Depending on us... Daily

Annual Report 2002

Fisher & Paykel HEALTHCARE

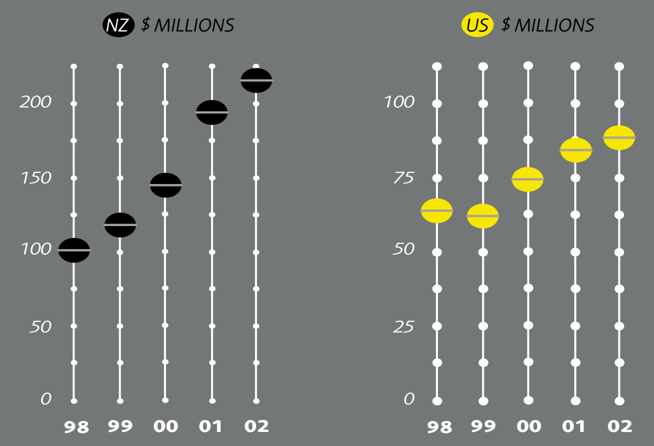
Depending on us... Daily

CONTENTS

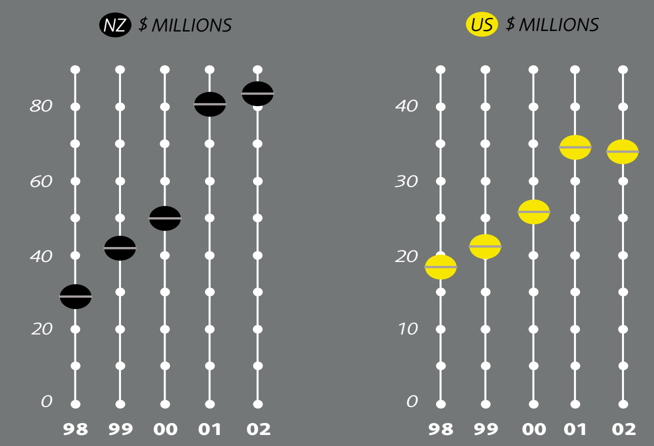
In more than 90 countries around the world, healthcare professionals depend daily on products designed, manufactured and marketed by Fisher & Paykel Healthcare.

From intensive care units to private homes, the results of our research and development assist healthcare professionals in their treatment of patients from newborns to the aged. These products and our experience have established us as a leading company in the respiratory market.

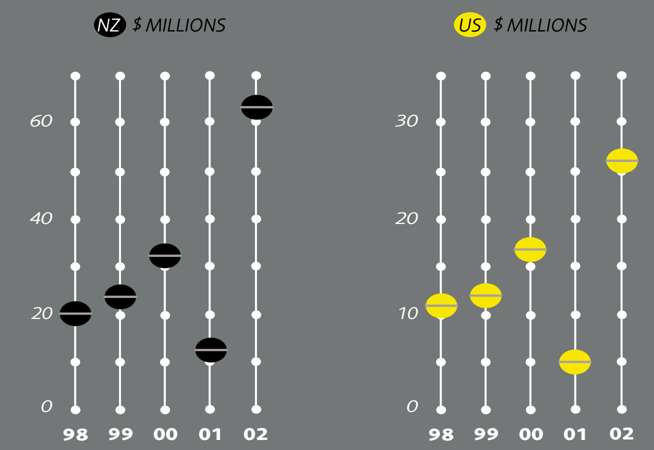
OPERATING REVENUE FROM CONTINUING OPERATIONS



OPERATING PROFIT FROM CONTINUING OPERATIONS BEFORE ABNORMAL ITEMS



PROFIT FROM CONTINUING OPERATIONS AFTER TAXATION



- Completed separation of Fisher & Paykel Industries Limited into two separately listed public companies – Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Appliances Holdings Limited
- Fisher & Paykel Healthcare Corporation listed on NZSE, ASX and Nasdaq
- Record profit after tax from continuing operations of NZ$62.3 million
- Operating revenues from continuing operations up 11% to NZ$214.6 million
- Respiratory humidification revenues up 7% to NZ$109.3 million
- OSA revenues up 25% to NZ$79.0 million
- Neonatal revenues up 33% to NZ$13.8 million
- Return on shareholders' equity from continuing operations of 36%

GARY PAYKEL
CHAIRMAN
FISHER & PAYKEL HEALTHCARE
CORPORATION LIMITED

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Fisher & Paykel Healthcare is a true knowledge-based business, with 17 percent of our staff involved in research and development...

We have made the transition from a division of Fisher & Paykel Industries Limited to a stand-alone company with our shares listed on the NZSE, the ASX and the United States' Nasdaq national market. We now have some 10,600 shareholders in 30 countries.

The year in review:

Fisher & Paykel Healthcare Corporation Limited achieved a number of significant milestones during the financial year ended 31 March 2002.

Fisher & Paykel Healthcare Corporation Limited achieved a number of significant milestones during the financial year ended 31 March 2002.

Our company is recognised as the leading designer, manufacturer and marketer of heated humidifiers for use in respiratory care and the treatment of obstructive sleep apnea. Our strength lies in a wide range of specialised products that compete strongly in global markets which we estimate have an annual value of more than US$1 billion.

While we are a new entity in name, Fisher & Paykel Healthcare Corporation is the sum total of many years committed to the research and development, manufacturing and international marketing of a range of healthcare devices which improve patient care. We have developed an understanding of clinical needs and generated core technologies which have established us as a leader in our field. Over more than twenty years we have demonstrated a considerable history of revenue and earnings growth derived from successful exporting to more than 90 countries around the world. Our products are depended on daily by the medical profession and their patients.

This strength is now better exposed to the investment community at a time when there is growing appreciation of the value, growth prospects and economic contribution of knowledge-based and innovative enterprises.

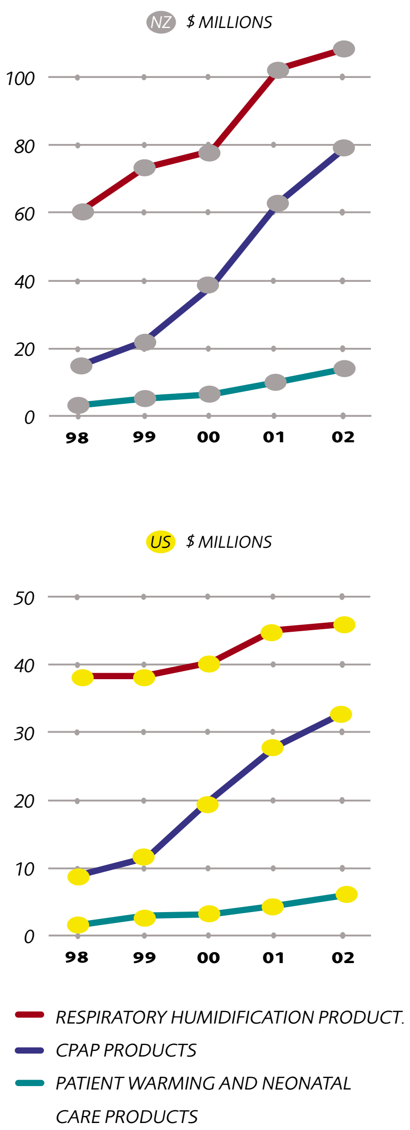
In New Zealand and in fourteen countries around the world we have in place capable, experienced teams, with many of our people having been involved in the business for a number of years.

Fisher & Paykel Healthcare is a true knowledge-based business, with 17 percent of our staff involved in research and development, approximately 5 percent of our revenue invested in research and development, an active programme of clinical research with New Zealand and international partners and an extensive patent portfolio, including 29 US patents.

As our financial results illustrate, the competitive advantage we have built up over the years as a knowledge-based company continues to deliver growth. Following the reorganisation in November 2001, we report the results of the healthcare business as continuing operations, and the results of the appliances and finance businesses that we no longer operate as discontinued operations.

The continued strong performance of our core products and early acceptance of new products saw our company achieve a profit from continuing operations of NZ$62.3 million for the twelve months ended 31 March 2002. This compares with NZ$11.7 million in the prior year, a period which included an after-tax expense of NZ$38.7 million in foreign exchange losses attributable to the healthcare business prior to the separation. This year's result, which includes a foreign exchange currency gain after tax of NZ$8.9 million, demonstrates the ability of the company to deliver strong earnings in a very competitive global environment.

REVENUE BY PRODUCT GROUP



We paid a final dividend of 25 cents per ordinary share, carrying a full imputation credit. Non-resident shareholders received a supplementary dividend of 4.41 cents per share. The company has a strong balance sheet and we believe we are well positioned for future growth. Return on shareholders' equity from continuing operations was a very healthy 36 percent.

Full year operating revenues in each of our core product groups grew significantly with respiratory humidification up 7 percent, obstructive sleep apnea up 25 percent and neonatal up 33 percent. Total operating revenues for the year were NZ$214.6 million, 11 percent ahead of the prior year.

Especially pleasing was the growth achieved in respiratory humidification, given weaker demand in the market caused by an unusually low influenza season and reduced demand from ventilator capital equipment manufacturers. Our increasing market share in breathing circuits was an important contributor to this growth.

Ongoing strong growth in the OSA segment, which saw sales volumes for our integrated flow generator-humidifiers up by 27 percent in the fourth quarter, contributed significantly to the year's results, with our new flow generator and mask products helping to drive that growth. Our gains in the neonatal market are also very encouraging and with the introduction of new products such as our neonatal breathing circuits and bubble CPAP technology, we expect to see continued growth.

As we move into our first full year as an independently listed company, we will continue to pursue the business strategy that has consistently delivered growth for the company and value for our shareholders.

The strategy has a continued focus on the research and development and international expansion that is important for our long-term success and to maintain our leading position. Our investment in R&D, which this year totalled NZ$10.3 million, enables us to improve our existing products, develop innovative new products in our core areas of expertise and target new medical applications for our technologies.

In the past year we have increased the size of our sales teams in our major markets to further support this position. In addition, our customers in promising growth markets, such as India and Spain, are now benefiting from the presence of dedicated regional sales managers. In China, where we have sold product for some years, we are moving towards establishing a dedicated regional manager this year with the aim of unlocking more growth in that country.

To accommodate our anticipated growth, we are expanding our manufacturing facilities in New Zealand by approximately 6,100 square metres and expect this project to be completed by January 2003. The NZ$12.9 million investment is being funded from operating cashflows.

With 49 percent of revenue derived from the North America, 28 percent from Europe and 20 percent from Asia Pacific, we believe the investment made in strengthening our international presence and understanding the needs of specific markets will continue to be rewarded.

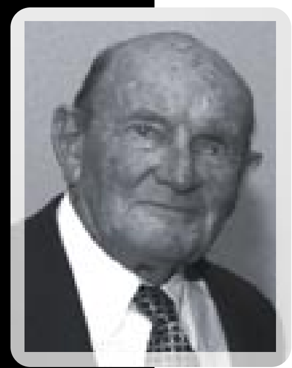
With our exports from New Zealand invoiced in a variety of currencies, predominantly the US dollar and the Euro, we are particularly conscious of the need to manage foreign exchange risks. The company's policy is to have in place a mix of foreign exchange contracts and options covering periods of up to three years forward, and in certain circumstances options only for a further two years. Options give us the right, but not the obligation, to acquire cover at an agreed rate. This strategy gives us flexibility and certainty with regard to our currency positions. During the year the company recorded a foreign exchange gain after tax of NZ$8.9 million.

Our transition from a division to a stand-alone company has placed considerable demands on our management team. On behalf of all our shareholders I thank them for successfully balancing the demands of managing the business with those of completing the separation process and establishing relationships with the international financial community. Thanks also to my fellow directors, for their contribution to this successful transition.

Special thanks are due to our staff worldwide, our customers, our clinical partners, our distributors and our suppliers. Their knowledge, professionalism and commitment to quality are the foundations upon which Fisher & Paykel Healthcare is so soundly based. We depend on them daily, just as health professionals and their patients depend daily on the products we design, manufacture and market.

We at Fisher & Paykel Healthcare will continue to build on our knowledge, professionalism, commitment to quality and commitment to our customers. Through improving our existing products, developing innovative products in our core areas of expertise and targeting new medical applications for our technologies, we will pursue the growth that will generate value for our shareholders.

Gary Paykel CNZM
Chairman



MAURICE PAYKEL
CBE HON LLD (Auck)
CO-FOUNDER
FISHER & PAYKEL INDUSTRIES LIMITED

We pay to tribute Mr Maurice Paykel who passed away on 19 June 2002. Mr Paykel was one of the co-founders of our company and he and the late Sir Woolf Fisher provided the wisdom and counsel that established and developed the company. Mr Paykel was a visionary in the true sense of the word. More than thirty years ago he saw the potential of the heated humidifier and was a committed supporter of the work required to enable our establishment in the healthcare market. Our growth and success is testimony to his foresight. He will be sadly missed by those who had the privilege to know him.

MICHAEL DANIELL
CHIEF EXECUTIVE OFFICER
FISHER & PAYKEL HEALTHCARE
CORPORATION LIMITED

Depending on us...Daily

We continue to pioneer the development of heated breathing circuits and our knowledge has enabled us to develop our high performance, single use, adult breathing circuit range.

Our continued commitment to research and development, coupled with a strengthened international sales force, saw Fisher & Paykel Healthcare achieve successes with new products and deliver another year of growth.

Our profit from continuing operations of NZ$62.3 million for the twelve months ended 31 March 2002 compares very favourably with the NZ$11.7 million achieved the previous year. It was driven by growth across all of our three core product groups with respiratory humidification revenues up 7 percent, OSA up 25 percent and neonatal and patient warming up 33 percent on the previous year.

Respiratory Humidification

Strong performance in our single use adult breathing circuits drove growth in full year operating revenues

While the Northern hemisphere had a low incidence of influenza and we saw reduced demand from ventilator capital equipment manufacturers, strong performance in our single use adult breathing circuits drove 7 percent growth in full year operating revenues to NZ$109.3 million.

Breathing circuits connect the ventilator to the humidifier and convey the heated and humidified air and oxygen on to the patient in intensive care. We continue to pioneer the development of heated breathing circuits and our knowledge has enabled us to develop our high performance, single use, adult breathing circuit range.

These circuits deliver better humidity to patients receiving breathing assistance, as our patented spiral wire technology provides more even heating, better temperature control and less condensation. We have extended the technology to develop neonatal breathing circuits, introduced to Australasia and Europe in the final quarter of the year. Our neonatal circuits will be introduced in the US market following FDA clearance.

