Fisher & Paykel

FISHER & PAYKEL INDUSTRIES LIMITED
ANNUAL REPORT 2001

Fisher&Paykel
Annual Report

Highlights

- Directors recommend the separation into two separately listed public companies - Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Appliances Holdings Limited
- Record operating profit, before abnormals, after taxation, of $60.3 million
- Overseas revenue of $670.8 million exceeded 75 percent of trading revenue
- Healthcare revenue grows by 34 percent to exceed $190 million for the first time
- Appliances revenue grows by 11 percent to exceed $690 million for the first time
- Ordinary dividend increased to 30 cents per share

Key Figures

	2001	2000
	$000	$000
Total Revenue		
Continuing Businesses	**923,828**	803,345
Discontinuing Businesses	**5,327**	14,818
International Revenue	**670,804**	552,128
Operating Profit from Continuing Operations Before Abnormal Items	**130,106**	92,847
Group Profit		
excluding abnormals and unrealised loss on foreign currency instruments	**60,297**	54,365
including abnormal items	**11,040**	54,365
Total Shareholders' Equity	**384,038**	385,933
Dividend Paid	**14,176***	47,189**
Earnings per Share		
excluding abnormals and unrealised loss on foreign currency instruments	**51c**	46c
including abnormals	**9c**	46c
Dividend per Share	**30c*****	40c**

* 2001 does not include final dividend
** 2000 included a special dividend of 15c
***Includes the final dividend of 18c declared subsequent to 31 March 2001.

Contents

Chief Executive Officer's Report

It has been a momentous year for our company:

• The Board has recommended that Fisher & Paykel Industries Limited be separated into two separate listed public companies.

• The Group achieved a record operating profit, before abnormals and after taxation of $60.3 million.

• The Group Profit, inclusive of abnormals and after tax, was $11.0 million.

The Directors consider that the abnormal adjustments will enable the two new companies resulting from the proposed separation - Fisher & Paykel Appliances Holdings Limited and Fisher & Paykel Healthcare Corporation Limited - to begin life with transparent positions and to have as clean as possible start as they commence trading in their own right.

It is appropriate for me to commence my review by detailing how the final composition of the Group Profit was affected by the following abnormal items:

Currency

All foreign currency instruments have been "marked to market" as at 31 March 2001. This involves a non-cash provision for unrealised losses on foreign currency instruments of $64.2 million.

In future, foreign currency gains or losses will be reported separately from trading profits.

Key Figures

Revenue achieved, when compared with last year, was as follows:

	New Zealand		International		Total	
	2001	2000	**2001**	2000	**2001**	2000
	$000	$000	**$000**	$000	**$000**	$000
Appliances	**204,281**	206,320	**488,388**	418,500	**692,669**	624,820
Healthcare	**10,427**	10,194	**182,416**	133,628	**192,843**	143,822
Total Operating Revenue	**214,708**	216,514	**670,804**	552,128	**885,512**	768,642
Finance New Zealand					**37,313**	33,617
Interest and Dividend					**1,003**	1,086
Total Continuing Businesses					**923,828**	803,345
Discontinuing Businesses					**5,327**	14,818
Total Revenue					**$929,155**	$818,163

Gary Paykel,- Chief Executive Officer, (2nd from right) Mike Daniell, Maurice Paykel, and Sir Colin Maiden at the official opening of Healthcare's new facility.

The provision for unrealised losses on foreign currency instruments relates almost entirely to the US dollar at a rate of $0.403 at 31 March 2001. Moving forward, to the extent that the New Zealand dollar is above this rate when foreign currency instruments are closed out, the difference will be brought back to the earnings statements as foreign currency gains as realised. Conversely, if the rate at close out is below $0.403, the difference will be a realised foreign currency loss.

The Directors have adopted new foreign currency hedging policies, whereby in future only net currency exposures will be hedged forward. The policies allow the companies to enter into forward exchange contracts up to a year forward and to use option instruments where the companies can exercise at their discretion calls for longer dated exposures.

Support for Retailers

Over a number of years, Fisher & Paykel has provided financial support for its independent retailers from time to time. The Directors deem it prudent to reassess the carrying value of its investment in Hill & Stewart (an Auckland based independent retailer chain), loans to other Hill & Stewart shareholders, and advances to Hill & Stewart, resulting in a permanent impairment of the investment and a writedown of the realisable value of the loans and advances, in total $5.5 million.

Our investment in retailers has never been part of our core business but one of providing transitional short term support. Disposal of our investment in Hill & Stewart is intended within 12 months.

Restructuring

Appliances announced in November 2000 that it would move to a centralised functional structure involving a staff reduction. Restructuring costs incurred by Appliances in this process totalled $4.5 million.

Chief Executive Officer's Report continued

Finance New Zealand incurred restructuring costs of $0.2 million, whereas Finance Australia wrote back $1.4 million from its closure provision.

The overall impact of the abnormal items was to reduce our Operating Profit after tax and before abnormals from $60.3 million, to the Group Profit after tax and abnormals of $11.0 million.

I would now like to continue my review by discussing our operating result before moving on to discuss the separation.

OPERATING RESULT

The Group Operating Profit, before abnormals and after taxation, increased by 11 percent to $60.3 million, reflecting the ongoing growth of the Healthcare business, the improved performance of the Appliances business and the continuing contribution of Finance New Zealand.

Healthcare continued its growth pattern established over the past five years. It remains an excellent example of a New Zealand based knowledge industry, driven by international growth.

Healthcare's revenue growth of 34 percent to $193 million whilst maintaining its return on revenue above 34 percent, reflects continuing focus on its core clinical competency of heated humidification and the increasing use of heated humidification in the treatment of Obstructive Sleep Apnea (OSA).

Appliances' revenue growth of 11 percent to $693 million reflects the success of its growth strategy - increasing sales whilst utilising its existing asset base - despite market pressure from competitive pricing, particularly unfair Korean dumping in New Zealand.

Finance New Zealand's contribution decreased slightly to $6.3 million, reflecting the increasingly competitive nature of the New Zealand finance market.

Discontinued businesses, being mainly Finance Australia this year, had a revenue of $5.3 million, generating a positive impact on our earnings of $0.08 million as opposed to a loss on all discontinued businesses of $2.7 million last year. We are successfully working out the book of Finance Australia in line with our plans.

I would now like to detail the composition of the result, firstly from a corporate perspective, then from an operating perspective.

The Group's ability to pay an increased dividend reflects the underlying strength behind this year's record operating profit.

In last year's report I outlined the Group's new dividend policy, particularly the Board's decision to maintain a dividend payout of close to 60 percent of group profit.

Under this policy, our final dividend of 18 cents per share increased the total dividend to 30 cents per share (25 cents) for the fiscal year.

The company's ability to pay this increased dividend was supported by our strong cashflow, reduced borrowings and improved working capital management.

Last year, I commented that our new structure had brought a more focused approach to capital expenditure.

1999/2000's capital expenditure of $65.3 million included $26.7 million for land and buildings, primarily for Healthcare's new facility.

2000/2001's capital expenditure dropped to $48.4 million reflecting a drop in expenditure on land and buildings to $8.6 million.

Appliances' underlying capital expenditure remained constant at $30.6 million, Healthcare increased slightly to $7.2 million and Finance decreased to $2.0 million.

Both Healthcare and Appliances now have modern purpose-built manufacturing facilities that position them well for the future.

Depreciation charges were $42.3 million for Appliances, $4.6 million for Healthcare and $2.1 million for Finance New Zealand.

Group cashflow of $105 million is a further reflection of the underlying strength of the Group. Cashflow figures have been re-stated to reflect Finance New Zealand reclassifying rentals and lease assets as finance receivables. This change in treatment lowers the apparent cashflow from Finance New Zealand.

The strong cashflow, plus the payment of a single dividend within the financial year, has seen our borrowings drop. This results in our borrowings being less than 30 percent of net debt to equity plus debt.

Improved working capital management contributed to cashflow.

Our financial prudence ensures that the company has maintained a strong financial position.

With Fisher & Paykel focusing on independent businesses -

Mike Daniell, (2nd from left) General Manager, Healthcare and Paul Shearer, (front left) General Manager, Sales and Marketing with General Managers from our German, UK, USA, NZ, Australian and French sales companies.

Healthcare

	2001	2000
	$000	$000
Revenue	**192,843**	143,822
International Revenue	**182,416**	133,628
Trading Profit before foreign currency gain(loss)	**80,044**	49,990
Assets Employed	**129,759**	94,738

Healthcare's result reflects its position as a leading international healthcare device company.

With 95 percent of its business offshore, Healthcare still has a low profile in New Zealand, despite the opening of its new purpose-built facility and its increased exposure as part of the separation process.

Those who do follow Healthcare often make comparisons with other healthcare companies perceived as direct competitors, despite the fact that their product lines barely overlap with our own.

It is appropriate to comment as to how we position Healthcare.

We are a world leading designer, manufacturer and marketer of heated humidifiers for use in respiratory care.

Our initial application of heated humidification was with adult and neo-natal patients in intensive care. We are using this experience to facilitate the use of heated humidification for the treatment of other medical conditions including long stay ventilation, oxygen therapy and obstructive sleep apnea (OSA).

Growth has also come from the increasing development of complete systems, bundling heated humidifiers, disposable chambers and breathing circuits into one complete humidification system.

More recently, we have developed devices that broaden our involvement in the treatment of specific medical conditions. Most visibly this occurs in the treatment of OSA, where from a base of the stand-alone humidifier (the HC100), we have expanded our product range to include a unique integrated humidifier and CPAP machine (the HC200).

In the treatment of OSA, our objective is to develop devices that improve patient comfort so that OSA patients actually use the prescribed CPAP devices.

Clinical studies have shown that heated humidification improves compliance. To capitalise on this awareness of humidification, we have recently released improved versions of our CPAP humidifier and moved to enter the mask interface sector of the OSA market.

Our new HC150 CPAP humidifier has been launched in New Zealand, Australia and Europe and will be released in the USA later this year. This humidifier automatically adjusts to compensate for changing room temperature to optimise humidity while minimising condensation.

Our new Aclaim™ nasal mask was introduced in the USA last month. We are now able to offer a complete OSA / CPAP solution which includes proprietary humidification and mask technology.

From our work in intensive care situations, we are developing a second clinical expertise - patient warming - specifically infant warming, where our warmer most frequently works in conjunction with a Fisher & Paykel humidifier.

In the year under review all these categories contributed to Healthcare's growth.

Respiratory humidification devices, which account for approximately 53 percent of revenue, grew by 32 percent which was a substantial increase on last year's growth. In US dollar terms, the growth rate was 11 percent, reflecting the true underlying growth.

This growth was assisted by the ongoing roll out of the new MR850, and the introduction of disposable breathing circuits to complement the existing disposable chamber business.

Sales of OSA devices, including humidifiers and our

MR850

Infant Warmer

MR850

Healthcare continued

integrated flow generator humidifier, which account for approximately 33 percent of Healthcare's revenue, grew by 66 percent. In US dollar terms the growth rate was approximately 40 percent. This reflects increasing recognition, particularly in the key USA market, of the beneficial role humidification plays in ensuring patient compliance.

Sales of warmers, particularly infant warmers, and associated neo-natal products, grew by 64 percent off a small base of approximately 5 percent of Healthcare's revenue. In US dollar terms, the growth rate was 38 percent.

A key component of Healthcare's growth is the role that our sales companies in USA, UK, France, Germany and Australia play in marketing Healthcare's products in our key markets around the world. Our sales companies' opportunity to focus entirely on Fisher & Paykel enables them to use our clinical data as an integral part of their sales process.

In over 80 countries around the world distributors continue to play an important part in our marketing mix. To improve their focus, we have introduced Fisher & Paykel market managers to work with our distributors in key markets. They provide a direct, on the ground, Fisher & Paykel focus, supporting our New Zealand based international distributor sales team.

The distributed product business in New Zealand and Australia, where we market a range of products that complement our own product sales activity, remains a small but profitable part of Healthcare's business.

During the year Healthcare moved into a new purpose-built facility to allow for increased production and improved efficiencies.

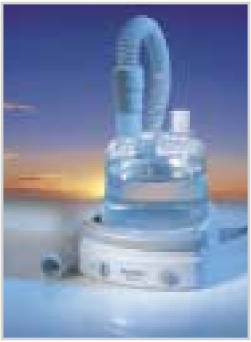
Product development teams are now located alongside their production areas, enabling improvements to be rapidly introduced into production. The new facility is the most significant capital expenditure that Healthcare has required.

Some market commentators have suggested that Healthcare has been capital restrained. In reality, Healthcare is a high intellect, low capital, business. 25 percent of their New Zealand based staff are involved in research and development.

Our annual capital requirements, to cover both product development and the maintenance of the business, have been considerably less than $10 million for a number of years. This has risen over the past few years as new products and production capacity have come on stream, but still remains below $10 million.

I opened my remarks on Healthcare by commenting that they were a leading international healthcare device company.

This position is based on our commitment to defined strategies based on their international clinical expertise in heated humidification and an increasing clinical reputation in patient warming.



HC150

Aclaim™ Nasal Mask

HC200

John Bongard, (left), General Manager Appliances with Gary Paykel and Mike Church at the opening of the new Newcastle, Australia regional sales office.

Appliances

	2001	2000
	$000	$000
Revenue	**692,669**	624,820
International Revenue	**488,388**	418,500
Trading Profit before foreign currency gain(loss)	**44,020**	36,031
Assets Employed	**525,348**	520,480

International revenue growth enabled Appliances to respond strongly in a difficult year.

Their focus on improving their return on assets employed by increasing revenue whilst improving margin, met with varying degrees of success during the year.

Revenue growth was certainly successful, growing by 11 percent to $693 million. This reflects the increasing international acceptance of Appliances' product portfolio and the ability of its manufacturing facilities to produce to new levels of demand.

New Zealand and Australia remain the cornerstone of Appliances' revenue. To grow further, Appliances must build new markets internationally based on a continuing strong home market.

Australian unit sales, which account for just over 50 percent of Appliances' revenue, grew from 450,000 to 480,000 units. This was despite the disruptive effects of GST introduction and the Sydney Olympics during the year.

Refrigeration recently celebrated the sale of one million products in Australia. They were neck and neck with Laundry to see who would be the first to sell one million Fisher & Paykel branded products in Australia - a significant milestone after only twelve years of Fisher & Paykel brand presence in the Australian market.

