.4812	0.5018
AUD	0.8205	0.8583	0.9000	0.9143	0.9246
CAD	0.7637	0.8130	0.8720	0.8787	0.9218
JPY	64.97	68.27	68.38	69.67	72.34
MXN	10.14	10.68	10.71	12.09	12.62

(ii) Actual exchange rates achieved in delivering or purchasing net foreign currency in relation to the Group's exposures. The average rate includes hedged and spot transactions in each year.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Notes	2017 NZ\$M	2018 NZ\$M
Operating revenue	4	894.4	980.8
Cost of sales		(304.0)	(330.4)
Gross profit		590.4	650.4
Other income	5	5.0	5.0
Selling, general and administrative expenses		(269.3)	(290.9)
Research and development expenses		(86.0)	(94.7)
Total operating expenses		(355.3)	(385.6)
Operating profit before financing costs		240.1	269.8
Financing income		0.4	1.6
Financing expense		(3.5)	(3.7)
Exchange gain on foreign currency borrowings		1.5	0.1
Net financing expense		(1.6)	(2.0)
Profit before tax	5,11	238.5	267.8
Tax expense	11	(69.3)	(77.6)
Profit after tax		169.2	190.2
Basic earnings per share	16	29.9 cps	33.4 cps
Diluted earnings per share	16	29.5 cps	33.0 cps

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2017 NZ\$M	2018 NZ\$M
Profit after tax		169.2	190.2
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Hedging reserves			
Changes in fair value in hedging reserves		21.3	22.7
Transfers to profit before tax		(5.2)	(17.6)
Tax on changes in fair value and transfers to profit before tax	11	(4.5)	(1.4)
Items that will not be reclassified to profit or loss			
Revaluation of land	9	21.0	-
Other comprehensive income for the year, net of tax		32.6	3.7
Total comprehensive income for the year		201.8	193.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Notes	Share capital NZ\$M	Treasury shares NZ\$M	Retained earnings NZ\$M	Reserves NZ\$M	Total equity NZ\$M
Balance at 31 March 2016		165.6	(2.4)	327.9	50.6	541.7
Adjustment on adoption of NZ IFRS 9 (net of tax)		-	-	(2.8)	2.8	-
Total comprehensive income		-	-	169.2	32.6	201.8
Dividends paid	17	-	-	(103.3)	-	(103.3)
Issue of share capital under dividend reinvestment plan	15	13.9	-	-	-	13.9
Issue of share capital	15	0.8	-	-	-	0.8
Movement in share based payments reserve	17	-	-	-	2.8	2.8
Movement in treasury shares	15	-	0.7	-	-	0.7
Increase in share capital under share based payment schemes for employee services	15	3.2	-	-	-	3.2
Balance at 31 March 2017		183.5	(1.7)	391.0	88.8	661.6
Total comprehensive income		-	-	190.2	3.7	193.9
Dividends paid	17	-	-	(113.9)	-	(113.9)
Issue of share capital under dividend reinvestment plan	15	11.4	-	-	-	11.4
Issue of share capital	15	0.5	-	-	-	0.5
Movement in share based payments reserve	17	-	-	-	3.2	3.2
Movement in treasury shares	15	-	(1.3)	-	-	(1.3)
Increase in share capital under share based payment schemes for employee services	15	6.0	-	-	-	6.0
Balance at 31 March 2018		201.4	(3.0)	467.3	95.7	761.4

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2018

	Notes	2017 NZ\$M	2018 NZ\$M
ASSETS			
Current assets			
Cash and cash equivalents		61.3	31.9
Short-term investments		-	100.4
Trade and other receivables	7	129.6	146.0
Inventories	8	135.0	125.4
Derivative financial instruments	6	21.2	18.8
Tax receivable		2.0	1.7
Total current assets		349.1	424.2
Non-current assets			
Derivative financial instruments	6	24.1	36.9
Other receivables		2.4	2.5
Property, plant and equipment	9	425.2	476.4
Intangible assets	10	44.5	50.4
Deferred tax assets	11	32.9	34.7
Total assets		878.2	1,025.1
LIABILITIES			
Current liabilities			
Interest-bearing liabilities	12	21.1	29.9
Trade and other payables	13	103.0	112.8
Provisions	14	3.2	4.7
Tax payable		14.7	22.0
Derivative financial instruments	6	3.6	9.0
Total current liabilities		145.6	178.4
Non-current liabilities			
Interest-bearing liabilities	12	39.9	52.5
Provisions	14	2.0	2.1
Other payables	13	8.6	8.6
Derivative financial instruments	6	5.1	4.9
Deferred tax liabilities	11	15.4	17.2
Total liabilities		216.6	263.7

	Notes	2017 NZ\$M	2018 NZ\$M
EQUITY			
Share capital	15	183.5	201.4
Treasury shares	15	(1.7)	(3.0)
Retained earnings		391.0	467.3
Reserves	17	88.8	95.7
Total equity		661.6	761.4
Total liabilities and equity		878.2	1,025.1

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

On behalf of the Board
25 May 2018



Tony Carter
Chairman



Lewis Gradon
Managing Director and
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

Notes	2017 NZ\$M	2018 NZ\$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	897.3	968.6
Grants received	5.0	5.0
Interest received	0.2	1.0
Payments to suppliers and employees	(627.4)	(654.9)
Tax paid	(74.6)	(69.1)
Interest paid	(6.9)	(2.8)
Net cash flows from operating activities	193.6	247.8
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	-	(100.0)
Sales of property, plant and equipment	0.1	0.2
Purchases of property, plant and equipment	(47.9)	(83.2)
Purchases of intangible assets	(15.1)	(15.5)
Net cash flows from investing activities	(62.9)	(198.5)
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee share purchase schemes	0.8	0.9
Issue of share capital	0.8	0.9
New borrowings	-	31.4
Repayment of borrowings	-	(9.8)
Dividends paid	(89.4)	(102.5)
Net cash flows from financing activities	(87.8)	(79.1)
Net increase (decrease) in cash	42.9	(29.8)
Opening cash	2.5	45.6
Effect of foreign exchange rates	0.2	-
Closing cash	45.6	15.8
RECONCILIATION OF CLOSING CASH		
Cash and cash equivalents	61.3	31.9
Bank overdrafts	12	(16.1)
Closing cash	45.6	15.8

	2017 NZ\$M	2018 NZ\$M
CASH FLOW RECONCILIATION		
Profit after tax	169.2	190.2
Add (deduct) non-cash items:		
Depreciation of property, plant and equipment	32.2	35.0
Amortisation of intangibles	6.9	9.6
Share based payments	4.1	4.9
Movement in provisions	(0.3)	1.6
Movement in deferred tax assets / liabilities	(2.1)	0.5
Movement in working capital:		
Trade and other receivables	4.3	(16.4)
Inventories	(14.0)	9.6
Trade and other payables	2.0	6.6
Taxation payable / receivable	(4.6)	7.1
Foreign currency translation	(5.2)	(0.8)
Other	1.1	(0.1)
Net cash flows from operating activities	193.6	247.8

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

Notes to the Financial Statements

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1	Reporting entity
2	Basis of preparation and principles of consolidation
3	Significant transactions and events in the financial year
4	Operating revenue
5	Operating profit
6	Derivative financial instruments
7	Trade and other receivables
8	Inventories
9	Property, plant and equipment
10	Intangible assets
11	Income tax
12	Interest-bearing liabilities
13	Trade and other payables
14	Provisions
15	Share capital
16	Earnings per share
17	Reserves
18	Employee benefits
19	Contingent liabilities
20	Commitments
21	Segment information
22	Financial risk management
23	Significant events after balance date
24	Other accounting policies

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. REPORTING ENTITY

Fisher & Paykel Healthcare Corporation Limited (the “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, surgery and in 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 financial statements were approved for issue by the Board of Directors on 25 May 2018.

2. BASIS OF PREPARATION AND PRINCIPLES OF CONSOLIDATION

Statement of compliance and measurement base

The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Stock Exchange (NZX) and the Australian Stock Exchange (ASX). The consolidated financial statements have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013.

These consolidated financial statements for the year ended 31 March 2018 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), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS). The Group is a for-profit entity for the purposes of complying with NZ GAAP.

These consolidated financial statements are presented in New Zealand dollars (NZD) to the nearest million (to one decimal place) unless otherwise stated.

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. All subsidiaries are 100% owned within the Group.

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 Group.

Significant accounting policies

Accounting policies are disclosed in each of the applicable notes to the financial statements and are designated with an **AP** symbol.

Historical cost convention

These consolidated 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 other comprehensive income, and the revaluation of land.

Foreign currency

Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars, which is the Group's 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 entity operates (“the functional currency”).

The Group operates as one integrated business, and the functional currency of all global operations is New Zealand dollars, with the exception of Fisher & Paykel Healthcare Mexico Properties S.A. de C.V (“Mexico Properties”) which was established for the purpose of holding the Group's property in Mexico. The functional currency of Mexico Properties is Mexican pesos.

The results and financial position of entities that have a different functional currency are translated to New Zealand dollars as follows: assets and liabilities are translated at the exchange rate at balance date and Income Statement items are translated at the average exchange rates for the year. Exchange differences are recognised in other comprehensive income as a currency translation reserve movement.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency at the 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 other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

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 Group's accounting policies. The Directors regularly review all accounting policies and areas of judgement in presenting the financial statements. Significant estimates are disclosed in each of the applicable notes to the financial statements and are designated with an **E** symbol.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. SIGNIFICANT TRANSACTIONS AND EVENTS IN THE FINANCIAL YEAR

The following significant transactions and events affected the financial performance and financial position of the Group for the year ended 31 March 2018:

Capital expenditure

During the year the acquisition of approximately 15 hectares of land in Tijuana, Mexico was completed at a cost of NZ\$21.1 million. During the year, we signed agreements to construct the new Mexico manufacturing facility and campus infrastructure for the equivalent of NZ\$28.9 million. As at 31 March \$19.7 million of capital commitments related to our Mexico expansion project. The project will continue to be funded through existing debt facilities.

In December, a building construction contract was signed for a fourth building on our Auckland, New Zealand campus. Capital commitments at 31 March include \$126.4 million related to this project. To date, spending on this project totals \$10.3 million. The building is expected to be operational in 2020.

Litigation

There have been a number of developments over the past year relating to our patent litigation. We have incurred intellectual property litigation expenses of \$15.6 million (2017: \$20.7 million) which is net of \$3 million of costs recovered in relation to legal proceedings in Europe. An update on our patent litigation is included in Note 19 of the financial statements.

Short-term investments

During the year, the Group has invested available cash on hand of \$100 million in short-term investments. These investments have maturities between 90 and 182 days and are with banking institutions that have a long term credit rating of Standard & Poors' A- and above. The assets in short term investments as at 31 March 2018 were invested at an average rate of 3.04%.

These funds will be held on deposit and used to partially fund the construction of the fourth building on our Auckland, New Zealand campus.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

4. OPERATING REVENUE

	2017 NZ\$M	2018 NZ\$M
Sales revenue	869.5	964.5
Foreign exchange gain on hedged sales	24.9	16.3
Total operating revenue	894.4	980.8
Revenue by Product Group		
Hospital products	500.4	572.1
Homecare products	381.5	398.1
	881.9	970.2
Distributed and other products	12.5	10.6
Total operating revenue	894.4	980.8

AP

Revenue includes the fair value of the consideration received or receivable 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 when the amount of revenue can be reliably measured, when it is probable that future economic benefits will accrue to the Group, and in accordance with the terms of sale when title has been transferred and the benefits of ownership and risk pass to the customer.

5. OPERATING PROFIT

	2017 NZ\$M	2018 NZ\$M
Profit before tax is after charging the following specific expenses:		
Auditors' fees:		
Statutory audit and half year review	0.9	1.0
Other assurance and audit related services	-	0.1
Total audit and other assurance services	0.9	1.1
Other services	0.2	0.1
Total fees paid to auditors	1.1	1.2
Donations	0.1	0.2
Inventory written off (net)	3.5	6.3
Rental and lease expense	10.5	11.2
Intellectual property litigation expense (net - refer Note 19)	20.7	15.6

Other fees paid to auditors

Other assurance and audit related services of \$60,000 (2017: \$39,000) include assurance procedures in relation to compliance with the constant currency framework, assessment of eligible expenditure for the purposes of the research and development grant and scrutineering the counting of votes at the Annual Shareholders Meeting.

Other services includes accounting standards advice, risk management advice, treasury risk management advice, remuneration committee advice as well as tax compliance.

Profit before tax is after crediting the following specific income:

Research and development growth grant	5.0	5.0
---------------------------------------	-----	-----

AP

Government Grants

Government Grants are recognised in the Income Statement over the same period that the related costs are expensed. Government Grants are recognised when there is reasonable assurance the Group will comply with the conditions attaching to the grants.

Research and development growth grant

The Callaghan Growth Grant provides reimbursement for eligible research and development 'R&D' expenditure up to a maximum of \$5.0 million per annum (excluding GST). The three year term of the Callaghan Growth Grant concluded on 30 September 2016 and the Group was granted an extension for a further two year period to 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. DERIVATIVE FINANCIAL INSTRUMENTS

	2017		2018	
	Assets NZ\$M	Liabilities NZ\$M	Assets NZ\$M	Liabilities NZ\$M
CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	14.5	3.0	14.4	8.6
Foreign currency forward exchange contracts – not hedge accounted	-	0.1	-	-
Foreign currency option contracts – cash flow hedges	5.8	-	4.0	0.2
Foreign currency option contracts – time value	0.7	-	0.1	0.1
Interest rate swaps – cash flow hedges	0.1	0.5	0.1	0.1
Interest rate options – cash flow hedges	0.1	-	0.2	-
	21.2	3.6	18.8	9.0
NON-CURRENT				
Foreign currency forward exchange contracts – cash flow hedges	14.1	4.7	27.0	4.7
Foreign currency option contracts – cash flow hedges	7.9	-	8.4	-
Foreign currency option contracts – time value	1.5	-	0.6	-
Interest rate swaps – cash flow hedges	0.4	0.4	0.6	0.2
Interest rate options – cash flow hedges	0.2	-	0.3	-
	24.1	5.1	36.9	4.9

AP

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 generally applies hedge accounting to all derivative financial instruments.

