

Interim Report 2011

Improving patient care and outcomes



The F&P ICON™ has been designed from the outside-in to answer the patient's strong call for a compact, stylish CPAP that blends seamlessly into any bedroom environment.



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Half Year Review

Our long-term growth strategy remains consistent: expand our range of innovative products which can improve patient care and outcomes, develop opportunities to serve additional patient groups and increase our international presence.

For the six months to 30 September 2010, growth in demand for our respiratory and acute care consumables was a very encouraging 23% in US dollars, or 15% in constant currency terms, compared to the first half last year. In our obstructive sleep apnea (OSA) product group, we began to introduce our new ICON™ flow generator range into North America and Europe. Recurring revenue, from sales of consumables and accessories, grew to approximately 78% of our core products operating revenue.

Operating revenue generated by our core product groups, respiratory and acute care and obstructive sleep apnea, increased 12% in US dollar terms, compared to the same period last year, taking total operating revenue to US\$173.8 million. Operating revenue, in NZ dollars, reduced by approximately 3% to NZ\$245.0 million, primarily due to unfavourable exchange rate movements.

Net profit after tax was NZ\$28.6 million (prior to allowing for non-cash deferred taxation charges of NZ\$11.7 million), compared to NZ\$37.0 million for the first half last year, with the reduction

primarily due to unfavourable exchange rate movements. Reported net profit after tax was NZ\$16.9 million.

Your directors have approved an interim dividend for the financial year ending 31 March 2011 of NZ 5.4 cents per ordinary share (2010: NZ 5.4 cents), carrying full imputation credit. Eligible non-resident shareholders will receive a supplementary dividend of NZ 0.953 cents per share. The interim dividend will be paid on 17 December 2010, with a record date of 3 December, and ex-dividend dates of 29 November for the ASX and 1 December for the NZSX.

Our operating revenue was generated in a variety of currencies, with our products sold in more than 120 countries. United States dollars contributed 56% of operating revenue, Euros 23%, Australian dollars 6%, British pounds 4%, New Zealand dollars 2%, and other currencies 9%. The proportion of our operating revenue derived in US dollars continued to decrease, as we expanded our direct sales activities in a number of countries.

"Demand for our respiratory and acute care consumables continued to be strong during the six months and contributed to respiratory and acute care product group operating revenue of US\$88.0 million, up 18% on the same period last year."

OPERATING REVENUE BY PRODUCT GROUP

US DOLLARS				NZ DOLLARS		
Six Months Ended 30 September				Six Months Ended 30 September		
PERCENTAGE VARIATION	2009 US\$000	2010 US\$000	PRODUCT GROUP	2010 NZ\$000	2009 NZ\$000	PERCENTAGE VARIATION
+18%	74,577	88,027	Respiratory & acute care	124,055	117,405	+6%
+7%	75,658	80,830	Obstructive sleep apnea	113,910	118,824	-4%
+12%	150,235	168,857	Core products subtotal	237,965	236,229	+1%
-48%	9,638	4,974	Distributed and other	7,006	15,157	-54%
+9%	\$159,873	\$173,831	Total operating revenue	\$244,971	\$251,386	-3%

Currency exchange rates continued to be very volatile. During the six months, the NZD:USD spot exchange rate ranged from 0.66 to 0.74 with an average spot rate of 0.71. Our hedging policy again served us well. We had in place at 30 September 2010 a mix of foreign exchange contracts and collar options, up to five years forward, with a face value of approximately NZ\$530 million. The US dollar and Euro instruments were at weighted average rates of approximately 0.57 US dollars and 0.42 Euros to the New Zealand dollar and are to protect the company from exchange rate volatility.

In addition, our operating profit in the financial years 2012, 2013 and 2014 will benefit by NZ\$17 million, NZ\$14 million and NZ\$1 million respectively from previously monetised instruments.

RESPIRATORY & ACUTE CARE

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

Our products include humidifier controllers, chambers, breathing circuits that convey medical gases to and from the patient, interfaces, oxygen therapy systems and neonatal respiratory care devices. We also offer a humidification system that humidifies the cold, dry carbon dioxide gas used to inflate the patient's abdomen during laparoscopic surgery.