Many hospitals prefer to use single-use components, such as breathing circuits and humidifier chambers for their increased convenience and because they can reduce the risk of infection for the patient. For us they are attractive financially as they produce on-going revenue with multiple chamber and breathing circuit set-ups used each year with each humidifier controller sold. We will continue to pursue growth opportunities for chambers and breathing circuits and will further promote the benefits of heated humidifier systems.

Our opportunities for growth lie in expanding our installed controller base by continuing to take market share with our leading technology, moving heated humidification into the unheated segment and developing new medical applications for heated humidification.

While demand in the respiratory humidification market was constrained this year, the growth we achieved, coupled with more than 25 years of experience, gives us continued confidence in this market segment. Our competitive advantage hinges on the ability of our humidifier systems to create, control and deliver optimal levels of humidity. Optimal humidity is important in treatments such as artificial ventilation and oxygen therapy as it prevents the drying of the airways and lungs and can reduce the risk of infection and can help to maintain lung function.

Our recently introduced MR850 humidifier system continues to gain acceptance in the market. The MR850 system incorporates our proprietary flow measuring technology and is designed to provide a set-and-forget optimal humidity system for our customers and their patients. Now that we also have available high performance neonatal breathing circuits, the MR850 system can be used throughout the hospital.

During 2003 we expect to introduce the MR810 humidifier which is intended specifically for use in non-invasive ventilation and oxygen therapy. The MR810 offers our customers the ability to use our spiral wire heated breathing circuits in those applications.

Our opportunities for growth lie in expanding our installed controller base by continuing to take market share with our leading technology, moving heated humidification into the unheated segment and developing new medical applications for heated humidification. We continue to support a wide range of clinical research programs which are investigating the benefits of optimal humidity, both in existing applications and potential new applications.

Respiratory
Humidification

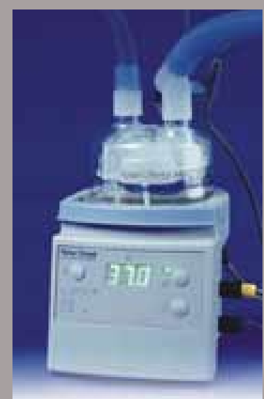
At a glance

KEY PRODUCTS

- MR850 RESPIRATORY HUMIDIFIER SYSTEM
- MR730 RESPIRATORY HUMIDIFIER SYSTEM
- HC500 HOME CARE RESPIRATORY HUMIDIFIER
- MR410 RESPIRATORY HUMIDIFIER
- MR200 SERIES SINGLE-USE CHAMBERS
- SINGLE-USE ADULT BREATHING CIRCUITS
- SINGLE-USE NEONATAL BREATHING CIRCUITS

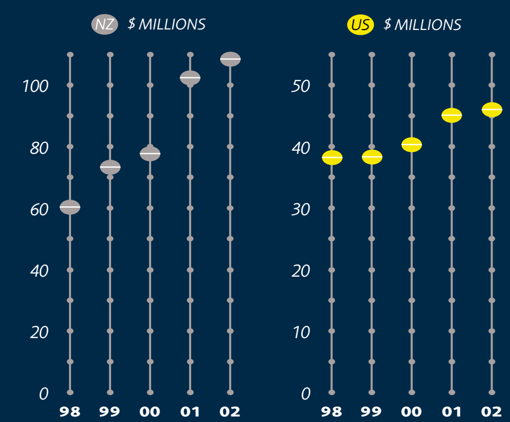
MARKET SIZE

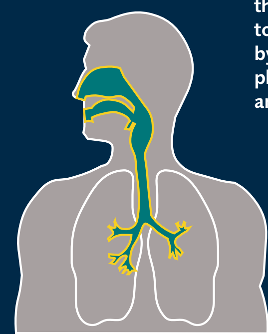
WE ESTIMATE THE HUMIDIFIER AND ASSOCIATED PRODUCT MARKET TO BE WORTH MORE THAN US$300 MILLION ANNUALLY



MR850
Heated Humidifier System

RESPIRATORY HUMIDIFICATION REVENUES





During artificial ventilation and oxygen therapy the normal humidification function of the nose and upper airways is bypassed and compromised. The resultant drying can impair the defence mechanisms of the lungs, leading to increased risk of infection. Dried secretions in the lung can also block small airways, reducing the effectiveness of the therapy. Our systems are designed to overcome these complications by delivering gas at normal physiological levels of 37 degrees C and 100 percent relative humidity.

Obstructive Sleep Apnea

Our new integrated flow generator-humidifier, which incorporates the ambient tracking system along with our proprietary motor technology and sophisticated compliance recording technology, has also enjoyed good market acceptance.

Our products for the treatment of obstructive sleep apnea (OSA) were strong performers for the year with revenues up a healthy 25 percent to NZ$79.0 million.

New products developed by our R&D team were important drivers of this growth in a US$600 million estimated annual market. They include our HC150 humidifier, our HC221 integrated flow generator-humidifier and our Aclaim and Oracle masks.

The HC150 humidifier incorporates our patented ambient tracking system that measures room temperature during use. It automatically adjusts the humidifier's output, reducing the build-up of condensation that can gurgle in the tubing and avoids the need to drain it during the night. This system has been very well received in the market.

Our new integrated flow generator-humidifier, which incorporates the ambient tracking system along with our proprietary motor technology and sophisticated compliance recording technology, has also enjoyed good market acceptance.

Growth prospects for both products look promising with the United States' Medicare organisation recently announcing significantly improved reimbursement for heated humidification in OSA treatment, effective 1 July 2002. This is very welcome third party recognition of the benefits of heated humidification and as Medicare represents about 20 percent of the US health insurance market it is very influential.

In the competitive US market, we are currently the only company offering a truly integrated flow generator-humidifier and we have the additional advantage of a 25 year track record in respiratory humidification technologies. As the market moves increasingly towards humidification we believe we are well positioned with our full range of OSA humidification products.

The growth in our mask revenues since we introduced our first mask in June 2001 has been very encouraging and we expect masks to become increasingly important to our OSA business.

Our Aclaim nasal mask incorporates proprietary technologies that make it quieter and more comfortable to use – important considerations in encouraging patient's compliance with this treatment. In June 2002 we introduced our second generation Aclaim2 nasal mask.

Our Oracle oral mask, recently introduced into the US, provides OSA patients with an attractive alternative to a nasal mask. The Oracle mask fits simply in the mouth, requires no straps or headgear and is very small and comfortable. This new concept has created a great deal of interest and while it is early days, we are optimistic about its potential.

With the market's favourable response to our Aclaim and Oracle masks, we believe we have a good opportunity to successfully penetrate the mask market, worth more than US$200 million a year.

At a glance

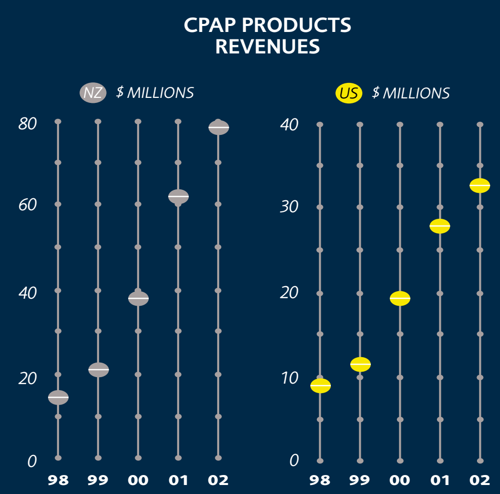
KEY PRODUCTS

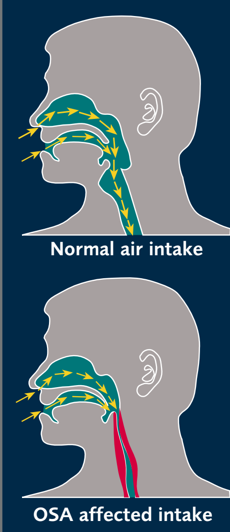
- HC220 SERIES INTEGRATED CPAP FLOW GENERATOR-HUMIDIFIER
- HC150 CPAP HEATED HUMIDIFIER
- 900HC105 STARTER KIT
- ACLAIM2 NASAL MASK
- ORACLE ORAL MASK
- HC300 SERIES CHAMBERS

MARKET SIZE

- WE ESTIMATE THE OSA CPAP MARKET TO BE WORTH MORE THAN US$600 MILLION ANNUALLY

HC221 Integrated CPAP flow generator-humidifier





Obstructive sleep apnea (OSA) is disruption to breathing caused by the temporary closure of the airway during sleep. Patients suffer from the loss of sustained deep sleep, which leads to chronic fatigue and poor concentration and is associated with increased risk of traffic and workplace accidents, strokes and heart attacks. The US National Institute of Health estimates that some 12 million people in the United States alone suffer from the condition. Of these, only an estimated 20 percent have been diagnosed so far. Continuous positive airway pressure (CPAP) therapy, the most common treatment for OSA, is delivered via a mask connected to a small airflow generator. Humidification overcomes problems of drying, irritation or discomfort in the nasal passages and upper airways that have historically led to up to almost half of the patients prescribed CPAP abandoning their treatment. Studies have shown that drop-out rates among patients using humidified CPAP systems fall to only 11 percent and average treatment times rise 35 minutes to 5.5 hours a night.

Neonatal Care
and Patient Warming

Revenue growth of 33 percent, to NZ$13.8 million for the year, was achieved in the neonatal care and patient warming product group.

Revenue growth of 33 percent, to NZ$13.8 million for the year, was achieved in the neonatal care and patient warming product group. Fourth quarter revenue growth was even stronger at 76 percent, illustrating the somewhat lumpy nature of the tender-driven neonatal warmer business.

Of the four million births that occur in the United States each year, nearly 10 percent are pre-term births and over 7 percent are infants with low birth weight. Our growing market position in this specialist area stems from the precise temperature control technology developed for our humidifiers. This technology is applied to radiant warmers used with newborn babies in the delivery room and also in neonatal intensive care.

Precise temperature control is vital in neonatal intensive care as pre-term babies are unable to easily maintain normal body temperatures. If their temperature varies by more than half a degree, energy that should be used for growth is diverted to try and correct the situation, making precision warming technology a vital part of neonatal care.

Our understanding of respiratory humidification and continuous positive airway pressure has been used to further strengthen our market position in the neonatal care market. We have developed a specialised bubble CPAP system for newborn babies requiring breathing support and this was successfully released in Australasia during the year. It will be introduced into other international markets later this year with the US market following after we receive FDA clearance.

The bubble CPAP system delivers low pressure humidified gases via two small nasal tubes. A water bubbling mechanism creates oscillating air pressure in the infant's lungs which helps improve gas exchange. We are optimistic about its potential to provide a non-invasive alternative to mechanical ventilation for many babies in intensive care.

Looking to future growth opportunities, we are continuing to investigate the clinical application of our radiant warmer technology to the warming of patients during surgical procedures and post-operative recovery.

At a glance

KEY PRODUCTS

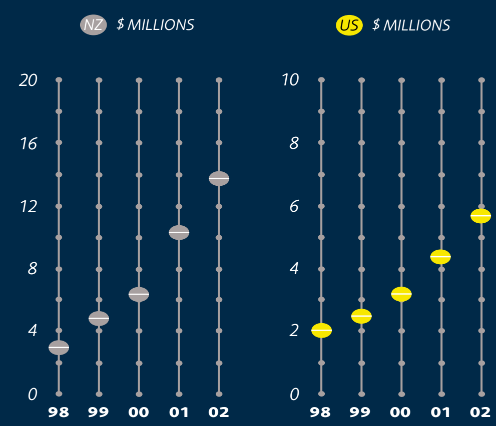
- IW930 COSYCOT INFANT WARMER
- IW910 MOBILE INFANT WARMER
- RD900 NEOPUFF INFANT RESUSCITATOR
- PW810 RADIANT PATIENT WARMER
- INFANT BUBBLE CPAP SYSTEM

MARKET SIZE

WE ESTIMATE THE NEONATAL AND PATIENT WARMING MARKET TO BE WORTH MORE THAN US$200 MILLION ANNUALLY

IW 930 INFANT WARMER

PATIENT WARMING AND NEONATAL CARE PRODUCTS REVENUES



Infant Bubble CPAP therapy system, incorporating heated humidifier and water bubbling mechanism to create oscillating air pressure in the lungs

Research
and Development

We invest almost 5 percent of annual revenues in R&D, an investment which at 31 March 2002 had secured 46 international patents and 29 US patents.

Behind Fisher & Paykel Healthcare's success in international markets is the R&D effort made by 120 people with disciplines ranging from physiology and the sciences through to mechanical, electronic and process engineering.

We bring together focused groups to develop new products and processes, to continuously improve products already in the market, and to explore new medical applications for our technologies.

We invest almost 5 percent of annual revenues in R&D, an investment which at 31 March 2002 had secured 46 international patents and 29 US patents. Our research has led to a continuous stream of market-leading products in our core product areas of respiratory humidification, obstructive sleep apnea and neonatal care. Each year revenue growth is driven in part by new products, with this year's contributors including our HC150 CPAP humidifier, our HC221 integrated flow generator humidifier and our Aclaim mask.

New products are developed by New Zealand based teams which can call on an international network of clinical research relationships to validate the technology and the physiology involved. It's a collaboration that does more than ensure the safety and clinical performance of each new product. These partnerships can lead to improved understanding of the treatment of respiratory conditions and advances in neonatal care. Findings from clinical trials, studies, and research we have performed or supported are frequently presented at major international medical conferences, advancing knowledge of our products and their clinical benefits.

In addition to our global clinical relationships, our teams have an intimate and extensive working relationship with South Auckland Health, an Auckland provider of secondary and tertiary services to almost 400,000 residents. Our involvement ranges across the full spectrum of services from the emergency department through to intensive care.

We undertake initial clinical pilot studies for the majority of our new products within South Auckland Health's facilities. Our clinical partnership has resulted in seven joint publications published in peer reviewed journals. Our long-term relationship has developed to the point where both organisations frequently share knowledge, resources and facilities outside clinical work, creating professional development opportunities for both parties.

In recognition of the partnership, Fisher & Paykel Healthcare provides equipment to the hospital, in line with our policy to benefit the local community in which our facilities are based and many of our employees live. In a similar way, the company has funded two additional beds at Green Lane Hospital's Sleep Disorder Breathing Unit in Auckland.