The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or (2) hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as the 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. Any ineffective portion is recognised immediately in the Income Statement. Derivatives that are designated as hedges will be classified as non-current if they have maturities greater than 12 months after the balance sheet date.

Some components of hedge accounted derivatives are excluded from the designated risk. Cash flow hedges include only the intrinsic value of options. Time value on options is excluded from the hedge designation and is marked to market through Other Comprehensive Income and accumulated within a separate component of equity ('the Costs of Hedging Reserve' within 'Hedging Reserves') until such time as the related hedge accounted cash flows affect profit or loss. At this stage the cumulative amount is reclassified to profit or loss.

Master netting arrangements

The Group enters into derivative transactions under the International Swaps and Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting derivatives in the balance sheet. Netting arrangements are only enforceable upon early termination, for example, on occurrence of a credit default.

Refer to Note 22 for information on the calculation of fair values and maturity of undiscounted cash flows for these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

6. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

Contractual amounts of derivative financial instruments were as follows:

	2017 NZ\$M	2018 NZ\$M
Foreign currency forward contracts and options		
Sale commitments forward exchange contracts	582.1	879.3
Purchase commitments forward exchange contracts	60.5	60.7
Foreign currency borrowing forward exchange contracts	3.7	8.5
Collar option contracts – NZD call options purchased (i)	193.0	113.7
Collar option contracts – NZD put options sold (i)	214.1	125.5
Interest rate derivatives		
Interest rate swaps	53.7	42.1
Interest rate options	21.4	20.7

(i) Foreign currency contractual amounts of put and call options are equal.

Undiscounted foreign currency contractual amounts for outstanding hedges were as follows:

	Foreign Currency	
	2017 M	2018 M
Sale commitments		
United States dollars	US\$309.0	US\$294.5
European Union euros	€110.3	€210.7
Australian dollars	A\$14.2	A\$19.6
British pounds	£18.0	£21.5
Canadian dollars	C\$13.0	C\$21.0
Swedish kronor	kr16.5	kr38.3
Japanese yen	¥3,190.0	¥3,670.0
Chinese yuan	¥46.0	¥82.5
Korean won	₩3,746.2	₩8,553.7
Danish krone	-	kr4.5
Purchase commitments		
Mexican pesos	MEX\$815.5	MEX\$855.5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

7. TRADE AND OTHER RECEIVABLES

	2017 NZ\$M	2018 NZ\$M
CURRENT		
Trade receivables	116.5	128.3
Provision for doubtful trade receivables	(1.1)	(0.5)
	115.4	127.8
Other receivables	14.2	18.2
	129.6	146.0

AP

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Bad debts are written off when they are considered to have become uncollectable.

Trade receivables credit risk

As at balance date 86% of trade receivables were current (2017: 87%) with less than 1% (2017: 2%) more than 90 days past due. The total provision for doubtful debts covers the majority of these past due balances.

Customer and receivable concentration

	2017	2018
Five largest customers' proportion of the Group's:		
Operating revenue	19.8%	17.5%
Trade receivables	16.2%	12.9%

There is no history of default in relation to these customers. Further information about the credit quality and the Group's exposure to credit risk can be found in Note 22.

8. INVENTORIES

	2017 NZ\$M	2018 NZ\$M
Materials	35.6	32.6
Finished products	110.2	103.1
Provision for obsolete inventories	(10.8)	(10.3)
	135.0	125.4

AP

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. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

9. PROPERTY, PLANT AND EQUIPMENT

AP

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. Valuations are performed with sufficient regularity to ensure that the fair value does not differ materially from its carrying amount.

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. This cost includes labour attributable to bringing the assets to the location and working condition for its intended use.

Depreciation is generally calculated using the straight line method and is expensed over the estimated useful lives. Depreciation methods, residual values and useful lives are reassessed at each reporting date. Estimated useful lives are as follows:

Buildings – structure	25 – 50 years
Buildings – fit-out and other	3 – 50 years
Plant and equipment	3 – 15 years

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.

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 the Income Statement, 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.

E

Land revaluation

New Zealand

The New Zealand land holding was valued by Jones Lang LaSalle (JLL), with an effective date of 31 March 2017 in accordance with the Australia and New Zealand Property Institute Valuation Standards and the provisions of NZ IAS 16 'Property, Plant and Equipment' and NZ IFRS 13 'Fair Value Measurement'. The valuation was performed using a comparable sales comparison methodology based on average prices per square metre of \$311 for land that has improvements and \$305 for undeveloped land.

The change in value from the 2015 valuation, being an increment of \$21.0 million, was included in other comprehensive income for the 2017 year and added to the asset revaluation reserve in equity.

The independent valuation of the New Zealand land and buildings, excluding capital projects and leasehold improvements, conducted by JLL as at 31 March 2017 was \$295.8 million.

The historical cost of the land at the East Tamaki campus is \$63.5 million (2017: \$63.5 million).

Mexico

During the year the acquisition of approximately 15 hectares of land in Tijuana, Mexico was completed at a cost of NZ\$21.1 million.

As described in Note 22 land in Mexico and New Zealand is considered to be a level 3 asset within the fair value hierarchy for valuation purposes. There are certain estimates associated with determining fair value, with the significant input being comparable land sales information per square metre. The Directors consider that the carrying value of the land at 31 March 2018 remains consistent with the current market value, based on freely available market information and discussion with valuation professionals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Land	Buildings	Plant & equipment	Capital projects	Total	
	Fair Value	Structure	Fit out and other	Buildings (i)	Other	
	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	
Cost and revaluation						
Balance at 31 March 2016	95.7	89.4	127.4	235.7	0.6	605.8
Revaluation	21.0	-	-	-	-	21.0
Additions	0.3	-	0.8	25.3	3.3	46.9
Transfers	-	0.1	0.5	24.0	(0.6)	-
Disposals	-	-	-	(4.5)	-	(4.5)
Balance at 31 March 2017	117.0	89.5	128.7	280.5	3.3	669.2
Additions	19.9	-	1.1	8.4	20.5	86.1
Transfers	1.2	-	1.9	30.8	(1.0)	-
Disposals	-	-	-	(36.0)	-	(36.0)
Foreign exchange differences	0.1	-	-	-	-	0.1
Balance at 31 March 2018	138.2	89.5	131.7	283.7	22.8	719.4
Depreciation and impairment losses						
Balance at 31 March 2016	-	14.5	52.2	149.4	-	216.1
Depreciation charge for the year	-	1.8	6.1	24.3	-	32.2
Disposals	-	-	-	(4.3)	-	(4.3)
Balance at 31 March 2017	-	16.3	58.3	169.4	-	244.0
Depreciation charge for the year	-	1.8	6.5	26.7	-	35.0
Disposals	-	-	-	(36.0)	-	(36.0)
Balance at 31 March 2018	-	18.1	64.8	160.1	-	243.0
Carrying amounts						
At 31 March 2016	95.7	74.9	75.2	86.3	0.6	389.7
At 31 March 2017	117.0	73.2	70.4	111.1	3.3	425.2
At 31 March 2018	138.2	71.4	66.9	123.6	22.8	476.4

(i) Includes land improvement projects in progress

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

10. INTANGIBLE ASSETS

	Software	Patents, trademarks & applications	Other	ERP project in progress	Total
	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Cost					
Balance at 31 March 2016	35.6	26.3	5.0	1.3	68.2
Additions	7.0	7.7	-	1.0	15.7
Transfers	2.0	-	-	(2.0)	-
Disposals	(0.2)	-	-	-	(0.2)
Balance at 31 March 2017	44.4	34.0	5.0	0.3	83.7
Additions	4.4	8.0	-	3.2	15.6
Transfers	0.3	-	-	(0.3)	-
Disposals	(0.9)	-	-	-	(0.9)
Balance at 31 March 2018	48.2	42.0	5.0	3.2	98.4
Amortisation and impairment losses					
Balance at 31 March 2016	13.6	15.3	3.6	-	32.5
Amortisation for the year	3.3	3.6	-	-	6.9
Disposals	(0.2)	-	-	-	(0.2)
Balance at 31 March 2017	16.7	18.9	3.6	-	39.2
Amortisation for the year	3.6	6.0	-	-	9.6
Disposals	(0.8)	-	-	-	(0.8)
Balance at 31 March 2018	19.5	24.9	3.6	-	48.0
Carrying amounts					
At 31 March 2016	22.0	11.0	1.4	1.3	35.7
At 31 March 2017	27.7	15.1	1.4	0.3	44.5
At 31 March 2018	28.7	17.1	1.4	3.2	50.4

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

AP

Software: Acquired computer software licences are initially capitalised at cost, which includes the purchase price and other directly attributable cost of preparing the asset for its intended use including employee costs. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software. Software costs are amortised over the useful economic life of 3 to 15 years.

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 or a trademark registration is not continued or renewed, the unamortised costs are expensed immediately.

The ERP implementation project is being capitalised in stages as each implementation is undertaken. As each implementation is completed its costs are transferred from ERP project in progress to Software.

11. INCOME TAX

INCOME TAX EXPENSE

	2017 NZ\$M	2018 NZ\$M
Profit before tax	238.5	267.8
Tax expense at the New Zealand rate of 28%	66.8	75.0
Adjustments to tax:		
Non-assessable income	(0.4)	(0.4)
Non-deductible expenses	1.3	1.7
Foreign rates other than 28%	0.9	1.1
Effect of foreign currency translations	0.6	(0.1)
Prior period under provision	0.1	0.3
Tax expense	69.3	77.6
This is represented by:		
Current tax	70.8	77.1
Deferred tax	(1.5)	0.5
Tax expense	69.3	77.6
Effective tax rate	29.1%	29.0%

IMPUTATION CREDITS

	M	M
New Zealand imputation credits available for use in subsequent reporting periods	NZ\$70.5	NZ\$92.5
Australian franking credits available for use in subsequent reporting periods	A\$7.5	A\$8.3

AP

Tax expense comprises current and deferred tax. Tax expense is recognised in the Income Statement except to the extent that it relates to items recognised outside of the Income Statement, in which case it is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date. It also includes any adjustment to tax payable in respect of previous financial years.

Deferred tax arises due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for tax purposes.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

11. INCOME TAX CONTINUED**DEFERRED TAX**

	Provisions and accruals	Property, plant and equipment	Intangibles	Financial instruments	Other	Total
	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M	NZ\$M
Balance at 31 March 2016	37.8	(17.6)	4.3	(4.7)	(0.2)	19.6
Amounts recognised in other comprehensive income	-	-	-	(4.5)	-	(4.5)
Amounts recognised directly in equity	-	-	-	-	0.9	0.9
Amounts recognised in the Income Statement	4.5	(1.0)	(2.6)	0.3	0.3	1.5
Balance at 31 March 2017	42.3	(18.6)	1.7	(8.9)	1.0	17.5
Amounts recognised in other comprehensive income	-	-	-	(1.4)	-	(1.4)
Amounts recognised directly in equity	-	-	-	-	1.9	1.9
Amounts recognised in the Income Statement	2.4	(0.6)	(1.9)	(0.6)	0.2	(0.5)
Balance at 31 March 2018	44.7	(19.2)	(0.2)	(10.9)	3.1	17.5

Deferred tax assets and liabilities are offset within the Balance Sheet where they relate to income taxes levied by the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

12. INTEREST-BEARING LIABILITIES

	2017 NZ\$M	2018 NZ\$M
CURRENT		
Bank overdrafts	15.7	16.1
Borrowings	5.4	13.8
	21.1	29.9
NON-CURRENT		
Borrowings expiring		
Between one and two years	8.4	-
Between two and three years	3.0	52.5
Between three and four years	28.5	-
Between four and five years	-	-
	39.9	52.5

AP

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, borrowings are measured at amortised cost, applying the effective interest rate method. Financing expenses directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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 reporting date.

Borrowing facilities

Borrowings have been aged in accordance with the expiry dates of the facilities as there are no required principal payments before the expiry of each facility. At balance date the weighted average interest rate is 2.4% (2017: 2.8%).

Key lenders to the Group are Debt Certificate Holders under the Negative Pledge Deed. In April 2017, an amended Negative Pledge Deed was executed. The negative pledge includes the covenant that security can be given only in limited circumstances.

The companies in the Group providing the undertakings under the amended Negative Pledge Deed are:

Fisher & Paykel Healthcare Corporation Limited
 Fisher & Paykel Healthcare Limited
 Fisher & Paykel Healthcare Treasury Limited
 Fisher & Paykel Healthcare Properties Limited

The principal covenants of the negative pledge are that:

- the interest cover ratio for the Group shall not be less than 3 times earnings before interest, tax, depreciation and amortisation (EBITDA);
- the net tangible assets of the Group shall not be less than \$200 million; and
- the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

Refer to Note 22 (d) for further information on these covenants.

	2017 NZ\$M	2018 NZ\$M
Unused lines of credit		
Bank overdraft facilities	23.6	26.8
Borrowing facilities	150.5	138.5
	174.1	165.3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

13. TRADE AND OTHER PAYABLES

	2017 NZ\$M	2018 NZ\$M
CURRENT		
Trade payables	29.3	32.7
Employee entitlements	39.4	43.4
Other payables and accruals	34.3	36.7
	103.0	112.8
NON-CURRENT		
Employee entitlements	7.1	8.0
Other payables and accruals	1.5	0.6
	8.6	8.6

AP

Trade and other payables 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.

Refer to Note 18 for further details of employee entitlements and benefits.