Our installed base of product in Australia is now such that we have established our own service company which carries out both warranty and regular service activity in the main Australian metropolitan areas.

The USA, which now accounts for 12 percent of our New Zealand dollar revenue, has continued along its brand building strategy. Fisher & Paykel now has

1,500 high end retailers and a growing customer awareness as a supplier of intelligent, energy-efficient, products.

Assisted by the increasing acceptance of the Eco Smart® auto washer and DishDrawer®, unit sales in the USA of Fisher & Paykel manufactured product increased from 27,000 to 43,000.

Despite a relatively slow start to the year, particularly due to the impact of the Fijian crisis in our South Pacific market, our unit sales to other international markets decreased only slightly from 55,000 to 54,000. This reflects Appliances' ongoing commitment to specific markets in Asia, particularly Singapore and Hong Kong, and the introduction of our first original equipment manufacturer (OEM) refrigerator orders for the Japanese market.

OEM is not new to Appliances. For over 25 years, Fisher & Paykel has supplied OEM customers in Japan with chest freezers. OEM allows Appliances to improve capacity utilisation in its plants and to enter new markets without the associated marketing and distribution costs.

The United Kingdom, where we have recently established a small sales company, had little impact during the financial year.

The New Zealand market remains extremely competitive with competing products imported from around the world. It is a very open market, with low levels of tariff protection and no mandatory safety, energy or water consumption standards.

Our New Zealand unit sales, which account for slightly less than 30 percent of Appliances' revenue, declined slightly from 250,000 to 243,000 units. This reflected increased competitive pressure in our key refrigeration and auto washer markets.

Intuitive Eco/ED56 dryer

"Elegance" Active Smart Refrigerator

Built-In Oven

Single DishDrawer

Quantum Kitchen

Appliances continued

We focused on opportunities where we could improve our margin. The Quantum strategy has been particularly successful in this regard.

However much of our work has been negated by the unfair price competition of our Korean opposition in New Zealand. Since the start of the fiscal year we have had to position our prices downwards so that we could maintain the necessary volume to run our factories whilst meeting the low price points established in the market by Korean importers.

After conducting a substantial investigation of the Korean market, we asked the New Zealand Government to investigate whether or not the Koreans were dumping. This investigation is allowed under New Zealand laws following well established World Trade Organisation guidelines.

The decision to impose anti-dumping duties on washing machines and refrigerators has been favourable for Fisher & Paykel.

The duties imposed will provide some relief, but the New Zealand market continues to be very competitive with imports from other countries providing the dynamics that eventually establish the retail prices.

Much of Appliances' focus this year has been on improving the efficiency of its business in order to lift profit margins to acceptable levels.

During the year, Appliances made progress towards improving its underlying profitability. A key element in this process was the decision to move from an independent, product focused, divisional structure to an integrated Appliances business unit.

The new structure is managed on a functional basis, with priorities and best practice focusing on what is best for Appliances' business as a whole.

The focus on one Appliances business has contributed significantly to a reduction in the capital expenditure requirements of Appliances. Appliances have announced their goal is to maintain capital expenditure at around $25 million for the next three years.

The fact that they can do so while continuing to launch a stream of innovative new products, reflects a key benefit of a focused Appliances business, rather than any short term monetary saving.

A further benefit of a focused Appliances business is the ability to centrally manage production so that our plants produce the right product at the right time in order to reduce stock levels.

It goes without saying that as Appliances shapes up to face the world as a stand-alone company, traditional management practices such as cost innovation and a focus on quality will continue to be an integral part of Appliances' management direction.

Appliances' contribution to Group operations reflects both the increasing internationalisation of their business and

Finance

	2001	2000
	$000	$000
Revenue	**37,313**	33,617
Net Earnings	**6,262**	6,772
Receivables	**274,667**	250,771

Finance New Zealand continues to become more closely aligned with our Appliances business.

During the year the pivotal role that Finance New Zealand plays in our New Zealand appliance marketing mix was best illustrated by retailers' increasing use of financial packages as part of their marketing mix. To an outside observer, it would appear that "Interest Free : No Deposit : No Payment for Six Months : 605 Days to Pay" are the predominant form of retail appliance advertising.

Finance New Zealand plays an important role in this trend by ensuring that our retailers, particularly our independent retailers, can compete in this increasingly competitive marketing environment. Finance's contribution to our Appliances business is reflected by their financing 1 in 4 of Fisher & Paykel appliance products sold by their dealers in New Zealand.

The increase in Finance New Zealand's receivables from $251 million to $275 million, mainly as a result of this retail focus, reflects the importance of Finance New Zealand to our Appliances business.

Finance New Zealand provides further support for our appliance marketing with its Consumer Protection Insurance and Extended Warranty, both of which support the appliance sales process.

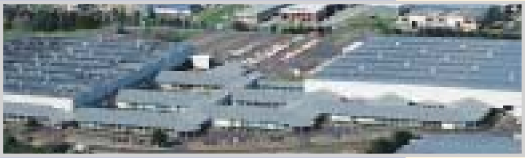
Finance New Zealand's net earnings dropped from $6.7 million to $6.3 million, reflecting the increasingly competitive nature of the New Zealand finance market.

During the year, Finance New Zealand recognised this trend and focused on improving its internal efficiencies so that it could continue to position itself to play a leading role in the New Zealand appliance finance market.

Alastair Macfarlane, (centre) General Manager, Finance, with Gary Paykel and Sir Barry Curtis, Mayor of Manukau City at the opening of Fisher & Paykel Finance's new office.

Compact Quantum Kitchen-Astro Compact oven, with single DishDrawer.

Head Offices Sites



Appliances

Healthcare

Separation

As I mentioned earlier, subject to court and shareholder approval, Fisher & Paykel Healthcare Corporation Limited (our Healthcare business) and Fisher & Paykel Appliances Holdings Limited (our Appliances and Finance businesses) will be listed on the New Zealand Stock Exchange later this year.

As part of the proposed separation, an offering of approximately 20 percent of Fisher & Paykel Healthcare to United States investors by way of a United States public offering, Fisher & Paykel Healthcare will apply to be listed on Nasdaq.

Subsequent to separation, it is intended that both Fisher & Paykel Healthcare and Fisher & Paykel Appliances will seek a foreign exempt company listing on the Australian Stock Exchange.

Although no assurances can be given, the Board is confident that the separation should increase value for shareholders by allowing financial markets to separately value Fisher & Paykel Healthcare and Fisher & Paykel Appliances.

The separation decision is the most significant decision that the Board has taken in the company's 67 year history.

Whilst we support the separation's objective of improving long term shareholder value, we must also be aware of the impact that it has had on our people. I am very proud that they have remained focused on their operational strategies and day to day goals, whilst surrounded by the complexity and personal uncertainties of the separation process.

We have kept our people and our shareholders informed at each relevant step in the separation process, so my report has focused primarily on a review of the financial year ended 31 March 2001.

At the time of the full year financial announcement earlier this month, we provided you with an indicative timetable of the separation process. The next step will be the circulation to all shareholders of the Information Memoranda for Fisher & Paykel Healthcare and Fisher & Paykel Appliances, together with the Notice of Meeting, required to approve the separation decision. The Information Memoranda will cover in detail all the relevant points of the separation process. The shareholder material will also include an independent report commenting on the fairness to shareholders of the separation process.

Outlook

Whilst our small corporate team have continued their day to day responsibilities, their real focus has been on implementing the separation process.

I am restricted as to what I can say about the future because of Securities regulations, but it is appropriate that I conclude by backgrounding the separation process with you.

It is a decision that the Board believes is in the best interests of both our businesses, and thus in the best interests of our shareholders.

Healthcare has come of age. It has an excellent history of revenue and earnings growth, proven management, modern facilities and will have a Board focused on continuing Healthcare's successful growth path.

Fisher & Paykel Healthcare Corporation Limited will allow investors who understand the merits of the healthcare market to realise the full value of the Healthcare business.

Fisher & Paykel Appliances Holdings Limited has the opportunity to reap the benefits of the capital and intellectual investments made in prior years, particularly in the 100 percent owned Appliances business.

As I have already mentioned, our previous capital investment sees Fisher & Paykel Appliances with a range of innovative products and modern manufacturing facilities in place to capitalise on the demand for those products.

Appliances has made significant progress, both in terms of sales growth and in restructuring, to lower its underlying cost base. It has the most prominent appliance brand in New Zealand and Australia - a brand that is gaining increasing recognition internationally, especially in the United States and Asia.

In New Zealand it is supported by a specialist finance company, Fisher & Paykel Finance, which will be 100 percent owned by Fisher & Paykel Appliances Holdings Limited.

Fisher & Paykel Appliances Holdings Limited's investment of slightly less than 20 percent of Fisher & Paykel Healthcare Corporation Limited will ensure that the benefits of a close relationship between the companies is maintained and allows for the continuation of joint purchasing initiatives and technology sharing.

I would like to conclude with some personal observations.

2001 will be a significant year for our company. With shareholder approval, Fisher & Paykel will be separated into two "new" Fisher & Paykels - Fisher & Paykel Healthcare and Fisher & Paykel Appliances. As such, this will be the last Annual Report of Fisher & Paykel Industries Limited. It really marks the end of the second era of Fisher & Paykel and the start of the third.

Outlook continued

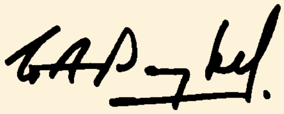
From 1934 to 1979 we were a private company, guided by our founders, Sir Woolf Fisher and Mr Maurice Paykel. Their foresight positioned us as a competitive appliance manufacturer with growing international sales from a small home market far from the world's major markets. They commenced the Healthcare journey in the late 1960s, again positioning us for future growth.

From 1979 until later this year, Fisher & Paykel Industries Limited has been a listed New Zealand company. The Board has retained our founders' vision and culture, allowing us to continue to develop innovative products, whilst becoming increasingly international in our outlook.

I am proud that this Annual Report illustrates the financial strength behind our innovation - a strength based on conservative business principles; a strength that sees the "new" Fisher & Paykels starting life in a very strong position.

I would like to take this opportunity to thank all of you who have been part of the Fisher & Paykel journey to date - our customers, our people, our suppliers of goods and services, our local councils, our retailers and our shareholders. We have had our ups and downs, but the support that you have all given us has enabled us to emerge as a strong, viable New Zealand based international company.

I know that you will all join with me in wishing all the people at Fisher & Paykel Healthcare and Fisher & Paykel Appliances well for their future



Gary Paykel

Chief Executive Officer

29 June 2001

Financial Statements Contents

Directors

M (Maurice) Paykel CBE, Hon LLD (Auck)
Age 87, Founder President

Sir Colin Maiden ME (NZ), Dphil (Oxf.)
Age 67, Chairman

J W (John) Gilks FCA
Age 59, Deputy Chairman

G A (Gary) Paykel CNZM
Age 59, Chief Executive Officer and Managing Director

N M T (Norman) Geary CBE, B.COM, FCA, FNZIM, FCIT
Age 62, Director

W L (Lindsay) Gillanders LLB (Hons)
Age 51, Executive Director and Company Secretary

D B (David) Henry B.COM, CA, CMA
Age 49, Finance Director

D D (Don) Rowlands CBE
Age 75, Director

J J A (Julian) Williams BE
Age 64, Technical Director

Report from the Directors

Fisher & Paykel Industries Limited

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2001.

Principal Activities

Fisher & Paykel is a New Zealand based international company utilising innovation to develop a unique range of products for its customers around the world.

Its two principal areas of business are:

- *Healthcare products manufacturing and marketing*
- *Appliances (Major Household Appliances) manufacturing and marketing and a Finance Group to support this business in New Zealand*

Group Profit

A record operating profit, before abnormals, after taxation, of $60.3 million (2000 $54.4 million) was earned for the year ended 31 March 2001.

The Group Profit, inclusive of abnormals and after taxation, was $11.0 million.

Earnings per share excluding abnormal items was 51 cents (46 cents).

Shareholders' Equity

Shareholders' Equity at 31 March 2001 totalled $384.0 million (2000 $385.9 million).

Dividend

In accordance with the Company's dividend policy, the Directors approved a final dividend to be paid on 29 June 2001 of 18 cents per share (15 cents) carrying a full imputation credit.

Dividends for the year total 30 cents (25 cents) being a 20 percent increase.

Directors

In accordance with the Company's constitution, Norman Geary, Maurice Paykel and Julian Williams retire by rotation and, being eligible, offer themselves for re-election.

Disclosure of Interests by Directors

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

Remuneration of Directors

Non-executive Directors received the following directors fees from Fisher & Paykel Industries Limited in the year ended 31 March 2001:

	$
N M T Geary	35,000
J W Gilks	52,500
C J Maiden	70,000
M Paykel	35,000
D D Rowlands	35,000

Messrs M J Braham, K J Kirby and K D Tunnicliffe received AUD$5,000 each as local resident directors of Fisher & Paykel Australia Holdings Limited.

Executive Directors do not receive remuneration as Directors of Fisher & Paykel Industries Limited or any subsidiary company.

Executive Directors' acting in their capacity as employees of Fisher & Paykel Limited received total remuneration, inclusive of the value of other benefits in the year ended 31 March 2001:

	$
W L Gillanders	397,920
D B Henry	394,756
G A Paykel	669,322
J J A Williams	452,969

No employee of Fisher & Paykel Industries Limited or its subsidiaries receives or retains any remuneration or other benefits as a Director. Remuneration inclusive of the value of other benefits received by such employees are included in the relevant bandings of disclosure of Employee Remuneration received exceeding $100,000.

Outlook

Healthcare

We expect ongoing growth in each of Healthcare's major product groups.

We believe growth in respiratory humidification will continue to be driven by the increasing adoption of our MR850 humidifier system coupled with growth in sales of our expanding range of single-use breathing circuits.

In the OSA market we expect the increasing recognition of the benefits of humidification in improving compliance will continue to drive sales growth of our OSA product range.

Our new Aclaim™ nasal mask was introduced at the Associated Professional Sleep Society's meeting in Chicago this month. We are now able to offer a complete OSA/CPAP solution which includes proprietary humidification and mask technology.

Our new HC150 CPAP humidifier has been launched in New Zealand, Australia and Europe and will be released in the U.S. later this year. This humidifier automatically adjusts to compensate for changing room temperature to optimise humidity while minimising condensation. We believe this product will help us maintain a leading position in CPAP humidifiers.

We expect infant warmers to continue to grow strongly off a small base due to our increasing sales activities worldwide, particularly in the USA.