Demand for our respiratory and acute care consumables continued to be strong during the six months and contributed to respiratory and acute care product group operating revenue of US\$88.0 million, up 18% on the same period last year.

We have previously outlined the opportunities we were pursuing to increase the number of patients our devices can assist, by expanding from our traditional intensive care ventilation market into non-invasive ventilation, oxygen therapy, humidity therapy, neonatal respiratory care and surgery. We continued to make very encouraging progress, with consumables operating revenue derived from those new applications growing 40% in US dollar terms.

OBSTRUCTIVE SLEEP APNEA

Most people with OSA do not realise that they have a condition that causes excessive daytime fatigue, is associated with cardiovascular

disease and strokes, and is directly linked to hypertension. In fact, tens of millions of people worldwide who have untreated OSA stop breathing for short periods many times each night while they are asleep.

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

OSA product group operating revenue grew by 7% to US\$80.8 million for the six months. For much of the half year, customers in our major markets were anticipating the launch of the ICON™ flow generator range, and we experienced a decline in demand for our SleepStyle™ range.

The ICON™ product range integrates our leading technologies into stylish, compact and intelligent devices to deliver a better night's sleep for people with OSA. Initial customer feedback has been very positive and we expect demand for ICON™ to ramp up over the second half.

INTERNATIONAL SALES

North America generated 47% of our operating revenue for the half year, with Europe contributing 30% and Asia/Pacific and Other 23%.

This year we have established a new sales and distribution centre in Turkey, taking our number of distribution centres to 15 around the world. We have continued to expand our international sales, marketing and operations teams to increase our geographical coverage and to support ongoing growth. We have sales offices or sales support staff located in 31 countries.

RESEARCH AND DEVELOPMENT

Investment in research and development continues to be fundamental to increasing our opportunities for growth and to ensuring that

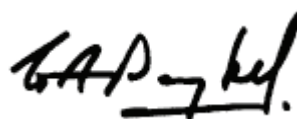
we can offer devices which can improve patient care and outcomes.

Our research and development expenditure grew 14% compared with the same period last year to NZ\$18.6 million, representing 7.6% of operating revenue. We have introduced a number of new products this year and have a substantial new product pipeline under development, which includes additional masks and breathing system consumables.

Construction of the 31,000 m² third building on our Auckland site has begun. The total cost of the building project is expected to be approximately NZ\$95 million. On completion in late 2012, the facility will provide increased research and development, laboratory, office, manufacturing and warehouse space and will accommodate the capacity to more than double our New Zealand based research, development and clinical marketing activities over time.

OUTLOOK

We will be continuing to expand our R&D, sales, distribution and manufacturing operations and we expect underlying revenue growth to increase in the second half, particularly in our OSA product group as ICON™ sales increase.



GARY PAYKEL
Chairman



MICHAEL DANIELL
Managing Director and
Chief Executive Officer



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Accountants' Report

To the shareholders of Fisher & Paykel Healthcare Corporation Limited

We have reviewed the interim consolidated financial statements on pages 6 to 19. The financial statements provide information about the past financial performance and cash flows of the Group, comprising Fisher & Paykel Healthcare Corporation Limited and its subsidiaries for the six months ended 30 September 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 11.

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

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim consolidated financial statements that present fairly the financial position of the Group as at 30 September 2010 and its financial performance and cash flows for the six months ended on that date.

Accountants' responsibilities

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

Basis of opinion

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

We have reviewed the interim consolidated financial statements of the Group for the six months ended 30 September 2010 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as accountants conducting this review, auditors of the annual financial statements and providers of tax and other assurance services.



Accountants' Report

Fisher & Paykel Healthcare Corporation Limited

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 30 September 2010 and its financial performance and cash flows for the six months ended on that date.

Our review was completed on 24 November 2010 and our review opinion is expressed as at that date.

A handwritten signature in blue ink, which appears to read 'Price Waterhouse Coopers', is positioned above the company name.