14. PROVISIONS

	2017 NZ\$M	2018 NZ\$M
Warranty provision		
CURRENT		
Balance at beginning of the year	3.9	3.2
Current year provision	4.4	8.6
Warranty expenses incurred	(5.1)	(7.1)
Balance at end of the year	3.2	4.7
NON-CURRENT		
Balance at beginning of the year	2.4	2.0
Current year provision	(0.4)	0.1
Warranty expenses incurred	-	-
Balance at end of the year	2.0	2.1

AP

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

Warranty

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

15. SHARE CAPITAL

	2017 NZ\$M	2018 NZ\$M
Share capital at beginning of the year	165.6	183.5
Issue of share capital under dividend reinvestment plan (i)	13.9	11.4
Issue of share capital	0.8	0.5
Increase in share capital under share based payment schemes for employee services	3.2	6.0
Share capital at end of the year	183.5	201.4
Less treasury shares (ii)	(1.7)	(3.0)
	181.8	198.4

Number of issued shares

Number of shares on issue at beginning of the year	563,841,265	567,686,436
Shares issued:		
Dividend reinvestment plan (i)	1,478,690	946,443
Employee share purchase schemes	-	182,982
Exercise of share options	296,540	138,619
Exercise of share options under cancellation facility	1,502,991	1,727,514
Exercise of performance share rights	566,950	548,270
Number of shares on issue at end of the year	567,686,436	571,230,264
Less treasury shares (ii)	(310,176)	(425,725)
	567,376,260	570,804,539

AP

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 equityholders 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 equityholders.

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

- (i) 946,443 (2017: 1,478,690) shares were issued under the Company's dividend reinvestment plan at an average price of \$12.05 (2017: \$9.36) per share.
- (ii) The treasury shares are used to recognise those shares held and controlled by Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.

16. EARNINGS PER SHARE

	2017 NZ\$M	2018 NZ\$M
Profit after tax	169.2	190.2
Weighted average number of ordinary shares	566,124,701	570,023,436
Adjustment for share options and PSRs	8,214,477	6,426,201
Weighted average number of ordinary shares for diluted earnings per share	574,339,178	576,449,637
Basic earnings per share (cents per share)	29.9 cps	33.4 cps
Diluted earnings per share (cents per share)	29.5 cps	33.0 cps

AP

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.

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 and Performance Share Rights (PSRs) are convertible into the Company's shares, and are therefore considered dilutive securities for diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

17. RESERVES

	2017 NZ\$M	2018 NZ\$M
Hedging reserves	26.5	30.2
Asset revaluation reserve	53.5	53.5
Share based payments reserves	8.8	12.0
Foreign currency translation reserve	-	-
Total reserves	88.8	95.7

Nature and purpose of reserves

Hedging reserves

Cash flow hedge reserve: This reserve is used to record unrealised gains or losses on hedging instruments that are recognised directly in equity.

Costs of hedging reserve: This reserve contains the cumulative net change in the time value on currency options which are excluded from hedge designations of foreign currency risk.

Amounts are recycled to the Income Statement when the associated hedged transactions affect the Income Statement.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of land. For details refer to Note 9.

Share based payments reserves

Employee share option reserve: This reserve is used to recognise the fair value of options and performance share rights granted but not exercised or lapsed. Tax deductions in excess of the cumulative share based payment expense are recognised in equity.

Amounts are transferred to share capital (including income tax benefits) when the vested options or performance share rights are exercised by the employee or lapse upon expiry.

Employee share entitlement reserve: This reserve is used to recognize the fair value of shares granted but not vested. Amounts are transferred to share capital when the shares vest to the employee.

Foreign currency translation reserve

The foreign currency translation reserve contains foreign exchange differences arising on consolidation of assets and liabilities of overseas entities with a functional currency other than New Zealand dollars.

Dividends

All dividends are recognised as distributions to shareholders.

During the year, supplementary dividends of \$10.7 million were paid to non resident shareholders (2017: \$9.5 million), for which the Group received a foreign tax credit entitlement. The foreign tax credit entitlement is presented net of income taxes paid within the Cash Flow Statement.

	Cents per share	NZ\$M
Dividends		
2016 final	10.00	56.5
2017 interim	8.25	46.8
31 March 2017	18.25	103.3
2017 final	11.25	64.0
2018 interim	8.75	49.9
31 March 2018	20.00	113.9

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

18. EMPLOYEE BENEFITS

	2017 NZ\$M	2018 NZ\$M
Wages and salaries	273.5	302.7
Other employment costs	13.7	15.2
Employer contributions to defined contribution superannuation plans inclusive of tax	7.0	8.4
Equity settled share based payment expense	4.1	4.9
Movement in liability for long service leave	1.2	0.7
	299.5	331.9

AP

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 within employee entitlements 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.

Equity settled share based payments

The fair value (at grant date) of performance share rights (PSRs) and options granted to employees is recognised as an employee expense in the Income Statement over the vesting period with a corresponding increase in the employee share based payment reserve. When options or PSRs are exercised, the amount in the share based payment reserve relating to those options, together with the option exercise price paid by the employee, is transferred to share capital. When any vested options or PSRs lapse, upon employee termination or unexercised options reaching maturity, the amount in the share based payment reserve relating to those options or PSRs is also transferred to share capital.

Long service leave

The liability for long service leave is recognised in employee entitlements in trade and other payables 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.

a) Employee share based compensation

The Board believes that the issue of a combination of options and share rights broadly in equal value proportions provides appropriate incentive for participating employees to grow the total shareholder return of the Company. The combination of the Option Plan and the Share Rights Plan assists the Group to attract, motivate and retain key employees in an environment where such employees are in high demand both within New Zealand and internationally. Options and share rights are issued to employees under the Option Plan and Share Rights Plan as a long-term component of remuneration in accordance with the Group's remuneration policy. Details of the Option and Share Rights issues are described below.

(i) Employee option plans

The Employee Share Option Plans allow Group employees to acquire shares of the Company. One option gives the employee the right to subscribe for one ordinary share in the Company subject to meeting the vesting conditions. No amount is payable for the grant of options.

Options vest at any time between the third and the fifth anniversary of the grant date, as long as the Company's share price on the NZX has, at any time on or after the third anniversary, exceeded the "escalated price" and as long as the employee remains in the service of the Group. This "escalated price" is determined using a base price established on or around the grant date being the volume weighted average price for a share on the NZX for the 5 business days prior to the grant date; and

- increasing the last calculated base price each year by a percentage determined by the Board, based on independent advice, to represent the Company's cost of capital; and
- reducing the resulting figure by any dividend paid by the Company in respect of a share in the 12 month period immediately preceding that anniversary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

18. EMPLOYEE BENEFITS CONTINUED

(ii) Employee performance share rights plan

The Employee Performance Share Rights (PSR) Plan allows Group employees to acquire shares of the Company. One share right gives the employee the potential to exercise a share right for an ordinary share in the Company at no cost. Share rights become exercisable if the Company's gross total shareholder return (TSR) performance exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index (DJSMQDT) in New Zealand dollars over the same period. If the Company's TSR performance exceeds that of the DJSMQDT at either of the third, fourth or fifth anniversary of the grant date of the PSRs, some or all of the PSRs become exercisable as long as the employee remains in the service of the Group. Where an employee has exercised a portion of their PSRs before the fifth anniversary of the grant date, the remaining PSRs lapse at the time that portion has been exercised.

All unexercised PSRs and options expire on the fifth anniversary of the grant date.

PSRs and options granted to employees have no voting rights until they have been exercised and ordinary shares issued.

(iii) Other Employee share and stock purchase plans

All New Zealand and Australian full time employees are eligible, after a qualifying period, to participate in the Employee Share Purchase Plans, which operate in accordance with sections DC13 and 14 of the New Zealand Income Tax Act 2007, with no interest being charged on the loans, and shares issued at a discount of 20% of market price. The qualifying period between grant and vesting date is 3 years, at which point the shares are transferred to the employees and become freely transferable. 425,725 shares (2017: 310,176) are held by the Trustees of the plans, being 0.1% (2017: 0.1%) of the Company's issued and paid up capital. At 31 March 2018 the total receivable owing from employees was \$1.4 million (2017: \$0.7 million).

North American employees working more than 20 hours per week, in accordance with section 423 of the US Internal Revenue Code, as amended are eligible to participate in an Employee Stock Purchase Plan. Shares under this Plan are issued at a discount of 15%, are allocated to employees at the time of issue and vest immediately. Shares issued under this plan in 2018 totalled 40,409 shares (2017: nil).

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

	2017		2018	
	Performance Share Rights	Options	Performance Share Rights	Options
Number outstanding				
As at beginning of the year	1,612,560	7,508,036	1,410,109	6,326,248
Granted during the year	401,605	1,236,607	408,183	1,119,685
Exercised during the year	(566,950)	(2,308,366)	(548,270)	(2,527,553)
Lapsed during the year	(37,106)	(110,029)	(38,709)	(90,392)
As at end of the year	1,410,109	6,326,248	1,231,313	4,827,988
Exercisable at year end	2,530	2,404,570	1,480	1,299,717
Number of employees holding employee share options and PSRs	521	521	503	503
Weighted average exercisable price	-	\$5.56	-	\$8.16
Weighted average contractual life (months)	40	30	41	33
Fair value of share options or rights granted during the year (NZ\$M)	2.5	2.5	3.2	3.0
Fair value of share options or rights granted during the year (\$ per share)	\$6.25	\$2.03	\$7.72	\$2.72

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

18. EMPLOYEE BENEFITS CONTINUED**Key inputs and assumptions**

	2017	2018
Performance Share Rights		
Share price at grant date	\$9.85	\$12.13
NZD/USD exchange rate of grant date	0.7340	0.7260
5 year NZD risk free rate	1.79%	2.47%
5 year USD risk free rate	1.53%	1.76%
Expected/historical share price volatility	27.00%	27.00%
Expected/historical NZD/USD volatility	13.00%	12.00%
Expected/historical DJSMDQT index volatility	15.00%	14.00%
Employee Option Plans		
Share price at grant date	\$9.85	\$12.13
Exercise price at grant date	\$9.82	\$11.81
Expected/historical share price volatility	27.00%	27.00%
Dividend yield	2.18%	1.55%
Option life (years)	5	5
Risk free interest rate	1.79%	2.47%
Cost of equity	8.10%	8.60%

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

b) Key management and director compensation

	2017 NZ\$M	2018 NZ\$M
Short term benefits	5.5	6.6
Directors fees	0.9	1.0
Share based benefits	1.0	1.1
Employer contributions to defined contribution superannuation plans	0.2	0.2
	7.6	8.9

Key management personnel includes the Chief Executive Officer and direct reports. The amounts of key management and director compensation outstanding as at balance date are \$2.5 million (2017: \$1.6 million).

The table excludes any dividends received on the Company's shares held by the Directors or key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

19. CONTINGENT LIABILITIES

E

Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

United States: In August 2016, Fisher & Paykel Healthcare filed patent infringement proceedings in the US District Court for the Southern District of California seeking judgment that ResMed's AirSense 10 and AirCurve 10 range of flow generator products, ClimateLineAir heated air tubing, and water chambers for use with such flow generator products, as well as Swift LT and Swift FX masks infringe patents held by Fisher & Paykel Healthcare. ResMed responded that the patents asserted are not infringed and/or are invalid.

ResMed also filed a counterclaim in the US District Court for the Southern District of California seeking judgment that Fisher & Paykel Healthcare's Simplus and Eson range of masks used in the treatment of OSA infringe patents held by ResMed. Fisher & Paykel Healthcare responded that it does not infringe and/or the patents of ResMed are invalid.

Also in August 2016, ResMed requested that the US International Trade Commission (ITC) conduct an investigation into patent infringement allegations. Shortly before the start of the trial in May 2017, ResMed withdrew its complaint to the ITC. ResMed indicated at the time that it intended to file an additional ITC complaint but has not yet done so.

Both Fisher & Paykel Healthcare and ResMed have filed for inter partes review (IPR) with the US Patent Trial and Appeal Board (PTAB) of the patents asserted by the other in the US. The PTAB has issued decisions in respect of a number of the patents in dispute, invalidating some of the patent claims asserted by each party and upholding others. Several decisions on IPRs filed by Fisher & Paykel Healthcare against ResMed patents are still pending. A number of the decisions issued by the PTAB have been appealed by the parties to the US Court of Appeals for the Federal Circuit.

Germany: ResMed initiated patent infringement proceedings in the Regional Court in Munich in relation to Fisher & Paykel Healthcare's Simplus and Eson range of masks. Two of these proceedings are currently stayed pending the outcome of challenges to the validity of ResMed's patents that will be heard by the European Patent Office. The third will be heard by the Regional Court in Munich in late 2018.

Fisher & Paykel Healthcare also filed patent infringement proceedings against ResMed in the Regional Court in Munich in relation to ResMed's AirSense 10 and AirCurve 10 range of flow generator products and Lumis series of non-invasive ventilators. One case is currently stayed pending the outcome of a validity challenge and one is awaiting its second hearing which has been scheduled for late 2018. In a third case the court ruled that a German utility model patent was not infringed. Fisher & Paykel Healthcare has appealed that decision.

New Zealand: In August 2016, ResMed initiated proceedings in the High Court of New Zealand in relation to Fisher & Paykel Healthcare's ICON CPAP device and Simplus, Eson and Eson 2 masks. Fisher & Paykel Healthcare responded that the patents asserted are not infringed and has filed a counterclaim in the High Court of New Zealand that the asserted patents are invalid and should be revoked. In March 2018, ResMed narrowed its claims, dropping the infringement case against the ICON CPAP device and the Eson mask.

United Kingdom: In the United Kingdom Fisher & Paykel Healthcare sought a declaration of non-infringement and invalidity in the High Court of Justice Chancery Division Patents Court in respect of three patents asserted against Fisher & Paykel Healthcare in Germany. ResMed counterclaimed for infringement. In November 2017, just before the trial was to start, ResMed conceded to the revocation of two of its patents in the UK. The trial proceeded in relation to a third patent and the Court found that ResMed's patent was invalid in its entirety. This patent has consequently been revoked in the UK.