At a glance

R&D STAFF: 120
INVESTMENT IN R&D FY 2002: NZ$10.3 MILLION
R&D INVESTMENT AS % OF REVENUES: 4.8%
Patents as at March 31, 2002

- US GRANTED PATENTS: 29
- US APPLICATIONS 25
- REST OF THE WORLD GRANTED: 46
- REST OF THE WORLD APPLICATIONS 130
- NEW ZEALAND PROVISIONAL PATENTS 22

Increase in granted US patents in last three years: 50%

New products introduced in fiscal 2002 include:

- HC221 INTEGRATED CPAP FLOW GENERATOR-HUMIDIFIER
- HC150 CPAP HEATED HUMIDIFIER WITH AMBIENT TRACKING
- ACLAIM NASAL MASK
- ORACLE ORAL MASK
- SINGLE USE NEONATAL BREATHING CIRCUITS
- RT020 EXPIRATORY FILTER
- PW820 PATIENT WARMER
- NS232 NERVE LOCATOR
- BC100 BUBBLE CPAP GENERATOR
- COSYCOT SERIES 3 BASSINETTE

Case Study
Oracle Mask

Our Oracle oral mask, developed as an alternative to nasal masks for the treatment of OSA, is a good illustration of our extensive clinical networks. Oracle began with our researchers wondering if oral delivery of CPAP might have some advantages over nasal delivery. But to take the mask from concept to market involved two major steps. First, we needed to prove that continuous positive air pressure would treat OSA when delivered via the mouth; second, an oral mask had to be designed that would stay in place without straps, be safe, comfortable and harmless to the patient's teeth, tongue and gums.

The product, now being rolled out in the market, involved our team members developing a range of prototypes, trialling the new technology and designing a range of study protocols to be used over our specialist international network of clinical partners and consultants.

These partners included:

- The Otago Dental School, Dunedin
- The Tom McKendrick Sleep Laboratory in the University of Otago's School of Medicine
- The Green Lane Hospital Sleep Disorder Breathing Unit, Auckland
- Middlemore Hospital, South Auckland Health
- The Centre of Sleep Disorders at West Penn Hospital, Pennsylvania, USA
- Johns Hopkins University, Maryland, USA
- St Michaels Hospital, Toronto, Canada

The development of the Oracle mask led to a number of clinical findings being presented at major conferences on OSA, advancing knowledge of CPAP delivered by mouth. The mask itself has been continuously refined as health professionals and their patients have reported their experiences back to our research team. To ensure maximum patient benefits, a certification programme has been initiated by our company to train healthcare professionals in the mask's use and the clinical assessment of its efficacy.

Oral mask, for use with CPAP or bi-level ventilation, requires no headgear, straps or custom fitting, avoids nasal symptoms and mask leaks associated with nasal masks

In North America alone, we market and sell our products to more than 4500 home healthcare dealer locations

Fundamental to the success of Fisher & Paykel Healthcare is our sales force and distribution network which services our customers in over 90 countries around the world.

To reach these customers we use a range of distribution channels. Our direct sales teams in the United States, Canada, the United Kingdom, Ireland, France, the Netherlands, Belgium, Germany, Austria, New Zealand and Australia sell to hospitals, long-term care facilities, dealers and home healthcare dealers. In North America alone, we market and sell our products to more than 4500 home healthcare dealer locations. Our focused, highly trained sales teams have a detailed understanding of our products and customer requirements.

In the past year we have increased the size of our sales teams in our major markets and appointed dedicated regional sales managers in growing markets such as India and Spain. In China, where we have sold product for some years, we are in the process of establishing a dedicated regional manager. Worldwide, we have 130 people employed in sales and marketing.

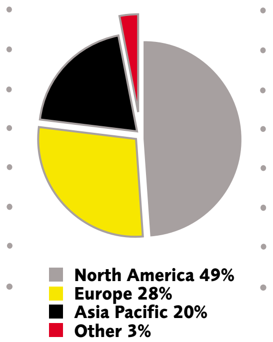
Our network of 100 worldwide distributors, who in turn sell to hospitals, home healthcare dealers and other manufacturers of medical products are also important contributors to sales. Our relationships with them are managed by our direct sales offices, our regional sales managers and our sales managers in New Zealand. We support our distributors through targeted initiatives such as providing clinical specialists who educate hospitals on the benefits of heated humidification and our products and systems.

We also sell to manufacturers of medical products and their distributors, who in turn sell to hospitals and home healthcare dealers. We supply humidification products to most of the leading mechanical ventilator and CPAP manufacturers worldwide and they sell these with their own manufactured equipment.

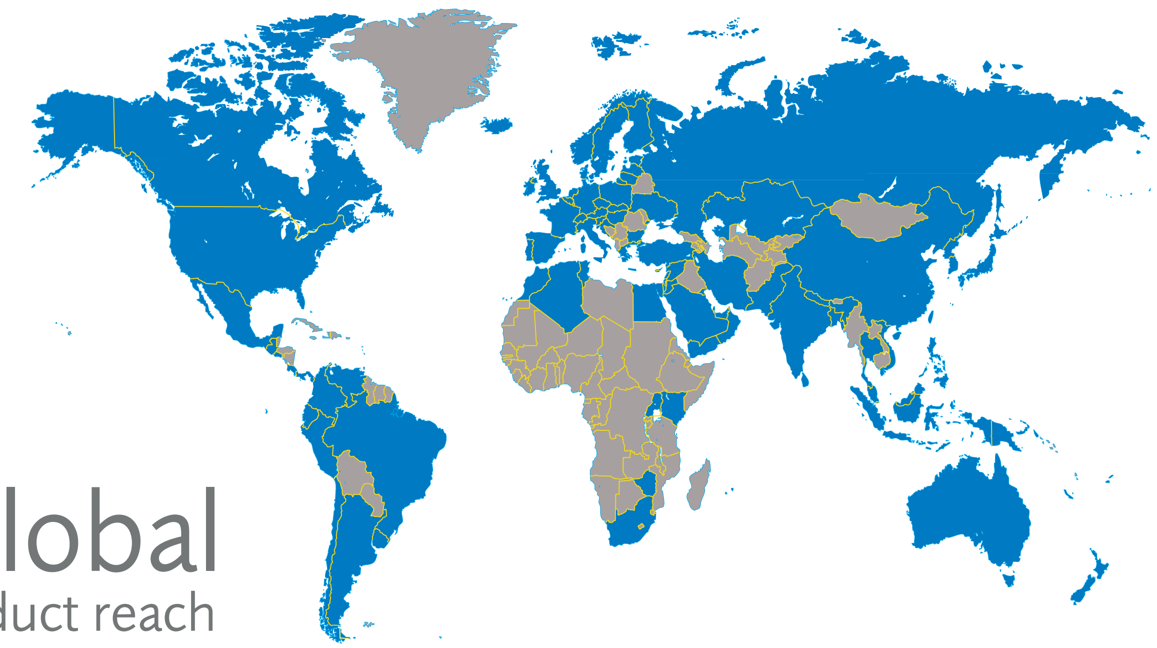
In New Zealand and Australia we market a selected range of complimentary medical products that are manufactured by other companies. In December 2001 we terminated our distribution relationship in New Zealand with Datex-Ohmeda.

Our sales and marketing strategy is designed to increase our penetration in target markets, by continuing to invest in our direct sales forces and strengthen our distribution channels. We also continue to facilitate clinical research, supporting the use of our products and work with insurance companies and government agencies to ensure appropriate reimbursement for our products.

REVENUES FROM CONTINUING OPERATIONS BY REGION



Global
product reach



GLOBAL PRODUCT REACH (COUNTRIES IN BLUE)

Manufacturing

Our range of products is manufactured, assembled and tested to strict specifications by our manufacturing teams in our custom-built facility in Auckland, New Zealand.

This facility incorporates a Class 100,000 controlled working environment, which enables us to manage the air quality of the production area and is required for the manufacture and assembly of our single-use products, including chambers and breathing circuits.

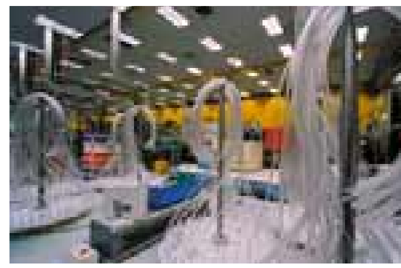
Production is monitored for quality continuously, with our electronic products operated and tested under power for between 6 and 24 hours before final release for packaging. This rigorous process provides a high level of assurance that our customers throughout the world can rely on. Our manufacturing and design processes comply with the requirements of ISO9001, an international standard for quality management systems. As part of our requirements for entry into the US market we are required to comply with the US Quality System Regulation, (formerly known as the Good Manufacturing Practice Regulation). We also comply with the requirements of the European Medical Device Directive incorporating the quality standard EN46001. These standards each consist of twenty elements associated with the design, manufacture and distribution of products and services.

We manufacture and assemble many of the components for our products in-house which we believe improves our ability to manage product quality. With our R&D team and many of our marketing team also Auckland based, our integrated facility gives us the flexibility to combine their knowledge with that of our manufacturing teams to rapidly develop products and manufacturing processes.

We employ an integrated requirements planning system which we use for forecasting, scheduling manufacturing, ordering components, managing inventory and processing orders. In addition, we are committed to further automating our manufacturing and assembly processes where this will reduce costs, enhance production capabilities and improve the quality and consistency of our products.

Michael Daniell

Chief Executive Officer
and
Managing Director




Gary Paykel


Michael Smith


Michael Daniell


Nigel Evans


Adrienne Clarke


Lindsay Gillanders


Sir Colin Maiden

Gary A. Paykel became Chairman upon completion of the reorganisation in November 2001. Mr Paykel had previously served as a director of Fisher & Paykel Industries Limited since August 1979 and continues to serve as a director of the company. Mr Paykel served as Chief Executive Officer from December 1989 and Managing Director of Fisher & Paykel Industries Limited from April 1987 until the completion of the reorganisation of the company.
Mr Paykel joined Fisher & Paykel Industries in 1960 and, prior to his appointment to the position of sales director in 1985, held a variety of positions in the manufacturing, engineering, purchasing and sales departments.
Mr Paykel has also served as Chairman of Panprint Limited since September 1984, and as a director of Panprint Limited since May 1975 and of Sports Drinks Limited since October 1994.
Mr Paykel is a Companion of the New Zealand Order of Merit.

P. Michael Smith became a director and Deputy Chairman upon completion of the reorganisation in November 2001. Mr Smith has been Chairman of the Lion Foundation since 1989 and a director of Lion Nathan Limited from August 1986 to May 2001. Mr Smith has been Chairman of Taylors Group Limited since August 2000, Tru-Test Limited since July 2000, UnitedNetworks Limited since May 1999, Auckland International Airport Limited since June 1998 and JBWere New Zealand Private Equity No. 1 Fund since March 2002. Mr Smith received his Master of Commerce degree from the University of Auckland, New Zealand, and is a graduate of the PMD Business Course at the Harvard Business School.

Michael G. Daniell became Managing Director and our Chief Executive Officer upon completion of the reorganisation. Mr Daniell had previously served as the General Manager of Fisher & Paykel Industries Limited's healthcare business from May 1990 until November 2001. From 1979 until May 1990, Mr Daniell held various positions in the healthcare business, including product design engineer and technical manager. Mr Daniell has more than 20 years of international healthcare business experience and has been instrumental in the establishment of many of our international distributor and original equipment manufacturer relationships.
Mr Daniell received his Bachelor of Engineering degree in electrical engineering with honours from the University of Auckland, New Zealand.

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

Adrienne E. Clarke became a director upon completion of the reorganisation in November 2001. Professor Clarke is a Laureate Professor at the University of Melbourne, a Foreign Member of the American Academy of Arts and Sciences and a Fellow of the Australian Academy of Science. Professor Clarke has served as a director of WMC Limited since July 1996, Woolworths Limited since July 1994, Tridan Limited from June 1988 and Hexima Limited from February 1998. She was Chairman of the CSIRO from December 1991 to December 1996. Professor Clarke is an Officer of the General Division of the Order of Australia, served as the Lieutenant Governor of Victoria and currently holds a variety of Australian governmental appointed positions. Professor Clarke received a Bachelor of Science degree and a doctoral degree from the University of Melbourne.

W. Lindsay Gillanders has served as a director of Fisher & Paykel Industries Limited since May 1992, and continues to serve as a director of the Company. He was the Company Secretary from April 1987 until completion of the reorganisation in November 2001. Mr Gillanders held various positions in Fisher & Paykel Industries' legal department from 1977 until 1992. Until completion of the reorganisation in November 2001 Mr Gillanders was responsible for Fisher & Paykel Industries' legal, regulatory, compliance and intellectual property rights, and worked on major commercial agreements including acquisitions and divestments by both the appliances and healthcare businesses. From November 2001, Mr Gillanders continues to provide legal services under a consultancy arrangement. Mr Gillanders received his Bachelor of Law degree with honours from the University of Auckland, New Zealand.

Sir Colin J. Maiden has served as a director of Fisher & Paykel Industries Limited since August 1979 and as Chairman from 1989 until the reorganisation in November 2001, and continues to serve as a director of the Company. He has also served as a trustee of Fisher & Paykel Industries' executive share purchase scheme since December 1983. Sir Colin served as the Vice Chancellor of the University of Auckland from January 1971 to November 1994, and has also served as Chairman of each of Tower Insurance Limited since September 1998 and Marsh New Zealand Advisory Board since April 1998. Sir Colin has also served as a director of DB Group Limited and its subsidiaries since May 1994, New Zealand Refining Company Limited since April 1991, Foodland Associated Limited since March 2000, Tower Limited, Tower Holdings Limited and Tower Financial Services Group Limited since May 1999, Transpower New Zealand Limited since May 1994 and Independent Newspapers Limited since July 1989. He has also held a number of managerial positions with General Motors Corporation in the U.S. and was a senior lecturer in civil engineering at the University of Auckland, New Zealand.
Sir Colin received his undergraduate degrees in engineering from the University of New Zealand, a doctoral degree from Oxford University and an honorary LL.D. from the University of Auckland, New Zealand.

Your Directors are pleased to submit to shareholders their Report and Financial Statements for the year ended 31 March 2002.

Principal Activities

Fisher & Paykel Healthcare Corporation Limited (the Company) is a world leading designer, manufacturer and marketer of heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea. In addition, the Company manufacturers and markets patient warming and neo-natal care products, and infant resuscitators and CPAP systems designed to improve infant respiratory function.