Appliances

Appliances is strongly positioned to capitalise on its innovative product platforms - DishDrawer® Dishwashers, Active Smart® Refrigeration and Smart Drive® Auto Washers.

Our focus on adapting these products to meet specific market needs will provide revenue growth opportunities, particularly in Australia and the USA.

The Smart Drive Auto Washer has been adapted to meet specific energy regulations in the USA. Our Eco Smart Auto Washer is the first auto washer to carry the top C2 energy level rating awarded by the USA's independent Consortium for Energy Efficiency. This product has recently been released in Australia and New Zealand as Intuitive Eco.

DishDrawer® Phase 3, which was recently released in the USA, incorporates many improvements developed in response to customer feedback. These improvements have also benefited our customers in New Zealand and Australia.

New built-in ovens and cooktops specifically designed for USA requirements will broaden the Fisher & Paykel product line up in that market.

These products will also benefit our customers in other international markets.

Production capacity is in place to meet the anticipated product demand.

At the same time, we will continue to concentrate on profit growth opportunities including working capital management, improved utilisation of existing assets, ongoing cost reduction activities, and margin improvement strategies including the Quantum product strategy.

Operating Profit

The Directors anticipate a continued improvement in operating profit after taxation for the period until separation.

Sir Colin Maiden
CHAIRMAN
6 June 2001

G A Paykel
CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR

Corporate Governanace

Fisher & Paykel Industries Limited

The Board of Directors is responsible for the corporate governance of the Company. The term "corporate governance" is generally understood to mean the control of the business by the Directors, and the accountability of Directors to shareholders and others, for the performance of the Company and compliance by the Company with laws and standards.

This statement sets out the corporate governance policies, practices and processes followed by the Board throughout the year.

The Board

The Board is elected by the shareholders of the Company. At each annual meeting, at least one third of the Directors (excluding the Chief Executive Officer) retire by rotation. The Directors to retire are those who wish to retire, or those who have been longest in office since last being elected. Details of the Directors are set out on page 17.

With the exception of January, Board meetings are held monthly. The Board met eleven times during the 2000/2001 financial year.

The Board establishes the Company's objectives, major strategies for achieving these objectives, the overall policy framework within which the business of the Company is conducted, and monitors management's performance with respect to these matters. This includes the Board's approval and monitoring performance against budgets. The Board has delegated the day-to-day management of the Company to the Chief Executive Officer (Managing Director).

Delegations of the financial operating authorities to the Chief Executive Officer and other Executives are in place, along with operational and administrative policies relative to the Company's business. The Company has in place an internal audit system for monitoring the Company's operational policies and practices.

The Board has two formally constituted committees - the Audit Committee and the Remuneration Committee. Specific additional committees are established on the basis of need.

Audit Committee

The Audit Committee comprises three non-executive Directors - John Gilks, Chairman, Norman Geary and Maurice Paykel.

The Committee assists the Board in fulfilling its responsibilities for Company financial statements and external financial reporting. The Committee is responsible for reviewing the adequacy and effectiveness of the Company's internal controls, reviewing the performance and findings of the external auditors, and reviewing and making recommendations on the Company's accounting policies, financial statements and announcements to the New Zealand Stock Exchange concerning results.

Remuneration Committee

The Remuneration Committee comprises three non-executive Directors - Sir Colin Maiden, John Gilks, Norman Geary and Chief Executive Officer, Gary Paykel. The Committee reviews and recommends to the Board, after taking independent advice, the remuneration arrangements for the Chief Executive Officer and Executive.

Share Trading

For Directors and Executives, the Company has a policy of requiring approval in advance of the buying or selling of Company shares, and confirmation that it is not based on "inside information". Short term trading of Company shares is not permitted.

Health & Safety

The Company operates teams to monitor and review occupational health and safety aspects of the operation and environmental matters.

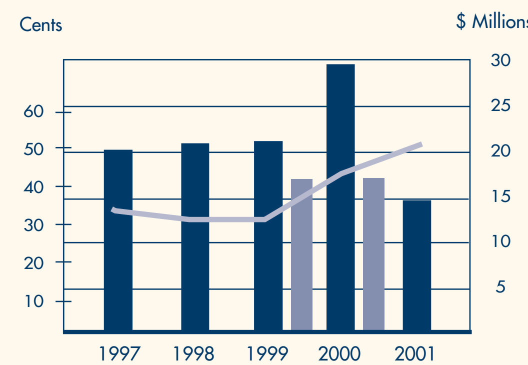
Financial Summary

Fisher & Paykel Industries Limited

	2001 $(Mills)	2000 $(Mills)
Operating Profit of Continuing Operations before abnormal items	*130.1*	*92.8*
Group Profit excluding abnormals and unrealised foreign currency instruments	*60.3*	*54.4*
Group Profit inclusive of abnormal items	*11.0*	*54.4*
Shareholders' Equity	*384.0*	*385.9*
Earnings per Share excluding abnormals and unrealised loss on foreign currency instruments	*51c*	*46c*
including abnormals	*9c*	*46c*
Dividend per Share	*30c**	*40c***

**2001 includes the final dividend declared in June 2001*
***2000 included a special dividend of 15c*

DIVIDENDS AND EARNINGS

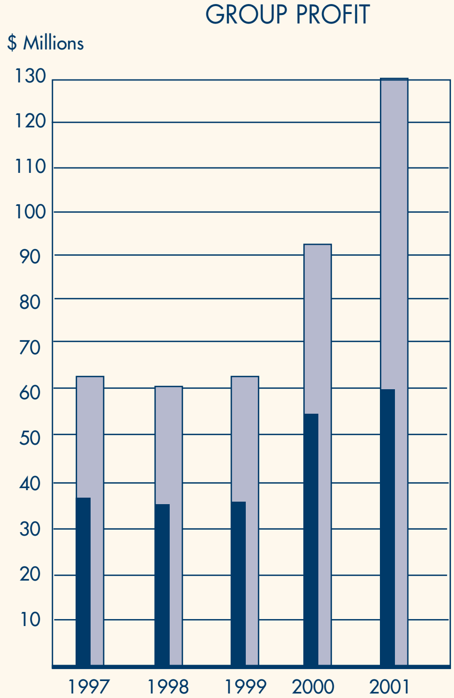


Earnings Per Share excluding abnormals

Dividend Paid: 2001 doesn't include final dividend.

Special Dividend Paid

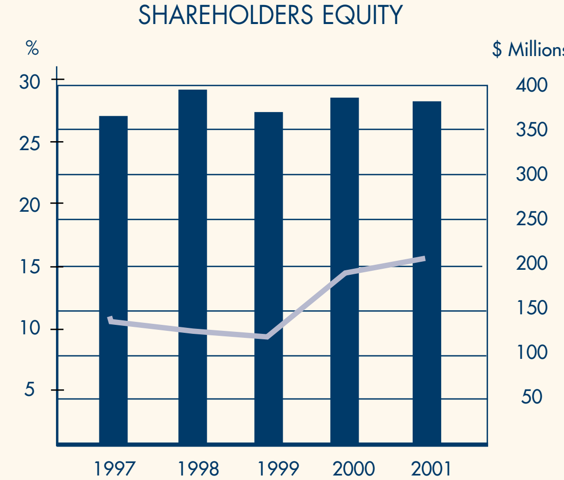
GROUP PROFIT



Group Profit (excluding abnormal items)

Operating Profit of Continuing Operation before abnormal items

SHAREHOLDERS EQUITY



Group Profit (excluding non-recurring abnormal items) to Average Shareholders Equity

Shareholders Equity

Auditor's Report

Fisher & Paykel Industries Limited

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
23-29 Albert Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

To the Shareholders of Fisher & Paykel Industries Limited

We have audited the financial statements on pages 23 to 55. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2001 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 28 to 31.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2001 and their financial performance and cash flows for the year ended on that date.

Auditors' responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors and the provision of taxation and consulting services.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 23 to 55:

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

(ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2001 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 6 June 2001 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers Chartered Accountants, Auckland, New Zealand

Statements of Financial Performance

Fisher & Paykel Industries Limited

For the year ended 31 March 2001

Parent				Notes	Consolidated		
1999	2000	**2001**			**2001**	2000	1999
NZ$000	NZ$000	**NZ$000**			**NZ$000**	NZ$000	NZ$000
42,865	58,064	**22,466**	Operating revenue from continuing operations		**923,828**	803,345	684,149
			Operating revenue from discontinued operations		**5,327**	14,818	75,362
42,865	58,064	**22,466**	Operating revenue	1	**929,155**	818,163	759,511
269	311	**467**	Operating expenses from continuing operations		**793,722**	710,498	622,753
42,596	57,753	**21,999**	**Operating profit from continuing operations before abnormal items**		**130,106**	92,847	61,396
			Abnormal items	2	**(10,191)**	-	(31,268)
42,596	57,753	**21,999**	Operating profit from continuing operations after abnormal items		**119,915**	92,847	30,128
			Interest		**(11,769)**	(10,416)	(10,285)
			Foreign currency exchange profit (loss)		**(26,185)**	3,862	9,376
			Unrealised loss on foreign currency instruments		**(64,219)**	-	-
42,596	57,753	**21,999**	Profit from continuing operations before taxation	2	**17,742**	86,293	29,219
(6,630)	(3,573)	**(1,549)**	Taxation	3	**(7,674)**	(30,119)	(11,456)
35,966	54,180	**20,450**	Profit from continuing operations after taxation		**10,068**	56,174	17,763
			Discontinued operations				
			Profit (loss) from operations of discontinued Divisions before abnormal items		**78**	(2,723)	(7,822)
			Abnormal items				
			- Profit on disposal of Divisions	2	-	-	12,737
			- Other abnormal items	2	**1,382**	-	(12,364)
			Profit (loss) from discontinued operations before taxation	2	**1,460**	(2,723)	(7,449)
			Taxation	3	**(488)**	914	8,186
			Profit (loss) from discontinued operations after taxation		**972**	(1,809)	737
35,966	54,180	**20,450**	GROUP PROFIT		**11,040**	54,365	18,500
			Group Profit excluding abnormals and unrealised foreign currency instruments		**60,297**	54,365	35,091
			Earnings per share				
			Basic & diluted earnings per share from operating profit excluding abnormals and unrealised foreign currency instruments		**0.51**	0.46	0.30
			Basic & diluted earnings per share from continuing operations		**0.09**	0.48	0.15
			Basic & diluted net earnings per share		**0.09**	0.46	0.16

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

Statements of Financial Position

Fisher & Paykel Industries Limited

As at 31 March 2001

Parent 2000 NZ$000	Parent 2001 NZ$000		Notes	Consolidated 2001 NZ$000	Consolidated 2000 NZ$000
		Assets			
		Current assets			
18	**39**	Cash and bank balances		**7,675**	5,286
		Debtors and prepayments	4	**117,758**	110,577
		Finance receivables	5	**169,366**	176,646
		Inventories	6	**162,056**	146,989
1,595	**1,482**	Taxation	7	**7,071**	6,397
176,905	**207,939**	Intergroup Advances			
178,518	**209,460**	Total current assets		**463,926**	445,895
		Fixed assets	8	**360,030**	358,200
13,166	**11,301**	Employee Share Ownership Plans loans	9	**11,301**	13,166
194,293	**163,370**	Investments in Subsidiaries	10		
		Other assets		**943**	1,622
		Goodwill on consolidation		**2,955**	3,340
		Finance receivables	5	**101,771**	101,230
		Deferred taxation	11	**12,571**	2,391
385,977	**384,131**	**Total assets**		**953,497**	925,844
		Liabilities			
		Current liabilities			
		Bank overdrafts	12	**3,469**	5,219
		Call borrowings	12	**2,500**	14,000
		Trade creditors		**47,738**	50,945
		Provisions	13	**67,392**	19,490
		Finance borrowings	14	**174,432**	175,226
		Term borrowings	15	**14,264**	1,227
		Taxation	7	**6,282**	2,417
44	**93**	Other liabilities	16	**38,542**	39,249
44	**93**	Total current liabilities		**354,619**	307,773
		Term liabilities			
		Term borrowings	15	**109,698**	142,300
		Finance borrowings	14	**73,523**	81,466
		Provisions	13	**31,619**	8,372
44	**93**	**Total liabilities**		**569,459**	539,911
		Shareholders' equity			
385,933	**384,038**	**Shareholders equity**	17	**384,038**	385,933
385,933	**384,038**	**Total shareholders' equity**		**384,038**	385,933
385,977	**384,131**	**Total liabilities and shareholders' equity**		**953,497**	925,844

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

On behalf of the Board.

Date: 6 June 2001

Sir Colin Maiden
CHAIRMAN

G A Paykel
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

	Trading Group		Finance Group	
	2001	2000	**2001**	2000
	NZ$000	NZ$000	**NZ$000**	NZ$000
Assets				
Current assets				
Cash and bank balances	**7,255**	5,285	**420**	1
Debtors and prepayments	**116,205**	106,039	**1,553**	4,538
Finance receivables			**169,366**	176,646
Inventories	**162,056**	146,989		
Taxation	**7,071**	4,598	**-**	1,799
Intergroup Advances				
Total current assets	**292,587**	262,911	**171,339**	182,984
Fixed assets	**348,666**	346,982	**11,364**	11,218
Employee Share Ownership Plans loans	**11,301**	13,166		
Investments in Subsidiaries				
Other assets	**-**	995	**943**	627
Goodwill on consolidation	**2,955**	3,340		
Investment in Finance Group	**31,967**	33,449		
Finance receivables			**101,771**	101,230
Deferred taxation	**10,899**	990	**1,672**	1,401
Total assets	**698,375**	661,833	**287,089**	297,460
Liabilities				
Current liabilities				
Bank overdrafts	**3,469**	4,801	**-**	418
Call borrowings	**2,500**	14,000		
Trade creditors	**47,720**	50,847	**18**	98
Provisions	**66,594**	19,490	**798**	-
Finance borrowings			**174,432**	175,226
Term borrowings	**14,264**	1,227		
Taxation	**6,207**	2,417	**75**	-
Other liabilities	**32,266**	32,446	**6,276**	6,803
Total current liabilities	**173,020**	125,228	**181,599**	182,545
Term liabilities				
Term borrowings	**109,698**	142,300		
Finance borrowings			**73,523**	81,466
Provisions	**31,619**	8,372		
Total liabilities	**314,337**	275,900	**255,122**	264,011
Shareholders' equity				
Shareholders equity	**384,038**	385,933		
Investment in Finance Group			31,967	**33,449**
Total shareholders' equity	**384,038**	385,933	**31,967**	33,449
Total liabilities and shareholders' equity	**698,375**	661,833	**287,089**	297,460

Statements of Movements in Equity

Fisher & Paykel Industries Limited

For the year ended 31 March 2001

Parent				Notes	Consolidated		
1999	2000	**2001**			**2001**	2000	1999
NZ$000	NZ$000	**NZ$000**			**NZ$000**	NZ$000	NZ$000
394,063	372,729	**385,933**	Shareholders' equity at the beginning of the year		**385,933**	372,729	394,063
35,966	54,180	**20,450**	Group profit		**11,040**	54,365	18,500
(18,528)	2,799	**(8,169)**	Movement in revaluation reserve	17			
			Movement in currency translation reserve	17	**1,241**	2,614	(1,062)
17,438	56,979	**12,281**			**12,281**	56,979	17,438
-	3,414	**-**	Issue of share capital	17	**-**	3,414	-
(38,772)	(47,189)	**(14,176)**	Dividends	17	**(14,176)**	(47,189)	(38,772)
372,729	385,933	**384,038**	Shareholders' equity at the end of the year		**384,038**	385,933	372,729

The final dividend for 2001 has not been accrued, refer change in accounting policies.