Australia: In December 2017, Fisher & Paykel Healthcare initiated proceedings against ResMed in the Federal Court of Australia in relation to ResMed's AirSense 10, AirCurve 10, S9 and S9 VPAP flow generators, Lumis non-invasive ventilators, ClimateLine and ClimateLineAir heated air tubing and HumidAir heated humidifier. ResMed responded that the patents asserted are not infringed and has filed a counterclaim in the Federal Court of Australia that the asserted patents are invalid and should be revoked.

20. COMMITMENTS

	2017 NZ\$M	2018 NZ\$M
Capital expenditure commitments contracted for but not recognised as at the reporting date		
Within one year	34.8	99.1
Between one and two years	2.1	50.3
Between two and five years	-	2.1
	36.9	151.5
Gross commitments under non-cancellable operating leases		
Within one year	8.1	8.8
Between one and two years	7.1	6.7
Between two and five years	10.7	7.2
Over five years	0.9	-
	26.8	22.7

Leases

AP

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.

Operating lease commitments relate mainly to building leases. Certain building leases give the Group the right to renew the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

21. SEGMENT INFORMATION

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 'Operating Segments' the CODM is a group comprising the Board of Directors (which includes the Chief Executive Officer), 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.

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 hospital and homecare settings. 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) **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. In addition to the manufacturing activity, the new properties company located in Mexico is also included in the New Zealand segment. The sales and distribution activity principally relates to New Zealand, Latin America, Africa, the Middle East and other countries in Asia not included in 4) below. Also included are sales made to countries within Europe and Asia-Pacific where the management of the sale is from New Zealand.

2) **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.

3) **Europe.** Includes all activities controlled by entities or employees based in the United Kingdom, France, Germany, Sweden, Turkey and Russia, principally sales, distribution and administration activities. These sales and distribution hubs also distribute product into neighbouring European countries.

4) **Asia Pacific.** Includes all activities controlled by entities or employees based in Australia, Japan, India, China, South Korea, Taiwan and Hong Kong, principally sales, distribution and administration activities.

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 the New Zealand segment to other segments, and shared costs.

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment operating profit or earnings before interest and tax (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.

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 in Note 4. Assets are not split by product group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

21. SEGMENT INFORMATION CONTINUED**Operating Segments**

	New Zealand NZ\$M	North America NZ\$M	Europe NZ\$M	Asia Pacific NZ\$M	Eliminations NZ\$M	Total NZ\$M
2017						
Sales revenue – external	59.2	427.5	245.8	137.0	-	869.5
Sales revenue – internal	648.0	-	-	-	(648.0)	-
Foreign exchange gain on hedged sales	24.9	-	-	-	-	24.9
Total operating revenue	732.1	427.5	245.8	137.0	(648.0)	894.4
Other income	5.0	-	-	-	-	5.0
Depreciation and amortisation	35.7	3.2	0.9	0.8	(1.5)	39.1
Segment operating profit before financing costs	235.8	11.7	7.6	6.8	(21.8)	240.1
Financing income	2.8	-	-	-	(2.4)	0.4
Financing expense	(2.4)	(2.6)	(0.6)	(0.3)	2.4	(3.5)
Exchange gain (loss) on foreign currency borrowings	1.8	-	(0.3)	-	-	1.5
Segment net profit before tax	238.0	9.1	6.7	6.5	(21.8)	238.5
Segment assets	841.0	148.3	104.8	63.3	(279.2)	878.2
Segment capital expenditure	58.7	1.8	1.3	1.2	-	63.0
2018						
Sales revenue – external	70.1	448.0	282.2	164.2	-	964.5
Sales revenue – internal	671.1	-	-	-	(671.1)	-
Foreign exchange gain on hedged sales	16.3	-	-	-	-	16.3
Total operating revenue	757.5	448.0	282.2	164.2	(671.1)	980.8
Other income	5.0	-	-	-	-	5.0
Depreciation and amortisation	41.2	4.8	0.9	0.9	(3.2)	44.6
Segment operating profit before financing costs	245.0	12.3	10.5	10.7	(8.7)	269.8
Financing income	4.8	-	-	-	(3.2)	1.6
Financing expense	(3.3)	(2.7)	(0.6)	(0.3)	3.2	(3.7)
Exchange gain (loss) on foreign currency borrowings	0.2	-	(0.1)	-	-	0.1
Segment net profit before tax	246.7	9.6	9.8	10.4	(8.7)	267.8
Segment assets	1,004.4	143.1	120.1	71.7	(314.2)	1,025.1
Segment capital expenditure	96.6	0.7	0.4	1.0	-	98.7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

22. 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 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.

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, 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.

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. 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.

(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 options. Interest rate swaps have the economic effect of converting borrowings from floating to fixed rates. Interest rate options 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 and options are accounted for as cash flow hedges.

The carrying amounts of significant financial assets and liabilities are denominated in the following foreign currencies:

	NZD NZ\$M	USD NZ\$M	EUR NZ\$M	JPY NZ\$M	AUD NZ\$M	CAD NZ\$M	GBP NZ\$M	MXN NZ\$M	Other NZ\$M	Total NZ\$M
2017										
Cash	48.2	5.0	1.9	0.1	0.4	0.6	-	1.0	4.1	61.3
Trade receivables	1.5	55.0	27.0	11.6	5.5	5.2	3.6	-	7.1	116.5
Trade and other payables	(27.9)	(15.4)	(6.3)	(1.9)	(2.9)	(0.7)	(2.4)	(3.9)	(3.7)	(65.1)
Bank overdraft	-	(2.1)	(4.2)	(6.3)	(0.7)	-	(2.1)	-	(0.3)	(15.7)
Borrowings	-	(28.5)	(11.4)	-	(3.6)	(1.8)	-	-	-	(45.3)
	21.8	14.0	7.0	3.5	(1.3)	3.3	(0.9)	(2.9)	7.2	51.7
2018										
Cash	12.7	11.6	2.1	0.2	-	0.4	-	1.5	3.4	31.9
Short term investments	100.4	-	-	-	-	-	-	-	-	100.4
Trade receivables	1.4	53.3	31.7	14.3	6.9	5.5	5.2	-	10.0	128.3
Trade and other payables	(25.3)	(20.5)	(8.5)	(1.6)	(3.1)	(0.5)	(2.9)	(4.0)	(3.6)	(70.0)
Bank overdraft	-	(2.7)	(4.0)	(6.2)	(0.7)	(0.2)	(1.0)	-	(1.3)	(16.1)
Borrowings	-	(52.5)	(8.5)	-	(3.5)	(1.8)	-	-	-	(66.3)
	89.2	(10.8)	12.8	6.7	(0.4)	3.4	1.3	(2.5)	8.5	108.2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

22. FINANCIAL RISK MANAGEMENT CONTINUED

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 +/-10% for foreign exchange risk has been selected (2017: +/-10%). 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 +/-10% 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 (2017: +/-1%). 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.

All variables other than the applicable interest rates and exchange rates are held constant.

	2017		2018	
	NZ\$M	NZ\$M	NZ\$M	NZ\$M
	-1%	+ 1%	-1%	+ 1%
Interest rate change				
Impact on net profit after tax	(0.2)	0.2	(0.6)	0.6
Impact on hedging reserves (within equity)	(1.8)	1.8	(1.9)	2.0
	(2.0)	2.0	(2.5)	2.6
	-10%	+ 10%	-10%	+ 10%
Foreign exchange rate change				
Impact on net profit after tax	3.0	(2.7)	0.8	(0.7)
Impact on hedging reserves (within equity)	(49.1)	42.2	(63.3)	52.7
	(46.1)	39.5	(62.5)	52.0

Fair value estimation

NZ IFRS 13 for financial assets and liabilities measured at fair value requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

All the Group's financial instruments held at fair value have been measured at the fair value measurement hierarchy of level 2 (2017: level 2), as all significant inputs required to ascertain the fair value are observable.

The fair value of derivative instruments designated in a hedging relationship is determined using the following valuation techniques:

- Foreign currency forward exchange contracts have been fair valued using quoted forward exchange rates and discounted using yield curves from quoted interest rates that match the maturity dates of the contracts.
- Foreign currency option contracts have been fair valued using observable option volatilities, and quoted forward exchange and interest rates that match the maturity dates of the contracts.
- Interest rate swaps are fair valued by discounting the future interest and principal cash flows using current market interest rates that match the maturity dates of the contracts.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Refer to Note 9 for further information about land that is measured at fair value including a summary of the valuation techniques used.

All financial assets other than derivatives are classified as loans and receivables. All financial liabilities other than derivatives are classified as measured at amortised cost. Financial liabilities measured at amortised cost are fair valued using the contractual cash flows. The carrying value of financial assets and liabilities other than derivatives approximates their fair value. In considering the fair value of interest bearing assets and liabilities the estimated future interest rates approximate the discount rates used in a fair value assessment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

22. FINANCIAL RISK MANAGEMENT CONTINUED**b. Liquidity risk**

Management monitors rolling forecasts of the Group's liquidity position on the basis of expected cash flow. The table below set out the contractual, undiscounted cash flows for non-derivative financial liabilities and derivative financial instruments.

	< 1 year NZ\$M	1-2 years NZ\$M	2-3 years NZ\$M	5+ years NZ\$M	Contractual cash flows NZ\$M	Consolidated Balance Sheet NZ\$M
2017						
Bank overdrafts	15.7	-	-	-	15.7	15.7
Trade and other payables	64.2	-	-	-	64.2	64.2
Borrowings	6.6	12.4	29.1	-	48.1	45.3
Total non-derivative financial liabilities	86.5	12.4	29.1	-	128.0	125.2
Foreign currency forward exchange contracts						
— Inflow	331.2	209.7	101.8	-	642.7	
— Outflow	(319.5)	(205.1)	(96.5)	-	(621.1)	
	11.7	4.6	5.3	-	21.6	20.8
Foreign currency option contracts						
— Inflow	-	-	-	-	-	
— Outflow	-	-	-	-	-	
	-	-	-	-	-	15.9
Interest rate derivative instruments net inflows (outflows) (i)	(0.5)	(0.2)	(0.1)	0.2	(0.6)	(0.1)
Total derivative financial instruments	11.2	4.4	5.2	0.2	21.0	36.6
2018						
Bank overdrafts	16.1	-	-	-	16.1	16.1
Trade and other payables	70.0	-	-	-	70.0	70.0
Borrowings	15.3	1.3	53.4	-	70.0	66.3
Total non-derivative financial liabilities	101.4	1.3	53.4	-	156.1	152.4
Foreign currency forward exchange contracts						
— Inflow	407.5	289.0	244.3	-	940.8	
— Outflow	(400.6)	(277.9)	(230.6)	-	(909.1)	
	6.9	11.1	13.7	-	31.7	28.0
Foreign currency option contracts						
— Inflow	-	-	-	-	-	
— Outflow	-	-	-	-	-	
	-	-	-	-	-	12.8
Interest rate derivative instruments net inflows (outflows) (i)	(0.1)	-	0.3	0.1	0.3	0.9
Total derivative financial instruments	6.8	11.1	14.0	0.1	32.0	41.7

(i) Interest rate swaps derivative cash flows are estimated using forward interest rates at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

22. FINANCIAL RISK MANAGEMENT CONTINUED

c. Credit risk

The Group incurs credit risk in respect of trade receivables, financial instruments, cash and cash equivalents and short-term investments in the normal course of business. The maximum exposure to credit risk is represented by the carrying value of these financial assets. Credit risk is managed on a Group basis with 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. There are no significant trade receivable balances relating to customers who have previously defaulted on amounts due to the Group.

Derivative counterparties, cash transactions, cash at banks and short-term investments 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. Over 97% of cash and short term investments (2017: 95%) is held with counterparties with credit rating of Standard and Poors' A- and above.

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.

d. 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 an appropriate capital structure, and manages the cost of capital. Group capital comprises all components of equity. 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.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

23. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 25 May 2018 the directors approved the payment of a fully imputed 2018 final dividend of \$71.4 million (12.5 cents per share) to be paid on 6 July 2018. A supplementary dividend of 2.2059 cents per share was also approved for eligible non-resident shareholders.

24. OTHER ACCOUNTING POLICIES

a. Changes to accounting policies

There have been no changes in accounting policies.

Where necessary comparative information has been reclassified to achieve consistency in disclosure with the current period.

b. Standards, Interpretations and Amendments to Published Standards

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

NZ IFRS 15, 'Revenue from Contracts with Customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction Contracts' and related interpretations. The standard is effective for the Group from 1 April 2018.

Management has assessed the effects of applying the new standard through the detailed assessment of significant and more complex contracts across the Group. The assessment identified minor differences between the current recognition of certain aspects of the Group's contracts and their recognition under NZ IFRS 15. The impact of these differences on the 2018 financial year has been assessed and is not material. The differences are also not expected to have a material impact on the Group in the foreseeable future.

The majority of revenue earned by the Group is derived from the satisfaction of a single performance obligation for each contract which is the sale of products. This revenue has historically been recognised at the time legal title of the products passes to the customer. The detailed assessment of contracts performed by Management has determined that the customer obtains control of products at the same time as legal title passes to the customer. In relation to the contract price, the detailed assessment performed by Management has not identified any material changes under NZ IFRS 15 to the accounting for rebates, discounts, or any other items of variable consideration.

NZ IFRS 16, 'Leases', has not been early adopted. The current accounting model for leases required a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. The standard becomes effective for periods beginning after 1 January 2019. Lease commitments as set out in Note 20 predominantly relate leased properties outside New Zealand that are expected to be brought onto the balance sheet. The adoption is not expected to have a significant impact on the Income Statement.

There are no other new standards or amendments to existing standards effective for the financial year ended 31 March 2018 which have or will have a material impact on the Group.