Chartered Accountants

Auckland

Consolidated Income Statement

	NOTES	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
Operating revenue	3	251,386	244,971
Cost of sales		(115,540)	(108,787)
Gross profit		135,846	136,184
Other income	4	2,185	–
Selling, general and administrative expenses		(70,796)	(75,190)
Research and development expenses		(16,327)	(18,558)
Operating profit before financing costs		50,908	42,436
Financing income		297	496
Financing expense		(3,352)	(2,792)
Exchange gain on foreign currency borrowings		9,349	1,235
Net financing income (expense)		6,294	(1,061)
Profit before tax	5	57,202	41,375
Tax expense excluding recent tax changes	6	(20,162)	(12,787)
Profit after tax excluding recent tax changes		37,040	28,588
Tax expense relating to recent tax changes	6	–	(11,715)
Profit after tax		37,040	16,873
Total tax expense	6	(20,162)	(24,502)
Basic earnings per share		7.3 cps	3.3 cps
Diluted earnings per share		7.0 cps	3.2 cps
Weighted average basic ordinary shares outstanding		510,439,681	514,872,915
Weighted average diluted ordinary shares outstanding		528,787,264	533,642,031

Consolidated Statement of Comprehensive Income

		UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	AUDITED YEAR ENDED 31 MARCH 2010 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
	NOTES			
Profit after tax		37,040	71,631	16,873
Other comprehensive income				
Cash flow hedge reserve – unrealised				
Changes in fair value		90,512	74,423	18,577
Transfers to profit before tax		(338)	(3,592)	(13,264)
Tax on movements		(27,052)	(21,249)	(1,594)
Effect of change in corporate tax rate		–	–	1,132
Cash flow hedge reserve – realised				
Monetised financial instruments	16	5,490	31,813	–
Tax on monetised financial instruments		(1,647)	(9,544)	–
Other comprehensive income for the period, net of tax		66,965	71,851	4,851
Total comprehensive income for the period attributable to shareholders		104,005	143,482	21,724

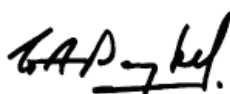
Consolidated Statement of Changes in Equity

	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	AUDITED YEAR ENDED 31 MARCH 2010 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
Total equity at beginning of the period	204,301	204,301	293,164
Total comprehensive income and expenses for the period	104,005	143,482	21,724
Dividends paid	(35,669)	(63,296)	(35,863)
Issue of share capital under dividend reinvestment plan	3,581	5,895	15,165
Issue of share capital	137	251	124
Movement in employee share entitlement reserve	(145)	(59)	77
Movement in employee share option reserve	(609)	(188)	(758)
Movement in treasury shares	47	50	-
Increase in share capital under share option schemes for employee services	1,643	1,724	996
Employee share scheme shares issued for employee services	959	1,004	-
Total equity at end of the period	278,250	293,164	294,629

Consolidated Balance Sheet

	NOTES	UNAUDITED 30 SEPTEMBER 2009 NZ\$000	AUDITED 31 MARCH 2010 NZ\$000	UNAUDITED 30 SEPTEMBER 2010 NZ\$000
ASSETS				
Current assets				
Cash and cash equivalents		4,522	6,891	6,164
Trade and other receivables	7	73,890	71,437	70,982
Inventories	8	72,540	71,763	86,539
Derivative financial instruments	16	27,070	27,672	25,078
Tax receivable		808	2,302	1,366
Total current assets		178,830	180,065	190,129
Non-current assets				
Property, plant and equipment		218,207	233,278	245,534
Intangible assets		4,581	4,891	4,672
Other receivables	7	1,615	1,617	1,418
Derivative financial instruments	16	64,185	44,197	55,256
Deferred tax asset	11	10,097	11,011	10,815
Total assets		477,515	475,059	507,824
LIABILITIES				
Current liabilities				
Interest-bearing liabilities	9	24,901	24,502	49,756
Trade and other payables	10	54,238	58,546	60,181
Provisions		2,493	4,183	3,582
Tax payable		1,579	9,432	263
Derivative financial instruments	16	1,036	1,149	2,033
Total current liabilities		84,247	97,812	115,815
Non-current liabilities				
Interest-bearing liabilities	9	86,150	59,610	58,285
Provisions		1,466	1,694	1,785
Other payables	10	3,350	5,201	6,095
Derivative financial instruments	16	2,525	2,361	4,801
Deferred tax liability	11	21,527	15,217	26,414
Total liabilities		199,265	181,895	213,195
EQUITY				
Share capital		12,668	15,222	31,507
Treasury shares		(2,225)	(2,222)	(2,222)
Retained earnings		189,097	196,061	177,071
Asset revaluation reserve		10,850	10,850	10,850
Cash flow hedge reserve – unrealised		61,357	47,817	52,668
Cash flow hedge reserve – realised	16	3,843	22,269	22,269
Employee share entitlement reserve		172	258	335
Employee share option reserve		2,488	2,909	2,151
Total equity		278,250	293,164	294,629
Total liabilities and equity		477,515	475,059	507,824