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

Statements of Cash Flows

Fisher & Paykel Industries Limited

For the year ended 31 March 2001

Parent 1999 NZ$000	Parent 2000 NZ$000	Parent 2001 NZ$000		Notes	Consolidated 2001 NZ$000	Consolidated 2000 NZ$000	Consolidated 1999 NZ$000
			Cash flows from operating activities				
			Receipts from customers		**872,681**	749,937	725,717
			Financing interest and fee receipts		**42,411**	39,165	39,034
26,301	46,841	**21,325**	Dividends received		**175**	107	134
14,615	10,888	-	Interest received		**790**	715	808
(260)	(312)	**(113)**	Payments to suppliers and employees		**(768,274)**	(664,043)	(667,814)
(1,733)	(1,585)	**(600)**	Taxation paid		**(14,080)**	(15,287)	(10,931)
			Interest paid		**(28,696)**	(22,974)	(25,079)
38,923	55,832	**20,612**	Net cash flow from operations	18	**105,007**	87,620	61,869
			Cash flows from (used in) investing activities				
			Sale of fixed assets		**418**	6,451	7,649
			Principal on loans repaid by customers		**319,860**	322,846	288,852
			Proceeds from the disposal of operations		**-**	-	33,098
			Purchase of fixed assets		**(48,379)**	(65,277)	(60,782)
			Capitalised interest costs		**(536)**	-	-
			Acquisition of subsidiary		-	-	(4,864)
			New loans to customers		**(316,580)**	(358,264)	(321,615)
(4,900)	-	**-**	Investments in other subsidiaries				
(4,900)	-	**-**	Net cash flow from (used in) investing activities		**(45,217)**	(94,244)	(57,662)
			Cash flows from (used in) financing activities				
3,517	2,356	**2,108**	Employee share purchase schemes		**2,108**	2,356	3,517
			New term borrowings		**11,176**	30,603	14,300
			New finance borrowings		**70,716**	64,213	63,968
			Repayment of term borrowings		**(32,382)**	(25,661)	(2,276)
			Repayment of finance borrowings		**(79,306)**	(16,946)	(37,630)
4,130	3,313	**(7,757)**	Intercompany borrowings				
(38,772)	(57,768)	**(14,176)**	Dividends paid		**(14,176)**	(57,768)	(38,772)
(2,895)	(3,789)	**(766)**	Supplementary dividends paid to overseas shareholders		**(766)**	(3,789)	(2,895)
(34,020)	(55,888)	**(20,591)**	Net cash flows from (used in) financing activities		**(42,630)**	(6,992)	212
3	(56)	**21**	Net increase (decrease) in cash		**17,160**	(13,616)	4,419
71	74	**18**	Opening cash		**(14,719)**	(1,236)	(5,143)
			Effect of foreign exchange rates		**(735)**	133	(512)
74	18	**39**	Closing cash		**1,706**	(14,719)	(1,236)
			Reconciliation of closing cash				
74	18	**39**	Bank		**7,675**	5,286	13,843
			Bank overdrafts		**(3,469)**	(6,005)	(2,608)
			Call borrowings		**(2,500)**	(14,000)	(12,471)
74	18	**39**			**1,706**	(14,719)	(1,236)

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

Statement of Accounting Policies

Fisher & Paykel Industries Limited

These financial statements are presented in accordance with the New Zealand Companies Act 1993, the New Zealand Financial Reporting Act 1993 and generally accepted accounting practice in New Zealand. The Parent Company's financial statements are for Fisher & Paykel Industries Limited as a separate entity and the Consolidated financial statements are for the Fisher & Paykel Group (the Group) which includes all its subsidiaries.

NATURE OF OPERATIONS

Fisher & Paykel (which commenced operations in 1934) is a New Zealand based international company which has two principal areas of business:

- Healthcare products manufacturing and marketing,
- Major household appliance manufacturing and marketing, and a Finance Group to support this business

Healthcare is a leading designer and manufacturer of heated humidifiers for use in respiratory care and the treatment of obstructive sleep apnea. These products are sold in over 90 countries worldwide with the major markets being the U.S. and Europe.

Appliances is a leading designer and manufacturer of major household appliances in New Zealand and Australia. It is the largest supplier of major household appliances in New Zealand and the second largest supplier in Australia.

GENERAL ACCOUNTING POLICIES

The financial statements are based on the general principles of historical cost accounting, with the exception of properties which are included at the gross carrying value at 31 March 1992 (i.e. includes re-valuations to that date) and investments in subsidiaries which are at net tangible asset value. Reliance is placed on the Group continuing as a going concern.

The following particular accounting policies which materially affect the measurement of profit and financial position, have been applied.

SPECIFIC ACCOUNTING POLICIES

Consolidation

The Company and subsidiary companies' accounts are consolidated using the purchase method. Subsidiaries are entities that are controlled either directly or indirectly by the parent. All material inter-Group transactions are eliminated. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of financial performance from the date of acquisition or up to the date of disposal.

Fisher & Paykel Finance Limited and its subsidiary companies and Fisher & Paykel Finance Pty Limited (together the "Finance Group") are independently funded under their own Debenture Trust Deed. Obligations under the Debenture Trust Deed are not guaranteed by Fisher & Paykel Industries Limited or any other non Finance Group companies.

Goodwill

The excess of cost over the fair value of net assets of subsidiaries acquired is capitalised as goodwill and is amortised to the Statement of Financial Performance on a straight line basis over the lower of the period of expected benefit or ten years from the date of investment.

Revenue Recognition

Goods and Services

Sales are recognised in accordance with the terms of sale when the benefits of ownership and risk of loss passes to the customer.

Long term contracts

The revenue on a machinery contract is recognised over the period of the project. The percentage of completion method is used to determine the appropriate amount to recognise in a given period. The full amount of an anticipated loss, including that relating to future work on the contract, is recognised as soon as it is foreseen.

Investment income

Dividend income is recognised in the period the dividend is declared.

Interest is accounted for as earned.

Statement of Accounting Policies

Fisher & Paykel Industries Limited

Income on finance receivables

Income on finance receivables is recognised on an actuarial basis (effective interest method) calculated on the net amount outstanding.

Advertising and sales promotion costs

All advertising and sale promotion costs are expensed as incurred.

Earnings per share

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

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

Employee share ownership plans

The group operates two employee share ownership schemes for employees. The initial purchase of shares by the schemes is funded by advances from the Group, the advances being recognised as assets in the statement of financial position. No compensatory expense is recognised in the statement of financial performance (see note 9).

Employee entitlement

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees. The group operates a defined benefit pension plan for employees. Contributions to the plan are expensed when made.

Inventories

Inventories are valued at the lower of cost, on a first-in, first-out basis, or net realisable value. Cost includes all costs except finance, administration, selling and distribution overheads.

Fixed assets

Fixed assets are recorded at cost with the exception of land and buildings acquired prior to 1 April 1989 which are valued at 100 percent of independent professional valuations obtained at 31 March 1992. The valuer, Darroch & Co Ltd, who are Associates of the New Zealand Institute of Valuers advise the basis of the valuations as at 31 March 1992 were open market values for existing use, with a willing but not anxious buyer and a willing but not anxious seller. In accordance with the transitional provisions of the Institute of Chartered Accountants of New Zealand Statement of Standard Accounting Practice No. 28, Accounting for Fixed Assets, land and buildings are included in the accounts at the gross carrying amount.

Effective 1 April 2000 interest costs incurred during the period required to complete and prepare the fixed asset for its intended use are capitalised as part of the total cost.

External software direct costs together with payroll and payroll related costs for employees directly associated with the development of software are capitalised. Costs associated with upgrades and enhancements are capitalised to the extent they result in additional functionality.

Impairment of long lived assets

Annually the directors assess the carrying value of each asset considering them on a grouped basis determined at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other group assets.

Where the estimated recoverable amount of the asset based upon the undiscounted future cash flows is less than its carrying amount, the asset is written down to assessed fair value.

Depreciation

Fixed Assets, other than Freehold Land and Capital Work in Progress, have been depreciated on a straightline basis writing off the original cost or valuations of the assets over their estimated useful lives as follows :

Buildings	50 years
Plant and Equipment	3-15 years
Vehicles	5 years
Tooling	3 years
Software	3-10 years

Statements of Accounting Policies

Fisher & Paykel Industries Limited

Investments

Subsidiary companies are valued at net tangible asset value. Other investments are valued at lower of cost or net realisable value.

Leases

Operating lease payments are expensed on a straight line basis over the period of the lease.

Research and development

Research and development expenditure is expensed as it is incurred. Development costs of Product Innovation as a process at Fisher & Paykel are, in the main, indistinguishable as to whether the benefits will be applied to current or future products.

Finance receivables and trade debtors

Finance receivables are shown net of provisions for doubtful debts, unearned income and financing losses which are expected in future accounting periods. All known losses are written off in the period in which they become evident.

A specific provision is maintained to cover all identified doubtful debts. All known bad debts are written off against the specific provision in the period in which they become classified as irrecoverable.

Provision for Warranty

Provision for warranty covers the obligations for the unexpired warranty periods for products, based on recent historical costs incurred on warranty exposure. Warranty terms vary as described below.

Appliances	New Zealand and Australia	- 2 years parts and labour
	United States	- 5 years parts and 1 year labour
Healthcare	Internationally	- 1 to 2 years parts and labour

Debenture issue expenses

Issuing costs are capitalised where they can be matched with a related borrowing, otherwise they are expensed as incurred. Capitalised costs are amortised to interest costs evenly over the term of the borrowings.

Taxation

The taxation expense charged to earnings includes both current and deferred tax and is calculated after allowing for permanent differences.

The liability method of accounting for the taxation effect of all timing differences is used. Deferred tax is accounted for using the comprehensive basis on all timing differences. Any future taxation benefit is recognised only to the extent that there is virtual certainty of recovery in subsequent periods.

Foreign currencies

Transactions in foreign currencies are converted at the rate of exchange prevailing at the date of the transaction.

At balance date, foreign monetary assets and liabilities are translated at the year end closing rates, and exchange variations arising from these transactions are included in the Statement of Financial Performance.

The financial statements of independent foreign subsidiaries are translated at the following exchange rates:

- The year end closing exchange rate for assets and liabilities
- The monthly weighted average exchange rate for revenue and expense transactions.

The exchange rate difference from translating the opening net investment and revenue and expense transactions at rates different from that which was previously reported is reflected in the foreign currency translation reserve.

Statement of cash flows

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

a) Cash comprises cash on hand, bank balances and call borrowings.

b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets, investments and finance receivables.

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

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

Statements of Accounting Policies

Fisher & Paykel Industries Limited

Financial instruments

The Group has various financial instruments for the primary purpose of reducing its exposure to fluctuations in foreign currency exchange rates and interest rates. These financial instruments are subject to risk that market rates may change subsequent to acquisition. For interest rate instruments, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest expense over the life of the instrument. Exchange gains and losses arising on contracts which qualify as hedges for accounting purposes are deferred until the date the underlying transactions occur at which time they are included in the determination of Net Earnings.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications of prior years' data have been made to conform to current year's classifications.

CHANGES IN ACCOUNTING POLICIES AND RECENTLY ISSUED ACCOUNTING STANDARDS

As at 1 April 2000 the Group changed its accounting policy with respect to capitalisation of financing costs. Under the new policy, financing costs that are directly attributable to the acquisition or construction of a fixed asset are capitalised. Formerly, all financing costs were expensed as incurred.

In addition, in order to comply with the requirements of Financial Reporting Standard No. 5, Events After Balance Date (FRS-5), the Group changed its accounting policy with respect to the date of recognition of the liability to pay dividends to shareholders. Under the new policy, dividends are recognised at the date they are declared by the Directors. Formerly, a liability was recognised at balance date even if the dividend for that financial year had been declared after that date. The Group has adopted the requirements of FRS-5 earlier than the standard requires. Under the Standard, the restatement of prior periods is not acceptable.

There have been no other changes in accounting policies.