AP

c. Impairment of non-financial assets

Assets that have an indefinite useful life or are under development 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. 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).

d. Goods and Services Tax (GST)

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

e. 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.

f. Short-term investments

Short-term investments includes all other current investments that do not meet the definition of Cash and cash equivalents. The Group's balance is made up of deposits with financial institutions with maturities at the date of acquisition between 90 and 182 days.

g. Research and 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 or sale; 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; and 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.

h. 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.



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

The consolidated financial statements comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements of Fisher & Paykel Healthcare Corporation Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of *Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of accounting standards advice, risk management advice, treasury risk management advice, tax compliance, scrutineering the counting of votes at the Annual Shareholders Meeting, and other assurance services in relation to constant currency disclosures and the assessment of eligible expenditure for the purposes of the research & development growth grant. The provision of these other services has not impaired our independence as auditor of the Group.



OUR AUDIT APPROACH

Overview

An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: \$13 million, which represents 5% of profit before tax.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.

We have determined that there are two key audit matters:

- Legal proceedings with ResMed
- Revenue recognition

INDEPENDENT AUDITOR'S REPORT

Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our Group audit scope focused on the major operating subsidiaries which were selected based on their contribution to the Group's revenue or profit before tax. In aggregate, the subsidiaries selected contributed 84% of the Group's revenue and 93% of the Group's profit before tax.

Audits of each subsidiary are performed at a materiality level calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Legal proceedings with ResMed</p> <p>As described in Note 19, the Group is involved in patent litigation with ResMed. There are a number of ongoing related proceedings in multiple jurisdictions. This was an area of audit focus because the estimation of any likely financial reporting impact or potential outcome requires significant judgement due to the uncertainties associated with the litigation process. There is also a heightened risk that the associated disclosures may not be adequate.</p> <p>For proceedings where there has been no determination, no amount has been recorded in the financial statements for any potential asset or liability arising from the litigation process.</p>	<p>To understand the status of the litigation with ResMed across all jurisdictions we performed the following audit procedures:</p> <ul style="list-style-type: none"> • We held discussions with senior management and in-house legal counsel. • We read external legal advice received by the Group in relation to ongoing litigation. • We examined legal expenses incurred during the year to obtain an understanding of the status of proceedings through the costs incurred with external legal counsel. • We communicated directly with external legal advisors to ensure that our understanding of the ongoing litigation was complete and that our understanding of the fact pattern for each of the proceedings was accurate. <p>We reviewed the accuracy and adequacy of the disclosure in Note 19 based on the understanding obtained from the procedures described above.</p> <p>Based on the work performed, management's judgement in relation to the likely outcome of ongoing litigation was consistent with the results of the audit procedures we performed.</p>

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>The Group's revenue primarily consists of the sale of goods which totalled \$964.5 million in the year to 31 March 2018, as outlined in Note 4.</p> <p>There is complexity involved in the recognition of revenue as the Group's products are sold to customers in multiple territories with differing terms in the sales contracts.</p> <p>In addition, there is potential for management to manually intervene in the timing of the recognition of revenue.</p>	<p>Our audit procedures included evaluating the processes and controls in place over the recording of sales revenue.</p> <p>We utilised data assurance techniques to match cash received during the year to invoices issued to customers. For revenue transactions that were not completely settled via the receipt of cash or were not a receivable at balance date we obtained evidence that the transactions were valid and recognised in the correct financial year. For a sample of transactions within accounts receivable at balance date we obtained either a confirmation of the amount owing from the customer, or evidence that the amount owing was received by the Group subsequent to year end.</p> <p>We also utilised data assurance techniques to identify journal entries posted to revenue during the year and obtained evidence that any significant journals were appropriate and recorded in the correct period.</p> <p>We defined the time period, both before and after 31 March 2018, where there was a heightened risk of error in relation to the timing of recognition of sales transactions. This involved determining the potential time difference between when revenue is recognised in the accounting system, and when revenue should be recognised according to the range of applicable sales terms in the respective contracts. For a sample of transactions recognised within the defined time period we confirmed that the date on which revenue was recognised was appropriate by examining the associated invoice, the terms of the sales contract, and the relevant delivery documentation.</p> <p>We believe that the procedures performed responded to the heightened risk and no exceptions were identified.</p>

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

WHO WE REPORT TO

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Jonathan Skilton.

For and on behalf of:



Chartered Accountant
25 May 2018

Auckland



Corporate Governance

CORPORATE GOVERNANCE AND STATUTORY INFORMATION

The Board and management of Fisher & Paykel Healthcare are committed to ensuring that the company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses 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 NZX Corporate Governance Code and the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (collectively, the "Principles").

As at 25 May 2018, the Board considers that the company's corporate governance practices and procedures substantially reflect the Principles.

As encouraged by the ASX Corporate Governance Council, the company has published certain corporate governance disclosures on its website. These disclosures are set out in the company's Annual Corporate Governance Statement as approved by the company's Board on 25 May 2018 (the "2018 Corporate Governance Statement"), which is incorporated into this Annual Report by cross-reference and can be viewed at www.fphcare.co.nz/corporategovernance (the "Company's Website").

The full content of the company's corporate governance policies, practices and procedures can be found on the Company's Website.

THE BOARD

Board composition

There are eight directors on the Board. Seven of the eight directors are non-executive directors. Lewis Gradon, the Managing Director and Chief Executive Officer, is the only executive director on the Board. The Chair of the Board is Tony Carter.

During the twelve months to 31 March 2018:

- On 1 June 2017 Pip Greenwood was appointed to the Board as a non-executive director.
- At the company's annual shareholders' meeting on 24 August 2017:
 - (a) Lindsay Gillanders retired from the Board;
 - (b) Pip Greenwood stood for election and was elected to the Board; and
 - (c) Geraldine McBride and Tony Carter retired by rotation and, being eligible, offered themselves for re-election and were re-elected to the Board.

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 "Our Board" section of this Annual Report.

Independence of directors

The company considers that six of the current directors were independent directors, namely Tony Carter, Scott St John, Pip Greenwood, Geraldine McBride, Arthur Morris and Donal O'Dwyer. Please refer to the 2018 Corporate Governance Statement for more information about the company's assessment of the directors' independence.

Committees

Specific responsibilities are delegated to the Audit & Risk Committee, the People and Remuneration Committee and the Quality, Safety and Regulatory Committee.

The People and Remuneration Committee was formed on 2 May 2018, as a result of the Board's decision to amalgamate the duties and responsibilities of the Remuneration and Human Resources 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. Please refer to the 2018 Corporate Governance Statement for a summary of each committee's responsibilities and functions. Each committee has a charter detailing its objectives, procedures, composition and responsibilities. Copies of these charters are available on the Company's Website.

Committee membership

- Audit & Risk Committee – members of this committee are Scott St John (Chair), Tony Carter and Michael Daniell.
- People and Remuneration Committee – members of this committee are Pip Greenwood (Chair), Tony Carter, Donal O'Dwyer and Scott St John.
- Quality, Safety and Regulatory Committee – members of this committee are Arthur Morris (Chair), Tony Carter and Donal O'Dwyer.

Board processes

The Board held 8 meetings during the year ended 31 March 2018. The table below shows attendance at all meetings of the Board and committees referred to above. At the company's Annual Meeting of Shareholders held on 24 August 2017, all of the then-serving directors attended the meeting.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

	Board		Audit & Risk Committee		Remuneration and Human Resources Committee		Nomination Committee		Quality, Safety and Regulatory Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tony Carter	8	8	4	4	3	3	3	3	3	3
Lewis Gradon	8	8								
Michael Daniell ¹	8	8	3	3						
Lindsay Gillanders ²	3	3	1	1						
Pip Greenwood ³	7	7			2	2	2	2		
Geraldine McBride	8	7								
Arthur Morris	8	8							3	3
Donal O'Dwyer	8	8			3	3	3	3	3	3
Scott St John	8	8	4	4	3	3	3	3		

Directors' remuneration

The maximum total monetary sum payable by the company by way of directors' fees is \$1,050,000 per annum as approved by shareholders at the 2017 annual shareholders' meeting. This increase took effect from September 2017. As a result, for the year end 31 March 2018, the directors were paid at the previous remuneration rate for quarters 1 and 2, and an increased remuneration rate for quarters 3 and 4. The table below shows the total directors' fees paid by the company in the year ended 31 March 2018:

- 1 Joined Audit & Risk Committee on 24 August 2017.
- 2 Retired from Board on 24 August 2017.
- 3 Appointed to Board on 1 June 2017.

Director	Board Fees	Audit & Risk Committee	Remuneration and Human Resources Committee	Nomination Committee ¹	Quality, Safety and Regulatory Committee	Shares and other payments	Total remuneration
Tony Carter (Chair) ²	\$218,350	\$0	\$0	\$0	\$0		\$218,350
Michael Daniell ³	\$96,065	\$9,750					\$105,815
Lindsay Gillanders ⁴	\$38,867	\$6,625					\$45,492
Pip Greenwood ⁵	\$80,518		\$13,875 (Chair)				\$94,393
Geraldine McBride	\$95,642 ⁶						\$95,642
Arthur Morris	\$96,065				\$21,825 (Chair)		\$117,890
Donal O'Dwyer	\$96,065		\$13,725	\$0	\$16,375	\$21,200 (travel allowance)	\$147,365 ⁷
Scott St John	\$96,065	\$27,300 (Chair)	\$13,725	\$0			\$137,090
Total	\$817,637	\$43,675	\$41,325	\$0	\$38,200	\$21,200	\$962,037

Non-executive directors do not take a portion of their remuneration under an equity security plan but directors may 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 own shares in the company and to acquire any shares on-market.

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 NZX Main Board Listing Rules. More information about the NZX Main Board Listing Rules, and the Board resolution approved at the 2004 Annual Meeting of Shareholders, in each case relating to directors' retirement payments, is set out in the 2018 Corporate Governance Statement. A non-executive director's retirement allowance of NZ\$106,605, being an amount that did not exceed the total remuneration of Lindsay Gillanders in the three years preceding his retirement, was paid to Lindsay Gillanders following his retirement on 24 August 2017.

- 1 Fees for Nomination Committee role are included in Remuneration and Human Resources Committee fee. As noted above these committees have now merged into the People and Remuneration Committee.
- 2 No additional fees are paid to the Board Chair for committee roles.
- 3 Appointed to Audit & Risk Committee to replace Lindsay Gillanders on 24 August 2017.
- 4 Retired from the Board and the Audit & Risk Committee on 24 August 2017.
- 5 Appointed to the Board on 1 June 2017 and appointed Chair of Remuneration and Human Resources Committee fee on 1 October 2017.
- 6 Fee includes minor reduction for cost of airfares paid by the company in April 2017.
- 7 The remuneration for Donal O'Dwyer is set in NZD but paid in AUD at the prevailing exchange rate at the date of payment.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

CEO REMUNERATION

CEO Remuneration Disclosure

CEO remuneration 2018

2018	Salary	Employer superannuation contribution	Fixed remuneration subtotal	Annual Variable Remuneration (AVR)	Long-term Variable Remuneration (LTVR) Awarded	Subtotal	Total remuneration (single figure)
Lewis Gradon	\$992,639	\$74,690	\$1,067,329	\$629,253	\$616,327	\$1,245,580	\$2,312,909

CEO remuneration 2017

2017	Salary	Employer superannuation contribution	Fixed remuneration subtotal	Annual Variable Remuneration (AVR)	Long-term Variable Remuneration (LTVR) Awarded	Subtotal	Total remuneration (single figure)
Lewis Gradon	\$881,238	\$65,296	\$946,534	\$552,216	\$296,160	\$848,376	\$1,794,910

Two Year Summary – CEO remuneration

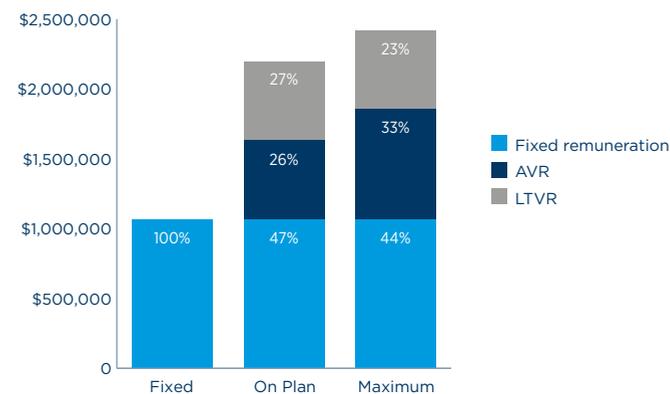
	Single Figure Remuneration	% AVR against maximum	Span of LTVR performance period
2018 Lewis Gradon	\$2,312,909	80%	3-5 years
2017 Lewis Gradon	\$1,794,910	86%	3-5 years

Explanation of the above benefits

- Lewis Gradon does not receive any directors fees.
- The FY18 Annual Variable Remuneration (AVR) was earned in FY18 but will be paid in FY19 and is included in the above FY18 AVR figures. The FY17 AVR was earned in FY17 but paid in FY18 and is included in the above FY17 AVR figures. AVR includes performance-based at-risk components and the company-wide profit share programme.
- Long-term Variable Remuneration (LTVR) includes the Share Option Plan and the Performance Share Rights (PSR) Plan. Details of the plans and valuation methodology is set out in note 18 to the financial statements. In FY18, Lewis Gradon was granted 40,598 performance share rights and 111,364 share options. In FY17, Lewis Gradon was granted 24,000 performance share rights and 72,000 share options. Share option and PSR plans granted in FY17 and FY18 will vest, if the performance criteria is met, in FY20 and FY21 respectively.

The remuneration disclosures for the Chief Executive Officer are influenced by the New Zealand Shareholders' Association's Framework for Reporting of CEO Remuneration in NZ Companies.

FY18 Total Remuneration



CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

CEO Remuneration Disclosure (continued)

Fixed Remuneration comprises salary and employer superannuation contributions as disclosed on the previous page of this report.

The annual variable remuneration plan pays out at 53% of fixed remuneration at target.

The long term variable remuneration amount represents awards granted in FY18 that will vest following the performance period 2020 to 2023.