On behalf of the Board
24 November 2010



GARY PAYKEL
Chairman



MICHAEL DANIELL
Managing Director and Chief Executive Officer

Consolidated Statement of Cash Flows

	NOTES	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		263,158	245,447
Receipt from distribution agency termination agreement compensation		2,185	–
Receipts from derivative financial instruments monetised	16	5,490	–
Interest received		297	495
Payments to suppliers and employees		(200,034)	(202,778)
Tax paid		(9,187)	(19,178)
Interest paid		(3,341)	(2,738)
Net cash flows from operations	15	58,568	21,248
CASH FLOWS (USED IN) INVESTING ACTIVITIES			
Sales of property, plant and equipment		9	7
Purchases of property, plant and equipment		(22,150)	(22,754)
Purchases of intangible assets		(736)	(1,190)
Net cash flows (used in) investing activities		(22,877)	(23,937)
CASH FLOWS (USED IN) FINANCING ACTIVITIES			
Employee share purchase schemes		986	317
Issue of share capital under dividend reinvestment plan		3,581	15,165
Issue of share capital		137	124
New borrowings		33,721	25,175
Repayment of borrowings		(37,090)	(2,517)
Dividends paid		(35,669)	(35,863)
Supplementary dividends paid to overseas shareholders		(2,695)	(2,708)
Net cash flows (used in) financing activities		(37,029)	(307)
Net (decrease) in cash		(1,338)	(2,996)
Opening cash		(202)	(1,123)
Effect of foreign exchange rates		(253)	(101)
Closing cash		(1,793)	(4,220)
RECONCILIATION OF CLOSING CASH			
Cash and cash equivalents		4,522	6,164
Bank overdrafts	9	(6,315)	(10,384)
Closing cash		(1,793)	(4,220)

Notes to the Financial Statements

for the six months ended 30 September 2010

1. GENERAL INFORMATION

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 and the treatment of obstructive sleep apnea. Products are sold in over 120 countries worldwide.

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

These consolidated interim financial statements were approved for issue by the Board of Directors on 24 November 2010, and have been reviewed, not audited.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These general purpose financial statements for the six months ended 30 September 2010 have been prepared in accordance with NZ IAS 34 and IAS 34, *Interim Financial Reporting*.

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements for the year ended 31 March 2010, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements for the year ended 31 March 2010.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 31 March 2010, as described in those annual financial statements.

The following new amendment to standards was applied during the period:

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

This amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the income statement. Both standards were required to be adopted at the same time. As the Group has had no transactions involving business combinations there has been no impact from the application of these new standards.

There are no new standards, amendments or interpretations to existing standards that are applicable to the Group but are not yet effective and have not been early adopted by the Group.

	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
3. OPERATING REVENUE		
Revenue before hedging:		
North America	109,931	105,583
Europe	75,179	68,725
Asia Pacific	40,217	42,685
Other	12,071	11,492
Total revenue before hedging	237,398	228,485
Foreign exchange gain on hedged sales	13,988	16,486
Total operating revenue	251,386	244,971

The breakdown of revenue before hedging presented above is based on the geographical location of the customer. This presentation is different to that shown in Note 18 as described in that note.