Notes to the Financial Statements

Fisher & Paykel Industries Limited

Parent 1999 $000	Parent 2000 $000	Parent 2001 $000			Consolidated 2001 $000	Consolidated 2000 $000	Consolidated 1999 $000
1 OPERATING REVENUE							
			Continuing operations				
			New Zealand sale of products		**214,708**	216,514	192,595
			Overseas sale of products		**670,804**	552,128	455,571
					885,512	768,642	648,166
			Finance				
			New Zealand		**37,313**	33,617	34,654
26,301	46,912	**22,243**	Dividend		**175**	107	185
16,564	11,152	**223**	Interest		**828**	979	1,144
42,865	58,064	**22,466**	Total Continuing Operations		**923,828**	803,345	684,149
			Discontinued operations				
			New Zealand sale of products		**73**	4,048	65,211
			Overseas sale of products		**43**	3,290	4,651
					116	7,338	69,862
			Finance Overseas		**5,211**	7,480	5,500
			Total Discontinued Operations		**5,327**	14,818	75,362
42,865	58,064	**22,466**	Total operating revenue		**929,155**	818,163	759,511
2 NET OPERATING PROFIT							
42,596	57,753	**21,999**	Profit from continuing operations before taxation		**17,742**	86,293	29,219
			After charging:				
			Remuneration of auditors:				
			Audit fees		**535**	505	469
			Other services		**142**	156	58
			Donations		**107**	59	87
			Depreciation:				
			Trading	(i)	**46,947**	44,618	36,499
			Finance group		**2,138**	1,362	1,453
			Goodwill amortisation		**385**	385	128
			Interest:				
			Term borrowings		**4,192**	3,505	3,630
			Other		**7,577**	6,911	6,655
			Finance group		**15,975**	11,715	13,398
			Foreign Currency exchange loss (gain)		**26,185**	(3,862)	(9,376)
			Unrealised loss on foreign currency instruments		**64,219**	-	-
			Research and development		**18,696**	15,387	14,665
			Rental and operating leases		**11,015**	11,836	10,395

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 1999 $000	Parent 2000 $000	Parent 2001 $000			Consolidated 2001 $000	Consolidated 2000 $000	Consolidated 1999 $000
			Bad debts written off:				
			Trading		**956**	262	393
			Finance group		**2,168**	1,261	1,362
			Movement in provision for doubtful debts:				
			Trading		**(284)**	(180)	(166)
			Finance group		**(716)**	(625)	(467)
163	163	**227**	Directors' fees		**227**	163	163
			Abnormal items:				
			Loss on sale of land and buildings		-	-	4,201
			Permanent impairment of fixed assets	(ii)	-	-	2,770
			Permanent impairment of investment and writedown of advances	(iii)	**5,495**	-	-
			Restructuring costs incurred	(iv)	**4,696**	-	22,016
			Provision for restructuring and closure costs	(iv)	-	-	2,281
					10,191	-	31,268
			Profit (loss) from discontinued operations before taxation		**1,460**	(2,723)	(7,449)
			After charging:				
			Depreciation		**391**	483	1,116
			Interest:				
			Other		-	-	56
			Finance group		**1,433**	2,137	1,288
			Rental and operating leases		**30**	154	99
			Bad debts written off		**597**	1,470	1,684
			Movement in provision for doubtful debts		**635**	224	(428)
			Abnormal items:				
			Cellnet divestment (net gain)	(v)	-	-	(12,893)
			Panasonic divestment	(v)	-	-	156
			Writedown of fixed assets to recoverable amount	(v)	-	-	5,435
			Provision for closure costs	(v)	**(1,382)**	-	6,929
			Provision for restructuring and closure costs				
			Balance brought forward		**3,500**	9,210	-
			Provision charged to earnings		**(1,382)**	(44)	9,210
			Cash payments		**(1,355)**	(5,666)	-
			Other		**35**	-	-
			Balance carried forward		**798**	3,500	9,210

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Abnormal Items – Continuing Operations

i) Depreciation
Certain items of Appliances Plant were assessed as having longer economic lives resulting in a reduction in the depreciation charge for 2001 of $1.8 million.

ii) In 1999 as part of a product rationalisation plant and equipment of $2.8 million was written off as having no recoverable value.

iii) At 31 March 2001 the Group has reassessed the carrying values of its investment in Hill & Stewart Appliances Limited, loans to other Hill & Stewart shareholders, and advances to Hill & Stewart resulting in a permanent impairment of the investment and a writedown of the realisable value of the loans and advances of $5.5 million.

iv) In the year ended 31 March 2001 Appliances incurred restructuring and redundancy costs of $4.5 million in changing from a divisional structure to a centralised structure approach to improve operating efficiency. Finance New Zealand incurred restructuring and redundancy costs of $0.2 million.
In 1999 the Appliances Group incurred restructuring costs of $22.0 million and made provision for $2.3 million additional costs that were incurred in 2000. These restructuring costs included redundancy costs for more than 300 employees (many of whom were long serving) in the rationalisation of managerial functions, and the buy out of a number of historical staff allowances.

Abnormal Items – Discontinuing Operations

v) In fiscal year 1999 the Group announced it would focus on three core businesses - Appliances, Healthcare and Finance . Businesses that were not part of those core activities were either divested ($12.7 million) during fiscal year 1999 or their assets written down to realisable values ($5.4 million) together with provision made for closure costs of $6.9 million. Divestments included the sale of Cellnet (a retailer of mobile airtime) to Telecom New Zealand for a net gain of $12.9 million, the sale of the Panasonic Division (a distributor of electronic consumer product) to Matsushita Electric of Japan for a net loss of $0.2 million and provision for divestment and/or closure of Screencraft (printed circuit board manufacturing), Lucent Technology Inc's distribution agency and PSC (a manufacturer of electronic machine controllers) of $8.9 million including writedown of equipment to recoverable value. A closure provision of $3.5 million was made for Finance Australia to discontinue business.

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent				Consolidated		
1999	2000	**2001**		**2001**	2000	1999
$000	$000	**$000**		**$000**	$000	$000

3 TAXATION

1999	2000	2001		2001	2000	1999
42,596	57,753	**21,999**	Profit from continuing operations before taxation	**17,742**	86,293	29,219
14,057	19,058	**7,260**	Taxation at current rate of 33%	**5,855**	28,477	9,642
			Adjustments to taxation for:			
(9,223)	(15,279)	**(7,376)**	Non-assessable income	**(130)**	(52)	(28)
			Non-deductible items (1999 loss on Building sale)	**787**	137	1,897
			Attributed foreign income	**33**	194	(161)
			Foreign rates other than 33%	**778**	715	(143)
4,834	3,779	**(116)**	This year's taxation	**7,323**	29,471	11,207
1,796	(206)	**1,665**	Other	**137**	373	249
			Tax rate change in Australia (2001 30%, 2000 34%, 1999 36%)	**214**	275	-
6,630	3,573	**1,549**	Income tax expense from continuing operations	**7,674**	30,119	11,456
			Profit from discontinued operations before taxation	**1,460**	(2,723)	(7,449)
			Taxation at current rate of 33%	**482**	(899)	(2,458)
			Adjustments to taxation for:			
			Non-assessable income (1999 non taxable gains on disposal of Cellnet & Panasonic)	-	-	(5,840)
			Non-deductible items	**1**	31	158
			Foreign rates other than 33%	**5**	(46)	(46)
			This year's taxation	**488**	(914)	(8,186)
			Income tax expense from discontinued operations	**488**	(914)	(8,186)
6,630	3,573	**1,549**	Total income tax expense	**8,162**	29,205	3,270
			This is represented by:			
6,630	3,573	**1,549**	Current taxation	**18,036**	26,847	6,173
			Deferred taxation	**(9,874)**	2,358	(2,903)
6,630	3,573	**1,549**	Total income tax expense	**8,162**	29,205	3,270

4 DEBTORS AND PREPAYMENTS

	2001	2000
Trade receivables	**108,333**	101,828
Less allowance for doubtful accounts	**(622)**	(645)
	107,711	101,183
Other debtors and prepayments	**7,364**	9,394
Separation costs (note 24)	**2,683**	-
	117,758	110,577

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		5 FINANCE RECEIVABLES		
		Receivable within one year	**189,737**	194,924
		Less provision for bad and doubtful debts	**(3,222)**	(4,322)
			186,515	190,602
		Less provision for unearned interest	**(17,149)**	(13,956)
		Net receivables due within one year	**169,366**	176,646
		Receivable beyond one year	**114,091**	111,705
		Less provision for bad and doubtful debts	**(1,945)**	(2,478)
			112,146	109,227
		Less provision for unearned interest	**(10,375)**	(7,997)
		Net receivables due beyond one year	**101,771**	101,230
		Total finance receivables	**271,137**	277,876

Finance receivables are comprised of advances to customers including advances where interest for the term of the advance is included within finance receivables and advances where interest is charged on a daily basis (refer note 27).

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		6 INVENTORIES		
		Materials	**65,596**	56,169
		Spare parts	**5,572**	4,559
		Finished products	**91,741**	87,170
		Provision for obsolescence	**(853)**	(909)
			162,056	146,989

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		7 TAXATION		
		Balance at beginning of year		
(208)	-	Taxation payable	**(2,417)**	(1,025)
-	**1,595**	Taxation recoverable	**6,397**	13,570
(3,573)	**(1,549)**	Total taxation expense in current year	**(18,036)**	(26,847)
1,585	**600**	Taxation paid	**14,079**	15,287
3,789	**766**	Supplementary dividend tax credit	**766**	3,789
2	**70**	Other movements	-	(794)
		Balance at end of year		
		Taxation payable	**(6,282)**	(2,417)
1,595	**1,482**	Taxation recoverable	**7,071**	6,397

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000			Consolidated 2001 $000	Consolidated 2000 $000
8 FIXED ASSETS					
		Buildings (at cost)		**132,290**	91,173
		Less depreciation		**12,695**	9,715
				119,595	81,458
		Buildings at valuation on 31 March 1992		**14,363**	14,363
		Less depreciation		**2,373**	2,138
				11,990	12,225
		Land (at cost)		**19,581**	19,581
		Land at valuation on 31 March 1992		**4,980**	4,980
				24,561	24,561
		Leasehold improvements (at cost)		**2,155**	1,730
		Less depreciation		**759**	504
				1,396	1,226
		Plant and equipment (at cost)		**448,213**	420,319
		Less depreciation		**274,863**	243,379
				173,350	176,940
		Computer software (at cost)		**38,388**	35,587
		Less depreciation		**18,389**	14,439
				19,999	21,148
		Capital projects (at cost)	- Buildings	**-**	30,769
			- Other	**9,139**	9,873
				9,139	40,642
				360,030	358,200

The independent valuation of land and buildings as at 31 March 2001 was $160.093 million (2000 $127.717 million excluding capital projects).

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		9 EMPLOYEE SHARE OWNERSHIP PLANS		
13,166	**11,301**	Share purchase loans	**11,301**	13,166

Share purchase loans are made by the company under the Share Purchase Schemes to assist with the purchase of fully paid ordinary shares in the company.

Shares are normally issued at a discount ranging from 20% to 33% of market price, on terms permitted by the Schemes in accordance with sections CH2 or DF7 of the New Zealand Income Tax Act 1974, with no interest or a nominal interest rate being charged on the loans. The qualifying periods between grant and vesting date are 3 or 8 years. Dividends paid during the qualifying period on shares allocated to employees and executives under the Schemes are paid to the employees and are credited to the executives loan. Voting rights on the shares are exercisable by the employees under their Schemes, but by the Trustees under the executives' Schemes.

4,667,000 shares (2000 4,814,700) are held by the Schemes, being 3.9% (2000 4.1%) of the company's issued and paid up capital. As at 31 March 2001, all shares were allocated to employees or executives, except for 244,900 (2000 141,200).Once vested an employee participant may elect to transfer the shares into his or her own name, after which the shares are freely transferable.

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

Any such shares are re-allocated to other employees by the Trustees. Trustees of the Employee Share purchase Schemes are appointed by the company.

Information relating to shares issued under the Schemes is as follows:

	2001		2000		1999	
	Price* $	**Number of shares**	Price* $	Number of shares	Price* $	Number of shares
As at beginning of the year	**3.47**	**4,793,500**	3.23	4,531,300	3.24	4,828,800
Granted during the year	**-**	**-**	5.12	737,400	-	-
Vested during the year	**2.95**	**(274,050)**	3.78	(373,150)	3.40	(149,100)
Lapsed due to resignation	**4.40**	**(97,350)**	3.61	(102,050)	3.40	(148,400)
As at end of year	**3.48**	**4,422,100**	3.47	4,793,500	3.23	4,531,300

Period granted	Non-vested shares outstanding	Price range $	Price* $	Remaining period to vesting
Pre 31 March 1998	3,755,000	2.88 - 3.78	3.19	3 to 5 years
1 April 1998 - 31 March 1999				
1 April 1999 - 31 March 2000	667,100	5.12	5.12	1 to 2 years
1 April 2000 - 31 March 2001				
	4,422,100			

*Weighted average

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

10 INVESTMENTS IN SUBSIDIARIES

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
194,293	**163,370**	Shares in subsidiary companies		

The Parent's investment in subsidiaries comprises shares at net asset value. The assets and liabilities attributed to Fisher & Paykel Industries Limited are largely owned by the following subsidiaries

Principal Subsidiaries	Country of Domicile	Interest held by Group 2001	Interest held by Group 2000	Principal activities
*Fisher & Paykel Limited	NZ	100%	100%	Manufacturer & Distribution of Appliances
*Fisher & Paykel Australia Pty Limited	Australia	100%	100%	Distribution of Appliances
*Fisher & Paykel Manufacturing Pty Limited	Australia	100%	100%	Manufacture of Appliances
Fisher & Paykel (Singapore) Pte Limited	Singapore	100%	100%	Distribution of Appliances
Fisher & Paykel Appliances Inc	USA	100%	100%	Distribution of Appliances
Fisher & Paykel Appliances Limited	UK	100%	100%	Distribution of Appliances
*Fisher & Paykel Healthcare Limited	NZ	100%	100%	Manufacture & Distribution of Healthcare Products
Fisher & Paykel Healthcare Limited	UK	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Pty Limited	Australia	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare Inc	USA	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare SAS	France	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Healthcare GmbH	Germany	100%	100%	Distribution of Healthcare Products
Fisher & Paykel Finance Limited	NZ	100%	100%	Consumer & Commercial Finance
Consumer Finance Limited	NZ	100%	100%	Consumer Finance
Equipment Finance Limited	NZ	100%	100%	Commercial Finance
Fisher & Paykel Holdings Inc. (USA)	USA	100%	100%	Non Trading Holding Company
*Fisher & Paykel Australia Holdings Limited	Australia	100%	100%	Non Trading Holding Company
*Fisher & Paykel Production Machinery Limited	NZ	100%	100%	Machinery Manufacturer

All subsidiaries have a balance date of 31 March.

* Fisher & Paykel Industries Limited together with those above companies marked with an asterisk are the major companies in the negative pledge agreement.

11 DEFERRED TAXATION / FUTURE TAXATION BENEFIT

	Consolidated 2001 $000	Consolidated 2000 $000
Balance at beginning of year:		
Deferred taxation	**2,391**	3,794
Current year timing differences	**9,874**	(2,358)
Other movements	**306**	955
Balance at end of year:		
Deferred taxation	**12,571**	2,391

Notes to Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000

12 BANK OVERDRAFTS AND CALL BORROWINGS

		Bank Overdrafts	**3,469**	5,219
		Call borrowings	**2,500**	14,000

Call borrowings and bank overdrafts in foreign currencies total:

AUD	0.0 million (2000 AUD 1.342 million)
USD	0.151 million (2000 USD 1.536 million)
SGD	0.505 million (2000 SGD 0.479 million)
GBP	0.423 million (2000 GBP 0.239 million)
EUR	0.593 million (2000 EUR .278 million)

Call borrowings and bank overdrafts are repayable on demand and come under the Negative Pledge Agreement as set out in note 15.