The following long terms incentives vested in FY18. These awards were granted to Lewis in his previous capacity as Senior VP, Products and Technology:

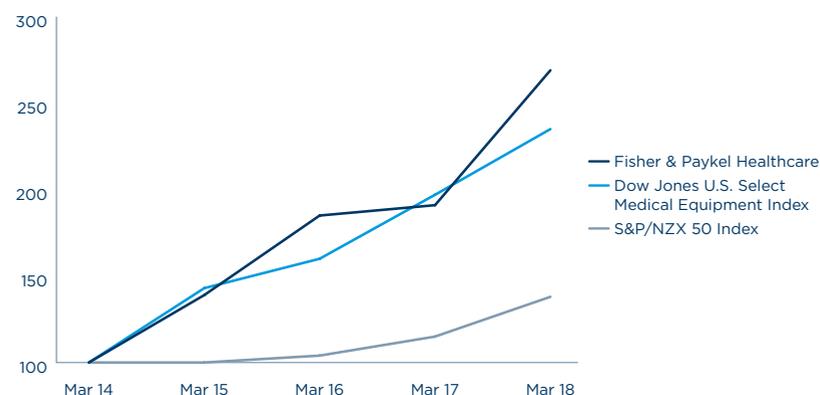
Grant year	securities	Performance period	Performance measure	Vesting outcome	Shares vested	Value on vesting
FY15	Performance Share Rights	August 2014 to August 2017	Absolute TSR	100% vested	30,000	\$344,400 ⁽ⁱ⁾
	Share Options	August 2014 to August 2017	Cost of capital escalated share price	100% vested	80,000	\$528,000 ⁽ⁱⁱ⁾

- (i) Represents the NZX closing price of Fisher & Paykel Healthcare Corporation Limited Ordinary Shares on the vesting date multiplied by the number of PSR vested
- (ii) Represents the difference between the exercise price and the NZX closing price of Fisher & Paykel Healthcare Corporation Limited Ordinary Shares on the vesting date, multiplied by the number of Share Options vested

Pay for performance breakdown

Plan	Performance measures															
Annual Variable Remuneration Plan (AVR)	The Annual Variable Remuneration Plan is designed to incentivise growth in annual financial measures as well as targeted individual objectives.															
	<table border="1"> <thead> <tr> <th>Measures</th> <th>Weighting</th> <th>Amount of Target Achieved</th> </tr> </thead> <tbody> <tr> <td>Constant currency operating profit</td> <td>45%</td> <td>100.1%</td> </tr> <tr> <td>Constant currency revenue</td> <td>25%</td> <td>97.7%</td> </tr> <tr> <td>Constant currency pre-tax operating cash flow</td> <td>10%</td> <td>105.2%</td> </tr> <tr> <td>Non-financial measures</td> <td>20%</td> <td>100%</td> </tr> </tbody> </table>	Measures	Weighting	Amount of Target Achieved	Constant currency operating profit	45%	100.1%	Constant currency revenue	25%	97.7%	Constant currency pre-tax operating cash flow	10%	105.2%	Non-financial measures	20%	100%
Measures	Weighting	Amount of Target Achieved														
Constant currency operating profit	45%	100.1%														
Constant currency revenue	25%	97.7%														
Constant currency pre-tax operating cash flow	10%	105.2%														
Non-financial measures	20%	100%														
Long Term Variable Remuneration (LTVR)	Share Option Plan – Options vest at any time between the third anniversary and the fifth anniversary of the grant date as long as the share price on the NZX has exceeded the escalated price. The escalated price is determined by a representative amount representing the company's cost of capital.															
	Performance Share Rights Plan – PSRs become exercisable if the company's gross total shareholder return exceeds the performance of the Dow Jones US Select Medical Equipment Total Return Index over the same period.															

5 Year Summary – TSR Performance



To enable better comparability of the relative shareholder return performance, the FPH and S&P/NZX 50 closing prices on the NZX have been converted to US dollars at the daily closing rate quoted by the Reserve Bank of New Zealand.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED**SENIOR MANAGEMENT REMUNERATION**

Please see the “Employee Remuneration” section below, where the company has disclosed remuneration (inclusive of the value of other benefits) received by employees or former employees of the company or its subsidiaries in the relevant bandings of employee remuneration totalling NZ\$100,000 or more received in the year ended 31 March 2018. More information about the company’s senior management remuneration policy and packages is set out in the 2018 Corporate Governance Statement.

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 45% are employed by the Group outside New Zealand. During the year ended 31 March 2018 a number of employees or former employees of the Group, not being directors of the company, received remuneration and other benefits totalling NZ\$100,000 or more in value as follows:

Remuneration	Number of employees	Remuneration	Number of employees
\$		\$	
100,000 – 110,000	155	310,001 – 320,000	4
110,001 – 120,000	119	320,001 – 330,000	1
120,001 – 130,000	105	340,001 – 350,000	3
130,001 – 140,000	99	350,001 – 360,000	1
140,001 – 150,000	74	360,001 – 370,000	5
150,001 – 160,000	49	370,001 – 380,000	2
160,001 – 170,000	48	380,001 – 390,000	1
170,001 – 180,000	43	390,001 – 400,000	1
180,001 – 190,000	35	400,001 – 410,000	2
190,001 – 200,000	23	410,001 – 420,000	1
200,001 – 210,000	12	450,001 – 460,000	1
210,001 – 220,000	12	470,001 – 480,000	1
220,001 – 230,000	16	490,001 – 500,000	1
230,001 – 240,000	11	560,001 – 570,000	1
240,001 – 250,000	10	590,001 – 600,000	1
250,001 – 260,000	11	620,001 – 630,000	1
260,001 – 270,000	4	700,001 – 710,000	1
270,001 – 280,000	5	770,001 – 780,000	1
280,001 – 290,000	4	920,001 – 930,000	1
290,001 – 300,000	3	1,250,001 – 1,260,000	1
300,001 – 310,000	2	1,270,001 – 1,280,000	1

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

PRINCIPAL ACTIVITIES

The company is a world-leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea. There were no significant changes to the state of affairs of the company or to the nature of the company's (or its subsidiaries') principal activities during the year ended 31 March 2018.

POLICIES

The company has in place a number of policies including those covering performance evaluation of the Board, Board committees, individual directors and senior executives, external financial auditors, remuneration, market disclosure, communication with shareholders, share trading and human resources and health and safety.

Summary information with respect to a number of the company's policies can be found in the 2018 Corporate Governance Statement. More detailed information about all these policies can also be found on the Company's Website.

Diversity Policy

Our business' purpose is to improve care and outcomes for patients, clinicians and communities around the world. This is a purpose that's about people. And if we are to truly deliver on this, we know we need the best people and the best environment in which the best ideas can grow.

As a global company, we value the differences our people bring as we believe this creates a diversity of thinking that forms the foundations of our culture. We believe that these differences foster continuous questioning and continuous improvement which builds innovative and high performing teams.

We strive to provide an environment where all our people have the opportunity to reach their full potential. If we can achieve that, then we know we are doing the best we can for not only our people and our company, but also for our patients and our communities.

Commitment to doing the right thing by our people

One of our core beliefs is that the commitment to doing the right thing is what our customers will find compelling. This extends to doing the right thing by our own people.

What does doing the right thing by our own people look like?

1. Providing equal employment opportunities

Fisher & Paykel Healthcare and its Board are committed to providing equal employment opportunities and as such, have a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experiences.

For Fisher & Paykel Healthcare, a commitment to diversity means ensuring that no individual is excluded from a position, for which he or she is skilled and qualified, by inappropriate systems, practices and attitudes. It also means eliminating barriers to ensure that everyone is considered for the employment of their choice and that our people have the chance to perform to their full potential.

We will ensure our selection processes for recruitment and employee development opportunities are free from bias and are based on merit.

2. Commitment to an inclusive workplace

At Fisher & Paykel Healthcare, we have fostered a culture where people are treated fairly and with respect and we are committed to ensuring an inclusive workplace. We will:

- Promote awareness around the importance of a diverse and inclusive workforce;
- Encourage employees to offer views and suggestions towards achieving organisational goals;
- Review our systems, policies and practices to make sure an inclusive approach is taken; and
- Ensure our built environment continues to support an inclusive workplace.

3. Establishing measurable objectives and reporting on progress

As the saying goes, "what gets measured gets improved". The Board is responsible for establishing measurable objectives for achieving a diverse and inclusive workforce.

We will use both quantitative and qualitative measures to review our diversity performance and, as with all areas of our business, have a focus on continuous improvement.

The company has appointed the Chief Executive Officer and Vice President – Human Resources as the company's Diversity Managers.

The People and Remuneration Committee is responsible for overseeing the company's Diversity Policy. Each year the People and Remuneration Committee review and report to the Board on 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.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

	2017				2018			
	Women	Men	Women %	Men %	Women	Men	Women %	Men %
Board	1	7	13%	87%	2	6	25%	75%
Senior executives ¹	1	8	11%	89%	1	8	11%	89%
All employees ²	1,851	2,135	46%	54%	1,910	2,138	47%	53%

1. "Senior executive", as it is used in the table above, refers to the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer.

2. Temporary staff are not included in the above numbers.

Review of progress against last year's objectives

Our diversity and inclusion objectives for the 2018 financial year were to:

1. Conduct a detailed review of all New Zealand salaried employee records and rectify any instances where employees have been under-paid relative to their experience in the role.
2. Review policies to identify sources of potential bias and implement preventative measures, specifically related to:
 - gender pay equality; and
 - the promotion of men and women to management positions.
3. Commence a Gender Diagnostic of Fisher & Paykel Healthcare's operations outside of New Zealand.
4. Measure employee perceptions on diversity and inclusion at Fisher & Paykel Healthcare through the next employee engagement survey.

Salaried Employee Review

A detailed review of New Zealand salaried employees identified potential instances of under-payment relative to experience and peers which we rectified through our annual salary review process. This action was a factor in the closure of the pay gap as illustrated in the table opposite. We have an ongoing process to monitor relativity of salaries and will continue to rectify any under-payments as appropriate.

Policy and Practice Review

We now proactively identify employees who may be ready for a promotion or a move to a new role, considering experience, time in role and performance. This pool of potential talent is open for our leaders to consider when hiring for a new role.

We have put in place guidelines for our annual salary review which encourage leaders to consider internal relativity and provides a framework for consistency across teams. In addition, we have also introduced a guide for setting salary offers for both new joiners, internal moves and promotions, again highlighting the importance of considering internal relativity and requiring additional approval and justification for any offers that are either high or low within the salary band for the role.

Global Gender Diagnostic

The diagnostic exercise highlighted a pay gap associated with gender in two of our international locations (Mexico and the US). In 2019, we will ensure that all roles in Mexico are evaluated using the same criteria as all other locations and put in place measures that have had a positive impact on the New Zealand gender pay gap and will continue to undertake diagnostics across all our locations to identify and act on any areas of pay differentials.

Employee Diversity Perceptions

Our employee engagement survey, My Say, illustrated that 76% of our employees feel that Fisher & Paykel Healthcare values diversity (e.g., age, gender, ethnicity, language, education, qualifications, ideas, and perspectives). The survey also provided our people with the opportunity to comment on diversity and inclusion and once the full results are available this will enable a richer understanding of how employees perceive Fisher & Paykel Healthcare and will guide our diversity and inclusion objectives in 2019.

Gender pay ratios

	FY17	FY18
New Zealand (Salaried and Waged)	98.8%	99.3%
Outside of New Zealand (Salaried only)	- ¹	97.6%
Total	-¹	98.7%

1. FY18 was the first year that gender pay ratios were calculated in respect of salaried employees outside of New Zealand.

We measured the pay equity difference within salary bands and functions using the average compa-ratio between males and females.

Objectives for the 2019 financial year

New Zealand

- Monitor Key Gender Metrics
 - Monthly Internal Fill Rate for vacancies by Gender
 - Monthly Labour Turnover by Gender
 - Quarterly Pay Gap Metric
 - Quarterly Gender Promotion Metric
 - Quarterly Learning & Development Programme Attendance
 - Quarterly Applicant Tracking Metrics by Gender

Rest of the World

- Evaluate all roles in Mexico using Hay Evaluation Methodology
- Monitor Key Gender Metrics
 - Monthly Labour Turnover by Gender
 - Quarterly Pay Gap Metric

The company's Diversity Policy was reviewed during the year ended 31 March 2018 and updates were approved by the Board on 25 May 2018. A copy of the updated policy is available on the Company's Website.

The table above shows the respective proportions of men and women on the board, in senior executive positions and across the whole organisation as at 31 March 2017 and 31 March 2018.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

RISK MANAGEMENT

In working to achieve our purpose of improving care and outcomes through inspired and world-leading healthcare solutions, at Fisher & Paykel Healthcare it is our responsibility to understand and manage the risks faced across our entire organisation.

The purpose of designing, implementing and maintaining an effective, structured approach to risk management is to help improve the quality of decisions the business makes in the pursuit of achieving our growth objectives of providing an expanding range of innovative medical devices that improve care and outcomes.

Through our approach to risk management, we can:

- Increase the likelihood of achieving our business objectives
- Enhance our competitive advantage
- Deal with market instability more effectively
- Enable us to better meet customers' expectations, contractual and regulatory requirements
- Enhance shareholder and customer confidence
- Have confidence that the right risks are being taken and that decisions across the extended business are intelligent and informed

Components of our risk management approach

Our business risk management approach is derived from ISO 31000 Risk Management – Principles and Guidelines, but enhanced to focus on our key strategic objectives. Whilst for product risk ISO 14971 Medical Devices Application of Risk Management is the standard we follow specific to medical device design and manufacturing. For Health and Safety our focus is on the implementation of global health, safety & wellbeing standards that are aligned with ISO 45001 and a greater emphasis on the effective management of critical risks.

Governance

We have in place a number of risk management functions and systems which are intended to identify and manage areas of material business risk. However, the Board is ultimately responsible for overseeing the effectiveness of risk management, and the adequacy of the internal controls and assurance which it believes should be monitored and managed on a continuing basis.