Notes to the Financial Statements

for the six months ended 30 September 2010

	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
4. OTHER INCOME		
Distribution agency termination agreement compensation	2,185	–
	2,185	–
5. EXPENSES		
Profit before tax includes the following expenses:		
Depreciation	7,987	9,704
Amortisation:		
Patents and trademarks	466	608
Software	407	452
Total amortisation	873	1,060
Employee benefits expense	84,078	90,529
Rental expense	1,604	2,168
Bad trade receivables written off	103	98
Movement in provision for doubtful trade receivables	(27)	118
6. TAX EXPENSE		
Profit before tax	57,202	41,375
Tax expense at the New Zealand rate of 30%	17,161	12,413
Adjustments to tax for:		
Non-assessable income	(97)	(134)
Non-deductible expenses	323	174
Foreign tax rates other than 30%	434	166
Effect of foreign currency translation	2,482	212
Other	(141)	(44)
Tax expense excluding recent tax changes	20,162	12,787
Impact of reduction in tax rate from 30% to 28%	–	987
Impact of statutory change in depreciation on buildings	–	10,728
Tax expense relating to recent tax changes	–	11,715
Total tax expense	20,162	24,502

As a result of the change in the NZ corporate tax rate from 30% to 28% that was enacted on 27 May 2010 and will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the period to 31 March 2012 or later has been measured using the effective rate that will apply for the period, being 28%.

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

	UNAUDITED 30 SEPTEMBER 2009 NZ\$000	AUDITED 31 MARCH 2010 NZ\$000	UNAUDITED 30 SEPTEMBER 2010 NZ\$000
7. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade receivables	66,436	63,682	63,308
Less provision for doubtful trade receivables	(1,031)	(956)	(1,074)
	65,405	62,726	62,234
Other receivables	8,485	8,711	8,748
	73,890	71,437	70,982
NON-CURRENT			
Other receivables	1,615	1,617	1,418
	1,615	1,617	1,418
8. INVENTORIES			
Materials	16,622	17,726	21,585
Finished products	59,024	57,196	68,704
Provision for obsolescence	(3,106)	(3,159)	(3,750)
	72,540	71,763	86,539
9. INTEREST-BEARING LIABILITIES			
CURRENT			
Bank overdrafts	6,315	8,014	10,384
Borrowings	18,586	16,488	39,372
	24,901	24,502	49,756
NON-CURRENT			
Borrowings	86,150	59,610	58,285
	86,150	59,610	58,285
10. TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables	24,921	22,812	26,307
Employee entitlements	17,821	19,012	21,293
Other payables and accruals	11,496	16,722	12,581
	54,238	58,546	60,181
NON-CURRENT			
Employee entitlements	2,415	2,990	3,586
Other payables and accruals	935	2,211	2,509
	3,350	5,201	6,095

Notes to the Financial Statements

for the six months ended 30 September 2010

	UNAUDITED 30 SEPTEMBER 2009 NZ\$000	AUDITED 31 MARCH 2010 NZ\$000	UNAUDITED 30 SEPTEMBER 2010 NZ\$000
11. DEFERRED TAX ASSET/LIABILITY			
OPENING BALANCE			
Deferred tax asset	16,848	16,848	11,011
Deferred tax liability	–	–	(15,217)
	16,848	16,848	(4,206)
MOVEMENTS			
Credited (charged) to the Income Statement	(1,226)	195	784
(Charged) to Other Comprehensive Income	(27,052)	(21,249)	(1,594)
Change relating to recent tax changes	–	–	(10,583)
	(28,278)	(21,054)	(11,393)
CLOSING BALANCE			
Deferred tax asset	10,097	11,011	10,815
Deferred tax liability	(21,527)	(15,217)	(26,414)
	(11,430)	(4,206)	(15,599)
12. CAPITAL EXPENDITURE COMMITMENTS			
Capital expenditure commitments contracted for but not recognised as at the reporting date:	9,453	5,612	10,779
13. OPERATING LEASE COMMITMENTS			
Gross commitments under non-cancellable operating leases:			
Within one year	6,083	5,169	5,547
Between one and two years	5,694	4,492	3,983
Between two and five years	3,939	3,505	4,061
Over five years	5,557	5,454	5,471
	21,273	18,620	19,062

Operating lease commitments relate mainly to occupancy leasing of buildings.