Group Profit

A record operating profit, from continuing operations after taxation, of NZ$62.3 million (2001 NZ$11.7million) was earned for the year ended 31 March 2002.

The Group Profit after taxation, was NZ$48.1 million (2001 NZ$11.0 million).

Earnings per share was 43 cents (9 cents).

Shareholders' Equity

Shareholders' Equity at 31 March 2002 totalled $171.9 million (2001 $384.0 million).

Share Issues

During the year 62,196 shares were issued under an approved Employee Share Purchase Scheme in accordance with the Company's Constitution.

During the year 1,534,500 share options were issued under an approved Share Option Plan.

Dividend

The directors approved a final dividend to be paid on 27 June 2002 of 25 cents per share (18 cents), making a total of 45 cents (30 cents) for the year, together with a special dividend of 25 cents per share. All dividends carried full imputation credits.

Directors

On completion of the reorganisation of the Healthcare business and the Appliances and Finance businesses into two separately listed companies on 16 November 2002, Messrs Gilks, Geary, M Paykel, Rowlands and Williams retired from the Board.

As provided for in the constitution of the Company, the directors appointed by the Board to fill casual vacancies arising from the reorganisation (Professor Adrienne Clarke, Michael Daniell, Dr Nigel Evans and Michael Smith) will retire and offer themselves for re-election. Additionally, Gary Paykel (as the longest serving non-casual appointment) will retire by rotation and offer himself for re-election.

Disclosure of Interests by Directors

Directors' certificates to cover entries in the Interest Register in respect of remuneration, insurance, indemnities, consulting agreements, the entry of new employment contracts for directors' of subsidiaries, dealing in the Company's shares, and other interests have been disclosed as required by the Companies Act 1993. Employees who act as directors of subsidiaries have included entries in the Interest Registers of those subsidiaries in relation to their new employment contracts.

New Zealand Stock Exchange Waivers

The effect of all waivers granted to the Company by the New Zealand Stock Exchange had ceased by balance date.

Remuneration of Directors

Those Directors who retired from the Board on completion of the reorganisation received the following directors' fees from Fisher & Paykel Industries Limited in the year ended 31 March 2002:

N M T Geary	$23,333
J W Gilks	$35,000
M Paykel	$23,333
D D Rowlands	$23,333

Those Directors who were appointed or remained on the Board on completion of the reorganisation received the following directors' fees from the Company in the year ended 31 March 2002:

A E Clarke	$16,177
N T Evans	$18,333
W L Gillanders	$13,333
C J Maiden	$66,667
G A Paykel	$26,666
P M Smith	$26,666

Special remuneration as provided for in the Company's Constitution for the extensive work undertaken in connection with the reorganisation was paid by Fisher & Paykel Industries Limited to N M T Geary ($40,000) J W Gilks ($40,000) and C J Maiden ($44,000).

Retirement fees as provided for in the constitution as part of the reorganisation were paid by Fisher & Paykel Industries Limited to N M T Geary ($85,000), J W Gilks ($127,500), M Paykel ($85,000) and D D Rowlands ($85,000). In addition, as part of the reorganisation, C J Maiden will receive from the Company a retirement benefit of $170,000 on his retirement or cessation from office of the Board of Directors on or before the 2004 annual shareholders' meeting.

In accordance with a consultancy agreement entered into as part of the reorganisation W L Gillanders received from the Company consultancy fees of $50,000 in the year ended 31 March 2002.

Prior to the reorganisation executive directors acting in their capacity as employees of Fisher & Paykel Industries Limited received total remuneration inclusive of the value of other benefits in the year ended 31 March 2002:

W L Gillanders	$267,287
D B Henry	$271,374
G A Paykel	$461,477
J J A Williams	$310,445

In accordance with a consultancy agreement entered into as part of the reorganisation DB Henry received from the Company consulting fees of $18,750 in the year ended 31 March 2002.

On completion of the reorganisation Mr M G Daniell was appointed Managing Director and Chief Executive Officer of the Company and acting in his capacity as an employee of the Company received total remuneration inclusive of the value of other benefits from 16 November 2001 to 31 March 2002 of $193,879.

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 prior to the reorganisation.

Executive Directors do not receive remuneration as Directors of the Company or any subsidiary Company.

No employee of the Company 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.

G.A. Paykel
Chairman
30 May 2002

M.G. Daniell
Chief Executive Officer
and Managing Director

Fisher & Paykel Healthcare Corporation 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. Under the constitution, the Board also has power to appoint directors to the Board where casual vacancies occur. At each annual meeting, at least one third of the Directors (excluding the Managing Director) retire by rotation. The Directors to retire are those who wish to retire, those who have been longest in office since last being elected, or any Director appointed during the year as a casual vacancy. Details of the Directors are set out on page 20.

With the exception of January, Board meetings are held at least monthly. Prior to the separation of the appliances and finance businesses into a separately listed company on 16 November 2001 ("the Separation") the Board met 9 times during the 2001/2002 financial year. After the Separation the Board met 3 times during the 2001/2002 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 – Michael Smith, Chairman, Nigel Evans and Sir Colin Maiden. 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, Australian and NASDAQ Stock Exchanges and the United States Securities and Exchange Commission concerning results.

Remuneration Committee

The Remuneration Committee comprises three non-executive Directors – Gary Paykel, Sir Colin Maiden, Michael Smith and Chief Executive Officer, Michael Daniell. 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 and 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 environment matters.

IN THE FOLLOWING DISCUSSION, REFERENCES TO FINANCIAL INFORMATION CONCERNING THE HEALTHCARE BUSINESS ARE REFERENCES ONLY TO THE "CONTINUING OPERATIONS" OF FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED SET OUT IN THE AUDITED FINANCIAL STATEMENTS.

OVERVIEW

We design, manufacture and market in over 90 countries heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea, as well as patient warming and neonatal care products.

Sales of respiratory humidification products represented approximately 51 and 53 percent of operating revenue for the financial years ended 31 March 2002 and 2001, respectively. Sales of CPAP products for the obstructive sleep apnea market represented approximately 37 and 33 percent of operating revenue for the financial years ended 31 March 2002 and 2001, respectively. Sales of consumable and accessory products for core products accounted for approximately 48 and 44 percent of operating revenue for the financial years ended 31 March 2002 and 2001, respectively. Operating revenue from respiratory humidification, CPAP and patient warming and neonatal care products has grown at a compound annual growth rate of 27 percent from 31 March 1999 to 31 March 2002 as we have introduced new products and the markets for these products have expanded. Changes in the value of the New Zealand dollar relative to currencies in which we sell our product has also assisted the growth in our operating revenue.

GEOGRAPHIC DATA

The following table sets forth our operating revenue from continuing operations for each of the primary geographic markets for the financial years ended 31 March 2002 and 2001.

	Financial year ended 31 March	
	2002	2001
	$millions	$millions
North America	104.084	86.134
Europe	59.918	54.132
Asia Pacific	43.113	44.888
Other	7.481	7.936
Total	$214.596	$193.090

CURRENCY TRANSLATIONS AND HEDGING

We sell products in a variety of currencies, predominantly the US dollar and the Euro. Because our audited consolidated financial statements are denominated in New Zealand dollars, fluctuations in the relative value of the New Zealand dollar to other currencies will affect the reported amount of expenses incurred and sales invoiced in other currencies. For example, if sales invoiced in US dollars were to increase by 5 percent during the period when the New Zealand dollar appreciated by 7 percent relative to the US dollar, as a result of the translation of US dollar revenue into New Zealand dollars for financial statement reporting purposes, we would report a decline in these revenues. Accordingly, financial performance from year to year must be analysed in light of any fluctuations in the relative values of the principal currencies in which we conduct business compared to the New Zealand dollar.

In the financial year ended 31 March 2002, 69 percent of revenue was denominated in US dollars. We make a significant proportion of US dollar sales to customers outside the US. Other significant currencies include the Euro and the British pound, representing approximately 12 and 8 percent of revenue respectively in the past financial year.

HISTORICAL FINANCIAL PERFORMANCE

Year ended 31 March 2002 compared to year ended 31 March 2001

The following table sets forth the consolidated statement of financial performance from continuing operations for the years ended 31 March 2002 and 2001:

	Financial year ended 31 March	
	2002	2001
	$millions	$millions
Operating revenue	$214.596	$193.090
Operating profit	81.902	79.825
Net interest expense	(0.267)	(2.163)
Foreign currency exchange profit (loss)	13.313	(57.796)
Other expenses	(1.092)	-
Profit from continuing operations before taxation	93.856	19.866
Taxation	(31.532)	(8.117)
Profit from continuing operations after taxation	$62.324	$11.749

The following table sets forth supplemental financial data relating to the operating revenue and operating expenses from continuing operations for the financial years ended 31 March 2002 and 2001.

	Financial year ended 31 March	
	2002	2001
	$millions	$millions
Operating revenue	214.596	193.090
Operating expenses:		
Cost of sales	65.811	58.018
Research and development expenses	10.264	8.661
Selling, general and administrative expenses	56.619	46.586
Total operating expenses	132.694	113.265
Operating profit	81.902	79.825
Operating margin	38%	41%
Gross profit	148.785	135.072
Gross margin	69%	70%

OPERATING REVENUE

Our operating revenue from continuing operations increased by approximately 11 percent to $214.596 million for the financial year ended 31 March 2002 from $193.090 million for the financial year ended 31 March 2001.

The increase was principally due to a significant increase in sales volume of CPAP products and, to a lesser extent, an increase in sales volume of patient warming and neonatal care products, which was partially offset by lower pricing for our CPAP humidifiers.

The following table sets forth sales of our continuing operations by product group for the financial years ended 31 March 2002 and 2001:

	Financial year ended 31 March		
	2002	2001	Percentage
	$millions	$millions	variation
Product group:			
Respiratory humidification products	109.318	102.639	+7%
CPAP products	79.046	63.304	+25%
Patient warming and neonatal care products	13.754	10.352	+33%
Core products sub-total	202.118	176.295	+15%
Distributed products	12.478	16.795	-26%
Total	$214.596	$193.090	+11%

Sales of respiratory humidification products increased by approximately 7 percent in the financial year ended 31 March 2002 from sales in the prior year. Excluding the effects of currency translations, sales of respiratory humidification products are estimated to have increased by approximately 4 percent in the financial year ended 31 March 2002. This increase was driven by strong volume growth in our single-use adult breathing circuits and continuing volume growth in our single use chambers. This strong growth in consumables was offset by a small reduction in humidifier controller sales for the year, due, we believe, to reduced hospital capital expenditure in the current economic climate, and the offsets of a mild Northern Hemisphere 'flu' season.

Sales of CPAP products increased by 25 percent in the financial year ended 31 March 2002 from sales in the prior year. Excluding the effects of currency translations and price re-positioning, sales of CPAP products are estimated to have increased by approximately 24 percent in the financial year ended 31 March 2002. This increase was primarily due to continuing volume growth of the HC200 series integrated flow generator-humidifier and the introduction during the year of our first mask offering, the Aclaim nasal mask. We attribute the volume growth to increasing recognition of the ability of humidification to significantly improve compliance and acceptance of CPAP therapy. This strong volume growth was partially offset by lower pricing for our CPAP products, particularly of our CPAP humidifier range, to meet competition.

Sales of patient warming and neonatal care products increased by 33 percent in the financial year ended 31 march 2002 from sales in the prior year. Excluding the effects of currency translations, sales of patient warming and neonatal care products are estimated to have increased by approximately 33 percent in the financial year ended 31 March 2002. This increase was due primarily to strengthened distribution capabilities in key markets, particularly the Unites States.

Sales of distributed products decreased 26 percent in the financial year ended 31 March 2002 from sales in the prior year primarily due to our ceasing to distribute Datex Ohmeda products in New Zealand.

OPERATING EXPENSES

Operating expenses consist of cost of sales, research and development expenses and selling, general and administrative expenses.

The cost of sales from continuing operations consists of manufacturing costs, primarily raw materials and labour, costs of distributed products, an allocation of the overhead costs of the New Zealand facility and freight costs.

The research and development expenses from continuing operations consist primarily of staff payroll and benefits, an allocation of the overhead costs of the New Zealand facility, costs of materials and clinical study costs.

Research and development activities are primarily conducted in New Zealand. Research and development expenses totalled $10.264 million for the year ended 31 March 2002 compared to $8.661 million in the previous financial year. The increase was attributable to increases in research and development personnel in connection with the expansion of product development activities for respiratory humidification, CPAP and patient warming and neonatal care product groups. Research and development expenses represented 5 percent of operating revenue for these product groups for the financial year ended 31 March 2002.

Research and development expenses are expected to continue to grow due to a broadening of our product range and the application of our products.

Selling, general and administrative expenses from continuing operations consist primarily of staff payroll and benefits, travel expenses, marketing and promotional material. Selling, general and administrative expenses increased by approximately 22 percent to $56.619 million in the financial year ended 31 March 2002 compared to $46.586 million in the previous financial year. This increase was primarily attributable to an increase in global personnel to support our growing international sales and marketing activities.

GROSS PROFIT

Gross profit increased to $148.785 million, or approximately 69% of sales, in the financial year ended 31 March 2002, from $135.072 million, or approximately 70% of sales, in the financial year ended 31 March 2001. Gross profit increased due to the increase in sales volume for the year. The decrease in gross margin percentage was due mainly to the pricing re-positioning in the CPAP products area discussed earlier.

OPERATING PROFIT

Operating profit from continuing operations before foreign currency exchange profit (loss) increased by 3 percent to $81.902 million in the financial year ended 31 March 2002 from $79.825 million in the financial year ended 31 March 2001.

FOREIGN CURRENCY EXCHANGE PROFIT (LOSS)

Foreign currency exchange profit (loss) consists of net foreign exchange movements on all foreign currency transactions. We recorded a foreign currency profit before taxation of $13.313 million in the financial year ended 31 March 2002 and a foreign currency loss before taxation of $57.796 million in the financial year ended 31 March 2001.

Foreign currency exchange profit (loss) now reflects transactions resulting from our recently introduced hedging policy. Under this hedging policy, we currently enter into a mix of foreign currency exchange contracts and foreign currency exchange options, which we have no obligation to exercise, up to 100% of our anticipated net foreign currency exposure of the New Zealand manufacturing and sales operation. With respect to periods beyond one year, we also use a mix of contracts and options up to 75% and 25% of our net exposure for years two and three, and for years four and five up to 25% of our net exposure with options only.