For more detail, please refer to the 2018 Corporate Governance Statement, which is available on the company's website: www.fphcare.co.nz/corporategovernance.

Defining risk

We face a wide range of internal and external sources of uncertainty, both positive and negative, that may affect our ability to achieve our objectives.

Risk to our success can be grouped into five categories: (1) Strategic, (2) Operational, (3) Compliance, (4) Financial, and (5) Reputational. Some examples of each type of risk are included in the table below.

Risk Types	Risk Examples
Strategic	<ul style="list-style-type: none"> • Inability to continue to innovate • Reduction in business viability (changing technology, market access issues, healthcare reform) • Freedom to operate • Commercialisation and protection of Intellectual Property
Operational	<ul style="list-style-type: none"> • Disruption to product supply • Physical damage to key manufacturing centres • Loss of critical systems for a prolonged period of time • People and physical capacity requirements cannot keep up with growth
Compliance	<ul style="list-style-type: none"> • Product Quality / Safety issues including violation of FDA and other Health Authority regulations • Employee Health & Safety • Selling and promotion of our products • Protection of personal data • Local Tax and other laws • Intellectual Property Infringement
Financial	<ul style="list-style-type: none"> • Foreign exchange volatility • Reporting requirements • Performance does not meet market expectations or FPH guidance
Reputational	<ul style="list-style-type: none"> • Significant product quality issue • Product recall • Breach of anti-trust laws • Ethical labour concerns

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

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, ensure 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.

CREDIT RATING

The company does not currently have an external credit rating status.

DONATIONS

Please refer to Note 5 of the Financial Statements for the Group's donations in the financial year to 31 March 2018.

ANNUAL SHAREHOLDERS' MEETING

The company's 2018 annual shareholders' meeting will be held at the Guineas Ballroom, Ellerslie Event Centre, Auckland, New Zealand on Thursday, 23 August 2018 at 2pm (NZST).

STOCK EXCHANGE LISTINGS

The company's shares were listed on the NZX Main Board on 14 November 2001. The company's shares were listed on the ASX on 21 November 2001. On 20 June 2016 Fisher & Paykel Healthcare changed its admission category to an ASX Foreign Exempt Listing. As part of this change, the company is still required to comply with the NZX Main Board Listing Rules but is not required to comply with many of the ASX listing rules. For the purposes of ASX Listing Rule 1.15.3, the company confirms that it has complied with the NZX listing rules during the year ended 31 March 2018.

There is no current on-market buy-back of the company's ordinary shares and during the year ended 31 March 2018 none of the company's ordinary shares were purchased on-market under or for the purposes of an employee incentive scheme or to satisfy the entitlements of holders of options or other rights to acquire ordinary shares granted under an employee incentive scheme. The company does not have any restricted securities or securities subject to voluntary escrow on issue.

INCORPORATION AND LIMITATIONS ON THE ACQUISITION OF SHARES

The company is incorporated in New Zealand and is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act 2001. 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 the New Zealand Takeovers Code, the Overseas Investment Act 2005 (NZ), and the Commerce Act 1986 (NZ). The company does not impose additional ownership restrictions.

CURRENT NZX WAIVERS

No waivers were sought from or granted by either of the NZX Main Board or ASX Listing Rules within the 12 month period preceding the balance date of the company. During the same period the company relied on the following three waivers previously granted by the NZX to issue options under its share option plans, performance share rights under its performance share rights plan and shares under its share purchase plans:

- (1) waiver from NZX Main Board Listing Rule 7.1.10 and 7.1.16 in respect of the issue of options under the company's share options plans (granted 19 August 2011);
- (2) waiver from NZX Main Board Listing Rule 7.1.10, 7.1.16 and 8.1.7 in respect of the company's performance share rights plan (granted 7 August 2012).

DISCIPLINARY ACTION TAKEN BY THE NZX OR THE ASX

Neither the NZX nor the ASX has taken any disciplinary action against the company during the year ended 31 March 2018.

SHARE ISSUES

During the year ended 31 March 2018:

- 946,443 shares were issued under the company's dividend reinvestment plan;
- 182,982 shares were issued under approved employee share purchase schemes;
- 138,619 shares were issued under employee share option plans upon the exercise of previously granted share options;
- 1,727,514 shares were issued under employee share option plans using the Cancellation Offer Facility as approved by shareholders on 12 August 2004;
- 548,270 shares were issued under the employee share rights plan upon exercise of previously granted performance share rights;
- 1,119,685 share options were issued under an employee share option plan; and
- 408,183 performance share rights were issued under a performance share rights plan.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED**DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS**

As disclosed in Note 18 of the Financial Statements, there were 4,827,988 options on issue to 503 employees and 1,231,313 performance share rights on issue to 503 employees as at 31 March 2018. The company only has one class of shares on issue, ordinary shares, and these shares are listed on the NZX Main Board 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 or performance share rights. As at 30 April 2018 the company has not carried out any issues of securities approved for the purposes of Item 7 of section 611 of the Australian Corporations Act 2001.

Size of Shareholding	Number of holders	%	Number of Ordinary Shares	%
1 to 1,000	7,513	33.6	3,466,551	0.6
1,001 to 5,000	10,279	46.0	25,218,316	4.4
5,001 to 10,000	2,655	11.9	18,963,657	3.3
10,001 to 50,000	1,690	7.5	31,856,578	5.6
50,001 to 100,000	103	0.5	7,072,178	1.2
100,001 and over	116	0.5	484,735,992	84.9
Total	22,356	100.0	571,313,272	100.0

The details set out above are as at 30 April 2018.

SUBSTANTIAL PRODUCT HOLDERS

According to company records and notices given under the Financial Markets Conduct Act 2013 there were no substantial product holders in ordinary shares (being the only class of quoted voting products) of the company as at 31 March 2018.

The total number of ordinary shares (being the only class of quoted voting products) of the company on issue at 31 March 2018 was 571,230,264 ordinary shares and at 30 April 2018 was 571,313,272 ordinary shares.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED**PRINCIPAL SHAREHOLDERS**

The names and holdings of the twenty largest registered shareholders in the company as at 30 April 2018 were:

Shareholder ¹	Ordinary Shares	%
HSBC Nominees (New Zealand) Limited	73,360,787	12.8
HSBC Custody Nominees (Australia) Limited	53,284,863	9.3
HSBC Nominees (New Zealand) Limited	50,758,604	8.9
JPMORGAN Chase Bank	49,713,386	8.7
J P Morgan Nominees Australia Limited	29,846,073	5.2
Citibank Nominees (NZ) Ltd	28,910,718	5.1
New Zealand Superannuation Fund Nominees Limited	14,217,802	2.5
Accident Compensation Corporation	13,918,732	2.4
National Nominees Limited	13,905,013	2.4
Tea Custodians Limited	13,593,077	2.4
Citicorp Nominees Pty Limited	10,224,132	1.8
Custodial Services Limited	9,604,374	1.7
Cogent Nominees Limited	8,729,859	1.5
FNZ Custodians Limited	8,366,027	1.5
Premier Nominees Limited	6,495,637	1.1
Bnp Paribas Noms Pty Ltd	6,035,127	1.1
Bnp Paribas Nominees NZ Limited	5,871,054	1.0
Custodial Services Limited	5,795,120	1.0
Forsyth Barr Custodians Limited	5,555,853	1.0
JBWERE (NZ) Nominees Limited	4,668,055	0.8

¹ In the above table, the shareholding of New Zealand Central Securities Depository Limited (NZCSD) has been re-allocated to the underlying beneficial owners.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED**DISCLOSURE OF INTERESTS BY DIRECTORS**

Directors' certificates to cover entries in the company's 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.

DIRECTORS' SHAREHOLDINGS

Directors held interests in the following ordinary shares in the company as at 31 March 2018:

Name	Ownership	Ordinary Shares
Tony Carter	Beneficial	74,962
Lewis Gradon ¹	Beneficial	546,786
Michael Daniell ²	Beneficial	969,592
Pip Greenwood	Beneficial	3,800
Arthur Morris	Beneficial	29,467
Donal O'Dwyer	Beneficial	67,467
Scott St John	Beneficial	13,256

1 Lewis Gradon also had a beneficial interest in 336,364 options issued under the 2003 Share Option Plan and a beneficial interest in 90,598 performance share rights issued under the Performance Share Rights Plan.

2 Michael Daniell also had a beneficial interest in 230,000 options issued under the 2003 Share Option Plan and a beneficial interest in 30,000 performance share rights issued under the Performance Share Rights Plan.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED**SHARE DEALINGS BY DIRECTORS**

In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests (as defined in the Financial Markets Conduct Act 2013) in the company between 1 April 2017 and 31 March 2018, and details of those dealings were entered in the company's interests register.

Name	Transaction	Number of shares	Price per share	Date
Tony Carter	Purchase of ordinary shares under DRP ¹	47	\$11.2217	7 July 2017
	Purchase of ordinary shares under DRP	647	\$11.1284	7 July 2017
	Purchase of ordinary shares under DRP	30	\$13.8013	20 December 2017
	Purchase of ordinary shares under DRP	423	\$13.3635	20 December 2017
Lewis Gradon	Sale of ordinary shares	30,000	\$10.4430	29 May 2017
	Share issue for cancellation of 70,000 options	47,293	\$11,0052	8 June 2017
	Sale of ordinary shares	280,000	\$11.2441	17 July 2017
	Exercise of 30,000 performance share rights	30,000	-	31 August 2017
	Granted 111,364 options	-	-	5 September 2017
	Granted 40,598 performance share rights	-	-	5 September 2017
	Sale of ordinary shares	17,000	\$13.3500	13 December 2017
Share issue for cancellation of 62,000 options	45,627	\$13,5190	13 December 2017	
Michael Daniell	Sale of ordinary shares	20,000	\$10.1914	24 May 2017
	Sale of ordinary shares	20,000	\$10.1074	24 May 2017
	Sale of ordinary shares	25,000	\$10.6440	30 May 2017
	Sale of ordinary shares	25,000	\$10.6700	30 May 2017
	Share issue for cancellation of 125,000 options	90,287	\$10.6804	31 May 2017
	Sale of ordinary shares	30,000	\$11.5800	25 August 2017
	Sale of ordinary shares	20,000	\$11.5803	25 August 2017
	Exercise of 50,000 performance share rights	50,000	-	1 September 2017
	Sale of ordinary shares	25,000	\$12.6062	8 September 2017
	Sale of ordinary shares	20,000	\$12.5800	11 September 2017
	Sale of ordinary shares	28,000	\$12.8918	15 September 2017
	Share issue for cancellation of 100,000 options	72,432	\$12.9497	15 September 2017
	Sale of ordinary shares	20,000	\$13.4000	12 December 2017
	Share issue for cancellation of 25,000 options	18,398	\$13,5190	13 December 2017
Sale of ordinary shares	30,000	\$13.7000	15 December 2017	
Lindsay Gillanders	Sale of ordinary shares	100,000	\$13.0743	30 November 2017
Arthur Morris	Purchase of ordinary shares under DRP	88	\$11.0898	7 July 2017
	Purchase of ordinary shares under DRP	57	\$13.3582	20 December 2017
	Purchase of ordinary shares	3,243	\$13.2663	22 March 2018
	Purchase of ordinary shares	4,257	\$13.1031	23 March 2018
	Purchase of ordinary shares	12,500	\$13.0611	26 March 2018
Donal O'Dwyer	Purchase of ordinary shares under DRP	671	\$11.1097	7 July 2017
	Purchase of ordinary shares under DRP	439	\$13.3598	20 December 2017
Scott St John	Purchase of ordinary shares under DRP	123	\$11.1097	7 July 2017
	Purchase of ordinary shares under DRP	80	\$13.4105	20 December 2017

¹ DRP means the company's dividend reinvestment plan, available for NZ and Australian resident shareholders. For more information: <https://www.fphcare.co.nz/our-company/investor/dividend-information/dividend-reinvestment-plan/>.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

GENERAL 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 2018 are as follows:

Name	Entity	Relationship
Tony Carter	Air New Zealand Limited	Chair
	Blues Management Limited	Chair
	Fletcher Building Limited	Director
	Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	Director
	ANZ Bank New Zealand Limited	Director
	Loughborough Investments Limited	Director & Shareholder
	Avonhead Mall Limited	Director & Shareholder
	Antony Carter Family Trust No 2	Trustee
	Foodstuffs Auckland Perpetuation Trust	Trustee
	Foodstuffs Auckland Protection Trust	Trustee
	Maurice Carter Charitable Trust	Trustee
	Tony and Frances Carter Family Trust	Trustee
	Capital Solutions Limited	Advisor
Capital Training Limited	Advisor	
Lewis Gradon	Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited	Director
	Other company subsidiaries as listed in the section 'Subsidiary Company Directors' of this Annual Report	Director
Michael Daniell	Medical Technologies Centre of Research Excellence	Chair
	Tait Limited	Director
	MRCF Pty Limited	Director
	MRCF IIF GP Pty Limited	Director
	Council of the University of Auckland	Council member
Lindsay Gillanders <i>(retired)</i>	Auckland Packaging Company Limited	Chair
	LRS Management Limited	Director
	Rangatira Limited	Director
	Bio-Strategy Holdings Limited	Director
	Black Magic Tackle Limited	Director
	Black Magic Tackle IP Limited	Director
Pip Greenwood	Russell McVeagh	Partner
	Spark New Zealand Limited	Director
	Auckland Writers Festival Trust	Trustee
	Rakino Trust	Trustee
	Theresa Gattung Investment Trust	Trustee
	Milbrook 7th Trust	Trustee
	Oriental Trust	Trustee
	Portia Trust	Trustee
Geraldine McBride	National Australia Bank Limited	Director
	Sky Network Television Limited	Director
	MyWave Holdings Limited	Director

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

Name	Entity	Relationship
Arthur Morris	Mercy Healthcare Auckland Limited	Director
	Southern Cross Hospitals Limited	Director
	Auckland School of Medicine Foundation	Trustee
	Southern Cross Health Trust	Trustee
Donal O'Dwyer	Atcor Medical Pty Limited	Chair
	Cochlear Limited	Director
	Mesoblast Limited	Director
	nib Holdings Limited	Director
Scott St John	Te Awanga Terraces Limited	Director
	Fonterra Cooperative Group Limited	Director
	Hutton Wilson Nominees Limited	Director
	Captain Cook Nominees Limited	Director
	NEXT Foundation	Director
	Fonterra Shareholders Fund	Director
	Mercury NZ Limited	Director
	First NZ Capital Holdings Limited	Director
	St John Family Trust	Beneficiary
	Macleod Trust	Beneficiary
	Council of the University of Auckland	Chancellor
Butland Medical Foundation	Trustee	

ENTRIES RECORDED IN THE INTERESTS REGISTER

Except for disclosures made elsewhere in this Annual Report, there have been no entries in the company's interests register made during the year ended 31 March 2018.