14. CONTINGENT LIABILITIES

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

15. CASH FLOW RECONCILIATION

	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
Profit after tax	37,040	16,873
Add (deduct) non-cash items:		
Depreciation and writedown of property, plant and equipment to recoverable amount	7,987	9,704
Amortisation of intangibles	873	1,060
Accrued financing income / expense	113	(24)
Movement in provisions	596	(510)
Movement in deferred tax	1,226	10,931
Movement in working capital:		
Trade and other receivables	7,344	654
Inventory	(2,594)	(14,776)
Trade and other payables	(2,250)	3,687
Provision for tax net of supplementary dividend paid	11,575	(5,525)
Foreign currency translation	(7,185)	(826)
Add non-Income Statement items:		
Monetised cash flow hedges	3,843	–
Net cash flows from operations	58,568	21,248

16. DERIVATIVE FINANCIAL INSTRUMENTS

	UNAUDITED 30 SEPTEMBER 2009		AUDITED 31 MARCH 2010		UNAUDITED 30 SEPTEMBER 2010	
	ASSETS NZ\$000	LIABILITIES NZ\$000	ASSETS NZ\$000	LIABILITIES NZ\$000	ASSETS NZ\$000	LIABILITIES NZ\$000
CURRENT						
Foreign currency forward exchange contracts	24,766	51	26,838	188	24,169	504
Foreign currency option contracts	2,300	–	823	16	909	–
Interest rate swaps	4	985	11	945	–	1,529
	27,070	1,036	27,672	1,149	25,078	2,033
NON-CURRENT						
Foreign currency forward exchange contracts	63,021	370	42,955	1	55,193	234
Foreign currency option contracts	244	–	163	–	–	–
Interest rate swaps	920	2,155	1,079	2,360	63	4,567
	64,185	2,525	44,197	2,361	55,256	4,801

Notes to the Financial Statements

for the six months ended 30 September 2010

16. DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	UNAUDITED 30 SEPTEMBER 2009 NZ\$000	AUDITED 31 MARCH 2010 NZ\$000	UNAUDITED 30 SEPTEMBER 2010 NZ\$000
Purchase commitments forward exchange contracts	9,519	9,519	12,780
Sale commitments forward exchange contracts	551,485	446,525	522,069
Foreign currency borrowing forward exchange contracts	17,053	17,716	25,703
NZD call option contracts purchased	–	–	–
Collar option contracts – NZD call option purchased (i)	32,424	12,120	11,938
Collar option contracts – NZD call option sold (i)	36,229	13,116	12,744

(i) Foreign currency contractual amounts are equal.

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

	FOREIGN CURRENCY		
	UNAUDITED 30 SEPTEMBER 2009 000s	AUDITED 31 MARCH 2010 000s	UNAUDITED 30 SEPTEMBER 2010 000s
United States dollars	US\$147,500	US\$69,500	US\$113,000
European Union euros	€ 110,020	€ 109,170	€ 98,800
Australian dollars	A\$5,700	A\$9,900	A\$13,100
British pounds	£1,520	£220	£25
Canadian dollars	C\$11,200	C\$15,525	C\$24,525
Japanese yen	–	¥1,100,000	¥2,407,000
Swedish kronor	kr2,500	–	kr500

As at 30 September 2010 forward exchange contracts with foreign currency contractual amounts totalling US\$66 million had been monetised (closed out) with the NZ dollar benefit of \$31,813,000 (\$22,269,000 after tax) held within Cash Flow Hedge Reserve – Realised, on the Balance Sheet. The cash was applied to reduce interest-bearing liabilities. The benefit will remain within Cash Flow Hedge Reserve – Realised, until the original maturity dates, during the 2012–2014 financial years, of the forward exchange contracts monetised.

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

	FOREIGN CURRENCY		
	UNAUDITED 30 SEPTEMBER 2009 000s	AUDITED 31 MARCH 2010 000s	UNAUDITED 30 SEPTEMBER 2010 000s
Japanese yen	¥15,000	¥15,000	–
Mexican pesos	Mex\$90,000	Mex\$90,000	Mex\$123,000

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

	UNAUDITED 30 SEPTEMBER 2009 NZ\$000	AUDITED 31 MARCH 2010 NZ\$000	UNAUDITED 30 SEPTEMBER 2010 NZ\$000
Interest rate swaps	88,041	88,700	109,717

The interest rate swaps have terms of up to 10 years.