OTHER EXPENSES

We incurred costs of $1.092 million in relation to the spin-off of the appliances and finance businesses, the US offering of ADSs, and listing on the Nasdaq market. These costs include non-recurring directors' costs (comprising additional remuneration to non-executive directors for extensive work undertaken in connection with the spin-off, retirement benefits as provided for by our constitution to non-executive directors upon retirement from our board, and insurance costs) and non-recurring offering and listing expenses.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2002, we had $73.310 million in cash and $8.974 million in borrowings. All our borrowings are held outside New Zealand and are denominated in currencies other than the NZ Dollar. We have in place credit facilities which are available that permit us to borrow up to a total of the equivalent of $52.068 million, denominated primarily in NZ Dollars and US Dollars, each for a term of 12 months, renewable annually.

Net cash generated from continuing operating activities totalled $35.985 million for the financial year ended 31 March 2002. The amount of cash that we generated was reduced by approximately $19.486 million, due to the unfavourable US dollar exchange rates under existing foreign currency exchange instruments compared to prevailing rates during the period. This reduction was caused when delivering the US Dollars against the previously disclosed unfavourable foreign currency contracts.

Capital expenditures totalled $13.210 million for the financial year ended 31 March 2002. The majority of expenditures related to the purchase of production tooling and equipment, computer equipment and software, patents and facility extension costs. We have begun construction to expand our facility by approximately 6,100 square metres to accommodate our anticipated growth. Construction has commenced and approximately $2.443 million has been spent in the financial year ended 31 March 2002. We estimate the total cost of the project, which we expect to be completed by January 2003, to be approximately $12.913 million, and we expect to fund this expansion from our operating cash flow. We received in the financial year ended 31 March 2002 as part of the reorganisation $309.000 million from the disposal of the appliances and finance businesses.

Net cash used in continuing financing activities was $260.849 million, for the financial year ended 31 March 2002. The repurchase of 18.2 million ordinary shares of the company as part of the reorganisation and spin-off and the payment of dividends were the main reasons for the significant outflow of funds.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency exchange risks

We are exposed to foreign currency exchange rate risks as a result of our importing and exporting activities and from the activities of our foreign subsidiaries. As a result, we are exposed to risk from changes in foreign currency exchange rates. We have entered into foreign currency forward exchange contracts and foreign currency option contracts to hedge against current and anticipated future foreign currency trade cash flows.

Credit risks

In the normal course of business, we incur credit risk from trade debtors, which we manage with our credit policy. We monitor this exposure on a regular basis. Our credit risk from our trade debtors is limited due to the number of broad geographic spread of our trade debtors.

Significant accounting estimates

Our significant accounting policies are more fully described in the Statement of Accounting Policies to our consolidated financial statements. Certain of our accounting policies require the application of significant judgement by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgements are subject to an inherent degree of uncertainty. These judgements are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. Our significant accounting policies include:

- Warranty – Our warranty provision is established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. While we believe that our warranty reserve is adequate and that the judgement applied is appropriate, such amounts estimated to be due and payable could differ materially from what will actually transpire in the future.

- Foreign Currency Instrument Provisions – In accordance with our foreign currency accounting policy we revalue at each period end all our foreign currency instruments. These revaluations are conducted by the counterparty to the instruments and are based on assumptions regarding spot rates, forward points and currency volatilities at the period end. If actual market conditions differ to those assumptions significantly different results may be realised on these instruments.
- Valuation of Long-Lived Assets – We periodically review the carrying value of our long-lived assets and investments for continued appropriateness. This review is based upon our projections of anticipated future cash flows. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.

PRICEWATERHOUSECOOPERS

AUDITORS' REPORT TO THE SHAREHOLDERS OF FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED (FORMERLY FISHER & PAYKEL INDUSTRIES LIMITED)

We have audited the financial statements on pages 32 to 59. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2002 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 36 to 38.

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 2002 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 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 32 to 59:

(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 2002 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 30 May 2002 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

FOR THE YEAR ENDED 31 MARCH 2002

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTES	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
			CONTINUING OPERATIONS				
58,064	22,466	70,832	Operating revenue from continuing operations	1	214,596	193,090	144,187
311	467	271	Operating expenses from continuing operations		132,694	113,265	94,107
57,753	21,999	70,561	Operating profit from continuing operations before abnormal items		81,902	79,825	50,080
-	-	(907)	Abnormal items	2	(1,092)	-	-
57,753	21,999	69,654	Operating profit from continuing operations after abnormal items		80,810	79,825	50,080
			Interest income		1,343	-	-
			Interest expense		(1,610)	(2,163)	(1,230)
			Foreign currency exchange gain (loss)		469	(13,445)	1,339
			Unrealised gain (loss) on foreign currency instruments		12,844	(44,351)	-
57,753	21,999	69,654	Profit from continuing operations before taxation	2	93,856	19,866	50,189
(3,573)	(1,549)	(92)	Taxation	3	(31,532)	(8,117)	(17,777)
54,180	20,450	69,562	Profit from continuing operations after taxation		62,324	11,749	32,412
			DISCONTINUED OPERATIONS				
			Operating revenue from discontinued operations	1	464,901	736,065	673,976
			Profit (loss) from discontinued operations before abnormal items		25,783	8,145	33,381
-	-	(28,359)	Abnormal items	2	(28,982)	(8,809)	-
-	-	(28,359)	Profit (loss) from discontinued operations before taxation	2	(3,199)	(664)	33,381
			Taxation	3	(10,997)	(45)	(11,428)
-	-	(28,359)	Profit (loss) from discontinued operations after taxation		(14,196)	(709)	21,953
54,180	20,450	41,203	GROUP PROFIT		48,128	11,040	54,365
			Earnings per share				
			Basic earnings per share from continuing operations		$0.56	$0.10	$0.28
			Diluted earnings per share from continuing operations		$0.56	$0.10	$0.28
			Basic net earnings per share		$0.43	$0.09	$0.46
			Diluted net earnings per share		$0.43	$0.09	$0.46

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

AS AT 31 MARCH 2002

PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTES	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
		ASSETS			
		Current assets			
39	68,735	Cash and bank balances		73,310	5,174
-	615	Debtors and prepayments	4	41,752	36,637
		Inventories	5	19,216	18,270
1,482	5,121	Taxation	6	3,897	10,146
2,477	2,407	Employee share ownership plans loans, current portion	9	2,407	2,477
3,998	76,878	Current assets continuing operations		140,582	72,704
		Current assets discontinued operations	18	-	393,699
207,939	24,714	Intergroup advances			
211,937	101,592	Total current assets		140,582	466,403
		Long-term assets			
		Fixed assets	7	63,236	58,061
		Patents and trademarks	8	1,681	853
8,824	3,745	Employee share ownership plans loans	9	3,745	8,824
163,370	67,509	Investments in subsidiaries	10		
		Debtors and prepayments	4	390	-
		Goodwill on consolidation		2,570	2,955
-	56	Deferred taxation	11	3,129	3,518
		Long-term assets discontinued operations	18	-	412,883
384,131	172,902	Total assets		215,333	953,497
		LIABILITIES			
		Current liabilities			
		Bank overdrafts	12	1,267	1,367
		Trade creditors		8,367	8,496
		Provisions	13	14,734	24,705
		Term borrowings	14	6,187	7,219
		Taxation	6	2,335	2,553
93	849	Other liabilities	15	8,870	7,351
93	849	Current liabilities continuing operations		41,760	51,691
		Current liabilities discontinued operations	18	-	302,928
93	849	Total current liabilities		41,760	354,619
		Long-term liabilities			
-	170	Provisions	13	170	20,187
		Term borrowings	14	1,520	1,703
		Long-term liabilities discontinued operations	18	-	192,950
93	1,019	Total liabilities		43,450	569,459
		SHAREHOLDERS' EQUITY			
384,038	171,883	Shareholders' equity	16	171,883	384,038
384,038	171,883	Total shareholders' equity		171,883	384,038
384,131	172,902	Total liabilities and shareholders' equity		215,333	953,497

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

On behalf of the Board

Date: 30 May 2002

G. A. Paykel
Chairman

M.G. Daniell
Chief Executive Officer
and Managing Director

FOR THE YEAR ENDED 31 MARCH 2002

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTES	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
372,729	385,933	**384,038**	Shareholders' equity at the beginning of the year		**384,038**	385,933	372,729
54,180	20,450	**41,203**	Group profit		**48,128**	11,040	54,365
2,799	(8,169)	**7,325**	Movement in revaluation reserve	16			
			Movement in currency translation reserve	16	**400**	1,241	2,614
56,979	12,281	**48,528**			**48,528**	12,281	56,979
3,414	-	**26,666**	Issue of share capital	16	**26,666**	-	3,414
-	-	**2,335**	Increase in equity from disposition of unallocated shares	16	**2,335**	-	-
-	-	**(215,272)**	Repurchase of share capital	16	**(215,272)**	-	-
(47,189)	(14,176)	**(74,412)**	Dividends	16	**(74,412)**	(14,176)	(47,189)
385,933	384,038	**171,883**	Shareholders' equity at the end of the year		**171,883**	384,038	385,933

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

FOR THE YEAR ENDED 31 MARCH 2002

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTES	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
			CASH FLOWS FROM OPERATING ACTIVITIES				
			Receipts from customers		**195,427**	175,265	140,143
46,841	21,325	**69,683**	Dividends received		**151**	-	-
10,888	-	**1,102**	Interest received		**1,145**	105	102
(312)	(113)	**(1,176)**	Payments to suppliers and employees		**(134,210)**	(114,639)	(82,599)
(1,585)	(600)	**600**	Taxation paid		**(24,922)**	(12,534)	(17,045)
			Interest paid		**(1,606)**	(2,195)	(1,230)
55,832	20,612	**70,209**	Net cash flow from operations from continuing operations	17	**35,985**	46,002	39,371
			Net cash flow from operations from discontinued operations	18	**31,825**	59,005	48,249
55,832	20,612	**70,209**	Net cash flow from operations		**67,810**	105,007	87,620
			CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
			Sale of fixed assets		**143**	224	568
-	-	**309,000**	Proceeds from the disposal of Appliances and Finance businesses		**309,000**	-	-
-	-	**(9,679)**	Cash disposed of in divestment of Appliances and Finance businesses		**(9,679)**	-	-
			Purchase of fixed assets		**(13,210)**	(12,376)	(30,724)
			Capitalised interest costs		**-**	(536)	-
-	-	**299,321**	Net cash flow from (used in) investing activities from continuing operations		**286,254**	(12,688)	(30,156)
			Net cash flow (used in) investing activities from discontinued operations		**(5,780)**	(32,529)	(64,088)
-	-	**299,321**	Net cash flow from (used in) investing activities		**280,474**	(45,217)	(94,244)
			CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES				
2,356	2,108	**4,371**	Employee share purchase schemes		**4,371**	2,108	2,356
-	-	**26,136**	Issue of share capital		**26,136**	-	-
-	-	**(212,030)**	Repurchase of share capital		**(212,030)**	-	-
			New term borrowings		**14,394**	4,518	3,549
			Repayment of term borrowings		**(14,765)**	(991)	-
3,313	(7,757)	**(40,356)**	Intercompany borrowings				
(57,768)	(14,176)	**(74,412)**	Dividends paid		**(74,412)**	(14,176)	(57,768)
(3,789)	(766)	**(4,543)**	Supplementary dividends paid to overseas shareholders		**(4,543)**	(766)	(3,789)
(55,888)	(20,591)	**(300,834)**	Net cash flow (used in) financing activities from continuing operations		**(260,849)**	(9,307)	(55,652)
			Net cash flow from (used in) financing activities from discontinued operations		**(16,797)**	(33,323)	48,660
(55,888)	(20,591)	**(300,834)**	Net cash flow (used in) financing activities		**(277,646)**	(42,630)	(6,992)
(56)	21	**68,696**	Net increase (decrease) in cash		**70,638**	17,160	(13,616)
74	18	**39**	Opening cash		**1,706**	(14,719)	(1,236)
			Effect of foreign exchange rates		**(301)**	(735)	133
18	39	**68,735**	Closing cash		**72,043**	1,706	(14,719)
			RECONCILIATION OF CLOSING CASH				
18	39	**68,735**	Bank		**73,310**	7,675	5,286
			Bank overdrafts		**(1,267)**	(3,469)	(6,005)
			Call borrowings		**-**	(2,500)	(14,000)
18	39	**68,735**			**72,043**	1,706	(14,719)

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

STATEMENT OF ACCOUNTING POLICIES

These financials 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 Healthcare Corporation Limited as a separate entity and the Consolidated financial statements are for the Fisher & Paykel Healthcare Group (the Group) which includes all its subsidiaries.

NATURE OF OPERATIONS

Fisher & Paykel Healthcare is a leading designer and manufacturer of heated humidification products and systems for use in respiratory care and the treatment of obstructive sleep apnea. We also offer an innovative range of patient warming devices and neonatal care products. Our products are sold in over 90 countries worldwide.

GENERAL ACCOUNTING POLICIES

The financial statements are based on the general principles of historical cost accounting. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) RECLASSIFICATIONS

As part of a Group reorganisation in November 2001, the Appliances and Finance businesses of Fisher & Paykel Healthcare Corporation Limited were spun off to shareholders and are shown in these financial statements as discontinued operations.

Prior years' data in relation to the Appliances and Finance businesses have been reclassified to conform to current year classifications.

(B) BASIS OF 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-company 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, respectively.

(C) 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.

(D) REVENUE RECOGNITION

PRODUCTS

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

INTEREST INCOME

Interest income is accounted for as earned.

(E) ADVERTISING AND SALES PROMOTION COSTS

All advertising and sales promotion costs are expensed as incurred.

(F) EARNINGS PER SHARE

Basic earnings per share is calculated 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.

(G) EMPLOYEE SHARE OWNERSHIP AND OPTION PLANS

The Company operates employee share ownership plans for employees. The initial purchase of shares by the schemes is funded by advances from the Company, the advances being recognised as assets in the Statement of Financial Position. No compensatory expense is recognised in the Statement of Financial Performance.

The Company operates a share option plan for employees. Options become exercisable in three equal annual instalments between years two and five. No compensatory expense is recognised in the Statement of Financial Performance.

The Company also operates a share purchase plan for United States employees. The employees are able to purchase shares at a discount through the use of payroll deductions. No compensatory expense is recognised in the Statement of Financial Performance.