No entries were made in the interests register of any subsidiary of the company during the year ended 31 March 2018.

SUBSIDIARY COMPANY INFORMATION

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 2018.

As at 31 March 2018, all directors of subsidiaries were full-time employees of the Group, with the exception of:

- (a) Tony Carter who is a director of Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited.
- (b) Lawrence Gibbons who is a director of Fisher & Paykel Healthcare S.A. de C.V. (Mexico).
- (c) Alex Koshy who is a director of Fisher & Paykel Healthcare India Private Limited (India).

Tony Carter and Lawrence Gibbons do not receive any remuneration or other benefits for their roles as directors of the above subsidiaries. In the year end 31 March 2018, Alex Koshy received NZ\$6,936.92 for his role as a director of Fisher & Paykel Healthcare India Private Limited.

No employee of the Fisher & Paykel Healthcare Group who is appointed as a director of Fisher & Paykel Healthcare Corporation Limited or its subsidiaries receives or retains any remuneration or other benefits in his or her capacity as a director. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZ\$100,000 or more during the year ended 31 March 2018 are included in the relevant bandings for remuneration disclosed in the 'Employee Remuneration' section of this Annual Report.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

The persons who held office as directors of subsidiary companies at 31 March 2018 were as follows:

Fisher & Paykel Healthcare Limited (NZ)

Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Properties Limited (NZ)

Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Treasury Limited (NZ)

Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Limited (NZ)

Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Asia Investments Limited (NZ)

Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Americas Investments Limited (NZ)

Lewis Gradon, Paul Shearer, Tony Barclay

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

Tony Carter, Lewis Gradon, Tony Barclay

Fisher & Paykel Healthcare Pty Limited (Australia)

Lewis Gradon, Paul Shearer, David Boyle

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)

Lewis Gradon, Paul Shearer, Justin Callahan

Fisher & Paykel Healthcare (Guangzhou) Limited (China)

Lewis Gradon, Paul Shearer, David Boyle, Zhiping Hou

Fisher & Paykel Healthcare Colombia S.A.S.

Legal Representatives: Bryan Peterson, James Tuck

Fisher & Paykel Healthcare SAS (France)

Lewis Gradon, Paul Shearer, Patrick McSweeney, Ian Hopkinson

Fisher & Paykel Holdings GmbH (Germany)

Ian Hopkinson, Patrick McSweeney

Fisher & Paykel Healthcare Limited (Hong Kong)

Lewis Gradon, Paul Shearer, David Boyle, Zhiping Hou

Fisher & Paykel Healthcare India Private Limited (India)

Lewis Gradon, Paul Shearer, David Boyle, Alex Koshy¹

Fisher & Paykel Healthcare K.K. (Japan)

Lewis Gradon, Paul Shearer, Hideo Goto

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

Lewis Gradon, Andrew Somervell, Lawrence Gibbons

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

Lewis Gradon, Paul Shearer, Bryan Peterson

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

Lewis Gradon, Andrew Somervell, Tony Barclay

Limited Liability Company Fisher & Paykel Healthcare (Russia)

Lewis Gradon, Paul Shearer, Bryan Peterson, Anatoly Filippov

Fisher & Paykel Healthcare AB (Sweden)

Lewis Gradon, Paul Shearer, Patrick McSweeney, Ian Hopkinson

Fisher Paykel Sağlık Ürünleri Ticaret Limited Şirketi (Turkey)

Lewis Gradon², Paul Shearer, Patrick McSweeney

Fisher & Paykel Healthcare Limited (UK)

Lewis Gradon, Paul Shearer, Nicholas Connolly, Patrick McSweeney

Fisher & Paykel Holdings Inc. (USA)

Lewis Gradon, Paul Shearer, Tony Barclay

Fisher & Paykel Healthcare Inc. (USA)

Lewis Gradon, Paul Shearer, Justin Callahan

Fisher & Paykel Healthcare Distribution Inc.

Lewis Gradon

- 1 Alex Koshy was appointed to replace Thekkanathu Paily Bastin as a director during the year 1 April 2017 – 31 March 2018.
- 2 Lewis Gradon was appointed to replace Michael Daniell as a director during the year 1 April 2017 – 31 March 2018.

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

GROUP STRUCTURE

All subsidiary companies in the Fisher & Paykel Healthcare group (detailed below) are ultimately 100% owned by Fisher & Paykel Healthcare Corporation Limited.

Fisher & Paykel Healthcare Corporation Limited* Owns:

Fisher & Paykel Healthcare Limited (NZ)*
 Fisher & Paykel Healthcare Treasury Limited (NZ)*
 Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
 Fisher & Paykel Healthcare Asia Limited (NZ)
 Fisher & Paykel Healthcare Americas Investments Limited (NZ)
 Fisher & Paykel Healthcare Pty Limited (Australia)
 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 Limited (Canada)

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

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)
 Limited Liability Company Fisher & Paykel Healthcare (Russia)

Fisher & Paykel Holdings Inc. (USA) Owns:

Fisher & Paykel Healthcare Inc. (USA)
 Fisher & Paykel Healthcare Distribution Inc. (USA)

* Companies operating under a Negative Pledge Deed

CORPORATE GOVERNANCE AND STATUTORY INFORMATION CONTINUED

DIRECTORS' DETAILS

The persons holding office as directors of the company at any time during, or since the end of, the year ended 31 March 2018 are as follows:

Tony Carter	Chair, Non-Executive, Independent
Lewis Gradon	Managing Director and Chief Executive Officer
Michael Daniell	Non-Executive
Lindsay Gillanders¹	Non-Executive, Independent
Pip Greenwood²	Non-Executive, Independent
Geraldine McBride	Non-Executive, Independent
Arthur Morris	Non-Executive, Independent
Donal O'Dwyer	Non-Executive, Independent
Scott St John	Non-Executive, Independent

1 Retired from Board on 24 August 2017.

2 Appointed to Board on 1 June 2017.

EXECUTIVES' DETAILS

Lewis Gradon	Managing Director and Chief Executive Officer
Paul Shearer	Senior Vice President – Sales & Marketing
Tony Barclay	Chief Financial Officer
Winston Fong	Vice President – Surgical Technologies
Nicholas Fourie	Vice President – Information & Communication Technology
Debra Lumsden	Vice President – Human Resources
Jonathan Rhodes	General Manager – Supply Chain, Facilities and Environment
Brian Schultz	Vice President – Quality & Regulatory Affairs
Andrew Somervell	Vice President – Products & Technology

GLOSSARY

Constant Currency	is a way to measure performance of a company without any distortion from changes in foreign exchange rates
COPD	Chronic Obstructive Pulmonary Disease
CPAP	Continuous Positive Airway Pressure
DRP	Dividend Reinvestment Plan
ERP	Enterprise Resource Planning
FDA	United States Food & Drug Administration
IP	Intellectual Property
NHF	Nasal high flow
OSA	Obstructive Sleep Apnea
R&D	Research and Development
RAC	Respiratory and Acute Care
SG&A	Sales, General and Administrative

GRI CONTENT INDEX

This report references the guidelines and principles set out by the Global Reporting Initiative. Below is a list of the standards that have been applied.

Disclosure	Description	Location
GRI 102	General Disclosures	
Organisational profile		
102-1	Name of the organisation	Cover
102-2	Activities, brands, products, and services	Annual Report: pp. 28-29
102-3	Location of headquarters	Annual Report: p. 97
102-4	Location of operations	Annual Report: p. 7
102-5	Ownership and legal form	Annual Report: pp. 77-93
102-6	Markets served	Annual Report: p. 7
102-7	Scale of the organisation	Annual Report: p. 7
102-8	Information on employees and other workers	Fisher & Paykel Healthcare in Numbers Available online at: https://annualreport.fphcare.com
102-9	Supply chain	Supply chain and sustainable procurement www.fphcare.co.nz/sustainability
102-10	Significant changes to the organisation and its supply chain	None
102-11	Precautionary Principle or approach	We support a precautionary approach towards environmental management. While we see little apparent risk for our own operations, we do see an opportunity to help our customers manage this risk through effective product lifecycle management and sustainable design.
102-12	External initiatives	Caring for our people www.fphcare.co.nz/sustainability
102-13	Membership of associations	Our communities www.fphcare.co.nz/sustainability

Disclosure	Description	Location
Strategy		
102-14	Statement from senior decision maker	Annual Report: pp. 16-19
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Code of Conduct. Available online at: www.fphcare.co.nz/corporategovernance
Governance		
102-18	Governance structure	Corporate Governance Statement 2018. Available online at: www.fphcare.co.nz/corporategovernance
Stakeholder engagement		
102-40	List of stakeholder groups	Annual Report: p. 10
102-41	Collective bargaining agreements	Fisher & Paykel Healthcare in Numbers. Available online at: https://annualreport.fphcare.com
102-42	Identifying and selecting stakeholders	Annual Report: p. 10
102-43	Approach to stakeholder engagement	Annual Report: p. 10
102-44	Key topics and concerns raised	Annual Report: pp. 10-11
Reporting practice		
102-45	Entities included in the consolidated financial statements	Annual Report: p.94
102-46	Defining report content and topic Boundaries	Annual Report: pp. 10-11
102-47	List of material topics	Annual Report: pp. 10-11

GRI CONTENT INDEX CONTINUED

Disclosure	Description	Location
102-48	Re-statements of information	We have reviewed our incident reporting processes and lag indicator (LTI, MTI, RWI) definitions to align with internationally recognised standards. As a result, our TRIFR & LTIFR for FY16, FY17 and FY18 have been recalculated to more accurately reflect improvements in our global reporting process. Visit: https://annualreport.fphcare.com
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	Cover
102-51	Date of most recent report	Cover
102-52	Reporting cycle	Cover
102-53	Contact point for questions regarding the report	investor@fphcare.co.nz
102-54	Claims of reporting in accordance with the GRI Standards	Annual Report: pp. 10-11 and p. 97
102-55	GRI content index	Annual Report: pp. 97-98
102-56	External assurance	No external assurance for non-financial disclosures External assurance for financial statements (See Annual Report: pp.73-75)

GRI CONTENT INDEX CONTINUED

SPECIFIC STANDARD DISCLOSURES

Disclosure	Description	Location
GRI 200 Economic standard series		
GRI 201: Economic performance		
GRI 103	Management approach 2018	Annual Report: pp. 35-37
201-1	Direct economic value generated and distributed	Annual Report: pp. 35-72
GRI 205: Anti-corruption		
GRI 103	Management approach 2018	Ethics and legal compliance www.fphcare.co.nz/sustainability
205-3	Confirmed incidents of corruption and actions taken	Ethics and legal compliance www.fphcare.co.nz/sustainability

GRI 400 Social standard series		
GRI 401: Employment		
GRI 103	Management approach 2018	Our people https://annualreport.fphcare.com Annual Report: pp. 82-83 Caring for our people www.fphcare.co.nz/sustainability
401-1	New employee hires and employee turnover	Fisher & Paykel Healthcare in Numbers. Available online at: https://annualreport.fphcare.com
GRI 403: Occupational health and safety		
GRI 103	Management approach 2018	Health and safety www.fphcare.co.nz/sustainability
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Fisher & Paykel Healthcare in Numbers. Available online at: https://annualreport.fphcare.com
GRI 404: Training and education		
GRI 103	Management approach 2018	Caring for our people www.fphcare.co.nz/sustainability https://annualreport.fphcare.com
404-1	Average hours of training per year per employee	Fisher & Paykel Healthcare in Numbers. Available online at: https://annualreport.fphcare.com
GRI 416: Customer Health and Safety		
GRI 103	Management approach 2018	www.fphcare.co.nz/sustainability
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No instances of non-compliance.

DIRECTORY

DIRECTORY

In New Zealand:

The details of the company's principal administrative and registered office 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: investor@fphcare.co.nz

In Australia:

The details of the company's registered office are:

Physical address: 19-31 King Street, Nunawading, Melbourne,
Victoria 3131, Australia

Telephone: +61 3 9871 4900

Postal address: PO Box 159, Mitcham,
Victoria 3132, Australia

SHARE REGISTER

In New Zealand:

Link Market Services Limited

Physical address: Level 11, Deloitte Centre,
80 Queen Street, Auckland 1010, New Zealand

Postal address: PO Box 91976, Auckland 1142, New Zealand

Facsimile: +64 9 375 5990

Investor enquiries: +64 9 375 5998

Internet address: www.linkmarketservices.co.nz

Email: enquiries@linkmarketservices.co.nz

In Australia:

Link Market Services Limited

Physical address: Level 12, 680 George Street,
Sydney, NSW 2000, Australia

Postal address: Locked Bag A14, Sydney South, NSW 1235, Australia

Facsimile: +61 2 9287 0303

Investor enquiries: +61 2 8280 7111

Internet address: www.linkmarketservices.com.au

Email: registrars@linkmarketservices.com.au

Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and in the treatment of obstructive sleep apnea.