		Unused lines of Credit		
		Bank Overdraft and Call Borrowing Facilities	**52,275**	16,682

13 PROVISIONS

		Current		
		Warranty and service contracts	**18,824**	15,990
		Restructuring and closure costs	**798**	3,500
		Unrealised loss on foreign currency instruments	**43,270**	-
		Other	**4,500**	-
			67,392	19,490
		Term		
		Warranty and service contracts	**10,670**	8,372
		Unrealised loss on foreign currency instruments	**20,949**	-
			31,619	8,372

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		14 FINANCE BORROWINGS		
		Subordinated debt		
		This debt is subordinated to all other creditors.		
		Due for repayment between one and two years	**10,000**	-
		Due for repayment beyond two years	-	5,000
			10,000	5,000

The average interest rate is 6.7% (2000 7.5%)

Secured borrowings

Debenture stock on issue is secured by first floating charge over the assets of Fisher & Paykel Finance Limited (FPFL) and charging subsidiaries (the Charging Group). Currently, all subsidiaries of FPFL are charging subsidiaries.

All borrowings made by the issue of debenture stock are in accordance with a Debenture Trust Deed. The Deed includes several covenants including that the Charging Group will not

(1) permit total liabilities to exceed the aggregate of:
- (a) 91% of total tangible assets (which includes the market worth of public sector and other approved securities) and
- (b) 6.5% of the aggregate of the market worth of public sector and other approved securities.

(2) permit the first ranking stock (Including security stock) and prior charges to exceed the aggregate of:
- (a) 87.5% of total security assets (which includes the market worth of public sector and other approved securities) and
- (b) 10% of the aggregate of the market worth of public sector and other approved securities.

	Consolidated 2001 $000	Consolidated 2000 $000
(a) Debenture stock due for repayment:		
Within one year (6.8%, 2000 6.3%)	**110,650**	95,538
between one and two years (7.2%, 2000 6.5%)	**26,905**	26,935
between two and three years (7.3%, 2000 6.7%)	**10,023**	5,985
between three and four years (7.3%, 2000 6.7%)	**3,097**	3,631
between four and five years (7.3%, 2000 6.7%)	**1,407**	1,483
	152,082	133,572

The average rate of interest is 6.9% (2000 6.4%).

	Consolidated 2001 $000	Consolidated 2000 $000
(b) Secured advances due for repayment:		
Within one year (6.7%, 2000 6.2%)	**57,441**	78,903
between two and three years (6.6%)	**15,094**	-
between four and five years (6.6%)	**6,997**	-
	79,532	78,903

The average rate of interest is 6.7% (2000 6.2%).

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		(c) Bank overdraft	-	785
		Total secured borrowings	**231,614**	213,260
		Unsecured borrowings		
		Australia Finance Group		
		Due for repayment within one year	**6,341**	-
		Due for repayment between two and three years	-	38,432

The average rate of interest is 5.63% (2000 5.8%).

Finance borrowings in foreign currencies total A$5.25 million (2000 A$32.0 million). A Negative Pledge Agreement has been executed with Fisher & Paykel Finance Pty Limited's bankers, however subsequent to year end, this agreement was terminated when the borrowings were repaid.

			Consolidated 2001 $000	Consolidated 2000 $000
		Total Finance borrowings	**247,955**	256,692
		Due within one year	**174,432**	175,226
		Due after one year	**73,523**	81,466
			247,955	256,692
		Unused Lines of Credit		
		Bank Overdraft	**3,050**	2,265
		Subordinated Debt 2 - 3 years	-	5,000
		Secured Advances within 1 year	**28,559**	7,097
		Secured Advances 2 - 3 years	**19,906**	-
		Secured Advances 4 - 5 years	**3,003**	-

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000

15 TERM BORROWINGS

		Borrowing facilities due for repayment:		
		Current	**14,264**	1,227
		One to two years	**68,589**	24,361
		Two to three years	**21,109**	39,684
		Three to four years	**20,000**	78,255
		Term	**109,698**	142,300

These borrowings have been aged in accordance with the facilities' terms. With the exception of A$19.75 million (being a term loan due for repayment in 2003 and having a fixed interest rate of 6.7%) (2000 A$19.7 million, 6.7%), all borrowings are drawn down by way of short term bills at interest rates current at draw down date (weighted average 6.4%, 2000 6.2%).

Borrowings in foreign currencies total A$68.0 million (2000 A$66.5 million),EURO 2.3million (2000 EURO 0 million) and US$5.5 million (2000 US$5 million).

A Negative Pledge Agreement has been executed with certain of the Group's bankers. Major trading companies operating under a Negative Pledge Agreement together with the parent company are listed in note 10. The negative pledge includes the covenant that security can be given only in limited circumstances. The principal covenants of the negative pledge are that:

(a) total liabilities of the Group (excluding the Finance Group) shall not exceed 70% of the Group tangible assets (excluding the Finance Group);
(b) the tangible net worth of the Group shall be in excess of $200 million: and
(c) the total of net operating profit before taxation for the Group and interest paid by the Group (other than interest paid by the Finance Group) shall exceed 250% of the interest paid by the Group (other than interest paid by the Finance Group).

		Unused lines of Credit		
		Term Borrowings Current	**2,386**	8,853
		Term Borrowings 1 - 2 years	**41,946**	6,091
		Term Borrowings 2 - 3 years	**7,000**	7,294
		Term Borrowings 3 - 4 years	**10,000**	11,574

16 OTHER CURRENT LIABILITIES

		Employees entitlements	**19,462**	20,333
44	**93**	Other creditors and accruals	**19,080**	18,916
44	**93**		**38,542**	39,249

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent				Consolidated		
1999	2000	**2001**		**2001**	2000	1999
$000	$000	**$000**		**$000**	$000	$000
			17 SHAREHOLDERS EQUITY			
			SHARE CAPITAL			
			118,111,137 (2000 118,111,137) ordinary shares issued and paid up.All ordinary shares rank equally with one vote attaching to each fully paid ordinary share.			
194,881	194,881	**198,295**	Opening Balance	**198,295**	194,881	194,881
-	3,414	-	Staff Share Scheme Shares issued (2000 issued 561,900 ordinary shares)	-	3,414	-
194,881	198,295	**198,295**	Closing Balance	**198,295**	198,295	194,881
			RESERVES			
8,649	8,649	**8,649**	Capital profits	**19,757**	19,757	19,757
68,314	49,786	**52,585**	Revaluation brought forward			
(18,528)	2,799	**(8,169)**	Revaluation of subsidiaries			
49,786	52,585	**44,416**				
			Currency translation brought forward	**(1,378)**	(3,992)	(2,930)
			Movement for the year	**1,241**	2,614	(1,062)
				(137)	(1,378)	(3,992)
58,435	61,234	**53,065**	Total reserves	**19,620**	18,379	15,765
			RETAINED EARNINGS			
122,219	119,413	**126,404**	Retained earnings brought forward	**169,259**	162,083	182,355
35,966	54,180	**20,450**	Plus profit for the year	**11,040**	54,365	18,500
			Less:			
17,613	17,717	-	Special dividend	-	17,717	17,613
10,579	11,755	**14,176**	Interim dividend	**14,176**	11,755	10,579
10,580	17,717	-	Final dividend (recorded in 1999 paid in 2000)	-	17,717	10,580
119,413	126,404	**132,678**	Retained earnings carried forward	**166,123**	169,259	162,083
372,729	385,933	**384,038**	Total Shareholders Equity	**384,038**	385,933	372,729

The final dividend for 2001 has not been accrued, refer accounting policies.

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

18 CASH FLOW

Reconciliation of group profit to cash flows from operating activities

Parent 1999 $000	Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000	Consolidated 1999 $000
37,762	53,973	**20,450**	Group profit after taxation	**11,040**	54,365	18,500
			Add/(deduct) non-cash items			
			Depreciation and writedown of fixed assets to recoverable amount	**49,476**	46,463	54,474
			Amortisation of goodwill	**385**	385	128
			Accrued Finance Group interest expense	**1,055**	565	212
(295)	(264)	-	Accrued interest income	**95**	(82)	(366)
			Movement in provisions	**6,930**	9,027	2,051
			Movement in deferred tax/future tax benefit	**(10,180)**	1,384	(1,777)
			Movement in working capital			
4	(22)	**49**	Payables and accruals	**(6,856)**	158	7,886
6	-	-	Debtors	**(4,498)**	(23,462)	11,133
			Inventory	**(15,067)**	(16,473)	(15,529)
3,100	2,145	**113**	Provision for taxation net of supplementary dividend paid	**3,957**	13,142	(5,903)
(1,654)	-	-	Gain on disposal of operations	-	-	(17,708)
			Write down of investment	**995**	-	-
			Provision for restructuring and closure costs	-	-	9,210
			Provision for foreign exchange loss (unrealised)	**64,219**	-	-
			Foreign currency exchange translation	**3,456**	2,148	(442)
38,923	55,832	**20,612**	Net cash flow from operations	**105,007**	87,620	61,869

	Consolidated 2001 $000	Consolidated 2000 $000	Consolidated 1999 $000
Analysis of subsidiary acquired:			
Fixed assets	-	-	661
Goodwill on acquisition	-	-	3,853
Current assets	-	-	4,218
Term liabilities	-	-	(1,495)
Current liabilities	-	-	(2,373)
	-	-	4,864
Analysis of operations divested:			
Fixed assets	-	-	1,841
Current assets	-	-	15,322
Current liabilities	-	-	(1,773)
Gain on disposal	-	-	17,708
	-	-	33,098

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000

19 IMPUTATION CREDIT ACCOUNTS

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
21,623	**20,464**	Balance brought forward		
21,918	**7,807**	Imputation credits attached to dividends received		
1,585	**600**	Tax paid		
(24,662)	**(6,090)**	Imputation credits attached to dividends paid to shareholders		
20,464	**22,781**	Balance carried forward		
		Imputation credits directly and indirectly available to shareholders as at 31 March 2001 are:		
		Parent	**22,781**	20,464
		Subsidiaries	**97**	2,164
		Balance carried forward	**22,878**	22,628

20 CONTINGENT LIABILITIES

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		Contingent liabilities	**-**	-

Periodically we are a party to litigation including product liability claims. To date such claims have been settled for relatively small monetary amounts which have been expensed or covered by our insurance. We are unaware of the existence of any claim that would have a material impact on the operations of the company.

21 COMMITMENTS

Parent 2000 $000	Parent 2001 $000		Consolidated 2001 $000	Consolidated 2000 $000
		Capital expenditure commitments at 31 March 2001		
		Within one year	**5,581**	9,721
		Total	**5,581**	9,721
		Lease commitments under non-cancellable operating leases:		
		Within one year	**9,879**	9,458
		Between one and two years	**8,098**	7,483
		Between two and three years	**5,774**	6,321
		Between three and four years	**5,565**	4,439
		Between four and five years	**5,065**	3,809
		Over five years	**17,293**	1,685

Operating lease commitments relate mainly to occupancy lease of buildings.

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

		Consolidated		
		2001	2000	1999
		$000	$000	$000

22 CURRENCY

The following currency conversion rates have been applied at 31 March 2001:

NZ$1.00 =	USD	**0.403**	0.496	0.540
	AUD	**0.828**	0.819	0.850
	GBP	**0.285**	0.311	0.330
	SGD	**0.726**	0.850	0.920
	EUR	**0.461**	0.517	0.490

23 RELATED PARTY TRANSACTIONS

(a) The Group has a 49 percent interest in Hill & Stewart Appliances Limited. Indirectly, under the Companies Act 1993, the Group is deemed to have control of the remaining shareholding through the loan documentation to the other shareholders of Hill & Stewart. The Group considers as these interests are not intended to be core business, but one of a short term transitional support, that consolidation of Hill & Stewart's financial statements is not appropriate as provided for under the Statement of Standard Accounting Practice 8 paragraph 5-22.

At 31 March 2001 the Group has reassessed the carrying values of its investment in Hill & Stewart and loans to associated shareholders and advances to Hill & Stewart of $11.0 million, resulting in a permanent impairment of the investment and a writedown of the loans and advances to realisable value of $5.5 million, with a view to disposal of its interest within 12 months of balance date.

Hill & Stewart's turnover, as a retailer of appliances and electronic consumer products, for the year ended 31 March 2001 was $48.5 million. The Group's share of pre and post taxation profit (there being no dividend paid or receivable), and post acquisition reserves is NIL at 31 March 2001.

Hill & Stewart's carrying values (unaudited) at 31 March 2001 were:

	$000
Assets	
Debtors and prepayments	**3,950**
Inventory	**7,350**
Fixed Assets	**2,900**
Intangible Assets	**200**
Total Assets	**$14,400**
Liabilities	
Trade Creditors	**2,400**
Other Accruals	**2,050**
Group Advances	**9,400**
	13,850
Equity	**550**
Total Liabilities and Equity	**$14,400**

In the year ended 31 March 2001 products supplied to Hill & Stewart were 2.2 percent (2000 2.1%) of appliances sold in the Australasian market.

(b) The Group has fifteen employment related loans totalling $0.279 million (2000 $0.289 million) to senior executives at nominal interest rates.

Notes to the Financial Statement continued

Fisher & Paykel Industries Limited

24 PROPOSED SEPARATION

In December 2000 the Group announced that subject to Court and Shareholder approval, Fisher & Paykel Industries Limited will be separated into two listed public companies - Fisher & Paykel Healthcare Corporation Limited (being the current Fisher & Paykel Industries Limited) and a new holding company (Fisher & Paykel Appliances Holdings Limited) incorporating the Appliances and Finance businesses, together with an approximately 20 percent ownership of Fisher & Paykel Healthcare Corporation Limited.

No financial impact of the financial separation has been recognised in the financial statements at 31 March 2001 apart from capitalised separation costs incurred to date (refer note 4). Financial impacts which may include restructuring costs, direct costs associated with the transactions and the carrying values of assets and liabilities will be recognised at the time of separation.

25 RECLASSIFICATION

The Finance Group in line with current commercial practice has reclassified rentals and lease receivables as finance receivables.