(H) EMPLOYEE ENTITLEMENTS

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

(I) 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, research and development, selling and distribution overheads.

(J) FIXED ASSETS

Fixed Assets are recorded at cost. Depreciation expense is computed on a straightline basis over their estimated useful lives as follows:

Buildings	50 years
Plant and Equipment	3-15 years
Vehicles	5 years
Tooling	3-7 years
Software	3-10 years

(K) PATENTS

The registration costs of new patents are capitalised and amortised over the estimated useful life of the patent. In the event of a patent being superseded, the unamortised costs are written off immediately.

(L) INVESTMENTS

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

(M) LEASES

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

(N) FOREIGN CURRENCY

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

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

Gains and losses and costs arising on foreign currency call options and forward foreign currency contracts that are effective and designated as hedges of transactions are deferred until the date of such transactions at which time they are included in the determination of profit before taxation and separately reported as foreign currency exchange profit (loss). Those option or contract instruments that have not been designated as accounting hedges are marked to market with resulting gains and losses being recognised in earnings in the period. Refer also to note 24.

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

• the period end closing exchange rate for assets and liabilities; and

• the average rate for revenue and expense transactions during the month.

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

(O) RESEARCH AND DEVELOPMENT

Research and development expenditure is expensed as it is incurred. Development costs of product innovation as a process are, in the main, indistinguishable as to whether the benefits will be applied to current or future products.

(P) 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.

(Q) 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 are 1 to 2 years parts or parts and labour.

(R) 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 Company 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.

(S) STATEMENT OF CASH FLOWS

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

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

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments.

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

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

(T) ESTIMATES

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

(U) CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTES	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
NOTE 1			**OPERATING REVENUE**				
			Operating revenue continuing operations				
			North America		104,084	86,134	56,681
			Europe		59,918	54,132	41,021
			Asia Pacific		43,113	44,888	41,116
			Other		7,481	7,936	5,369
46,912	22,243	69,532	Dividend				
11,152	223	1,300	Interest				
58,064	22,466	70,832	Total operating revenue continuing operations		214,596	193,090	144,187
			Operating revenue discontinued operations		464,901	736,065	673,976
58,064	22,466	70,832	Total operating revenue		679,497	929,155	818,163
NOTE 2			**NET OPERATING PROFIT**				
57,753	21,999	69,654	Profit from continuing operations before taxation		93,856	19,866	50,189
			After charging:				
			Remuneration of auditors:				
			Audit fees paid to principal auditors		108	83	83
			Audit fees paid to other auditors		318	202	147
			Other services paid to principal auditors		76	-	-
			Donations		37	3	-
			Depreciation		6,051	5,425	4,151
			Goodwill amortisation		385	385	385
			Patent and trademark amortisation		3	2	-
			Interest:				
			Term borrowings		440	533	165
			Other		1,170	1,630	1,065
			Foreign currency exchange (gain) loss		(469)	13,445	(1,339)
			Unrealised foreign currency instruments (gain) loss		(12,844)	44,351	-
			Research and development		10,264	8,661	6,680
			Rental and operating leases		2,045	1,780	1,479
			Bad debts written off		133	42	7
			Movement in provision for doubtful debts		161	(159)	54
163	227	273	Directors' fees		273	227	163
			Abnormal items:				
-	-	907	Non-recurring items relating to spin-off	(i)	1,092	-	-
			After crediting:				
46,912	22,243	69,683	Dividends received		151	-	101
-	-	93	Other income		94	-	-

ABNORMAL ITEM - CONTINUING OPERATIONS

i) The Group has incurred costs in relation to the spin-off of the Appliances and Finance businesses, the US share offering, and listing on the NASDAQ. These costs include non-recurring directors' costs (comprising additional remuneration to non-executive directors for extensive work undertaken in connection with the spin-off, retirement benefits as provided for by the Company's constitution to non-executive directors upon retirement from the Company's board, and insurance costs) and non-recurring offering and listing expenses.

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTES	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
NOTE 2 CONTINUED			**NET OPERATING PROFIT**				
-	-	(28,359)	Profit (loss) from discontinued operations before taxation		(3,199)	(664)	33,381
			After charging:				
			Remuneration of auditors:				
			Audit fees paid to principal auditors		270	250	275
			Other services paid to principal auditors		31	125	63
			Donations		45	104	59
			Depreciation		24,386	44,049	42,312
			Interest		14,502	27,016	23,038
			Foreign currency exchange (gain) loss		(3,359)	12,740	(2,523)
			Unrealised foreign currency instruments (gain) loss		(588)	19,868	-
			Research and development		5,817	10,035	8,707
			Rental and operating leases		5,287	9,265	10,511
			Bad debts written off		1,630	3,679	2,986
			Movement in provision for doubtful debts		(277)	(206)	(635)
			Abnormal items:				
-	-	28,359	Appliances and finance businesses divestment	(ii)	28,359	-	-
			Permanent impairment of investment and writedown of advances	(iii)	623	5,495	-
			Restructuring costs incurred	(iv)	-	4,696	-
			Provision for restructuring and closure costs	(v)	-	(1,382)	-
-	-	28,359			28,982	8,809	-
			After crediting:				
			Interest income		413	584	715
			Dividends received		69	175	6

ABNORMAL ITEMS - DISCONTINUED OPERATIONS

ii) As part of the Group reorganisation, the Group incurred a loss in connection with the spin-off of the Appliances and Finance businesses of $28.4 million.

iii) At 31 March 2001 the Group 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. At 11 November 2001 a further $0.6 million was written off as a further permanent impairment.

iv) In the year ended 31 March 2001 the Appliances business 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 costs of $0.2 million.

v) In the fiscal year 1999 the Group announced it would focus on three core businesses - Appliances, Healthcare and Finance. A provision was made for closure costs of $6.9 million for businesses that were not part of those core activities. In the year ended 31 March 2001 $1.4 million of this closure provision was released as closure costs were below previous estimates.

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
NOTE 3			**TAXATION**			
57,753	21,999	69,654	Profit from continuing operations before taxation	93,856	19,866	50,189
19,058	7,260	22,986	Taxation at current rate of 33%	30,972	6,556	16,562
			Adjustments to taxation for:			
(15,279)	(7,376)	(23,011)	Non-assessable income	(126)	-	(27)
			Non-deductible items	501	314	110
			Foreign rates other than 33%	519	1,171	1,042
3,779	(116)	(25)	This year's taxation	31,866	8,041	17,687
(206)	1,665	117	Other	(334)	76	90
3,573	1,549	92	Income tax expense from continuing operations	31,532	8,117	17,777
			This is represented by:			
3,573	1,549	148	Current taxation	31,100	9,662	18,902
-	-	(56)	Deferred taxation	432	(1,545)	(1,125)
3,573	1,549	92	Income tax expense from continuing operations	31,532	8,117	17,777
-	-	(28,359)	Profit from discontinued operations before taxation	(3,199)	(664)	33,381
-	-	(9,358)	Taxation at current rate of 33%	(1,056)	(219)	11,016
			Adjustments to taxation for:			
			Non-assessable income	(23)	(130)	(25)
-	-	9,358	Non-deductible items	12,521	473	58
			Attributed foreign income	-	33	194
			Foreign rates other than 33%	(445)	(388)	(373)
			This year's taxation	10,997	(231)	10,870
			Other	-	62	283
			Tax rate change in Australia (2002: 30%, 2001: 30%, 2000: 34%)	-	214	275
			Income tax expense from discontinued operations	10,997	45	11,428
			This is represented by:			
			Current taxation	13,255	8,374	7,945
			Deferred taxation	(2,258)	(8,329)	3,483
			Income tax expense from discontinued operations	10,997	45	11,428
3,573	1,549	92	Total income tax expense	42,529	8,162	29,205

	PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
NOTE 4			**DEBTORS AND PREPAYMENTS**		
			CURRENT		
			Trade receivables	34,016	32,934
			Less allowance for doubtful accounts	(377)	(65)
				33,639	32,869
	-	615	Other debtors and prepayments	3,799	3,768
			Unrealised gain on foreign currency instruments	4,314	-
	-	615		41,752	36,637
			TERM		
			Unrealised gain on foreign currency instruments	390	-
				390	-
NOTE 5			**INVENTORIES**		
			Materials	7,493	5,569
			Finished products	13,521	13,097
			Provision for obsolescence	(1,798)	(396)
				19,216	18,270
NOTE 6			**TAXATION**		
			BALANCE AT BEGINNING OF THE YEAR		
			Taxation payable	(2,553)	(2,525)
	1,595	1,482	Taxation recoverable	10,146	6,702
	(1,549)	(148)	Total taxation expense in current year	(31,100)	(9,662)
	600	60	Taxation paid	25,582	12,534
	766	4,543	Supplementary dividend tax credit	4,543	766
	70	(816)	Other movements	(5,056)	(222)
			BALANCE AT END OF THE YEAR		
			Taxation payable	(2,335)	(2,553)
	1,482	5,121	Taxation recoverable	3,897	10,146

	PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
NOTE 7			**FIXED ASSETS**		
			Buildings	35,938	36,677
			Less depreciation	1,497	1,093
				34,441	35,584
			Land	6,486	6,486
				6,486	6,486
			Leasehold improvements	649	577
			Less depreciation	474	364
				175	213
			Plant and equipment	29,523	25,381
			Less depreciation	14,578	11,716
				14,945	13,665
			Computer software	2,091	921
			Less depreciation	870	477
				1,221	444
			Capital projects		
			- Buildings	3,344	-
			- Other	2,624	1,669
				5,968	1,669
				63,236	58,061
			The independent valuation of land and buildings, excluding capital projects, as at 31 March 2002 was $47.000 million (2001 $44.860 million).		
NOTE 8			**PATENTS AND TRADEMARKS**		
			Patents and trademarks	54	43
			Less amortisation	5	2
				49	41
			Patent and trademark applications	1,632	812
				1,681	853

PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
NOTE 9		**EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**		
		Share purchase loans due for repayment:		
2,477	2,407	Current	2,407	2,477
3,927	173	One to two years	173	3,927
4,897	3,572	Two to five years	3,572	4,897
8,824	3,745	Term	3,745	8,824

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.

BEFORE REORGANISATION

Shares were 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' loans. Voting rights on the shares are exercisable by the employees under their Schemes, but by the Trustees under the executives' Schemes.

As part of the reorganisation, the shares held by the Trustees in Fisher & Paykel Industries Limited were converted into Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Appliances Holdings Limited shares in the same proportions as all other shareholders. The Trustees continue to hold these shares on behalf of Fisher & Paykel Healthcare employees and Fisher & Paykel Appliances employees at the time of the reorganisation. As shares are now held in both Fisher & Paykel Healthcare Corporation Limited and Fisher & Paykel Appliances Holdings Limited comparative information has been restated as if the reorganisation had been completed. No further shares can be issued under these schemes and the loans will be repaid over the next 4 years.

1,921,751 Fisher & Paykel Healthcare shares (2001 2,464,769) are held by these Schemes, being 1.9% (2001 2.4%) of the Company's issued and paid up capital. As at 31 March 2002, all shares were allocated to employees or executives (2001 129,307 unallocated). Once vested an employee participant may elect to transfer the shares into his or her own name, after which the shares are freely transferable.

1,979,610 Fisher & Paykel Appliances shares (2001 2,567,591) are held by these Schemes, being 3.1% (2001 4.0%) of the Company's issued and paid up capital. As at 31 March 2002, all shares were allocated to employees or executives (2001 134,695 unallocated). 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 were allocated to employees at the time of issue, on the condition that should they leave the Company before the qualifying period ends, their shares will be repurchased by the Trustees at the lesser of market price and the price at which the shares were originally allocated to the employee, subject to repayment of the original loan.

Any such repurchased shares are sold by the Trustees. Trustees of the Employee Share Purchase Schemes are appointed by the Company.

NOTE 9 CONTINUED **EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**

Information relating to Fisher & Paykel Healthcare shares issued under these Schemes before reorganisation are as follows:

	2002 PRICE* $	2002 NUMBER OF SHARES	2001 PRICE* $	2001 NUMBER OF SHARES	2000 PRICE* $	2000 NUMBER OF SHARES
As at beginning of the year	3.19	2,335,462	3.18	2,531,561	2.96	2,392,526
Granted during the year	-	-	-	-	4.69	389,940
Purchased during the year	15.49	91,275	-	-	-	-
Vested during the year	2.85	(465,560)	3.22	(144,698)	3.46	(197,023)
Lapsed due to resignation	4.25	(39,426)	4.03	(51,401)	3.31	(53,882)
As at end of the year	3.84	1,921,751	3.19	2,335,462	3.18	2,531,561

PERIOD GRANTED OR PURCHASED	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Pre 31 March 1999	1,533,887	2.75 - 3.19	2.99	1 to 4 years
1 April 1999 – 31 March 2000	298,437	4.70	4.70	0 to 1 year
1 April 2000 – 31 March 2001				
1 April 2001 – 31 March 2002	89,427	15.49	15.49	1 to 4 years
	1,921,751			

* Weighted average

Information relating to Fisher & Paykel Appliances shares issued under these Schemes **before reorganisation** are as follows:

	2002 PRICE* $	2002 NUMBER OF SHARES	2001 PRICE* $	2001 NUMBER OF SHARES	2000 PRICE* $	2000 NUMBER OF SHARES
As at beginning of the year	2.27	2,432,896	2.27	2,637,166	2.11	2,492,215
Granted during the year	-	-	-	-	3.34	406,311
Purchased during the year	8.91	72,277	-	-	-	-
Vested during the year	2.02	(484,700)	1.93	(150,728)	2.47	(205,233)
Lapsed due to resignation	2.96	(40,863)	2.87	(53,542)	2.36	(56,127)
As at end of the year	2.56	1,979,610	2.27	2,432,896	2.27	2,637,166

PERIOD GRANTED OR PURCHASED	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Pre 31 March 1999	1,597,779	1.96 - 2.27	2.13	1 to 4 years
1 April 1999 – 31 March 2000	310,978	3.35	3.35	0 to 1 year
1 April 2000 – 31 March 2001				
1 April 2001 – 31 March 2002	70,853	8.91	8.91	1 to 4 years
	1,979,610			

* Weighted average

NOTE 9 CONTINUED **EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**

AFTER REORGANISATION

Shares are issued at a discount of 20% of market price, on terms permitted by the Schemes in accordance with section DF7 of the New Zealand Income Tax Act 1974, with no interest being charged on the loans. The qualifying period between grant and vesting date is 3 years. Dividends paid during the qualifying period on shares allocated to employees under the Scheme are paid to the employees. Voting rights on the shares are exercisable by the employees under the Scheme.