17. RELATED PARTY TRANSACTIONS

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

The following Directors received directors fees and dividends in relation to shares in which they had a beneficial interest as detailed below:

	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009		UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010	
	DIRECTORS FEES NZ\$000	DIVIDENDS NZ\$000	DIRECTORS FEES NZ\$000	DIVIDENDS NZ\$000
Non-executive directors				
Gary Paykel	90	252	90	202
Nigel Evans	50	2	50	2
Roger France	55	—	55	2
Lindsay Gillanders	40	51	40	51
Sir Colin Maiden	55	5	55	6
Arthur Morris	40	—	40	—
Executive director				
Michael Daniell	—	73	—	73

18. SEGMENT INFORMATION

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

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

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

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

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

There are varying levels of integration between these geographical segments. This integration includes transfers of finished product, principally from New Zealand to other segments, and shared costs. The accounting policies of the reportable segments are the same as described in the audited financial statements for the year ended 31 March 2010.

Notes to the Financial Statements

for the six months ended 30 September 2010

18. SEGMENT INFORMATION continued

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

Operating Segments – 30 September 2010 (Unaudited)

	NEW ZEALAND NZ\$000	NORTH AMERICA NZ\$000	EUROPE NZ\$000	ASIA- PACIFIC NZ\$000	ELIMINATIONS NZ\$000	TOTAL NZ\$000
Sales revenue – external	30,594	105,583	63,066	29,242	–	228,485
Sales revenue – internal	145,253	267	236	–	(145,756)	–
Foreign exchange gain on hedged sales	16,486	–	–	–	–	16,486
Total operating revenue	192,333	105,850	63,302	29,242	(145,756)	244,971
Other income	–	–	–	–	–	–
Depreciation and amortisation	10,231	173	191	169	–	10,764
Reportable segment operating profit before financing costs	41,180	2,650	512	860	(2,766)	42,436
Financing income	1,142	–	–	1	(647)	496
Financing expense	(2,508)	(541)	(300)	(90)	647	(2,792)
Exchange gain on foreign currency borrowings	1,235	–	–	–	–	1,235
Reportable segment assets	458,711	73,055	54,266	27,020	(105,228)	507,824
Reportable segment capital expenditure	23,250	241	160	293	–	23,944

Operating Segments – 30 September 2009 (Unaudited)

	NEW ZEALAND NZ\$000	NORTH AMERICA NZ\$000	EUROPE NZ\$000	ASIA- PACIFIC NZ\$000	ELIMINATIONS NZ\$000	TOTAL NZ\$000
Sales revenue – external	33,265	110,110	69,920	24,103	–	237,398
Sales revenue – internal	143,243	–	–	–	(143,243)	–
Foreign exchange gain on hedged sales	13,988	–	–	–	–	13,988
Total operating revenue	190,496	110,110	69,920	24,103	(143,243)	251,386
Other income	–	–	–	2,185	–	2,185
Depreciation and amortisation	8,248	243	227	142	–	8,860
Reportable segment operating profit before financing costs	36,788	4,132	3,837	4,203	1,948	50,908
Financing income	1,314	–	–	–	(1,017)	297
Financing expense	(2,962)	(893)	(396)	(118)	1,017	(3,352)
Exchange gain on foreign currency borrowings	9,349	–	–	–	–	9,349
Reportable segment assets	438,470	65,724	55,019	17,081	(98,779)	477,515
Reportable segment capital expenditure	22,058	320	384	124	–	22,886

18. SEGMENT INFORMATION continued

Product Segments

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

Product Group Information

	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2009 NZ\$000	UNAUDITED SIX MONTHS ENDED 30 SEPTEMBER 2010 NZ\$000
Respiratory & acute care	117,405	124,055
Obstructive sleep apnea	118,824	113,910
Core products subtotal	236,229	237,965
Distributed and other	15,157	7,006
Total revenue	251,386	244,971

Major Customer

Revenues from one customer of the North America segment (being its distributor to US hospitals) represents approximately \$29.3 million (2009: \$30.1 million) of the Group's total revenues.

19. DIVIDENDS

On 24 November 2010, the directors approved an interim dividend for the financial year ending 31 March 2011 of NZ 5.4 cents per ordinary share (2010: NZ 5.4 cents) carrying full imputation credit. Eligible non-resident shareholders will receive a supplementary dividend of NZ 0.953 cents per share. The interim dividend will be paid on 17 December 2010, with a record date of 3 December, and ex-dividend dates of 29 November for the ASX and 1 December for the NZSX. The dividend has not been recognised in the interim financial statements included in this Interim Report.