The effects of this change are:

(a) Statement of Cash Flows
a reduction in Finance interest and fee receipts thereby net cash flow from Operations decreased by (2000 $17.328 million) (1999 $13.417 million) with a corresponding increase in principal on loans repaid by customers included in cash flow from financing activities.

(b) Operating Revenue
a reduction in Finance New Zealand revenue (2000 $16.846 million) (1999 $13.900 million) offset by a corresponding reduction of depreciation. This change has no effect on the operating profit.

26 FINANCIAL INSTRUMENTS PARENT COMPANY AND TRADING GROUP

Management policies

Through its importing and exporting activities, the Group generates a number of internal foreign currency hedges. General policy is to monitor current and anticipated future foreign currency trading cash flows and advice is taken on likely foreign currency rate trends. When considered appropriate, the Group will enter into options and forward exchange contracts to hedge current and anticipated future currency trade cash flows.

Interest rate risks are regularly monitored and advice taken on likely trends. When considered appropriate, the Group will swap its floating interest rate borrowings into fixed interest rate borrowings.

Management of foreign currency and interest rate risk is regularly reported to the Board of Directors. The large depreciation in the New Zealand dollar exchange rate during the year ended 31 March 2001 resulted in a change in the correlation between the cash flows from translations and the cash flows from the foreign currency instruments. The directors therefore decided it was appropriate to revalue foreign hedge instruments to Mark to Market at 31 March 2001 as these instruments no longer met hedge accounting rules.

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Fair value

Estimated fair values of the Group's financial assets and liabilities at 31st March 2001 are as follows:

	2001		2000	
	Carrying Amount $000	**Fair Value $000**	Carrying Amount $000	Fair Value $000
Cash at bank	**7,255**	**7,255**	5,285	5,285
Debtors	**116,205**	**116,205**	106,038	106,038
Advances under Employee Share Ownership Plans	**11,301**	**9,716**	13,166	10,706
Call borrowings and bank overdrafts	**(5,969)**	**(5,969)**	(18,801)	(18,801)
Term borrowings	**(123,962)**	**(123,600)**	(143,527)	(142,954)
Creditors	**(61,195)**	**(61,195)**	(63,798)	(63,798)
Foreign currency forward exchange contracts	**(3,594)**	**(3,594)**	-	(2,670)
Foreign currency option agreements	**(60,625)**	**(60,625)**	-	(7,803)
Interest rate swaps	-	**(2,097)**	-	636

Estimated fair values of the Parent Company's financial assets and liabilities at 31st March 2001 are as follows:

	2001		2000	
	Carrying Amount $000	**Fair Value $000**	Carrying Amount $000	Fair Value $000
Cash at bank	**39**	**39**	18	18
Intergroup advances	**207,939**	**207,939**	176,905	176,905
Advances under Employee Share Ownership Plans	**11,301**	**9,716**	13,166	10,706
Creditors	**(93)**	**(93)**	(44)	(44)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash at bank, debtors, creditors, call borrowings, bank overdrafts and intergroup advances

Carrying amounts of these items are equivalent to their fair values.

Advances under Employee Share Ownership Plans

Fair values are estimated based on current market interest and period to maturity

Term borrowings

Fair value of the Group's term borrowings is estimated based on current market interest rates available to the Group for debt of similar maturities.

Foreign currency forward exchange contracts and option agreements

Fair values are estimated based on the quoted market prices of these instruments at balance date.

Interest rate swaps

Fair values are estimated based on the quoted market prices of these instruments at balance date

Off balance sheet risk

The Group has entered into foreign currency forward exchange contracts and foreign currency option agreements to manage its exposure to fluctuations in foreign currency exchange rates. These financial instruments are subject to the risk that exchange rates may change subsequent to acquisition.

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

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

	2001	2000
	$000	$000
Foreign currency instruments		
Purchase commitments forward exchange contracts	5,580	132,217
Sale commitments forward exchange contracts	28,798	103,083
Put option agreements purchased	149,786	176,466
Call option agreements sold	567,155	820,254

The Group has entered into interest rate swaps to manage its exposure to fluctuations in floating interest rates. These financial instruments are subject to the risk that interest rates may change subsequent to implementation.

All of the interest rate swaps at 31 March 2001 were to hedge borrowings outstanding. Notional principal or contract amounts outstanding were as follows:

	2001	2000
	$000	$000
Interest rate swaps	90,386	91,050

Credit Risk

Foreign currency forward exchange contracts, foreign currency option agreements and interest rate swaps have been entered into with Trading Banks. The Group's exposure to credit risk from these financial instruments is limited because it does not expect nonperformance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support financial instruments.

In the normal course of business, the Group incurs credit risk with trade receivables. The Group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposure are monitored on a regular basis. There are no significant concentrations of credit risk.

Customer Concentration

The five largest customers, four of whom are buying groups, have been the following proportion of the Group's revenue, 2001 35.2%, (2000 36.3%,1999 36.4%).

Receivable Concentration

The five largest customers, four of whom are buying groups, have been the following proportion of the Group's debtors, 2001 36.4% (2000 38.1%,1999 39.0%).

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

27 FINANCIAL INSTRUMENTS FINANCE GROUP

Management policies

Interest rate risk is regularly monitored and advice taken on likely trends. The Group's general policy is to match interest rate risk. However, this general policy may be varied when considered appropriate. The policy also requires that interest rate exposures are regularly reported to the Board of Directors.

Fair value

Estimated fair values of the Group's financial assets and liabilities at 31st March 2001 are as follows:

	2001		2000	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
	$000	**$000**	$000	$000
Finance Receivables	**271,137**	**269,997**	277,876	277,876
Securities	**513**	**522**	525	529
Debtors	**2,127**	**2,127**	2,162	2,162
Finance Borrowings	**(247,955)**	**(248,871)**	(256,692)	(256,583)
Bank overdrafts	**-**	**-**	(418)	(418)
Creditors	**(6,294)**	**(6,294)**	(6,901)	(6,901)
Interest rate swaps	-	**(270)**	-	220

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Debtors, creditors and bank overdraft

Carrying amounts of these items are equivalent to their fair values.

Finance Receivables and securities

Fair value of the Group's receivables and securities is estimated based upon current market interest rates available to the Group for receivables and securities of similar maturities.

Finance Borrowings

Fair value of the Group's finance borrowings is estimated based on current market interest rates (including margin) available to the Group for debt of similar maturities.

Interest rate swaps

Fair values are estimated based on the quoted market prices of these instruments at balance date.

Off balance sheet risk

Interest rate swaps have been entered into in order to manage the Group's interest rate exposures. These financial instruments are subject to the risk that interest rates may change subsequent to acquisition.

All interest rate swaps at 31 March 2001 were entered into to hedge borrowings outstanding. Notional principal or contract amounts outstanding were as follows:

	2001	2000
	$000	$000
Interest rate swaps	**95,000**	81,116

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

Credit Risk

Interest rate swaps have been entered into with Trading Banks. The Group's exposure to credit risk from these financial instruments is limited because it does not expect nonperformance of the obligations contained therein due to the credit rating of the financial institutions concerned. The Group does not require collateral or other security to support financial instruments.

In the normal course of business, the Group incurs credit risk from advances made to its customers which are classified as Finance Receivables. The Group has a credit policy which is used to manage exposure to credit risk. As part of this policy, exposures are reviewed on a regular basis.

The total amounts receivable of $260.6 million as at 31 March 2001 (2000 $279.4 million) includes advances to retailers secured by taking an assignment over the individual finance receivable agreements.

Finance Receivable Concentration

Taking the amounts owing as advances to each retailer and commercial account, the proportion owed by the five largest debtors represents 35.9% (2000 35.3%, 1999 36.2%) of the total amounts receivable. Taken as separate advances against each individual finance receivable agreements, the amounts by the five largest debtors represents 5.2% (2000 3.9%, 1999 6.7%) of the total amounts receivable.

Finance Group interest rate risk profile of financial assets and liabilities

The interest rate risk profiles have been prepared as at 31 March 2001 on the basis of maturity or contractual repricing, which ever is the earlier.

31 March 2001	Weighted Average Interest Rate	Total $000	0-6 mths $000	7-12 mths $000	13-24 mths $000	25-60 mths $000
Financial assets						
Finance receivables	13.0%	271,137	103,989	64,361	63,652	39,135
Other	5.8%	943	-	943	-	-
Other current assets	N/A	1,553	1,553	-	-	-
		273,633	105,542	65,304	63,652	39,135
Financial liabilities						
Secured borrowings	*6.8%	231,614	107,525	63,657	45,905	14,527
Unsecured borrowings	5.63%	6,341	-	6,341	-	
Subordinated debt	6.7%	10,000	10,000	-	-	-
Other current liabilities	N/A	6,171	6,171	-	-	-
		254,126	123,696	69,998	45,905	14,527

* Adjusted for interest rate instruments.

31 March 2000	Weighted Average Interest Rate	Total $000	0-6 mths $000	7-12 mths $000	13-24 mths $000	25-60 mths $000
Financial assets						
Finance receivables	13.2%	277,876	102,499	73,020	68,707	33,650
Other	7.0%	627	-	-	627	-
Other current assets	N/A	2,935	2,935	-	-	-
		281,438	105,434	73,020	69,334	33,650
Financial liabilities						
Secured borrowings	* 6.3%	213,260	119,055	56,171	26,935	11,099
Unsecured borrowings	5.8%	38,432	-	-	-	38,432
Subordinated debt	7.5%	5,000	5,000	-	-	-
Other current liabilities	N/A	5,928	5,928	-	-	-
		262,620	129,983	56,171	26,935	49,531

* Adjusted for interest rate instruments.

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

28 SEGMENTS

The Group's principal activities are the manufacture and sale of household appliances with their major market being Australia and New Zealand; Healthcare, being mainly respiratory humidification based products exported from New Zealand to over 90 countries; and Finance to support the sale of the Groups products, a New Zealand activity.

Total revenues from these areas are: New Zealand $252.9 million (2000 $255.6 million,1999 $293.8 million), Australia $376.1 million (2000 $347.0 million,1999 $319.3 million), United States $169.2 million (2000 $109.8 million,1999 $55.8 million) and other countries $131.0 million (2000 $105.7 million,1999 $90.6 million). New Zealand based assets amount to $627.5 million (2000 $609.1 million,1999 $559.0 million), Australian based assets amount to $227.9 million (2000 $254.7 million,1999 $249.7 million), United States based assets amount to $64.4 million (2000 $39.6 million,1999 $23.7 million) and total assets amount to $953.5 million (2000 $925.8 million,1999 $854.3 million).

Segmental EBIT disclosure

Earnings before Interest and Taxation (EBIT) is described on the statement of financial performance as "operating profit from continuing operations after abnormal items." Fisher & Paykel believes that EBIT is a commonly used measure in New Zealand for discussing financial performance. Consistent with other publicly listed companies in New Zealand, Fisher & Paykel has used EBIT as a measure for financial performance. It is not considered appropriate to allocate funding costs across segments. EBIT is not an alternative to US GAAP earnings, cash flows or liquidity as a measure of financial performance.

2001	Parent	Finance	Healthcare	Appliances	Discontinued operations	Eliminations	Consolidated
	$000	$000	$000	$000	$000	$000	$000
Operating revenue	22,466	37,511	192,843	693,227	5,327	(22,219)	929,155
Operating profit before abnormals	21,999	6,262	80,044	44,020	78	(22,219)	130,184
EBIT	21,999	6,021	22,245	1,465	1,460	(22,219)	30,971
Included in EBIT:							
Abnormal items	-	(241)	-	(9,950)	1,382	-	(8,809)
Realised foreign currency	-	-	(13,446)	(12,739)	-	-	(26,185)
Unrealised foreign currency	-	-	(44,353)	(19,866)	-	-	(64,219)
Depreciation & Goodwilll	-	(2,138)	(4,988)	(42,344)	(391)	-	(49,861)
Capital expenditure	-	1,966	13,423	32,990	-	-	48,379
Assets	384,131	273,822	129,759	525,348	13,267	(372,830)	953,497

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

2000	Parent	Finance	Healthcare	Appliances	Discontinued operations	Eliminations	Consolidated
	$000	$000	$000	$000	$000	$000	$000
Operating revenue	58,064	33,724	143,822	625,434	14,818	(57,699)	818,163
Operating profit before abnormals	57,753	6,772	49,990	36,031	(2,723)	(57,699)	90,124
EBIT	57,753	6,772	51,329	38,554	(2,723)	(57,699)	93,986
Included in EBIT:							
Abnormal items	-	-	-	-	-	-	-
Realised foreign currency	-	-	1,339	2,523	-	-	3,862
Depreciation & Goodwill	-	(1,362)	(3,712)	(41,291)	(483)	-	(46,848)
Capital expenditures	-	-	31,184	34,093	-	-	65,277
Assets	385,977	250,488	94,738	520,480	46,972	(372,811)	925,844

1999	Parent	Finance	Healthcare	Appliances	Discontinued operations	Eliminations	Consolidated
	$000	$000	$000	$000	$000	$000	$000
Operating revenue	42,865	34,773	118,755	530,275	75,362	(42,519)	759,511
Operating profit before abnormals	42,596	7,007	40,356	13,956	(7,822)	(42,519)	53,574
EBIT	42,596	7,007	36,000	(3,580)	(7,449)	(42,519)	32,055
Included in EBIT:							
Abnormal items	-	-	(4,719)	(26,549)	373	-	(30,895)
Realised foreign currency	-	-	363	9,013	-	-	9,376
Depreciation & Goodwill	-	(1,453)	(2,962)	(33,665)	(1,116)	-	(39,196)
Capital expenditures	-	6,522	3,681	50,579	-	-	60,782
Assets	383,583	217,954	88,830	483,903	51,762	(371,746)	854,286

Notes to the Financial Statements continued

Fisher & Paykel Industries Limited

29 EMPLOYEE REMUNERATION

Fisher & Paykel operates in a number of countries where remuneration market levels differ widely. During the year, the number of employees or former employees, not being directors of Fisher & Paykel Industries Limited received remuneration and the value of other benefits that exceeded $100,000 as follows:

Remuneration	Number of employees		Remuneration	Number of employees	
$	**2001**	2000	$	**2001**	2000
100,000 - 110,000	**35**	28	260,001 - 270,000	**2**	
110,001 - 120,000	**39**	20	270,001 - 280,000	**1**	1
120,001 - 130,000	**17**	12	280,001 - 290,000	**2**	
130,001 - 140,000	**15**	19	290,001 - 300,000	**1**	3
140,001 - 150,000	**10**	11	300,001 - 310,000		1
150,001 - 160,000	**9**	14	310,001 - 320,000	**1**	1
160,001 - 170,000	**11**	10	320,001 - 330,000	**2**	2
170,001 - 180,000	**7**	10	330,001 - 340,000	**1**	
180,001 - 190,000	**13**	7	350,001 - 360,000	**2**	
190,001 - 200,000	**13**	2	360,001 - 370,000		1
200,001 - 210,000	**8**	4	370,001 - 380,000	**1**	
210,001 - 220,000	**14**	6	400,001 - 410,000	**1**	1
220,001 - 230,000	**6**	4	430,001 - 440,000	**1**	
230,001 - 240,000	**6**	5	460,001 - 470,000	**1**	
240,001 - 250,000	**4**	3	510,001 - 520,000		1
250,001 - 260,000	**1**	3	660,001 - 670,000	**1**	

The changes from last year may be attributed to two major influences.