62,196 Fisher & Paykel Healthcare shares (2001 Nil) are held by the Scheme, being 0.1% (2001 0.0%) of the Company's issued and paid up capital. As at 31 March 2002, all shares were allocated to employees or executives, except for 270 (2001 Nil). Once vested an employee participant may elect to transfer the shares into his or her own name, after which the shares are freely transferable.

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

Any such repurchased shares are sold by the Trustees. Trustees of the Employee Share Purchase Schemes are appointed by the Company.

Information relating to Fisher & Paykel Healthcare shares issued under the Scheme **after reorganisation** are as follows:

	2002		2001		2000	
	PRICE* $	NUMBER OF SHARES	PRICE* $	NUMBER OF SHARES	PRICE* $	NUMBER OF SHARES
As at beginning of the year						
Granted during the year	8.52	62,196	-	-	-	-
Purchased during the year						
Vested during the year						
Lapsed due to resignation	8.52	(270)	-	-	-	-
As at end of the year	8.52	61,926	-	-	-	-

PERIOD GRANTED OR PURCHASED	NON-VESTED SHARES OUTSTANDING	PRICE RANGE $	PRICE* $	REMAINING PERIOD TO VESTING
Pre 31 March 1999				
1 April 1999 – 31 March 2000				
1 April 2000 – 31 March 2001				
1 April 2001 – 31 March 2002	61,926	8.52	8.52	3 years
	61,926			

* Weighted average

Options are granted to selected employees pursuant to the Share Option Plans and become exercisable in three equal annual instalments commencing no earlier than the second anniversary of the grant date and all unexercised options expire on the fifth anniversary of the grant date. Options also become exercisable if a person, or a group of persons acting in concert, acquires more than half the Company's outstanding ordinary shares. On leaving employment due to death, serious illness, accident, permanent disablement, redundancy or other circumstances as determined by the Company's board, the employee or, if applicable, the employee's executor, will have one month to exercise all outstanding options. On a termination of employment for any other reason all outstanding vested and unvested options will lapse.

NOTE 9 CONTINUED **EMPLOYEE OPTION AND SHARE OWNERSHIP PLANS**

Information relating to Fisher & Paykel Healthcare share options issued under the Plan is as follows:

	2002		2001		2000	
	EXERCISE PRICE $	NUMBER OF SHARE OPTIONS	EXERCISE PRICE $	NUMBER OF SHARE OPTIONS	EXERCISE PRICE $	NUMBER OF SHARE OPTIONS
As at beginning of the year						
Granted during the year	10.65	1,534,500	-	-	-	-
Vested during the year						
Lapsed due to resignation	10.65	(12,000)	-	-	-	-
As at end of the year	10.65	1,522,500	-	-	-	-

PERIOD GRANTED OR PURCHASED	SHARE OPTIONS OUTSTANDING	PRICE RANGE $	EXERCISE PRICE $	REMAINING PERIOD TO VESTING
Pre 31 March 1999				
1 April 1999 – 31 March 2000				
1 April 2000 – 31 March 2001				
1 April 2001 – 31 March 2002	1,522,500	10.65	10.65	2 to 5 years
	1,522,500			

NOTE 10 **INVESTMENTS IN SUBSIDIARIES**

PARENT 2001 NZ$000	PARENT 2002 NZ$000	
163,370	67,509	Shares in subsidiary companies

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

	PRINCIPAL SUBSIDIARIES	COUNTRY OF DOMICILE	INTEREST HELD BY GROUP 2002	INTEREST HELD BY GROUP 2001	PRINCIPAL ACTIVITIES
*	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 & Co KG	Germany	100%	100%	Distribution of Healthcare Products
	Fisher & Paykel Holdings Inc.	USA	100%	100%	Non Trading Holding Company
*	Fisher & Paykel Healthcare Properties Limited	NZ	100%	0%	Property Owning Company

All subsidiaries have a balance date of 31 March.

* Fisher & Paykel Healthcare Corporation Limited together with those above companies marked with an asterisk are the companies in the Negative Pledge Agreement (refer note 14).

NOTE 10 CONTINUED **INVESTMENTS IN SUBSIDIARIES**

The following companies were disposed of as part of the reorganisation in November 2001:

PRINCIPAL SUBSIDIARIES	COUNTRY OF DOMICILE	INTEREST HELD BY GROUP 2002	2001	PRINCIPAL ACTIVITIES
Fisher & Paykel Limited	NZ	0%	100%	Manufacture & Distribution of Appliances
Fisher & Paykel Australia Pty Limited	Australia	0%	100%	Distribution of Appliances
Fisher & Paykel Manufacturing Pty Limited	Australia	0%	100%	Manufacture of Appliances
Fisher & Paykel (Singapore) Pte Limited	Singapore	0%	100%	Distribution of Appliances
Fisher & Paykel Appliances Inc.	USA	0%	100%	Distribution of Appliances
Fisher & Paykel Appliances Limited	UK	0%	100%	Distribution of Appliances
Fisher & Paykel Finance Limited	NZ	0%	100%	Consumer & Commercial Finance
Consumer Finance Limited	NZ	0%	100%	Consumer Finance
Equipment Finance Limited	NZ	0%	100%	Commercial Finance
Fisher & Paykel Australia Holdings Limited	Australia	0%	100%	Non Trading Holding Company
Fisher & Paykel Production Machinery Limited	NZ	0%	100%	Machinery Manufacturer

An analysis of operations divested is provided in note 17.

	PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
NOTE 11			**DEFERRED TAXATION / FUTURE TAXATION BENEFIT**		
			BALANCE AT BEGINNING OF THE YEAR		
			Deferred taxation	3,518	3,440
	-	56	Current year timing differences	(432)	1,545
			Other movements	43	(1,467)
			BALANCE AT END OF THE YEAR		
	-	56	Deferred taxation	3,129	3,518
NOTE 12			**BANK OVERDRAFTS**		
			Bank Overdrafts	1,267	1,367

Call borrowings and bank overdrafts in foreign currencies total:

USD	0.000 million (2001 USD 0.151 million)
GBP	0.094 million (2001 GBP 0.023 million)
EUR	0.486 million (2001 EUR 0.592 million)

Bank overdrafts come under the Negative Pledge Agreement as set out in note 14.

UNUSED LINES OF CREDIT	2002 NZ$000	2001 NZ$000
Bank Overdraft Facilities	35,158	3,307

	PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
NOTE 13			**PROVISIONS**		
			CURRENT		
			Warranty	575	541
			Unrealised loss on foreign currency instruments	14,159	24,164
				14,734	24,705
			TERM		
			Unrealised loss on foreign currency instruments	-	20,187
	-	170	Other	170	-
	-	170		170	20,187
NOTE 14			**TERM BORROWINGS**		
			Borrowing facilities due for repayment:		
			Current	6,187	7,219
			One to two years	1,520	594
			Two to three years	-	1,109
			Term	1,520	1,703

These borrowings have been aged in accordance with the facilities' terms. All borrowings are drawn down by way of short term bills at interest rates current at draw down date (weighted average 3.8%, 2001 6.4%).

Borrowings in foreign currencies total EURO 1.0 million (2001 EURO 2.3 million) and US$2.5 million (2001 US$2.7 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) the debt cover ratio for each of the Group and Guaranteeing Group (refer note 10) shall not exceed 3 times;
(b) the interest cover ratio for the Group shall not be less than 3 times;
(c) the net tangible assets of the Group shall not be less than $100 million; and
(d) the total tangible assets of the Guaranteeing Group shall constitute at least 80% of the total tangible assets of the Group.

UNUSED LINES OF CREDIT		2002 NZ$000	2001 NZ$000
CONTINUING OPERATIONS			
Term Borrowings	Current	7,936	-
Term Borrowings	1 - 2 years		
Term Borrowings	2 - 3 years		
Term Borrowings	3 - 4 years		
DISCONTINUED OPERATIONS			
Term Borrowings	Current		
Term Borrowings	1 - 2 years		
Term Borrowings	2 - 3 years		
Term Borrowings	3 - 4 years		
TOTAL OPERATIONS			
Term Borrowings	Current	7,936	2,386
Term Borrowings	1 - 2 years	-	41,946
Term Borrowings	2 - 3 years	-	7,000
Term Borrowings	3 - 4 years	-	10,000

For the 2001 year it is not possible to distinguish the operations against which the unused lines of credit relate, therefore unused lines of credit information has been shown only against total operations.

NOTE 15 OTHER CURRENT LIABILITIES

PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
		Employee entitlements	4,386	2,748
93	849	Other creditors and accruals	4,484	4,603
93	849		8,870	7,351

NOTE 16 SHAREHOLDERS' EQUITY

102,335,083 (2001 118,111,137) ordinary shares issued and paid up. All ordinary shares rank equally with one vote attaching to each fully paid ordinary share.

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$000
322,943	333,348	339,622	Shareholders' equity before reserves brought forward	384,175	387,311	376,721
3,414	-	26,666	Issue of share capital(i)	26,666	-	3,414
54,180	20,450	41,203	Profit for the year	48,128	11,040	54,365
-	-	2,335	Increase in equity from disposition of unallocated shares	2,335	-	-
-	-	(215,272)	Repurchase of share capital	(215,272)	-	-
			Dividends			
(17,717)	-	(29,529)	Special	(29,529)	-	(17,717)
(11,755)	(14,176)	(23,623)	Interim	(23,623)	(14,176)	(11,755)
(17,717)	-	(21,260)	Final	(21,260)	-	(17,717)
-	-	(3,578)	Transfer from reserves	(1,396)	-	-
333,348	339,622	116,564	Shareholders' equity before reserves carried forward	170,224	384,175	387,311
49,786	52,585	44,416	Revaluation reserve brought forward			
2,799	(8,169)	7,325	Revaluation of subsidiaries			
-	-	3,578	Transfer of discontinued revaluation reserve to shareholders' equity before reserves			
			Currency translation reserve brought forward	(137)	(1,378)	(3,992)
			Movement for the year	400	1,241	2,614
			Transfer of discontinued currency translation reserve to shareholders' equity before reserves	1,396	-	-
52,585	44,416	55,319	Total reserves	1,659	(137)	(1,378)
385,933	384,038	171,883	Total shareholders' equity	171,883	384,038	385,933

(i) 2,640,000 shares issued under the over-allotment option in relation to the Company's listing on the NASDAQ, and 62,916 shares issued to the Share Purchase Scheme in the year ended 31 March 2002. 561,900 shares issued to the Share Purchase Scheme in the year ended 31 March 2000.

NOTE 17 CASH FLOW

PARENT 2000 NZ$000	PARENT 2001 NZ$000	PARENT 2002 NZ$000		NOTE	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$00
			RECONCILIATION OF PROFIT FROM CONTINUING OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES				
54,180	20,450	69,562	Profit from continuing operations after taxation		62,324	11,749	32,412
			Add (deduct) non-cash items:				
			Depreciation and writedown of fixed assets to recoverable amount		6,051	5,425	4,151
			Amortisation of patents		3	2	-
			Amortisation of goodwill		385	385	385
(264)	-	(198)	Accrued interest income		(198)	-	-
			Movement in provisions		204	95	197
			Movement in deferred tax/future tax benefit		389	(78)	2,388
			Movement in working capital				
(22)	49	757	Payables and accruals		(3,615)	(1,938)	(8,710)
-	-	(417)	Debtors and prepayments		(3,286)	(11,836)	(1,935)
			Inventory		(946)	(1,794)	2,320
1,938	113	505	Provision for taxation net of supplementary dividend paid		10,574	(2,647)	7,295
			Movement in unrealised revaluations of foreign currency instruments		(34,896)	44,351	-
			Foreign currency exchange translation		(1,004)	2,288	868
55,832	20,612	70,209	Net cash flow from operations from continuing operations		35,985	46,002	39,371
			Analysis of operations divested:				
-	-	289,368	Fixed assets		289,368	-	-
-	-	572,653	Current assets		572,653	-	-
-	-	(524,662)	Current liabilities		(524,662)	-	-
-	-	(28,359)	Loss on disposal		(28,359)	-	-
-	-	309,000			309,000	-	-

NOTE 18 DISCONTINUED OPERATIONS

				NOTE	CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000	CONSOLIDATED 2000 NZ$00
			RECONCILIATION OF PROFIT FROM DISCONTINUED OPERATIONS TO CASH FLOWS FROM OPERATING ACTIVITIES				
			Profit from discontinued operations after taxation		(14,196)	(709)	21,953
			Add (deduct) non-cash items:				
			Depreciation and writedown of fixed assets to recoverable amount		24,386	44,049	42,312
			Accrued Finance Group interest expense		1,449	1,055	565
			Accrued interest income		22	95	(82)
			Loss on disposal of operations	2	28,359	-	-
			Movement in provisions		4,687	6,835	8,830
			Movement in deferred tax/future tax benefit		3,020	(10,102)	(1,004)
			Movement in working capital				
			Payables and accruals		11,990	(4,918)	8,868
			Debtors and prepayments		(19,025)	7,338	(21,527)
			Inventory		(2,756)	(13,273)	(18,793)
			Provision for taxation net of supplementary dividend paid		7,657	6,604	5,847
			Writedown of investment		-	995	-
			Movement in unrealised revaluations of foreign currency instruments		(13,624)	19,868	-
			Foreign currency exchange translation		(144)	1,168	1,280
			Net cash flow from operations from discontinued operations		31,825	59,005	48,249

NOTE 18 CONTINUED

DISCONTINUED OPERATIONS

	Consolidated 2002 NZ$000	Consolidated 2001 NZ$000
Discontinued statements of financial position as at 31 March		
ASSETS		
Current assets		
Cash and bank balances	-	2,501
Debtors and prepayments	-	81,121
Finance receivables	-	169,366
Inventories	-	143,786
Taxation	-	(3,075)
Total current assets	-	393,699
Long-term assets		
Fixed assets	-	301,116
Other assets	-	943
Finance receivables	-	101,771
Deferred taxation	-	9,053
Total assets	-	806,582
LIABILITIES		
Current liabilities		
Bank overdrafts	-	2,102
Call borrowings	-	2,500
Trade creditors	-	39,242
Provisions	-	42,687
Finance borrowings	-	174,432
Term borrowings	-	7,045
Taxation	-	3,729
Other liabilities	-	31,191
Total current liabilities	-	302,928
Term liabilities		
Term borrowings	-	107,995
Finance borrowings	-	73,523
Provisions	-	11,432
Total liabilities	-	495,878
OWNERSHIP INTERESTS		
Net investment in Appliances and Finance businesses	-	310,704
Total liabilities and ownership interests	-	806,582

NOTE 19

IMPUTATION CREDIT ACCOUNTS

Parent 2001 NZ$000	Parent 2002 NZ$000		Consolidated 2002 NZ$000	Consolidated 2001 NZ$000
20,464	22,781	Balance brought forward		
7,807	32,501	Imputation credits attached to dividends received		
600	60	Tax paid		
(6,090)	(32,069)	Imputation credits attached to dividends paid to shareholders		
-	(1,596)	Imputation credits attached to shares bought back		
-	(21,617)	Imputation credits paid on reorganisation		
22,781	60	Balance carried forward		
		Imputation credits directly and indirectly available to shareholders as at 31 March are:		
		Parent	60	22,781
		Subsidiaries	-	97
		Balance carried forward	60	22,878

NOTE 20

CONTINGENT LIABILITIES

	Consolidated 2002 NZ$000	Consolidated 2001 NZ$000
Contingent liabilities	-	-

Periodically we are a party to litigation including product liability and patent 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.