The company offers a dividend reinvestment plan (DRP), under which shareholders may elect to reinvest all or part of their cash dividends in additional shares. A 3% discount will be applied when determining the price per share of shares issued under the DRP and will be applied in respect of the 2011 interim dividend and future dividends, until such time as the directors determine otherwise. For participation in the DRP to be effective in relation to the interim dividend which will be paid on 17 December 2010, a properly completed participation form must have been received by Computershare Investor Services Limited (the Company's share registrar) prior to 5.00pm (NZ time) on 3 December 2010.

20. SUBSEQUENT EVENTS

On 8 November 2010 the Company announced that the main construction contract for the third building in Auckland had been awarded. The total cost of the 31,000 m² building project is expected to be approximately \$95,000,000, excluding interest capitalised to the project.

Construction of the building will be funded by a combination of operating cash flow and existing debt facilities.

On 24 November 2010 the directors approved the payment of a fully imputed 2011 interim dividend of \$27,942,024 (5.4 cents per share) to be paid on 17 December 2010.

Statutory Information

GROUP STRUCTURE

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED* OWNS:

Fisher & Paykel Healthcare Limited (NZ)*
 Fisher & Paykel Healthcare Pty Limited (Australia)*
 Fisher & Paykel Healthcare Treasury Limited (NZ)*
 Fisher & Paykel Healthcare Employee Share Purchase Trustee Limited (NZ)
 Fisher & Paykel Healthcare Limited (UK)
 Fisher & Paykel Holdings Inc. (USA)
 Fisher & Paykel do Brasil Ltda (Brazil)
 Fisher & Paykel Healthcare (Guangzhou) Limited (China)
 Fisher & Paykel Healthcare Asia Limited (NZ)
 Fisher & Paykel Healthcare Americas Investments Limited (NZ)

FISHER & PAYKEL HEALTHCARE LIMITED (NZ)* OWNS:

Fisher & Paykel Healthcare Properties Limited (NZ)*

FISHER & PAYKEL HOLDINGS INC. (USA) OWNS:

Fisher & Paykel Healthcare Inc. (USA)

FISHER & PAYKEL HEALTHCARE INC. (USA) OWNS:

Fisher & Paykel Healthcare Limited (Canada)

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 Sirketi (Turkey)

FISHER & PAYKEL HOLDINGS GMBH (GERMANY) OWNS:

Fisher & Paykel Healthcare GmbH & Co KG (Germany)

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)

*Companies operating under a negative pledge agreement

DIRECTORS' DETAILS

The persons holding office as Directors of Fisher & Paykel Healthcare Corporation Limited at any time during, or since the end of, the six months ended 30 September 2010 are as follows:

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

During the six months to 30 September 2010, at the Annual Meeting of Shareholders held on 27 August 2010, Nigel Evans and Arthur Morris retired by rotation in accordance with the Company's constitution, and were re-elected to the Board.

EXECUTIVES' DETAILS

Michael Daniell	Managing Director and Chief Executive Officer
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SENIOR MANAGEMENT

Lewis Gradon	Senior Vice-President – Products and Technology
Paul Shearer	Senior Vice-President – Sales and Marketing
Tony Barclay	Chief Financial Officer and Company Secretary

Directory

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

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

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

Physical address: 36-40 New Street, Ringwood, Victoria 3134, Australia
 Telephone: +61 3 9879 5022
 Facsimile: +61 3 9879 5232
 Postal address: PO Box 167, Ringwood, Victoria 3134, Australia

SHARE REGISTRAR

In New Zealand:

Computershare Investor Services Limited

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

In Australia:

Computershare Investor Services Limited

Physical address: Level 4, 60 Carrington Street, Sydney, NSW 2000, Australia
 Postal address: GPO Box 7045, Sydney, NSW 1115, Australia
 Facsimile: +61 2 8234 5050
 Investor enquires: 1 800 501 366 (for use within Australia only)
 Internet address: www.computershare.com.au
 Email: sydney.services@computershare.com.au

STOCK EXCHANGES

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

INCORPORATION

The Company was incorporated in Auckland, New Zealand.

Fisher & Paykel
HEALTHCARE

www.fphcare.com