Firstly, as the Group increases its direct representation in overseas markets, it remunerates employees in accordance with local market remuneration packages. These remuneration packages are then converted into New Zealand dollars. Secondly, the inclusion of employees who were paid redundancy packages as a result of the restructuring which took place.

Five Year Financial Summary

Fisher & Paykel Industries Limited

For the years ended 31 March

	2001	2000	1999	1998	1997
	$000	$000	$000	$000	$000
Continuing operations					
Operating revenue:					
Trading Group	**886,317**	769,621	649,376	795,626	723,934
Finance Group	**37,511**	33,724	34,773	35,762	47,024
Total operating revenue	**923,828**	803,345	684,149	831,388	770,958
Operating profit from continuing operations before abnormal items	**130,106**	92,847	61,396	53,849	53,873
Abnormal items	**(10,191)**	-	(31,268)	-	-
Operating profit from continuing operations	**119,915**	92,847	30,128	53,849	53,873
Funding costs	**(11,769)**	(10,416)	(10,285)	(8,565)	(7,570)
Foreign Exchange profit (loss)	**(90,404)**	3,862	9,376	9,916	10,461
Profit from continuing operations before taxation	**17,742**	86,293	29,219	55,200	56,764
Taxation	**(7,674)**	(30,119)	(11,456)	(17,495)	(18,477)
Profit from continuing operations after taxation	**10,068**	56,174	17,763	37,705	38,287
Profit (loss) from discontinued operations after taxation	**972**	(1,809)	737	(1,678)	(1,131)
Group Profit	**11,040**	54,365	18,500	36,027	37,156
Group Profit excluding Abnormals and Foreign Exchange Provision	**60,297**	54,365	35,091	36,027	37,156
Dividends and Earnings Per Share (EPS)					
Dividend	**14,176***	47,189**	38,772**	20,919	20,367
Dividend per share	**0.12***	0.40**	0.33**	0.18	0.18
Basic & diluted earnings per share from operating profit excluding abnormals and unrealised foreign exchange provision	**0.51**	0.46	0.30	0.31	0.33
Basic & diluted earnings per share	**0.09**	0.46	0.16	0.31	0.33
Financial					
Shareholders' equity	**384,038**	385,933	372,729	394,063	363,820
Total assets - Trading Group	**698,375**	661,833	632,178	638,075	567,798
Total assets - Consolidated	**953,497**	925,844	854,286	827,145	759,178
Net asset backing per share	**3.25**	3.27	3.17	3.35	3.20
Current ratio - Trading Group	**169%**	210%	223%	245%	318%
Shareholders' equity - Trading Group	**55.0%**	58.3%	59.0%	61.8%	64.1%
Shareholders' equity - Consolidated	**40.3%**	41.7%	43.6%	47.6%	47.9%

* The final dividend for 2001 has not been accrued for, refer accounting policies

** Includes Special Dividends of 15c

Group Structure

Fisher & Paykel Industries Limited

***FISHER & PAYKEL INDUSTRIES LIMITED OWNS:**

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

***FISHER & PAYKEL LIMITED OWNS:**

**Allied Industries Limited*
Cellnet Paging Services Limited
Fisher & Paykel Appliances Limited (UK)
**Fisher & Paykel Production Machinery Limited*
Fisher & Paykel Security Systems Limited
Fisher & Paykel (Singapore) Pte Limited

FISHER & PAYKEL FINANCE LIMITED OWNS:

CIS Insurance Limited
Commercial Finance Limited
Consumer Finance Corporation Limited
Consumer Insurance Services Limited
Consumer Finance Limited
Burtlea Investments No. 93 Limited
Equipment Finance Limited
E claims.Co.NZ Limited
Lifestyle Finance Limited

Fisher & Paykel Finance Limited Group operates under its own Debenture Trust Deed

FISHER & PAYKEL HOLDINGS INC OWNS:

USA Subsidiaries:
Fisher & Paykel Appliances Inc
Fisher & Paykel Healthcare Inc

FISHER & PAYKEL HEALTHCARE LIMITED (UK) OWNS:

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

***ALLIED INDUSTRIES LIMITED OWNS:**

Australian Subsidiaries:
**Fisher & Paykel Australia Holdings Limited*
**Fisher & Paykel Australia Pty Limited*
**Fisher & Paykel Customer Services Pty Limited*
**Fisher & Paykel Manufacturing Pty Limited*
Fisher & Paykel Service Pty Limited
Fisher & Paykel Finance Pty Limited
Fisher & Paykel Finance Pty Limited operates under its own Negative Pledge Agreement

ALL COMPANIES ARE WHOLLY OWNED
** COMPANIES OPERATING UNDER A NEGATIVE PLEDGE AGREEMENT*

Shareholder Information

Fisher & Paykel Industries Limited

Size of Holdings	Number of Holders	%	Ordinary Shares Number of Shares	%
1-100	478	5.71	20,954	0.02
101-1,000	3,395	40.53	2,049,037	1.73
1,001-5,000	3,585	42.80	8,266,053	7.00
5,001-10,000	558	6.66	4,030,723	3.41
Over 10,000	360	4.30	103,744,370	87.84
	8,376	100. 00	118,111,137	100.00

The details set out above were as at 7 June 2001.

Substantial Security Holders

Pursuant to Section 26 of the Securities Amendment Act 1988, the substantial security holders as at 13 June 2001 were as follows:	Ordinary Shares
AMP Asset Management New Zealand Limited (notice dated 7 September 2000)	8,354,564
The Capital Group Companies Inc (notice dated 2 November 2000)	9,034,050

Principal Shareholders

The names and holdings of the twenty largest registered shareholders as at 7 June 2001 were:

Holder	Ordinary Shares	%
New Zealand Central Securities Depository Limited	72,001,775	60.96
John William Gilks & Colin James Maiden	3,875,000	3.28
LFG Holdings Limited	1,895,000	1.60
Caledonia Investments Limited	1,795,900	1.52
Woolf Fisher Trust	1,341,823	1.13
Gurshon Fisher	1,051,599	0.89
Gurshon Fisher (Gus Fisher Family A/C)	1,011,678	0.85
J Fisher, AJJ Agar, GL Collinson and NS Robinson	1,006,640	0.85
Joyce Fisher	778,633	0.65
GA Paykel, DM Paykel and JWA Burns	704,563	0.59
QBE Insurance (International) Limited	590,908	0.50
WL Gillanders and GA Paykel	576,950	0.48
NZ Guardian Trust Company Limited	520,564	0.44
Alfred Street Nominees Pty Limited	458,368	0.38
Maurice Paykel	452,984	0.38
Masai Nominees Limited	450,000	0.38
Mary Patricia Brook	405,044	0.34
Florence Robinson	385,041	0.32
RM Lerner, JK Radley and P Lerner	363,050	0.30
Eltub Nominees Limited	348,417	0.29

New Zealand Central Securities Depository Limited provides a custodial depository service to institutional shareholders and does not have a beneficial interest in these shares. Its major holders as at 12 June 2001 were:

Accident Rehabilitation and Compensation Insurance Corporation	1,729,320
AMP Life Limited	2,595,762
ANZ Nominees Limited	16,396,833
Citibank Nominees (New Zealand) Limited	5,319,076
Credit Suisse First Boston NZ Fixed Income Limited	4,987,288
National Mutual Life Association of Australasia Ltd A Account	3,507,643
National Nominees New Zealand Limited	17,572,095
NZGT Nominees Ltd - AIF Equity Fund	1,478,345
Premier Nominees Ltd - Armstrong Jones NZ Share Fund	1,719,784
The Trustees Executors and Agency Company of New Zealand Ltd	2,731,882

A number of these registered shareholders hold shares as nominees on behalf of other parties.

Shareholder Information continued

Fisher & Paykel Industries Limited

Minority Veto Provisions

The Constitution of the company contains the minority veto provisions set out in the New Zealand Stock Exchange Listing Rules.

Directors' Shareholdings

Directors held interests in the following shares in the Company at 31 March 2001:

	2001 Ordinary Shares	2000 Ordinary Shares
N M T Geary - beneficially owned	**4,611**	4,611
J W Gilks - beneficially owned	**8,536**	8,536
not beneficially owned	**3,940,000**	4,205,000
held by an associated person	**20,000**	20,000
W L Gillanders - beneficially owned	**151,141**	151,141
not beneficially owned	**580,100**	611,050
held by associated persons	**2,591**	2,591
D B Henry - beneficially owned	**163,051**	163,051
held by associated persons	**4,898**	4,898
C J Maiden - beneficially owned	**20,567**	20,567
not beneficially owned	**3,940,000**	4,205,000
held by associated persons	**20,567**	20,567
G A Paykel - beneficially owned	**855,013**	885,013
not beneficially owned	**642,691**	673,641
held by associated persons	**1,157,997**	1,188,597
M Paykel - beneficially owned	**452,984**	452,984
not beneficially owned	**2,445,038**	2,445,038
held by associated persons	**2,198,500**	2,331,927
D D Rowlands - beneficially owned	**265,000**	265,000
J J A Williams - beneficially owned	**419,478**	419,478
held by associated persons	**15,360**	15,360

Note: To meet Stock Exchange requirements, the same shares may be included in more than one category.

Share Dealings By Directors

In accordance with Section 148(2) of the Companies Act 1993 the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests in the company between 31 March 2000 and 31 March 2001.

Particulars of such disclosures are:

Messrs Gillanders and G Paykel, as non-beneficial trustees of the company's Employee Share Purchase Scheme, acquired and disposed of shares pursuant to the company's Employee Share Purchase Scheme.

Messrs Gilks and Maiden, as non-beneficial trustees of the company's Executive Share Purchase Scheme, disposed of shares pursuant to the company's Executive Share Purchase Scheme.

A family trust of which Mr G Paykel is a beneficiary disposed of 30,000 shares on 12 June 2000 at $6.80 per share.

An associated person of Mr G Paykel disposed of 600 shares on 14 August 2000 at $7.07 per share.

An associated person of Mr M Paykel transferred 103,427 shares to a family trust during the year, the beneficiaries of which are not associated persons of Mr M Paykel.

Disclosure of Interests by Directors

Fisher & Paykel Industries Limited

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 of interest were given by these directors:

N M T GEARY is Chairman of:

Auckland Packaging Co. Limited
Budget Rent-A-Car Limited
Gough Gough & Hamer Limited
Owens Group Limited
PA Consultants Advisory Board
Rangatira Limited

and a director of:

Cedenco Foods Limited
Comalco New Zealand Limited
Foodland Associated Limited
Heath Lambert New Zealand Limited Advisory Board
National Bank of New Zealand Limited
Board Member of New Zealand Institute of Economic Research

J W GILKS is a director of:

Chalmers Properties Limited
Dublin Bay Investments Limited
Port Otago Limited
St Andrews Group Limited and subsidiaries

and a trustee of:

Fisher & Paykel Executive Share Purchase Scheme

W L GILLANDERS is a trustee of:

Fisher & Paykel Employee Share Purchase Scheme
Fisher & Paykel Staff Superannuation Scheme

C J MAIDEN is Chairman of:-

Tower Insurance Limited
Marsh New Zealand Advisory Board
Transpower New Zealand Limited

and a director of:

DB Group Limited and subsidiaries
New Zealand Refining Company Limited
Foodland Associated Limited
Independent Newspapers Limited
Tower Limited
Tower Holdings Limited
Tower Financial Services Limited

and a trustee of:

Fisher & Paykel Executive Share Purchase Scheme
Independent Newspapers Limited Senior Executive Superannuation Scheme
Independent Newspapers Limited Superannuation Fund Scheme

G A PAYKEL is Chairman of:

Panprint Limited

and a director of:

Sport Drinks Limited

and a trustee of:

Fisher & Paykel Employee Share Purchase Scheme
Fisher & Paykel Staff Superannuation Scheme

D D ROWLANDS is Chairman of:

Mainfreight Transport Limited

and a director of:

C W F Hamilton Limited

Directors' Indemnity and Insurance

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

Use of Company Information

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

Executive and Directory

Fisher & Paykel Industries Limited

EXECUTIVE

Chief Executive Officer

Gary Paykel

Executive Directors

Lindsay Gillanders

David Henry

Julian Williams

Corporate

Richard Blundell

Malcolm Clark

Healthcare

Mike Daniell

Tony Barclay

Lewis Gradon

Paul Shearer

Appliances

John Bongard

Brett Butterworth

Stuart Broadhurst

Mike Church

Don Cooper

Craig Douglas

Christian Gianni

Mike Goadby

Malcolm Harris

Brian Nowell

Richard Papworth

Mark Richardson

John Wardrop

Finance New Zealand

Alastair Macfarlane

Dennis Churches

DIRECTORY

Fisher & Paykel Industries Limited

Registered Office

78 Springs Road

East Tamaki

Auckland

New Zealand

Postal Address

Private Bag 14917

Panmure

Auckland

New Zealand

Internet Address

www.fisherpaykel.com

e-Mail

customer.care@fp.co.nz

Share Registry

Computershare Registry Services Ltd

Private Bag 92119

Auckland 1020

New Zealand

Telephone: (64) (9) 4888777

Facsimile: (64) (9) 4888787

Fisher & Paykel Finance Limited

Registered Office and Location of Debenture Registry

31 Highbrook Drive (as at 1 July 2001) East Tamaki

Auckland

New Zealand

Private Bag 94014

South Auckland Mail Centre

Telephone: (64) (9) 525 8550

Facsimile: (64) (9) 525 8584