NOTE 21

COMMITMENTS

Parent 2001 NZ$000	Parent 2002 NZ$000		Consolidated 2002 NZ$000	Consolidated 2001 NZ$000
		CONTINUING OPERATIONS		
		Capital expenditure commitments at 31 March		
		Within one year	9,251	1,259
		Total	9,251	1,259
		Lease commitments under non-cancellable operating leases:		
		Within one year	2,332	1,825
		Between one and two years	1,530	1,090
		Between two and three years	835	200
		Between three and four years	384	192
		Between four and five years	375	175
		Over five years	246	-

Operating lease commitments relate mainly to occupancy leasing of buildings.

PARENT 2001 NZ$000	PARENT 2002 NZ$000		CONSOLIDATED 2002 NZ$000	CONSOLIDATED 2001 NZ$000
NOTE 21 CONTINUED		**COMMITMENTS**		
		DISCONTINUED OPERATIONS		
		Capital expenditure commitments at 31 March		
		Within one year	-	4,322
		Total	-	4,322
		Lease commitments under non-cancellable operating leases:		
		Within one year	-	8,054
		Between one and two years	-	7,008
		Between two and three years	-	5,574
		Between three and four years	-	5,373
		Between four and five years	-	4,890
		Over five years	-	17,293

NOTE 22 **CURRENCY**

For the purpose of translating assets and liabilities denominated in foreign currencies the following currency conversion rates have been applied at 31 March:

		CONSOLIDATED 2002	2001	2000
NZ$1.00 =	USD	0.441	0.403	0.496
	AUD	0.829	0.828	0.819
	GBP	0.309	0.285	0.311
	EUR	0.505	0.461	0.517

NOTE 23 **RELATED PARTY TRANSACTIONS**

During the year the Group has not entered into any material contracts, other than the reorganisation noted below, involving related parties or directors' interests.

In connection with the reorganisation, on 23 August 2001 Fisher & Paykel Healthcare Corporation Limited (FPH) entered into a separation arrangement agreement with Fisher & Paykel Appliances Holdings Limited (FPA), which would own slightly less than 20% of the ordinary shares of FPH following the reorganisation. The separation arrangement agreement provided, among other things, that:

(a) any asset or liability held by FPH after the effective date of the reorganisation that is properly attributable to FPA, other than the borrowings FPH agreed to assume as part of the reorganisation or any asset or liability held by FPA or its subsidiaries that is properly attributable to FPH, is to be transferred and assigned or novated to FPA or FPH, as the case may be. Until the transfer and assignment or novation occurs, the asset or liability is to be held on behalf of, and with the appropriate accountability to and indemnification from, FPA or FPH, as appropriate;

(b) assets or liabilities for which no proper attribution can be determined will be attributed to each of FPA and FPH pro rata, in proportion to the respective values attributed to FPA and FPH as of the date of the separation arrangement agreement, unless each agree to a different allocation;

(c) FPH and FPA have agreed to ongoing sharing and co-operation arrangements concerning matters including the use of the name "Fisher & Paykel", land owned by FPH to which FPA requires limited access, joint procurement, including product liability insurance arrangements, the sharing of technological developments in prescribed circumstances, the use of domain names "fisherpaykel.com" and "fisher&paykel.com", FPH continuing to administer loans under existing employee share schemes, two patents owned by FPA that FPH may use in its business, the retention of records and access to corporate information;

(d) FPH and FPA will use best endeavours to distinguish the respective businesses from each other; and

(e) FPH will indemnify FPA and its subsidiaries for all losses, damages, liabilities, claims, costs and expenses that may be incurred by it and any of its subsidiaries after the effective date of the reorganisation relating to the healthcare business as carried on by Fisher & Paykel Industries prior to the effective date of the reorganisation and by FPH after the effective date of the reorganisation, and FPA will similarly indemnify FPH and its subsidiaries in relation to the operation of the appliances and finance businesses.

Any claims made against FPH that are properly attributable, in accordance with the separation arrangement agreement, to either the appliances or finance business would require FPH to exercise its rights under the separation arrangement agreement to obtain payment or indemnification from FPA. FPH is exposed to the risk that, in these circumstances, FPA cannot, or will not, make the required payment or indemnify FPH.

NOTE 24 **FINANCIAL INSTRUMENTS**

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. The Company enters into foreign currency option contracts, and forward foreign currency contracts in managing its foreign exchange risk.

The purpose of the Company's foreign currency hedging activities is to protect the Company from exchange rate volatility with respect to functional currency (NZ Dollars) net cash movements resulting from the sales of products to foreign customers, and the purchase of raw materials in foreign currency from foreign and domestic suppliers. The Company enters into foreign currency option contracts and forward foreign currency contracts to hedge anticipated New Zealand based net sales/costs denominated principally in US Dollars, the Euro, the British Pound, and Australian Dollars.

The terms of the foreign currency option contracts and forward currency contracts generally do not exceed three years.

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

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

NOTE 24 CONTINUED **FINANCIAL INSTRUMENTS**

MANAGEMENT POLICIES CONTINUED

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

Management of foreign currency and interest rate risk is regularly reported to the Board of Directors.

FAIR VALUE

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

	2002 CARRYING AMOUNT NZ$000	2002 FAIR VALUE NZ$000	2001 CARRYING AMOUNT NZ$000	2001 FAIR VALUE NZ$000
CONTINUING OPERATIONS				
Cash at bank	73,310	73,310	5,174	5,174
Debtors	33,639	33,639	32,869	32,869
Advances under employee share ownership plans	6,152	5,371	11,301	9,716
Call borrowings and bank overdrafts	(1,267)	(1,267)	(1,367)	(1,367)
Term borrowings	(7,707)	(7,707)	(8,922)	(8,922)
Creditors	(17,237)	(17,237)	(15,847)	(15,847)
Foreign currency forward exchange contracts	2,914	2,914	(1,978)	(1,978)
Foreign currency option agreements	(12,369)	(12,369)	(42,373)	(42,373)
Interest rate swaps				
DISCONTINUED OPERATIONS				
Cash at bank	-	-	2,081	2,081
Debtors	-	-	83,336	83,336
Advances under employee share ownership plans				
Call borrowings and bank overdrafts	-	-	(4,602)	(4,602)
Term borrowings	-	-	(115,040)	(114,678)
Creditors	-	-	(45,348)	(45,348)
Foreign currency forward exchange contracts	-	-	(1,616)	(1,616)
Foreign currency option agreements	-	-	(18,252)	(18,252)
Interest rate swaps	-	-	-	(2,097)
TOTAL OPERATIONS				
Cash at bank	73,310	73,310	7,255	7,255
Debtors	33,639	33,639	116,205	116,205
Advances under employee share ownership plans	6,152	5,371	11,301	9,716
Call borrowings and bank overdrafts	(1,267)	(1,267)	(5,969)	(5,969)
Term borrowings	(7,707)	(7,707)	(123,962)	(123,600)
Creditors	(17,237)	(17,237)	(61,195)	(61,195)
Foreign currency forward exchange contracts	2,914	2,914	(3,594)	(3,594)
Foreign currency option agreements	(12,369)	(12,369)	(60,625)	(60,625)
Interest rate swaps	-	-	-	(2,097)

NOTE 24 CONTINUED **FINANCIAL INSTRUMENTS**

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

	2002 CARRYING AMOUNT NZ$000	2002 FAIR VALUE NZ$000	2001 CARRYING AMOUNT NZ$000	2001 FAIR VALUE NZ$000
Cash at bank	68,735	68,735	39	39
Intergroup advances	24,714	24,714	207,939	207,939
Advances under employee share ownership plans	6,152	5,371	11,301	9,716
Creditors	(849)	(849)	(93)	(93)

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 rates and period to maturity.

TERM BORROWINGS

Fair value 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.

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

	2002 NZ$000	2001 NZ$000
CONTINUING OPERATIONS		
Sale commitments forward exchange contracts	85,655	22,015
Put option agreements purchased	233,455	44,728
Call option agreements sold	90,069	142,579
DISCONTINUED OPERATIONS		
Purchase commitments forward exchange contracts	-	5,580
Sale commitments forward exchange contracts	-	6,783
Put option agreements purchased	-	105,058
Call option agreements sold	-	424,576
TOTAL OPERATIONS		
Purchase commitments forward exchange contracts	-	5,580
Sale commitments forward exchange contracts	85,655	28,798
Put option agreements purchased	233,455	149,786
Call option agreements sold	90,069	567,155

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.

NOTE 24 CONTINUED **FINANCIAL INSTRUMENTS**

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

	2002 NZ$000	2001 NZ$000
CONTINUING OPERATIONS		
Interest rate swaps		
DISCONTINUED OPERATIONS		
Interest rate swaps	-	90,386
TOTAL OPERATIONS		
Interest rate swaps	-	90,386

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 have been the following proportion of the Group's continuing operations revenue: 2002 29.1% (2001 30.5%, 2000 31.0%).

RECEIVABLE CONCENTRATION

The five largest customers have been the following proportion of the Group's debtors: 2002 29.2% (2001 35.1%, 2000 34.2%).

NOTE 25 **EMPLOYEE REMUNERATION**

Fisher & Paykel Healthcare 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 Healthcare Corporation Limited, received remuneration and the value of other benefits that exceeded NZ$100,000 as follows:

CONTINUING OPERATIONS

REMUNERATION $ $	NUMBER OF EMPLOYEES 2002	2001	REMUNERATION $ $	NUMBER OF EMPLOYEES 2002	2001
100,000 - 110,000	6	7	260,001 - 270,000	1	1
110,001 - 120,000	11	13	270,001 - 280,000	2	1
120,001 - 130,000	6	3	280,001 - 290,000	3	-
130,001 - 140,000	6	5	290,001 - 300,000	1	1
140,001 - 150,000	10	-	310,001 - 320,000	1	-
150,001 - 160,000	4	1	320,001 - 330,000	-	-
160,001 - 170,000	5	1	330,001 - 340,000	-	-
170,001 - 180,000	3	2	340,001 - 350,000	2	-
180,001 - 190,000	1	8	350,001 - 360,000	1	1
190,001 - 200,000	3	10	370,001 - 380,000	-	-
200,001 - 210,000	4	5	400,001 - 410,000	-	-
210,001 - 220,000	2	6	430,001 - 440,000	-	1
220,001 - 230,000	3	4	460,001 - 470,000	-	-
230,001 - 240,000	8	3	550,001 - 560,000	1	-
240,001 - 250,000	6	1	640,001 - 650,000	-	-
250,001 - 260,000	5	-	660,001 - 670,000	-	-

NOTE 25 CONTINUED **EMPLOYEE REMUNERATION**

DISCONTINUED OPERATIONS

REMUNERATION $ $	NUMBER OF EMPLOYEES 2002	2001	REMUNERATION $ $	NUMBER OF EMPLOYEES 2002	2001
100,000 - 110,000	6	28	260,001 - 270,000	1	1
110,001 - 120,000	2	26	270,001 - 280,000	-	-
120,001 - 130,000	5	14	280,001 - 290,000	-	2
130,001 - 140,000	7	10	290,001 - 300,000	-	-
140,001 - 150,000	4	10	310,001 - 320,000	-	1
150,001 - 160,000	4	8	320,001 - 330,000	-	2
160,001 - 170,000	4	10	330,001 - 340,000	-	1
170,001 - 180,000	4	5	340,001 - 350,000	-	-
180,001 - 190,000	2	5	350,001 - 360,000	-	1
190,001 - 200,000	1	3	370,001 - 380,000	-	1
200,001 - 210,000	1	3	400,001 - 410,000	-	1
210,001 - 220,000	2	8	430,001 - 440,000	-	-
220,001 - 230,000	-	2	460,001 - 470,000	-	1
230,001 - 240,000	3	3	550,001 - 560,000	-	-
240,001 - 250,000	-	3	640,001 - 650,000	1	-
250,001 - 260,000	-	1	660,001 - 670,000	-	1

TOTAL OPERATIONS

REMUNERATION $ $	NUMBER OF EMPLOYEES 2002	2001	REMUNERATION $ $	NUMBER OF EMPLOYEES 2002	2001
100,000 - 110,000	12	35	260,001 - 270,000	2	2
110,001 - 120,000	13	39	270,001 - 280,000	2	1
120,001 - 130,000	11	17	280,001 - 290,000	3	2
130,001 - 140,000	13	15	290,001 - 300,000	1	1
140,001 - 150,000	14	10	310,001 - 320,000	1	1
150,001 - 160,000	8	9	320,001 - 330,000	-	2
160,001 - 170,000	9	11	330,001 - 340,000	-	1
170,001 - 180,000	7	7	340,001 - 350,000	2	-
180,001 - 190,000	3	13	350,001 - 360,000	1	2
190,001 - 200,000	4	13	370,001 - 380,000	-	1
200,001 - 210,000	5	8	400,001 - 410,000	-	1
210,001 - 220,000	4	14	430,001 - 440,000	-	1
220,001 - 230,000	3	6	460,001 - 470,000	-	1
230,001 - 240,000	11	6	550,001 - 560,000	1	-
240,001 - 250,000	6	4	640,001 - 650,000	1	-
250,001 - 260,000	5	1	660,001 - 670,000	-	1